

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

FORM 20-F

- (Mark One)
- REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR 12(G) OF THE SECURITIES EXCHANGE ACT OF 1934
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended February 28, 2021.
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
- 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: 001-38264

Four Seasons Education (Cayman) Inc.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

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(Address of principal executive offices)

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At the address of the Company set forth above
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares, each two representing one ordinary share, par value US\$0.0001 per share*	FEDU	New York Stock Exchange

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

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

None

(Title of Class)

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

None

(Title of Class)

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

23,131,195 ordinary shares, par value US\$0.0001 per share, as of February 28, 2021

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 definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

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

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

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

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

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

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

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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

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INTRODUCTION

Unless otherwise indicated and except where the context otherwise requires:

- “Four Seasons,” “we,” “us,” “our company” and “our” refer to Four Seasons Education (Cayman) Inc., a Cayman Islands exempted company, and its subsidiaries, its VIE and its VIE’s affiliated entities;
- “shares” or “ordinary shares” refer to our ordinary shares, par value US\$0.0001 per share;
- “variable interest entity” or “VIE” refers to Shanghai Four Seasons Education and Training Co., Ltd., which is a PRC company in which we do not have equity interests but whose financial results has been consolidated into our consolidated financial statements in accordance with U.S. GAAP as we have effective control over, and is the primary beneficiary of this company; and “affiliated entities” refer to our VIE, the VIE’s branches and direct and indirect subsidiaries, and the VIE’s affiliated entities that registered as private non-enterprise institutions under the PRC laws;
- “gross billings” refer to the total amount of cash received for the sale of courses in a specific period, net of the total amount of refunds in such period but inclusive of sales tax and value-added tax, or VAT;
- “K-12” refers to the three years before the first grade through the last year of high school;
- “student enrollment” refers to the cumulative total number of courses enrolled in and paid for by our students during a certain period, including multiple courses enrolled in and paid for by the same student;
- “learning center” refers to the physical establishment of an education facility at a specific geographic location, directly owned and operated by one of our VIE or their affiliated entities;
- “the 2019 fiscal year” refers to the fiscal year ended February 28, 2019, “the 2020 fiscal year” refers to the fiscal year ended February 29, 2020 and “the 2021 fiscal year” refers to the fiscal year ended February 28, 2021;
- “ADSs” refer to our American depositary shares, each two of which represents one ordinary share;
- “China” or “PRC” refers to the People’s Republic of China, excluding, for the purpose of this annual report only, Taiwan, Hong Kong, and Macau;
- “RMB” and “Renminbi” refers to the legal currency of China; and
- “US\$,” “U.S. dollars,” “\$” and “dollars” refer to the legal currency of the United States.

All 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 balance sheets as of February 29 or 28, 2020 and 2021 and our audited consolidated statements of operations, statements of comprehensive income (loss), statements of cash flows and statements of changes in shareholders’ equity for the years ended February 28 or 29, 2019, 2020 and 2021.

Our reporting currency is the Renminbi (“RMB”). The functional currency of our Company and subsidiaries incorporated outside the mainland China is the United States dollar (“U.S. Dollar” or “US\$”). The functional currency of all the other subsidiaries and our VIE is RMB. This annual report contains translations of certain Renminbi amounts into U.S. Dollars for the convenience of the reader. Unless otherwise stated, all translations of Renminbi into U.S. Dollars have been made at the rate of RMB6.4730 to US\$1.00, being the noon buying rate in The City of New York for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York in effect as of February 26, 2021 set forth in the H.10 statistical release of the U.S. Federal Reserve Board for translation into U.S. Dollars. We make no representation that the Renminbi or U.S. Dollar amounts referred to in this annual report could have been or could be converted into U.S. Dollars or Renminbi, as the case may be, at any particular rate or at all.

We listed our ADSs on the NYSE under the symbol “FEDU” on November 8, 2017.

FORWARD LOOKING STATEMENTS

This annual report contains forward-looking statements that involve risks and uncertainties. All statements other than statements of current or historical facts are forward-looking statements. These forward-looking statements are made under the “safe harbor” provision under Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors, including those listed under “Item 3. Key Information—D. Risk Factors,” that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

In some cases, you can identify these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “likely to” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include statements about:

- our goals and strategies;
- our ability to maintain and increase our student enrollment;
- our ability to continue to offer new and attractive courses and increase our course fees;
- our ability to retain our teachers, as well as our ability to engage and train new teachers;
- expected market demand for our learning centers;
- our future business development, financial condition and results of operations;
- expected changes in our revenues, costs or expenditures;
- growth of and trends of competition in our industry;
- the expected growth and competition of the K-12 after-school education service market in the PRC;
- the expected growth of private education in the PRC;
- our expectation regarding the use of proceeds from our initial public offering;
- government policies and regulations relating to our industry; and
- general economic and business conditions in the PRC.

You should read this annual report and the documents that we refer to in this annual report with the understanding that our actual future results may be materially different from and worse than what we expect. Other sections of this annual report include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors 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.

You should not rely upon forward-looking statements as predictions of future events. 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 any forward-looking statements, whether as a result of new information, future events or otherwise.

This annual report also contains statistical data and estimates that we obtained from industry publications and reports generated by government or third-party providers of market intelligence. Statistical data in these publications also include projections based on a number of assumptions. If 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.

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

The following selected consolidated statements of operations data for the years ended February 28 or 29, 2019, 2020 and 2021 and selected consolidated balance sheet data as of February 28 or 29, 2020 and 2021 have been derived from our audited consolidated financial statements included elsewhere in this annual report. Our selected consolidated statements of operations data for the years ended February 28, 2017 and 2018 and our consolidated balance sheet data as of February 28, 2017, 2018 and 2019 have been derived from our audited consolidated financial statements, which are not included in this annual report. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and the related notes and the “Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report. Our historical results are not necessarily indicative of results expected for future periods.

	For the Year Ended February 28 or 29					
	2017	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	RMB	US\$
(in thousands, except for share and per share data)						
Selected Consolidated Statements of Operations and Comprehensive Income (Loss) Data:						
Revenue	203,188	300,533	335,643	389,049	280,282	43,300
Cost of revenue	(85,349)	(109,444)	(171,822)	(200,933)	(168,832)	(26,082)
Gross profit	117,839	191,089	163,821	188,116	111,450	17,218
Operating expenses						
General and administrative expenses	(42,071)	(92,932)	(128,349)	(139,370)	(116,972)	(18,071)
Sales and marketing expenses	(12,563)	(36,565)	(33,783)	(34,367)	(30,953)	(4,782)
Impairment loss on intangible assets and goodwill	—	—	(557)	(145,416)	—	—
Operating income (loss)	63,205	61,592	1,132	(131,037)	(36,475)	(5,635)
Subsidy income	579	2,432	4,150	9,572	11,898	1,838
Interest income, net	3,037	5,546	6,756	5,229	3,403	526
Other income (expenses), net	(1,089)	(1,302)	(3,311)	11,080	1,900	294
Fair value change of warrants	(28,473)	—	—	—	—	—
Income(loss) before income taxes and loss from equity method investments	37,259	68,268	8,727	(105,156)	(19,274)	(2,977)
Income tax expense	(19,804)	(26,424)	(10,116)	(4,189)	(4,760)	(735)
Loss from equity method investments	(116)	—	(81)	(224)	(3,852)	(595)
Net income (loss)	17,339	41,844	(1,470)	(109,569)	(27,886)	(4,307)
Net (loss) attributable to non-controlling interests	(327)	(2,529)	(869)	(76)	310	48
Net income (loss) attributable to Four Seasons Education (Cayman) Inc.	17,666	44,373	(601)	(109,493)	(28,196)	(4,355)
Net income (loss) per ordinary share:						
Basic	0.97	2.15	(0.02)	(4.63)	(1.22)	(0.19)
Diluted	0.94	1.98	(0.02)	(4.63)	(1.22)	(0.19)
Weighted average shares used in calculating net income (loss) per ordinary share:						
Basic	14,000,000	17,057,056	24,053,492	23,668,916	23,131,195	23,131,195
Diluted	14,470,129	18,524,644	24,053,492	23,668,916	23,131,195	23,131,195
Net income (loss)	17,339	41,844	(1,470)	(109,569)	(27,886)	(4,307)
Foreign currency translation adjustments	4,434	(34,771)	29,916	24,484	(39,380)	(6,084)
Comprehensive income (loss)	21,773	7,073	28,446	(85,085)	(67,266)	(10,391)
Less: Comprehensive (loss) income attributable to non-controlling interests	(327)	(2,529)	(869)	(76)	310	48
Comprehensive income (loss) attributable to Four Seasons Education (Cayman) Inc.	22,100	9,602	29,315	(85,009)	(67,576)	(10,439)

	2017	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	RMB	US\$
Selected Consolidated Balance Sheet Data(1):						
Cash and cash equivalents	230,968	583,424	439,580	404,652	378,358	58,452
Total current assets	282,618	595,025	495,742	616,218	516,842	79,846
Total assets	296,126	792,282	932,054	1,037,616	967,193	149,420
Total current liabilities	124,683	134,334	164,220	213,018	226,988	35,067
Total liabilities	124,683	134,334	175,123	362,664	320,805	49,561
Total equity	7,636	657,948	756,931	674,952	646,388	99,859

- (1) On March 1, 2019, we adopted Topic 842 on accounting for leases using the modified retrospective transition approach. The adoption has a material impact on the consolidated balance sheet for the year ended February 28 or 29, 2020 and 2021, without adjusting the comparative periods presented.

Non-GAAP Measures

We use adjusted net income (loss), a non-GAAP financial measure, in the evaluation of our operating results and in our financial and operational decision-making.

Adjusted net income (loss) represents net income (loss) before the impact of (i) share-based compensation expenses; (ii) fair value change of investments, excluding foreign currency translation adjustment and (iii) impairment loss on intangible assets and goodwill (net of tax effect). We believe that adjusted net income (loss) helps us identify underlying trends in our business that could otherwise be distorted by the effect of certain expenses that we include in net income (loss).

Adjusted net income (loss) should not be considered in isolation or construed as an alternative to net income (loss) or any other measure of performance or as an indicator of our operating performance. Investors are encouraged to compare the historical non-GAAP financial measures with the most directly comparable GAAP measures. Adjusted net income (loss) presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

The table below sets forth a reconciliation of our net income (loss) to adjusted net income (loss) for the periods indicated:

	For the Year Ended February 28 or 29			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net loss	(1,470)	(109,569)	(27,886)	(4,307)
Add: share-based compensation expenses (net of tax effect of nil)	32,247	30,859	27,513	4,250
Add: fair value change of investments, excluding foreign currency translation adjustment (net of tax effect of nil)	4,783	(11,134)	(2,148)	(332)
Add: impairment loss on intangible assets and goodwill (net of tax effect 7,701 and nil as of February 29, 2020 and February 28, 2021, respectively)	557	137,715	—	—
Adjusted net income (loss) (non-GAAP)	36,117	47,871	(2,521)	(389)

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to Our Business

If we are unable to continue to attract students to enroll in our education programs, our business and prospects will be materially and adversely affected.

The success of our business depends primarily on the number of students enrolled in our education programs. Therefore, our ability to continue to attract students and increase our student enrollment is critical to the continued success and growth of our business. This ability in turn depends on several factors, including our ability to develop new programs and courses and enhance our existing ones to respond to changes in market trends and student demand, expand our geographic reach, manage our growth while maintaining consistent and high teaching quality, effectively market our programs to a broader base of prospective students, develop additional high quality educational content and respond effectively to competitive pressure. If we are unable to continue to attract students to enroll in our programs, our revenue may decline, which may have a material adverse effect on our business prospects, financial condition and results of operations. Since the COVID-19 outbreak in China starting from late 2019, the enrollment of students in our programs has been materially and adversely affected due to the temporary closure of our schools and learning centers as mandatorily required by the PRC government. Although we have made great efforts to swiftly switch our offline operating model to online covering courses of all academic subjects during the temporary closure, and are currently using online courses as a supplement to our offline programs, we cannot guarantee that our online courses can satisfy all our students or attract new students, nor be as effective as our offline courses. See “—The global COVID-19 outbreak has had a significant impact on our business, which may materially and adversely affect our operating results and financial condition.”

Students and their parents may decide not to continue to enroll in our programs for a number of reasons, including a perceived lack of improvement in students’ academic performance or general dissatisfaction with our programs, which may adversely affect our business, financial condition, results of operations and reputation.

The success of our business depends in large part on our ability to retain our students and their parents by delivering a satisfactory learning experience and improving their academic performance. Our services may fail to improve a student’s performance and a student may perform below expectations after completing our programs. Our ability to improve the academic performance of our students is largely dependent upon the ability, efforts and time commitment of each student, which are beyond our control. Additionally, our programs may not be able to meet the expectations of our students and their parents or satisfy all of their needs. Satisfaction with our services may be affected by a number of factors, many of which may not relate to the effectiveness of our course curriculum and content. A student’s learning experience may also suffer if his or her relationship with our teachers does not meet expectations. If students or parents feel that we are not providing them the experience they are seeking, they may choose to withdraw from and/or not to renew their existing programs. We generally offer refunds for remaining classes to students who decide to withdraw from a course. If an increasing number of students request refunds, our cash flow, revenue and results of operations may be adversely affected.

In addition, if a significant number of students fail to improve their performance after attending our programs or if their learning experiences with us are unsatisfactory, they may decide not to continue to enroll in our programs or refer other students to us. 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.

Certain of our learning centers do not possess the required educational permits and business licenses, 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.

Under current PRC laws and regulations, schools are subject to a number of licensing requirements from different governmental authorities. As of the date of this annual report, four of our 50 fully operational learning centers did not possess the educational permit or business license that they require, representing 5.4% of our revenue in the 2021 fiscal year. We are currently in the process of obtaining educational permits and business licenses required in order to qualify for educational permits or a business licenses for all of such learning centers. See “Item 4. Information on the Company — B. Business Overview — Regulations” for further details on the licensing requirements applicable to our learning centers.

Under the amended Private Education Law, schools that will operate for profit must obtain an educational permit before obtaining a business license. In addition, fire safety regulations and other relevant regulations require each learning center to obtain a fire safety permit before applying for an educational permit. See “—We cannot assure all of our learning center are in compliance with fire safety regulations.” If we are unable to obtain a fire safety permit or an educational permit in a timely manner, we will be unable to obtain a business license for our currently unlicensed learning centers. In addition, if we do not obtain all of the 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 operations at our noncompliant learning centers, which could materially and adversely affect our business and results of operations.

On June 1, 2017, the Shanghai People’s Political Consultative Conference Committee discussed a proposal with the Shanghai Municipal Education Commission and Shanghai Administration for Industry and Commerce regarding after-school education services. The government authorities reportedly agreed to carry out inspections of schools providing after-school education services in Shanghai. It was reported that they would first investigate schools without permits or licenses, then focus on other noncompliant schools. Schools without the required permits or licenses will have to stop recruiting new students and will only be allowed to complete their contracts with existing students. According to media reports, the Education Bureau of Xuhui District in Shanghai issued administrative notices to at least six after-school education service providers. As of the date of this annual report, we have not been contacted by the authorities or subjected to inspections.

The global COVID-19 outbreak has had a significant impact on our business, which may materially and adversely affect our operating results and financial condition.

Since late 2019, there has been an outbreak of COVID-19 in China and other countries. On March 11, 2020, the World Health Organization declared the outbreak a global pandemic. Many businesses and social activities in China and other countries and regions have been severely disrupted, including those of our business partners, customers and employees. This global outbreak has also caused volatilities in and damage to the global financial markets. Such disruption and the potential slowdown of the world’s economy in 2021 and beyond could have a material adverse effect on our results of operations and financial condition.

The COVID-19 pandemic has created unique industry-wide challenges. In particular, the Chinese government took a number of actions in order to contain the spread of COVID-19, including mandatory quarantine requirements, shutdown of schools, travel restrictions, prohibition of public gatherings and postponed resumption of business operations. In such unusual circumstances, our offline business has been significantly affected due to the temporary closure of our schools and learning centers as mandatorily required by the PRC government. Although we have made great efforts to swiftly switch our offline operating model to online covering courses of all academic subjects during the temporary closure, and are currently using online courses as a supplement to our offline programs, we cannot guarantee that our online courses can satisfy all our students or attract new students, nor be as effective as our offline courses.

In addition, we have taken a series of measures in response to the outbreak to protect our employees, students and teachers in reopened learning centers, including, among others, temporary closure of our offices, remote working arrangements and procurement of masks, hand sanitizers and other protective equipment for our employees, which reduced the capacity and efficiency of our operations and increased our operating expenses. Our business operation could also be disrupted if any of our employees are suspected of having contracted COVID-19, since it could require our employees to be quarantined or our offices to be closed down and disinfected. All of these would have a material adverse effect on our results of operations and financial condition in the near terms. Additionally, if the outbreak persists or escalates, we may be subject to further negative impact on our business operations or financial condition.

Many of the quarantine measures within China have since been relaxed as of the date of this annual report, and we have switched our business operating model back to offline, as supplemented by certain online courses. However, relaxation of restrictions on economic and social activities may lead to new cases. There has been occasional outbreaks of COVID-19 in various cities in China, and the Chinese government may again take measures to keep COVID-19 in check. In addition, the longer-term trajectory of COVID-19, both in terms of scope and intensity of the pandemic in China, together with its impact on the industry and the broader economy are still difficult to assess or predict and face significant uncertainties that will be difficult to quantify. If there is not a material recovery in the COVID-19 situation, or the situation further deteriorates in China, our business, results of operations and financial condition could be materially and adversely affected.

Some of our schools are restricted in their ability to distribute profits to their sponsors. The service arrangements between Shanghai Fuxi and our private schools may be regarded as circumventing this restriction.

According to the Private Education Law, prior to its amendment on November 7, 2016, the sponsor of a private school may elect to require reasonable returns. A sponsor that requires reasonable returns can receive dividends after deducting relevant payments to statutory reserves, and a sponsor that does not require reasonable returns cannot receive dividends from the private school. The amended law abolished such distinction. According to the amended Private Education Law, private schools can be established as non-profit or for-profit entities. Sponsors of for-profit schools may obtain operating profits, while sponsors of non-profit schools may not. Existing private schools must re-register as either non-profit school or for-profit schools. However, the amended Private Education Law remains silent on the specific measures for the re-registration process, which, according to the amended law, will be regulated by the corresponding laws and regulations promulgated by local authorities. As of the date of this annual report, no such local regulations have been promulgated.

Currently we have ten schools that have entered into service agreements with Shanghai Fuxi Information Technology Service Co., Ltd., or Shanghai Fuxi. The sponsor of one of these schools has elected to require reasonable returns, while the sponsors of the other schools have not. According to the relevant service agreements between these ten schools and Shanghai Fuxi, a significant portion of any profits earned by these schools will be paid to Shanghai Fuxi as service fees. As advised by Fangda Partners, our PRC counsel, our right to receive the service fees from our schools 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, and therefore does not contravene any PRC laws and regulations. However, if the relevant PRC government authorities take a different view, for example, if the local authorities view some of these schools as non-profit schools and such service fees as “operating profits” taken by the sponsors, the authorities may find these private schools and their respective sponsors in violation of PRC laws and regulations. The authorities may seek to confiscate any or all of the service fees that have been paid by these schools to Shanghai Fuxi, or even revoke the educational permits of these schools, which may materially and adversely affect our business and financial results.

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

We have grown steadily in the past few years, expanding our network from 10 learning centers in Shanghai as of February 28, 2015 to 50 learning centers in 11 cities in China as of February 28, 2021. We will continue to further establish our presence in existing markets, expand our operations into new markets and make efforts to increase the utilization rates of both our existing and new learning centers. However, we may not succeed in executing our growth strategies or 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 fail to identify new cities and areas with sufficient growth potential to expand our network;
- it may be difficult to increase the number of learning centers in more developed cities or areas, such as Shanghai;
- we may fail to effectively market our programs in new markets or promote our programs in existing markets;
- we may not be able to replicate our successful growth model in Shanghai in other geographic markets;
- our analysis for selecting suitable new locations may not be accurate and the demand for our services at such new locations may not materialize or increase as rapidly as we expect;
- we may fail to obtain the requisite licenses and permits from local authorities necessary to open learning centers at our desired locations;
- we may be unable to continue to develop or refine our curriculum and course content and improve our students' academic performance;
- we may be unable to successfully execute new growth strategies;
- we may be unable to successfully cooperate with our local business partners or integrate acquired businesses with our current service offerings and achieve anticipated synergies; and
- we may fail to achieve the benefits we expect from our expansion.

These risks may increase significantly when we expand into new cities. Establishing new learning centers and managing the growth of a geographically diverse business also involves significant risks and challenges and requires us to make investments in management, capital expenditures, marketing and other resources. We may find it difficult to manage financial resources, implement a consistent service standard 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.

Implementation of the new laws and regulations in the PRC may adversely affect our business operations.

The principal regulations governing private education in China consist of the Education Law of the PRC, the Private Education Law, and the Implementation Rules for the Private Education Law. Before the amended Private Education Law came into force on September 1, 2017, no organization or individual may establish or operate a private school, which is broadly defined as schools or other educational organizations established by social organizations or individuals using non-governmental funds for commercial purposes, except for "reasonable returns." These PRC laws and regulations also provide that, to establish a private school, one shall first apply with the relevant authorities in charge of education or labor and social welfare, as applicable, for a private school operating permit, and shall then register the private school with the Ministry of Civil Affairs or its local counterparts as a private non-enterprise institution after successfully obtaining a private school operating permit. These PRC laws and regulations on private education generally apply to the establishment and operation of all learning centers, except for the commercial private training institutions registered with the State Administration for Industry and Commerce and its local counterparts. In certain pilot areas such as Shanghai, establishing a commercial training institution requires filing applications with the local counterparts of State Administration for Industry and Commerce in Shanghai for business registration. The relevant local counterparts of State Administration for Industry

and Commerce in Shanghai checks the applicants' compliance records with the local authorities in charge of education or human resources and social welfare as it reviews such applications. On the other hand, in Jiangxi, Anhui, Jiangsu, Fujian, Zhejiang provinces and Shenzhen, Chongqing City, after-school learning centers shall be established and registered as private schools and to obtain private school operating permits and complete the private non-enterprise institutions registration process following the local regulations. See "Item 4. Information on the company — B. Business Overview — Regulations — Regulations Relating to Private Education" and "Item 4. Information on the Company — B. Business Overview — Regulations — Local Regulations Relating to Commercial Private School."

The Standing Committee of the National People's Congress amended the Private Education Law on November 7, 2016 and December 29, 2018, and the amended Private Education Law became effective on December 29, 2018. According to the amended Private Education Law, private schools for after school tutoring can be established as for-profit private schools or non-profit private schools at the election of the school sponsors. In addition, if a school established before the promulgation of the amended Private Education Law took on September 1, 2017 chooses to become for-profit, it needs to first assess its assets, identify property ownership, pay relevant taxes and duties and then re-apply for registration before such school can continue with its operations. See "Item 4. Information on the company — B. Business Overview — Regulations — Regulations Relating to Private Education." We expect that the amended Private Education Law, accompanied with its relevant implementation rules and regulations may 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.

The State Council promulgated the amended Implementation Rules for the Private Education Law on April 7, 2021, or the Amended Implementation Regulations of Private Education Law, which will become effective on September 1, 2021. The Amended Implementation Regulations of Private Education Law requires that a private school engaging in online education activities using internet technology obtain a private school operating permit. However, this new law does not specify the requirements that an online tutoring service provider like us need to satisfy in order to obtain a private school operating permit, nor does it specify which level of government authority has the authority to accept and examine our application for the private school operating permit. The Amended Implementation Regulations of Private Education Law further stipulates that private schools using internet technology to provide online educational courses establish and implement internet security management systems and technical measures for security protection. According to the amendment and relevant rules of the Implementing Rules for the Private Education Law:

- A non-profit private school shall use the accounts filed with the competent authorities for charging fees and financial transactions, and a for-profit private school shall deposit the income into a settlement account of its own.
- Private Schools providing compulsory education shall not trade with related parties, and other private schools shall be transparent, just and fair when carrying out transactions with related parties and shall establish information disclosure mechanism for such related party transactions, the government authority, shall strengthen the supervision of the agreements between non-profit private schools and their related parties, and review the related transactions annually.
- The organizer has the obligation to make capital contributions on time and in full to set up a private school and shall not withdraw their capital contributions or misappropriate the funds for running the schools. A private school and its organizers shall not withdraw their capital contributions or misappropriate the funds for running the schools. The organizers may, in accordance with the law, raise funds for the establishment of for-profit non-governmental schools, and the funds raised shall mainly be used for running such schools, and shall perform the obligation of information disclosure. A private school and its organizer shall not collect or in disguise collect sponsorship fees relating to admission from the students or their parents.

- Social organization or individuals are prohibited from controlling any private schools providing compulsory education or any non-profit private schools providing preschool education by way of mergers, acquisitions, or controlling contracts, among other things.

As the full impact of the release and implementation of the Revised Implementation Rules on our operations cannot be fully determined at this time, which may have a material and adverse effect on our operating results and financial condition.

In August 2018, the State Council issued its new opinion on the Regulation of the Development of Extracurricular Training Institutions, or the New Opinion, which primarily regulates extracurricular training institutions targeting K-12 students. The New Opinion provides certain detailed requirements for extracurricular training institutions, including, among others, requirements for licenses and permits, training premises, safety conditions, fee collection, teaching staff and curriculum content. In October 2018, the Ministry of Education launched a special supervision campaign on extracurricular training institutions and required the local competent authorities to investigate the training institutions within their jurisdictions and requested such institutions to rectify any non-compliant activities. In December, 2018, nine PRC governmental authorities, including the Ministry of Education, jointly promulgated the Notice on Measures for Alleviating the Burdens on K-12 Students, which reiterates the above requirements.

In November 2018, Ministry of Education, the SAIC and the Ministry of Emergency Management of China jointly promulgated the Notice of Several Work Mechanisms for Strengthening Special Administration and Rectification of Extracurricular Training Institutions, or the New Notice. According to the New Notice, training institutions without certificates and institutions violating other requirements of laws and regulations shall be banned, the business licenses shall be revoked, and legal representatives of these institutions shall be restricted from providing training for elementary and secondary school students. Besides, if the existing fire safety conditions of training institutions do not meet the requirements, training qualifications of these institutions shall be revoked.

In July 2019, the Ministry of Education, together with other five PRC authorities, jointly promulgated the Implementation Opinions on the Regulation of Extracurricular Online Training, which reinstates the filing requirement of extracurricular online training institution and provides that the education authorities at provincial level should review the application documents submitted by extracurricular online training institutions, approve the filing applications submitted by qualified training institutions, and disclose qualified training institutions to the public. The filing information include ICP filings, approvals and licenses, personal information protection system, network security protection measures, introduction of courses, education plans, basic information of teachers, teacher qualification certificates, etc. In case of any change of the filing information, the extracurricular online training institution shall make filing of such updated information. In February, 2019, Shanghai Municipal Education Commission, together with six other Shanghai authorities, jointly promulgated the Rules for Filings of Extracurricular Online Training in Shanghai (the “Rules”), which came into effect on April 1, 2020. According to the Rules, extracurricular online training institutions shall submit filing documents through Shanghai Training Institutions Online Management Platform, and institutions shall be added into “Whitelist”, “Greylist” or “Blacklist” depends on the accuracy and completeness of filing materials and whether institutions comply with relevant laws and regulations according to the filing materials. As of the date of this annual report, we have already fulfilled the filing process and we are in the process of applying the Value-added Telecommunications Business Operating License for certain internet information service, or ICP License.

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

The supervision of the field of after-school education has continued to increase since 2021. On June 1, 2021 the State Administration for Market Regulation announced a number of typical cases of false propaganda and price fraud in after-school training institutions and fined 13 out-of-school training institutions. As of the date of this annual report we have not been contacted by the authorities or penalized by the relevant authorities. On June 15, 2021, the Ministry of Education held a kick-off meeting to establish the Department of Out-of-School Education and

Training Supervision, and announce the Notice of the Central Editorial Office on the Adjustment of the Responsibilities and Establishment of the Ministry of Education, which has great significance to deepen the reform of after-school education. The main responsibilities of the Department of Out-of-School Education and Training Supervision are to undertake the management of after-school education for primary and secondary school students (including kindergarten children), to formulate policies for the standardized management of after-school education. The Department of Out-of-School Education and Training Supervision will set out standards for the content and duration of both online and offline training, the qualifications of tutors as well as charges together with related parties and deal with major problems related to after-school education. On June 16, 2021, the Department of Out-of-School Education and Training Supervision issued risk alert for after-school training fees. The impact of the establishment of the new department and such risk announcement on our business and prospects remains uncertain. If we fail to comply with any regulatory requirement, our business operations may be disrupted and we may be subject to various penalties or be unable to continue our operations, all of which will materially and adversely affect our business, financial condition and results of operations.

Our operations are heavily concentrated in Shanghai, and any event negatively affecting the after-school education market in Shanghai could have a material adverse effect on our overall business and results of operations.

We derived 87.6% of our gross billings in the fiscal year of 2021 from our operations in Shanghai and we expect our services in Shanghai to continue to generate the majority of our gross billings for the foreseeable future. The concentration of our business in Shanghai exposes us to geographical concentration risks related to this region or the learning centers located in this region. Any material adverse social, economic, regulatory or political development, any changes in the local education laws and regulations, or any natural disaster or epidemic affecting this region could negatively affect the demand for and/or our ability to provide after-school education services. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We have limited operating history with our middle school. Our newer programs may not be as attractive and profitable as our elementary school math programs.

We launched our middle school programs in 2017. As we plan to continue to expand our middle school, we may need to devote substantial resources to course design, marketing and teacher recruiting. However, our efforts to improve, expand, and promote our middle school programs may not be successful and we may not achieve comparable profitability to our elementary school programs, or at all. We also introduced other new courses and may introduce other new courses in the future, which may not achieve expected profitability, or at all.

Failure to adequately and promptly respond to changes in examination systems, admission standards, testing materials and technologies in Shanghai and the PRC could render our courses and services less attractive to students.

Under the PRC education system, school admissions rely heavily on entrance examination results. Students in most cases are required to take entrance exams for admission to high school, and their performance in those exams is critical to their educational career and future employment prospects. In addition, although exams are not required for entering middle schools, most middle schools still use entrance exam results as a key factor in evaluating students' academic performance and many schools administer their own assessment tests to evaluate prospective students. It is therefore common for students to take after-school classes to improve test performance, and the success of our business to a large extent depends on the continued use of entrance exam tests by schools in their admissions. However, such heavy emphasis on exam scores may decline or fall out of favor with educational institutions or education authorities in the PRC. For example, education authorities in Yunnan Province stopped administering provincial-level high school entrance examinations in 2010. Instead, high schools in Yunnan have started to admit students based on a combination of middle school examination results that have replaced raw scores with letter grades and comprehensive evaluations of students' aptitude and performance by their middle schools. Yunnan Province also prohibits private competitions in elementary and middle schools. Besides, education authorities in Jiangxi Province published the Suggestions on Implementation of Examination Enrollment System Reform in Senior High Schools (Trial) on April 4, 2018, which aims to adopt a new mode of admission for high schools based on a combination of middle school academic level test results and the comprehensive quality evaluation results around 2020. In November 2018, education authorities in Jiangsu Province prohibited compulsory education schools, including public schools and private schools with government public resources, from holding written examinations or interviews in any form related to admission. In March 2020, education authorities in Shanghai issued the Opinion on Implementation of Enrollment in Compulsory Education School in 2020. According to this opinion, compulsory education schools in Shanghai, including public schools and private schools, are

prohibited from admitting students on the basis of or with reference to students' performances in various examinations, competitions, training or certificates. If we fail to adjust our services to respond to any such material changes, our business may be materially and adversely affected. In addition, entrance exams and assessment tests at all grade levels in the PRC constantly undergo changes and development in terms of subject and skill focus, question type and format. A failure to track and respond to any such changes in a timely and cost-effective manner could make our courses and services less attractive to students, which may materially and adversely affect our reputation and ability to continue to attract students and in turn have a material adverse effect on our business, financial condition and results of operations.

In addition, outstanding performance in domestic and international math competitions may substantially boost a student's chance of admission into top high schools by serving as evidence of excellence in academics and extracurricular activities, supplementing standardized entrance examination scores, or in certain circumstances qualify students for an exam-free admission into top schools. Any change in the admission policies or criteria that decreases the weight of math competition performance in the admission process as adopted by schools or mandated by government regulations may take away incentives for parents to enroll their children in our programs, materially and adversely affecting our business, results of operations and financial condition. For instance, pursuant to the Notice of Shanghai Municipal Education Commission on Strengthening the Administration of Prohibiting to Treat Various Competition Prizes as Basis for Admission by Compulsory Education Schools in the School Year of 2016 issued by Shanghai Municipal Education Commission in November 2016, certificates and prizes obtained from competitions such as Olympic math competitions and English level tests must not be treated as basis for admission by compulsory education stage schools. Furthermore, pursuant to the Management Measures of National Competitions for Elementary and Secondary School Students (Trial) issued by Ministry of Education in September 2018, competitions cannot be held for compulsory education in principle, and results of competitions must not be used as the basis for admission by elementary and middle schools.

We cannot assure all of our learning centers are in compliance with fire safety regulations.

Each school must obtain a fire safety permit in order to qualify for an educational permit or a business license. As of the date of this annual report, all of our learning centers has obtained the fire safety permit. However, if we are unable to obtain the fire safety permit for our new learning center as required, we may not be able to obtain an educational permit or a business license for this learning center, we may be subject to fines and we may be unable to continue operations at this learning center which could adversely affect our business and results of operations. See "Item 4. Information on the company — B. Business Overview — Regulations" for further details on the fire safety regulations applicable to our learning centers.

According to PRC laws and regulations, venues for children's activities cannot be located above the third floor of a building. As of the date of this annual report, four of our 50 learning centers in operation were located above the third floor of a building. These four learning centers represented 8.3% of our revenue in the 2021 fiscal year. If these learning centers are inspected, we may be subject to fines and we may be unable to continue operations at them, which could materially and adversely affect our business and results of operations.

The majority of the lease agreements for our learning centers that are located above the third floor of a building have durations of between one and five years. Moving learning centers that are located above the third floor of a building in order to comply with fire safety regulations would require us to terminate or break our existing leases and pay any associated termination or breakage costs, in addition to the costs of relocation, renovation and decoration, and it may disrupt our scheduled courses and force us to postpone or cancel some courses and refund the related tuition fees, all of which could materially and adversely affect our financial results.

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

Our faculty is critical to maintaining the quality of our education and services and our brand and reputation. Our ability to continue to attract teachers with the necessary experience and qualifications is therefore a significant contributing factor to the success of our operations. There are a limited number of teachers with the experience, expertise and qualifications to meet our requirements, not only in Shanghai, where we currently operate a majority of our learning centers, but even more so in other parts of the PRC. Further, the Measures for Punishment for Violation of Professional Ethics of Elementary and Secondary School Teachers, promulgated by the PRC Ministry of Education in 2014, prohibits teachers at elementary and secondary schools from providing paid tutoring in schools or in out-of-school learning centers. Some provinces and cities have also adopted rules which prohibit public

school teachers from teaching on a part-time basis at private schools or learning centers. As a result, we currently employ all of our teachers on a full-time basis. Therefore, to recruit qualified and experienced teachers, including those with public school experience, we must provide candidates with competitive compensation packages and particularly, offer attractive career development opportunities to compete with the perceived security of a public school teaching job. In addition, we must also provide continued training to our teachers to ensure that they stay abreast of changes in student demands, academic standards and other key trends necessary to teach effectively. Although we have not experienced major difficulties in recruiting, training or retaining qualified teachers in the past, we may not always be able to recruit, train and retain enough qualified teachers in the future to keep pace with our growth while maintaining consistent teaching quality in the different markets we serve. A shortage of qualified teachers or a decline in the quality of our teachers' classroom performance, whether actual or perceived, or a significant increase in compensation we must pay to retain qualified teachers, would have a material adverse effect on our business, financial condition and results of operations.

We may not be able to improve our existing program curriculum and content or to develop new courses on a timely basis and in a cost-effective manner.

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

Offering new courses or modifying existing courses may require us to invest in curriculum and educational content development, train new teachers or re-train existing ones, increase marketing efforts and re-allocate resources away from other uses. We may have limited experience with new course content, particularly in subjects other than math, and may need to modify our systems and strategies to introduce new courses or content. If we are unable to improve the content of our existing courses, and offer new courses on a timely basis and in a cost-effective manner, our results of operations and financial condition could be adversely affected.

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

We believe that market awareness of our "Four Seasons Education" brand and our solid reputation in the education industry have contributed significantly to the success of our business, and that maintaining and enhancing our brand are critical to maintaining our competitive advantage. Our brand and reputation could be adversely affected under many circumstances, including the following:

- our students are not satisfied with our programs and related services;
- we fail to maintain the quality and consistency of our service standards as we expand our course offerings into different subjects and extend our geographic reach;
- we fail to properly manage accidents or other events that injure our students;
- our faculty or staff behave or are perceived to behave inappropriately or illegally;
- our faculty or staff fail to appropriately supervise students under their care;
- we fail to conduct proper background checks on our faculty or staff;
- we lose a license, permit or other authorization to operate a learning center;
- we do not maintain consistent education quality or fail to enable our students to achieve strong academic results;
- our learning center facilities do not meet the standards expected by parents and students; and
- learning center operators with lower quality abuse our brand name or those with brand names similar to ours by conducting fraudulent activities and creating confusion among students and their parents.

The likelihood that any of the foregoing may occur increases as we expand our learning center network. These events could influence the perception of our learning centers 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 learning centers could adversely affect the reputation and operations of our other learning centers. As we mainly rely on word-of-mouth referrals to attract prospective students, if our brand name or reputation deteriorates, our overall business, prospects, results of operations and financial condition could be materially and adversely affected.

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

We have offered after-school education services since 2010. Our revenue was RMB335.6 million in the 2019 fiscal year, RMB389.0 million in the 2020 fiscal year and RMB280.3 million (US\$43.3 million) in the 2021 fiscal year. We recorded net loss of RMB1.5 million in the 2019 fiscal year, RMB109.6 million in the 2020 fiscal year, and RMB27.9 million (US\$4.3 million) in fiscal year 2021. In addition, we have been making continuous efforts to expand our course offerings, launching our kindergarten programs in 2015 and our middle school programs in 2017. We are also expanding our learning center network to cities other than Shanghai and have established 12 learning centers outside of Shanghai since 2015. However, any evaluation of our business and our prospects must be considered in light of the risks and uncertainties encountered by companies at our stage of development. Furthermore, our results of operations may vary from period to period in response to a variety of other factors beyond our control, including general economic conditions and regulations or government actions pertaining to the after-school education service industry in the PRC, changes in spending on after-school education, our ability to control cost of revenue and operating expenses, and non-recurring charges incurred in connection with acquisitions or other extraordinary transactions or under unexpected circumstances. We anticipate that our cost of revenue and operating expenses will increase in the foreseeable future as we continue to grow our business, maintain and increase our student enrollment, retain, engage and train our teachers and offer new and attractive courses and increase our course fees. These efforts may prove more costly than we currently anticipate, and we may not succeed in increasing our revenue sufficiently to offset these higher expenses. Furthermore, our financial performance is also subject to other risks and uncertainties, including but not limited to laws, regulations and policies in China. Due to the above factors, we believe that our historical financial and operating results, growth rates and profitability may not be indicative of our future performance and you should not rely on our past results or our historic growth rates as indications of our future performance. Furthermore, our net income margins may decline or we may incur additional net losses in the future and may not be able to maintain profitability on a quarterly or annual basis.

We may be unable to charge tuition 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 that the student is enrolled in. Although we have been able to increase our tuition rates in the past, we may not be able to maintain or increase our tuition in the future without adversely affecting the demand for our services.

Furthermore, our tuition rates are 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 face significant competition, and if we fail to compete effectively, we may lose our market share and our profitability may be adversely affected.

The after-school education market in the PRC, including in Shanghai, where we currently operate most of our learning centers, is rapidly evolving, highly fragmented and competitive, and we expect competition to persist and potentially intensify. We face competition in each type of service we offer and in each geographic market in which we operate.

Our student enrollment may decrease due to this competition. Some of our competitors may have more resources than we do, and may be able to devote greater resources than we can to the development, promotion and sale of their programs, services and products and respond more quickly than we can to changes in student needs, testing materials, admission standards, market trends or new technologies. Moreover, the increasing use of the Internet and advances in Internet and computer related technologies, such as web video conferencing and online testing simulators, are eliminating geographic and physical facility-related entry barriers to providing after-school

education services. As a result, our competitors may be able to use the Internet to quickly and cost-effectively offer their programs, services and products to a large number of students with less capital expenditure than previously required. Consequently, we may be required to reduce tuition or increase spending in response to competition in order to retain or attract students or pursue new market opportunities, which could result in a decrease in our revenue and profitability. We will also face increased competition as we expand our operations. We cannot assure you that we will be able to compete successfully against current or future competitors. If we are unable to maintain our competitive position or otherwise respond to competitive pressure effectively, we may lose our market share and our profitability may be adversely affected.

We may face risks and uncertainties with respect to the licensing requirements for Internet information service, Internet audio-video programs and our mobile app. Failure to comply with these requirements may materially adversely affect our business and results of operations.

Regulation on value-added telecommunications services, or VATS, in China is strict and has been developing, while the interpretation and enforcement of relevant laws and regulations has been and continues to be uncertain. Pursuant to the Administrative Measures on Internet Information Services, an internet information service provider is required to obtain a VATS License with the approved business scope of “internet information service”, or an ICP License. According to the Classified Catalog of Telecommunications Service (2015 Version), or the 2016 MIIT Catalog, which was promulgated in 2015 and further amended on June 6, 2019, “information service” was defined as “the information service provided for users through public communications networks or internet by means of information gathering, development, processing and the construction of the information platform.” MIIT issued a Q&A to clarify certain issues in implementing the 2016 MIIT Catalog, which requires internet information service providers that provide service through mobile apps to obtain an ICP License. However, different local authorities may have different interpretations and implementation in practice. Since we provide online courses that charge users through our mobile app, we may be required to obtain an ICP License.

We may be required to obtain additional licenses or permits for our operations as the interpretation and implementation of current PRC laws and regulations are still evolving, and new laws and regulations may also be promulgated. For example, the content we use on our website and mobile app, including course materials and audio-video content, may be deemed “Internet cultural products,” and our use of such content may be regarded as “Internet cultural activities.” Thus, our VIE and other PRC affiliated entity may be required to obtain an Internet Culture Business Operating License for provision of such content through our websites or mobile app as currently there is no further official or publicly available interpretation of those definitions. In addition, as supplementary course materials, we offer certain audio-video content on our websites. If the governmental authorities determine that our relevant activities fall within the definition of “Internet audio-video program service,” our VIE and other PRC affiliated entity may be required to obtain a license for disseminating audio-video programs through information network. If this occurs, we may not be able to obtain such license and may further be subject to penalties, fines, legal sanctions or an order to suspend our use of audio-video content. As of the date of this annual report, we have already obtained the Radio and Television Production Operation License and are in the process of applying the ICP License.

Our business could be disrupted if we lose the services of members of our senior management team.

Our success depends in part on the continued application of skills, efforts and motivation of our officers and senior management team. We may experience changes in our senior management in the future for reasons beyond our control. In addition, key management 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, who collectively have 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. Our inability to attract and retain qualified senior management members and teaching staff in a timely manner could materially and adversely affect our business, prospects, results of operations and financial condition.

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

We have acquired additional learning centers and other education businesses and may continue to do so in the future. If we are unable to successfully integrate the acquired businesses, our business and operating results may be harmed. We may be unable to identify appropriate acquisition targets. If we do identify an appropriate acquisition target, we may not be able to negotiate the terms of the acquisition successfully, finance the acquisition or integrate the acquired businesses into our existing business and operations. Furthermore, completing a potential acquisition and integrating an acquired business may strain our resources and require significant management time. In addition, the businesses and learning centers 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. For example, we recorded the impairment of goodwill of RMB114.6 million and intangible assets of RMB30.8 million generated from acquisition of Shanghai Wupin Education Consulting Service Co., Ltd. and its subsidiaries. If we fail to integrate the acquired businesses in a timely manner or at all, we may not be able to achieve the anticipated benefits or synergy from the acquired businesses, which may adversely affect our business growth.

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

All of our learning centers, study tour centers and our headquarters are on leased premises. Our lease terms generally range from one to fourteen years. We may not be able to successfully extend or renew our leases upon expiration of the current term on commercially reasonable terms or at all, and may therefore be forced to relocate our operations. This could disrupt our operations and result in significant relocation expenses, which could adversely affect our business, financial condition and results of operations. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our offices and service and learning centers as our business continues to grow and failure in relocating our affected operations could adversely affect our business and operations.

Our business is subject to seasonal fluctuations, which may cause our results of operations to fluctuate from term to term, 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 revenue. Our students and their parents typically pay the tuition prior to the commencement of a term, and we recognize revenue from the delivery of education services on a straight-line basis over the term. Overall, although the historical seasonality of our business has been relatively mild, we expect to continue to experience seasonal fluctuations in our results of operations. These fluctuations may result in volatility in and adversely affect the price of our ADSs.

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

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

Higher labor costs in the PRC may adversely affect our business, financial conditions and results of operations.

Labor costs in the PRC have increased with the PRC's economic development, particularly in the large cities, such as Shanghai, where a majority of our learning centers are currently located. According to the National Bureau of Statistics of China, the average wage of private education institution employees in urban cities in China increased at a CAGR of 9.8% nationwide between 2010 and 2019, and 11.9% in Shanghai during that same period. We expect that our labor costs, including wages and various statutory employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our students by increasing prices for our programs, our profitability and results of operations may be materially and adversely affected.

Accidents, injuries or other harm suffered by our students or other people on our premises may adversely affect our reputation, subject us to liability and cause us to incur substantial expenses.

In the event of accidents or injuries or other harm to students or other people on our premises, including those caused by or otherwise arising from the actions or negligence of our employees or contractors on our premises, our facilities may be perceived to be unsafe, which may make parents unwilling to allow their children to attend our classes. We could also face claims alleging that we are negligent and provide inadequate supervision to our employees or contractors, and therefore be liable for harm caused by them or are otherwise liable for injuries suffered by our students or other people on our premises. Our 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 or independent contractors 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.

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

We consider our copyrights, trademarks, trade names and Internet domain names invaluable to our ability to continue to develop and enhance our brand recognition. Unauthorized use of our copyrights, trademarks, trade names and domain names may damage our reputation and brand. We have registered 15 of our brand names and logos as registered trademarks in the PRC. Our proprietary curricula and course materials satisfying requirements specified by PRC copyright law are protected by copyrights. 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. It would not be difficult for third parties to obtain and copy our course materials, since they are physically provided to our students. The practice of intellectual property rights enforcement by the PRC regulatory authorities is at an 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 may encounter disputes from time to time relating to our use of the intellectual property of third parties.

We cannot assure you that our course materials or other intellectual property developed or used by us do not or will not infringe upon valid copyrights or other intellectual property rights held by third parties. We may encounter disputes from time to time over rights and obligations concerning intellectual property, and we may not prevail in those disputes. In addition, we are unable to register the trademarks of some of our major brand names and logos such as "Four Seasons Education" in Chinese characters. Therefore, there is no assurance that we can continue to use such trademarks in the PRC. We may be required to explore the possibility of acquiring trademarks or entering into an exclusive licensing agreement with the third party, which will cause us to incur additional costs. Third parties may bring claims against us alleging our infringement of their intellectual property rights. Third parties bringing such claims may be able to obtain an injunction to prevent us from delivering our services or using trademarks containing the alleged infringing intellectual property. Any such intellectual property infringement claim could result in costly litigation and divert our management attention and resources and could damage our reputation. If a PRC court or tribunal holds that we have infringed any trademark belonging to others, we may be forced to change our brand names or logos. Our teachers may, against our policies, use third-party copyrighted materials without proper authorization in our classes. We may incur liability for unauthorized duplication or distribution of materials posted on our websites or used in our classes.

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 the PRC is still at an early stage of development, and as a result insurance companies in the PRC 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.

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

The performance and reliability of our websites and computer systems are critical to our reputation and ability to retain students and increase student enrollment. Any system error or failure, sudden and significant increases in online traffic or hacking of our systems, could disrupt or slow access to our websites. We cannot assure you that we will be able to expand our online infrastructure in a timely and cost-effective manner to meet the increasing demands of our students and their parents. In addition, our computer systems store and process important information including class schedules, registration information and student data and could be vulnerable to interruptions or malfunctions due to events beyond our control, such as natural disasters and technology failures. We may suffer disruption to our operations if there is a failure of the database system or the backup system. Any disruption to our computer systems could therefore have a material adverse effect on our operations and ability to retain students and increase student enrollment.

We face risks related to natural disasters, health epidemics or public safety concerns in the PRC.

Our business could be materially and adversely affected by natural disasters, other health epidemics or other public safety concerns such as terrorism, war or social instability affecting the PRC, and particularly Shanghai. If any of these occurs, our learning centers 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 events. In addition, any of these could adversely affect the 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. For example, the outbreak of COVID-19 starting from late 2019 has had a significant impact on our business operations. See “The global COVID-19 outbreak has had a significant impact on our business, which may materially and adversely affect our operating results and financial condition.”

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

We granted share options to our independent directors, executive officers and employees in the past under our 2015 Share Incentive Plan and 2017 Share Incentive Plan. 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. As of the date of this annual report, holders of our outstanding options were entitled to purchase a total of 4,090,109 ordinary shares. As a result, we incurred share-based compensation expense of RMB27.5 million (US\$4.3 million) in the 2021 fiscal year. If we grant more 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.

Our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. During the course of auditing our consolidated financial statements as of February 28, 2021, we identified one material weakness in our internal control over financial reporting. See “Item 15. Controls and Procedures —Management’s Annual Report on Internal Control over Financial Reporting — Internal Control over Financial Reporting.” Following the identification of the material weakness, we have taken measures and plan to continue to take measures to improve our internal control over financial reporting. We cannot assure you, however, that these measures may fully address the material weakness in our internal control over financial reporting or that we may conclude that it has been fully remedied. Our failure to correct this material weakness 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, financial condition, results of operations and prospects, as well as the trading price of our ADSs, may be materially and adversely affected. Moreover, ineffective internal control over financial reporting significantly hinders our ability to prevent fraud.

Risks Related to Our Corporate Structure

Our after-school education service business is subject to extensive regulation in the PRC. If the PRC government finds that the contractual arrangement that establishes our corporate structure for operating our business does not comply with applicable PRC laws and regulations, we could be subject to severe penalties.

Our after-school education service business is subject to extensive regulations in the PRC. The PRC government regulates various aspects of our business and operations, such as standards of school establishment and operations, student recruitment activities and tuition levels. The laws and regulations applicable to the after-school education sector are subject to frequent change, and new laws and regulations may be adopted, some of which may have a negative effect on our business, either retroactively or prospectively.

Foreign ownership in education services is subject to significant regulations in the PRC. The PRC government regulates the provision of education services through strict licensing requirements. PRC laws and regulations currently require a foreign entity that invests in the education business in China to be an educational institution with certain qualifications and experience in providing high quality education outside China. Our Cayman Islands holding company is not an educational institution and does not provide education services. Due to these restrictions, we conduct our after-school education business in the PRC primarily through contractual arrangements among (i) Shanghai Four Seasons Education and Training Co., Ltd., (ii) our relevant affiliated entities, and (iv) our VIE’s shareholder Mr. Peiqing Tian. We operate our after-school education business in the PRC through Shanghai Four Seasons Education and Training Co., Ltd. and through the learning centers controlled and held by Shanghai Four Seasons Education and Training Co., Ltd. We have been and expect to continue to be dependent on our affiliated entities to operate our after-school education business. See “Item 4. Information on the company — C. Our Corporate Structure” for more information.

If our ownership structure and contractual arrangements are found to violate any PRC laws or regulations, 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 Ministry of Education, which regulates the education industry in the PRC, the Ministry of Commerce, which regulates foreign investments in the PRC, the Ministry of Civil Affairs, which regulates the registration of schools in the PRC, and the State Administration of Industry and Commerce, which regulates the registration and operation of education training companies in the PRC, would have broad discretion in imposing fines or punishments upon us for such violations, including:

- revoking the business and operating licenses of ours and/or our affiliated entities’;
- discontinuing or restricting any related-party transactions between us and our affiliated entities;
- imposing fines and penalties, or additional requirements for our operations which we, or our affiliated entities may not be able to comply with;
- requiring us to restructure the ownership and control structure of our current schools;

- restricting or prohibiting our use of the proceeds of our initial public offering to finance our business and operations in the PRC, 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 the date of this annual report, similar ownership structure and contractual arrangements have been used by many PRC-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, in relation to these types of contractual arrangements. 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 Shanghai Four Seasons Education and Training Co., Ltd. and its learning centers and subsidiaries that most significantly impact their economic performance, and/or our failure to receive the economic benefits from Shanghai Four Seasons Education and Training Co., Ltd. and its learning centers and subsidiaries, we may not be able to consolidate Shanghai Four Seasons Education and Training Co., Ltd., and its learning centers 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 the PRC or Shanghai Four Seasons Education and Training Co., Ltd. and its learning centers or subsidiaries.

Substantial uncertainties exist with respect to the interpretation and implementation of the newly adopted PRC Foreign Investment Law and how it may impact the viability of our current corporate structure and business operations.

The “variable interest entity” structure has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. See “—Risks Related to Our Corporate Structure” and “Item 4. Information on the Company—C. Corporate Structure.”

The Ministry of Commerce published a discussion draft of the proposed Foreign Investment Law in January 2015, or the 2015 Draft FIL, according to which, variable interest entities that are controlled via contractual arrangements would also be deemed as foreign-invested enterprises, if they are ultimately “controlled” by foreign investors. In March 2019, the PRC National People’s Congress promulgated the Foreign Investment Law (the “2019 FIL”), which became effective from January 1, 2020 and replaced three existing laws on foreign investments in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, together with their implementation rules and ancillary regulations.

Pursuant to the 2019 FIL, “foreign investments” refer to investment activities conducted by foreign investors directly or “indirectly” in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment in other methods as specified in laws, administrative regulations, or as stipulated by the State Council. Although the 2019 FIL does not introduce the concept of “control” in determining whether a company should be considered as a foreign-invested enterprise, nor does it provide the “variable interest entity” structure as a method of foreign investment, as the 2019 FIL is newly adopted and relevant government authorities may promulgate more laws, regulations or rules on the interpretation and implementation of the 2019 FIL, the possibility can’t be ruled out that the concept of “control” as stated in the 2015 Draft FIL may be embodied in, or the “variable interest entity” structure adopted by us may be deemed as a method of foreign investment by, any of such future laws, regulations and rules. If our consolidated “variable interest entity” were deemed as a foreign-invested enterprise under any of such future laws, regulations and rules, and any of the businesses that we operate would be in any “negative list” for foreign investment and therefore be subject to any foreign investment restrictions or prohibitions, further actions required to be taken by us under such laws, regulations and rules may materially and adversely affect our business and financial condition.

We rely on contractual arrangements with our VIE and their shareholders and relevant affiliated entities in the form of private non-enterprise institutions for our operations in the PRC, 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 our VIE, their shareholders and relevant affiliated entities in the form of private non-enterprise institutions, including Mr. Peiqing Tian, our largest shareholder, to operate our after-school education business. For a description of these contractual arrangements, see “Item 4. Information on the company — C. Corporate Structure.”

The revenue contribution of our affiliated entities has historically accounted for 100.0% of our total revenue. However, contractual arrangements may not be as effective as direct equity ownership in providing us with control over our VIE and our learning centers. Any failure by our affiliated entities, including our VIE and our learning centers controlled and held by our VIE and the shareholders of our VIE, 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 the PRC. 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 the PRC 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 the PRC 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.

Our largest shareholder, Mr. Peiqing Tian, may have potential conflicts of interest with us and not act in the best interests of our company.

Mr. Peiqing Tian is the controlling shareholder of Shanghai Four Seasons Education and Training Co., Ltd.. He is also the largest shareholder of our company. We cannot assure you that Mr. Peiqing Tian will act in the best interests of our company. We rely on Mr. Peiqing Tian to comply with the terms and conditions of the contractual arrangements. Although Mr. Peiqing Tian is obligated to honor his contractual obligations with respect to our affiliated entities, he may nonetheless breach or cause our affiliated entities to breach or refuse to renew the existing contractual arrangements that allow us to effectively exercise control over our affiliated entities and to receive economic benefits from them. If Mr. Peiqing Tian does not honor his 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 Shanghai Four Seasons Education and Training Co., Ltd. to the extent permitted by PRC law. If we cannot resolve any disputes between us and the shareholders of Shanghai Four Seasons Education and Training Co., Ltd., 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 VIE 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 the PRC, our VIE, the shareholder of our VIE and relevant affiliated entities 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 the PRC through contractual arrangements with our affiliated entities and the shareholders of Shanghai Four Seasons Education and Training Co., Ltd.. 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 initial public offering 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.

To utilize the proceeds of the initial public offering in the manner described in “Use of Proceeds” in the registration statement, we currently have plans for using 25% of the proceeds in China. As an offshore holding company of our PRC subsidiaries and affiliated entities, we are permitted under PRC laws and regulations to provide funding to Shanghai Fuxi, our wholly-owned PRC subsidiary, through loans or capital contributions, and to our VIE and the subsidiaries of the VIE through loans. However, such uses are subject to PRC regulations and approvals. For example:

- loans by us to Shanghai Fuxi, which is a foreign-invested enterprise, cannot exceed statutory limits and must be registered or filed 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, must be filed with the relevant government authorities and must also be filed with SAFE or its local counterparts; and
- capital contributions to Shanghai Fuxi must be filed with the Ministry of Commerce or its local counterparts and must also be registered with the local bank authorized by SAFE.

There is currently no statutory limit to the amount of funding that we can provide to Shanghai Fuxi through capital contribution, and we can provide funding to Shanghai Fuxi, our VIE and the subsidiaries of the VIE through loans as long as the loan amount does not exceed twice the amount of their net assets calculated in accordance with PRC GAAP. The maximum aggregate amount that we can loan to Shanghai Fuxi, our VIE and the subsidiaries of our VIE may vary with changes in the relevant entities' net assets at the time of calculation. As of the date of this annual report, subject to completion of statutory procedures with relevant government authorities and banks, we can loan an estimated maximum of approximately RMB236.1 million (US\$36.5 million) to Shanghai Fuxi and an estimated maximum of approximately RMB541.7 million (US\$83.7 million) to our VIE and the subsidiaries of our VIE.

In addition, on March 30, 2015, SAFE promulgated SAFE Circular 19, a notice regulating the conversion by a foreign-invested company of its capital contribution in foreign currency into Renminbi. 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 the PRC unless such activity is set forth in the business scope or is otherwise permissible under PRC laws or regulations. SAFE further strengthened its supervision 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. Violations of SAFE Circular 19 will result in severe penalties including hefty fines. As we expect to use the proceeds of our initial public offering in China in the form of RMB, Shanghai Fuxi, our VIE and the subsidiaries of our VIE will need to convert any capital contributions or loans from U.S. dollars to RMB before using such capital contribution or loans. As a result, SAFE Circular 19 may significantly limit our ability to transfer the net proceeds from our initial public offering to our operations in the PRC through our PRC subsidiaries, which may adversely affect our ability to expand our business.

We expect that PRC laws and regulations may continue to limit our use of proceeds from our initial public offering 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 the PRC. If we fail to receive such registrations or approvals, our ability to use the proceeds of our initial public offering 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 the PRC

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

All of our operations are conducted in the PRC, and all of our revenue is derived from the PRC. Accordingly, our business, prospects, financial condition and results of operations are subject, to a significant extent, to economic, political and legal developments in the PRC.

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 economy. The PRC government continues to exercise significant control over the PRC'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 after-school education industry in the PRC, could adversely affect the economy in the PRC or the market for education services, which could harm our business. For example, under the current Private Education Law and its implementing 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 operations of private schools that elect to require reasonable returns as compared to those that do not. However, under the amended Private Education Law, the term "reasonable return" is no longer used and a new classification system for private schools has been established based on whether they are established and operated for profit-making purposes. There is uncertainty as to the implementation details of the amended Private Education law which may impact on our operations. See "Item 4. Information on the company — B. Business Overview — Regulation—Regulations Relating to Private Education."

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 the PRC and especially the regions where we operate, Shanghai, Chongqing, Guangdong Province, Fujian Province, Zhejiang Province, Jiangxi Province, Anhui Province, Shenzhen City and Jiangsu Province. Any significant slowdown in the PRC'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 programs, which in turn could reduce our revenue. In addition, any sudden changes to the PRC'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 interest relating to foreign investments in the PRC. 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.

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 the PRC whose "de facto management bodies" are located in the PRC 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 SAT 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 the PRC 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 the PRC; (2) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (3) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and (4) at least half of the enterprise's directors with voting right or senior management reside in the PRC. The State Administration of Taxation issued a bulletin SAT Circular 45 on July 27, 2011 to provide more guidance on the implementation of SAT 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 SAT Circular 9 on January 29, 2014 to provide more guidance on the implementation of SAT 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 residential enterprise with the local tax authorities where its main domestic investors are registered.

From the year in which the entity is determined as a “resident enterprise,” any dividend, profit and other equity investment gain shall be taxed in accordance with the PRC Enterprise Income Tax Law and its implementing rules.

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%, 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 the PRC 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 Law and its implementation rules, the profits of a foreign-invested enterprise generated through operations, which are distributed to its immediate holding company outside the PRC, will be subject to a withholding tax rate of 10%. Pursuant to a special arrangement between Hong Kong and the PRC, such rate may be reduced to 5% if a Hong Kong resident enterprise owns more than 25% of the equity interest in the PRC company. Our PRC subsidiary is 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 How to Understand and Recognize the “Beneficial Owner” in Tax Treaties on October 27, 2009, which limits the “beneficial owner” to individuals, enterprises or other organizations normally engaged in substantive operations, and sets forth certain detailed factors in determining the “beneficial owner” status. Further, the SAT promulgated the Notice on Issues Related to the “Beneficial Owner” in Tax Treaties on February 3, 2018, which 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.

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or SAT Circular 698, issued by the State Administration of Taxation on December 10, 2009, where a foreign investor transfers the equity interests in a PRC resident enterprise indirectly via disposition of the equity interests of an overseas holding company, and such overseas holding company is located in a tax jurisdiction that (1) has an effective tax rate less than 12.5% or (2) does not tax foreign income of its residents, the foreign investor shall report the indirect transfer to the competent PRC tax authority. The PRC tax authority will examine the nature of such indirect transfer, and if the tax authority considers that the foreign investor has adopted an “abusive arrangement” in order to reduce, avoid or defer PRC taxes, it may disregard the existence of the overseas holding company and re-characterize the indirect transfer such that gains derived from such indirect transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the competent tax authority has the power to make a reasonable adjustment to the taxable income of the transaction. SAT Circular 698 is retroactively effective from January 1, 2008.

There is uncertainty as to the application of SAT Circular 698. For example, while the term “indirect transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with the PRC. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise remain unclear. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax.

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 SAT Bulletin 7, on February 3, 2015, which replaced or supplemented certain rules under SAT Circular 698. Under SAT 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 SAT Bulletin 7, “PRC taxable assets” include assets attributed to an establishment in the PRC, immovable properties in the PRC, 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%. Where the underlying transfer relates to the immovable properties in the PRC 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% 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 SAT Bulletin 7. If SAT 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 SAT Bulletin 7 or to establish that the relevant transactions should not be taxed under SAT Bulletin 7.

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 SAT Circular 698 and SAT Bulletin 7 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 revenues effectively.

Substantially all 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 the PRC 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 the PRC, 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 the PRC. In addition, in the event that our PRC subsidiaries liquidate, proceeds from the liquidation may be converted into foreign currency and distributed outside the PRC to our overseas subsidiary holding its equity interest. Furthermore, in the event that Shanghai Four Seasons Education and Training Co., Ltd. liquidates, our PRC subsidiaries may, pursuant to a power of attorney it has entered into with Mr. Peiqing Tian, require Mr. Peiqing Tian to transfer all assets he might receive in connection with the liquidation of Shanghai Four Seasons Education and Training Co., Ltd. to our PRC subsidiaries at no consideration or the minimum consideration as permitted under PRC laws. Our PRC subsidiaries then may distribute such proceeds to us after converting them into foreign currency and remit them outside the PRC in the form of dividends or other distributions. Once remitted outside the PRC, 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 the PRC 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 subsidiary and affiliated entities in the PRC 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 subsidiary in the PRC 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. Our PRC subsidiaries' income in turn depends on the service fees paid by our affiliated entities. Current PRC regulations permit our subsidiary in the PRC to pay dividends to us only out of its 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 learning centers that are private schools in the PRC 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 learning centers that require reasonable returns must allocate no less than 25% of their annual net income, and our learning centers that do not require reasonable returns must allocate no less than 25% of their annual increase in the net assets of the school for such purposes. Furthermore, if our subsidiaries or our affiliated entities in the PRC 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 political and economic conditions in the PRC. On July 21, 2005, the PRC government changed its decade-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 halted 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. 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.

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.

We may be required to obtain prior approval of China Securities Regulatory Commission of the listing and trading of our ADSs on the New York Stock Exchange.

On August 8, 2006, six PRC regulatory authorities, including the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration of Taxation, State Administration for Industry and Commerce, China Securities Regulatory Commission, or CSRC, and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which were subsequently amended on June 22, 2009. This regulation, among other things, requires that the listing and trading on an overseas stock exchange of securities in an offshore special purpose vehicle formed for purposes of holding direct or indirect equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals be approved by the CSRC. On September 21, 2006, the CSRC published on its official website the procedures for such approval process. In particular, certain documents are required to be filed with the CSRC as part of the approval procedures and it could take several months to complete the approval process.

While the implementation and interpretation of the M&A Rules and its later amendments remains unclear, we believe, based on the advice of Fangda Partners, our PRC counsel, that approval by the CSRC is not required for our initial public offering because we are not a special purpose vehicle formed for listing purpose through acquisition of domestic companies that are controlled by our PRC individual shareholders, as we acquire contractual control rather than equity interests in our consolidated VIE in the PRC. However, we cannot assure you that the relevant PRC regulatory authorities, including the CSRC, would reach the same conclusion as our PRC counsel. If the CSRC or other PRC regulatory authority subsequently determines that we need to obtain the CSRC's approval for our initial public offering, we may face sanctions by the CSRC or other PRC regulatory authorities. In such event, these regulatory authorities may, among other things, impose fines and penalties on or otherwise restrict our operations in the PRC or delay or restrict any remittance of the proceeds from our initial public offering into the PRC. Any such or other actions taken could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs.

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 the PRC.

The M&A Rules established additional procedures and requirements that could make merger and acquisition activities in the PRC by foreign investors more time-consuming and complex. For example, the Ministry of Commerce 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 the Ministry of Commerce. In addition, the Implementing Rules Concerning Security Review on Mergers and Acquisitions by Foreign Investors of Domestic Enterprises, issued by the Ministry of Commerce 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 the Ministry of Commerce. 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 the PRC. 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 the PRC. As a result, our ability to seek growth through acquisitions may be materially and adversely affected.

In addition, if the Ministry of Commerce determines that we should have obtained its approval for our entry into contractual arrangements with our affiliated entities and the shareholders of Shanghai Four Seasons Education and Training Co., Ltd., we may be required to file for remedial approvals. We cannot assure you that we would be able to obtain such approval from the Ministry of Commerce. We may also be subject to administrative fines or penalties by the Ministry of Commerce that may require us to limit our business operations in the PRC, delay or restrict the conversion and remittance of our funds in foreign currencies into the PRC or take other actions that could have material and 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 SAFE 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 SAFE Circular 37 as a "special purpose vehicle." The term "control" under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 further requires amendment to the registration in the event of any 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 since SAFE Circular 37 was recently issued, 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 have completed the necessary registrations with SAFE as required by SAFE 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.

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

From time to time, we need to apply for or update our registration with SAFE or its local branches on behalf of our employees 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 who hold any type of share incentive awards in compliance with SAFE Circular 7, nor can we ensure you that such applications or update of registration will be successful. If we or the participants of our share incentive plan who are PRC citizens fail to comply with SAFE Circular 7, we and/or such participants of our share incentive plan may be subject to fines and legal sanctions, there may be additional restrictions on the ability of such participants to exercise their share options or remit proceeds gained from sale of their shares into the PRC, and we may be prevented from further granting share incentive awards under our share incentive plan to our employees who are PRC citizens.

Our leased property interests may be defective and our right to lease the properties may be challenged.

According to the PRC Land Administration Law, land in urban districts is owned by the state. The owner of a property built on state-owned land must possess the proper land and property title certificate to demonstrate that it is the owner of the premises and that it has the right to enter into lease contracts with the tenants or to authorize a third party to sublease the premises. Some of the landlords of our learning center locations have failed to provide the title certificates to us. Our right to lease the premises may be interrupted or adversely affected if our landlords are not the property owners and the actual property owners should appear.

In addition, the title certificate usually records the approved use of the state-owned land by the government and the property owner is obligated to follow the approved use requirement when making use of the property. In the case of failure to utilize the property in accordance with the approved use, the land administration authorities may order the tenant to cease utilizing the premises or even invalidate the contract between the landlord and the tenant. If our use of the leased premises is not in full compliance with the approved use of the land, we may be unable to continue to use the property, which may cause disruption to our business.

Our failure to comply with certain requirements under labor contract laws in the PRC 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. Furthermore, the PRC government has promulgated new laws and regulations to enhance labor protections in recent years, such as the Labor Contract Law and the Social Insurance Law. If we are subject to penalties or incur significant liabilities in connection with labor disputes or investigations, our business and results of operations may be adversely affected.

Our ADSs may be delisted under the Holding Foreign Companies Accountable Act if the PCAOB is unable to inspect auditors who are located in China. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections would deprive our investors of the benefits of such inspections.

The Holding Foreign Companies Accountable Act, or the HFCA Act, was enacted on December 18, 2020. The HFCA Act states if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over the counter trading market in the U.S.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this prospectus, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Since our auditor is located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities, our auditor is currently not inspected by the PCAOB.

On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCA Act. We will be required to comply with these rules if the SEC identifies us as having a “non-inspection” year under a process to be subsequently established by the SEC. The SEC is assessing how to implement other requirements of the HFCA Act, including the listing and trading prohibition requirements described above.

The SEC may propose additional rules or guidance that could impact us if our auditor is not subject to PCAOB inspection. For example, on August 6, 2020, the President’s Working Group on Financial Markets, or the PWG, issued the Report on Protecting United States Investors from Significant Risks from Chinese Companies to the then President of the United States. This report recommended the SEC implement five recommendations to address companies from jurisdictions that do not provide the PCAOB with sufficient access to fulfil its statutory mandate. Some of the concepts of these recommendations were implemented with the enactment of the HFCA Act. However, some of the recommendations were more stringent than the HFCA Act. For example, if a company was not subject to PCAOB inspection, the report recommended that the transition period before a company would be delisted would end on January 1, 2022.

The SEC has announced that the SEC staff is preparing a consolidated proposal for the rules regarding the implementation of the HFCA Act and to address the recommendations in the PWG report. It is unclear when the SEC will complete its rulemaking and when such rules will become effective and what, if any, of the PWG recommendations will be adopted. The implications of this possible regulation in addition the requirements of the HFCA Act are uncertain. Such uncertainty could cause the market price of our ADSs to be materially and adversely affected, and our securities could be delisted or prohibited from being traded “over-the-counter” earlier than would be required by the HFCA Act. If our securities are unable to be listed on another securities exchange by then, such a delisting would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with a potential delisting would have a negative impact on the price of our ADSs.

The PCAOB’s inability to conduct inspections in China prevents it from fully evaluating the audits and quality control procedures of our independent registered public accounting firm. As a result, we and investors in our ordinary shares 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 stock to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

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 establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations

undertaken by the PCAOB in the PRC or by the CSRC or the PRC Ministry of Finance in the United States. The PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with the PCAOB and audit Chinese companies that trade on U.S. exchanges.

Additional remedial measures could be imposed on certain PRC-based accounting firms, including our independent registered public accounting firm, in administrative proceedings instituted by the SEC, as a result of which our financial statements may be determined to not be in compliance with the requirements of the Exchange Act, if at all.

In December 2012, the SEC brought administrative proceedings against the PRC-based “big four” accounting firms, including our independent registered public accounting firm, alleging that they had violated U.S. securities laws by failing to provide audit work papers and other documents related to certain other PRC-based companies under investigation by the SEC. On January 22, 2014, an initial administrative law decision was issued, censuring and suspending these accounting firms from practicing before the SEC for a period of six months. The decision was neither final nor legally effective until reviewed and approved by the SEC, and on February 12, 2014, the PRC-based accounting firms appealed to the SEC against this decision. In February 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The settlement required the firms to follow detailed procedures to seek to provide the SEC with access to such firms’ audit documents via the CSRC. If the firms did not follow these procedures or if there is a failure in the process between the SEC and the CSRC, the SEC could impose penalties such as suspensions, or it could restart the administrative proceedings. Under the terms of the settlement, the underlying proceeding against the four PRC-based accounting firms was deemed dismissed with prejudice four years after entry of the settlement. The four-year mark occurred on February 6, 2019. While we cannot predict if the SEC will further challenge the four PRC-based accounting firms’ compliance with U.S. law in connection with U.S. regulatory requests for audit work papers or if the results of such challenge would result in the SEC imposing penalties such as suspensions.

In the event that the PRC-based “big four” accounting firms become subject to additional legal challenges by the SEC or PCAOB, depending upon the final outcome, listed companies in the U.S. 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 audit firms may cause investor uncertainty regarding China-based, U.S.-listed companies and the market price of the ADSs may be adversely affected.

If our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our consolidated financial statements, our consolidated 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 delay or abandonment of this offering, delisting of the ADSs from the NYSE or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of the ADSs in the U.S.

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 for so long as we are an emerging growth company until the fifth anniversary from the date of our initial listing. As a result, if we elect 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.

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

The trading price of our ADSs is likely to 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 the PRC 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 price 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 after-school 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 after-school 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;
- potential litigation or regulatory investigations; and
- proceedings instituted recently by the SEC against five PRC-based accounting firms, including our independent registered public accounting firm.

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. The total number of ordinary shares outstanding as of February 28, 2021 was 23,131,195. The ADSs sold in our initial public offering will be freely tradable by persons other than our “affiliates” without restriction or further registration under the Securities Act. All of the other ordinary shares outstanding are available for sale, subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act. Certain major holders of our ordinary shares have the right to request us to register under the Securities Act the sale of their shares, subject to the applicable lock-up periods in connection with our initial public offering. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our ADSs to decline significantly.

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 currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any 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 certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely our company may pay a dividend out of either profit or share premium account, and provided always that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. 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. On January 16, 2018, we declared dividends of US\$20 million to holders of our company’s ordinary shares of record as of February 1, 2018. Except for the foregoing, we have not previously declared or paid cash dividends and we have no plan to declare or pay any dividends in the foreseeable future on our shares or 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.

We believe that we were a passive foreign investment company for United States federal income tax purposes for our taxable year ended February 28, 2021, which could result in adverse United States federal income tax consequences to United States holders of our ADSs or ordinary shares.

Based on the market price of our ADSs, the value of our assets and the composition of our income and assets, we believe that we were a passive foreign investment company, or PFIC, for United States federal income tax purposes for our taxable year ended February 28, 2021. We will be a PFIC for United States federal income tax purposes for any taxable year if either (1) at least 75% of our gross income for such year is passive income or (2) at least 50% of the value of our assets (generally based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income. Because a separate determination must be made after the close of each taxable year as to whether we were a PFIC for that year, we cannot assure you that we will not be a PFIC for the current or any future taxable year. Such determination may depend in part upon the value of our goodwill and other unbooked intangibles not reflected on our balance sheet (which may depend upon the market price of the ADSs or ordinary shares from time to time, which may fluctuate significantly) and also may be affected by how, and how quickly, we spend our liquid assets and the cash we generate from our operations and raise in any offering.

Because we believe that we were a PFIC for our taxable year ended February 28, 2021, certain adverse United States federal income tax consequences could apply to United States Holders (as defined in “Item 10. Additional Information — E. Taxation—Certain United States Federal Income Tax Considerations”) with respect to any “excess distribution” received from us and any gain from a sale or other disposition of the ADSs or ordinary shares. See “Item 10. Additional Information — E. Taxation—Certain United States Federal Income Tax Considerations—Passive Foreign Investment Company.”

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

We have adopted a second amended and restated memorandum and articles of association. 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 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 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 and we conduct the majority of our operations in China.

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 Companies Act (As Revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of our shareholders to take action against our directors, actions by our minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England and Wales, 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 duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. 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 (i) 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 (ii) 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 reexamination of the merits of the underlying dispute. In addition, as a company primarily operating in China, there are significant legal and other obstacles for U.S. authorities to obtaining information needed for investigations or litigations. Moreover, local authorities often are constrained in their ability to assist U.S. authorities and overseas investors. For example, according to Article 177 of the PRC Securities Law which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without the consent of the competent PRC securities regulators and relevant authorities, no organization or individual may provide the documents and material relating to securities business activities to overseas parties.

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 our management, members of our board of directors or our large shareholders and limited remedies 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 an exempted company incorporated in the Cayman Islands and all of our assets are located outside of the United States.

All of our current operations are conducted in the PRC. In addition, all of our current directors and officers are nationals and residents of countries other than the United States and all of their assets are located outside the United States. 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 the PRC 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.

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 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 the corporate governance listing standards under the New York Stock Exchange; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the corporate governance listing standards under the New York Stock Exchange.

As a Cayman Islands company listed on New York Stock Exchange, we are subject to the corporate governance listing standards under the New York Stock Exchange. However, New York Stock Exchange Listed Company Manual permits 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 the corporate governance listing standards under the New York Stock Exchange. Shareholders of exempted companies in the Cayman Islands 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. We currently follow and intend to continue to follow Cayman Islands corporate governance practices in lieu of the corporate governance requirements of New York Stock Exchange that a listed company must have (i) a majority of the board be independent; (ii) an audit committee of at least three independent directors; and (iii) hold an annual meeting of shareholders no later than one year after the end of our fiscal year. 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 ordinary shares.

Holders of ADSs do not have the same rights as our registered shareholders. As a holder of our ADSs, you will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. You will only be able to exercise the voting rights which are carried by the underlying ordinary shares represented by your ADSs indirectly by giving voting instructions to the depository in accordance with the provisions of the deposit agreement. Under the deposit agreement, you may vote only by giving voting instructions to the depository. Upon receipt of your voting instructions, the depository will vote the ordinary shares underlying your ADSs in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying ordinary shares unless you withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting. Under our second amended and restated memorandum and articles of association, the minimum notice period required to be given by our company to our registered shareholders for convening a general meeting is seven days.

When a general meeting is convened, you may not receive sufficient advance notice of the meeting to withdraw the ordinary shares underlying your ADSs and become the registered holder of such shares to allow you to attend the general meeting and to vote directly with respect to any specific matter or resolution to be considered and voted upon at the general meeting. In addition, under our second amended and restated memorandum and articles of association, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the ordinary shares underlying your ADSs and becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. If we ask for your instructions, the depository 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 depository to vote the underlying ordinary shares represented by your ADSs. In addition, the depository 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 direct how the ordinary shares underlying your ADSs are voted and you may have no legal remedy if the ordinary shares underlying your ADSs are not voted as you requested.

The depositary for our ADSs will give us a discretionary proxy to vote the ordinary shares underlying your ADSs if you do not give voting instructions to the depositary to direct how the ordinary shares underlying your ADSs are voted, except in limited circumstances, which could adversely affect your interests.

Under the deposit agreement for the ADSs, if you do not give voting instructions to the depositary to direct how the ordinary shares underlying your ADSs are voted, the depositary will give us a discretionary proxy to vote the 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;
- a matter to be voted on at the meeting would have a material adverse impact on shareholders; or
- the voting at the meeting is to be made on a show of hands.

The effect of this discretionary proxy is that if you do not give voting instructions to the depositary to direct how the ordinary shares underlying your ADSs are voted, you cannot prevent the 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 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 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 depository. However, the depository 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 depository may close its books from time to time for a number of reasons, including in connection with corporate events such as rights offering, during which time the depository needs to maintain an exact number of ADS holders on its books for a specified period. The depository may also close its books in emergencies, and on weekends and public holidays. The depository may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depository are closed, or at any time if we or the depository 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.

We will incur increased costs as a result of being a public company.

We have become a public company and expect to incur significant accounting, legal and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and the New York Stock Exchange, have detailed requirements concerning corporate governance practices of public companies, including Section 404 of the Sarbanes-Oxley Act relating to internal controls over financial reporting. We expect these rules and regulations applicable to public companies to increase our accounting, legal and financial compliance costs and to make certain corporate activities more time-consuming and costly. Our management will be required to devote substantial time and attention to our public company reporting obligations and other compliance matters. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. Our reporting and other compliance obligations as a public company may place a strain on our management, operational and financial resources and systems for the foreseeable future.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company's 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, which could harm our results of operations and require us to incur significant expenses to defend the suit. 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.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We began our operations in March 2007, when our Chairman, Mr. Peiqing Tian, founded Shanghai Four Seasons Education Investment Management Co., Ltd. in Shanghai. In 2010, we established our first learning center providing after-school math education services to elementary school students. With the growth of our business and in order to facilitate international capital investment in our company, we incorporated Four Seasons Education (Cayman) Inc., or Four Seasons Education Cayman, to become our offshore holding company under the laws of the Cayman Islands in June 2014. Further, in June 2014, Four Seasons Education Cayman established a wholly-owned subsidiary in Hong Kong, namely Four Seasons Education (Hong Kong) Limited, or Four Seasons Education HK. Shanghai Fuxi Information Technology Service Co., Ltd., or Shanghai Fuxi, was then incorporated in December 2014 as a wholly-owned subsidiary of Four Seasons Education HK. On March 1, 2020, we terminated the contractual arrangements with Shanghai Four Seasons Education Investment Management Co., Ltd., which previously owned and operated one of our learning centers. As of February 28, 2021, we had established a network consisting of 50 learning centers in China.

While our organic growth was the primary driving force of our business expansion, we have been collaborating with other quality education service providers to further grow our student base. In March 2018, we acquired 90% of the shares of Shanghai Wupin Education Consulting Service Co., Ltd. and its subsidiaries, which is a renowned early childhood education provider in Shanghai which mainly provides interest cultivating classes for pre-school students. In September 2018, we acquired 51% equity interests of Shanghai Fantasy Business Consulting Co., Ltd. and its subsidiaries.

B. Business Overview

We are dedicated to providing comprehensive after-school education services with a focus on high quality math education.

We started our business initially focusing on math education for elementary school students in Shanghai. We have experienced steady growth, expanding from a network of 10 learning centers in Shanghai as of February 28, 2015 to 50 learning centers in 11 cities in China as of February 28, 2021.

Shanghai is one of the most important markets in China for after-school education. The strong demand for high quality education in Shanghai has attracted almost all of the leading national after-school education service providers. Following our success in Shanghai, we have started to expand our operations to other cities in China. As of today, we operate 12 learning centers in 10 cities outside of Shanghai.

We have developed educational content to effectively drive outcomes for students of different ages, levels of aptitude and learning objectives. Our programs are primarily focused on elementary school math, but have expanded in recent years to also include other subjects such as physics, chemistry, languages and to target students in Middle School.

Our proprietary educational content is designed to cultivate our students' interest in math and enhance their cognitive and logic abilities. We build our educational content through a systematic development process, and update this content regularly based on student performance and feedback. Our faculty is led by a group of experienced senior educators, including recognized scholars, award-winning teachers.

In addition to the course offerings that target improving students' academic performance, we are hosting a series of interest-oriented classes and activities to further promote student engagement. Based on our strong math teaching capabilities and resources, we introduced our featured classes for logic-based games such as Bridge, Sudoku and Rubik's Cube which gained great popularity. We have delivered Bridge classes at 16 of our learning centers in the 2021 fiscal year and have formed Four Seasons Education training teams in 2018, 2019 and 2020 for national competitions. Recently, our teams also achieved outstanding performance in bridge and Sudoku matches. We plan to organize more of these dynamic and enjoyable courses and activities which help students' logical thinking, intellectual and aesthetic development.

We finished the 2021 fiscal year with many achievements despite changes in regulatory requirements in the fast-evolving education industry and relatively weak performance of new learning centers during the ramp-up period. Our revenue was RMB280.3 million (US\$43.3 million) in the 2021 fiscal year, compared with RMB389.0 million in the 2020 fiscal year. In the 2021 fiscal year, we recorded a net loss of RMB27.9 million (US\$4.3 million), compared with the net loss of RMB109.6 million in the 2020 fiscal year. Our adjusted net loss, which excludes share-based compensation expenses, fair value change of investments and impairment loss on intangible assets and goodwill (net of tax effect) was RMB2.5 million (US\$0.4 million) in the 2021 fiscal year, compared with adjusted net income of RMB47.9million in the 2020 fiscal year. For a detailed description of adjusted net income (loss), please see “Item 5. Operating and Financial Review and Prospects — Non-GAAP Measures.”

Our Education Services

We are dedicated to providing comprehensive after-school education services with a focus on high quality math education. Our strong track record of helping students achieve academic excellence has popularized our courses. Particularly, we believe that we have become the math education institution of choice in Shanghai, where we started our business and operate the majority of our learning centers.

Our course offerings are divided into elementary school programs, middle school programs and other programs. We offer an assortment of academic-related courses in various subjects for each grade across elementary school and middle school, supplemented by other programs including interest-oriented classes and activities for students in K-12 schools, study trips, as well as courses for students in kindergarten. Students from elementary school programs currently account for a significant majority of our overall portfolio.

We also cooperate with a small number of other after-school learning centers in an effort to reach students in broader geographic areas. In such cases, we deliver our courses to students from primary school to middle school under our brand name and with our own teachers and educational content, and pay a service fee to the operators of such learning centers. We normally receive tuition fees from students at these learning centers directly. The operators are responsible for program promotion, classroom maintenance and other general operational services and we cooperate with two such other learning centers.

Elementary School Programs

We offer courses for math and other subjects for our elementary school programs. We offer courses with various class sizes to address the needs of our students. While we focus on providing quality math education, we started offering Chinese and English language courses for elementary school students in 2016, with the objective of diversifying our course offerings and further leveraging our student base. The courses have been welcomed by students and parents, and in the 2021 fiscal year, our elementary program language courses had student enrollment of 25,375.

We offer expertly designed courses tailored for students of different aptitude and learning objectives. These programs utilize a standardized curriculum, and are organized in regular-sized classes, which typically consist of 21 to 35 students per class, and a limited number of small-sized classes, which typically consist of 15 to 20 students per class. Each class consists of lecture time, quizzes, and discussion of quiz questions and previous homework assignments.

Our elementary programs are broken down into four terms in line with the public school year. We incorporate topics from the official school curriculum into our own educational content to supplement our students’ schoolwork during the spring and fall terms, and typically include more advanced topics during the winter and summer terms to strengthen our students’ understanding of both course materials and math fundamentals, preparing them for their next level of study.

Middle School Programs

Spurred by the strong market demand, we built on our experience in elementary school education and expanded our course offerings to the middle school level. We initially offered experimental courses for middle school mathematics, physics and chemistry, and formally launched our official middle school program covering all mandatory school subjects in 2017. Unlike our elementary school programs, which place more emphasis on elevating students' math capabilities, our middle school programs focus on improving students' performance in schoolwork and preparing them for the high school admissions exam. Student enrollment in our middle school programs has reached 35,022 in the 2021 fiscal year.

We offer our students with cohesive program contents ensuring seamless transitions from primary school to middle school. Our middle school programs offer courses primarily in five subjects, namely math, physics, chemistry, Chinese and English. Our middle school programs adopt a standardized curriculum, with class sizes ranging from regular (21 to 30 students) to small (15 to 20 students). In addition, to better address our students' needs of studying abroad, we launched bilingual math courses as a part of our middle school programs in 2017. The course content focuses on middle school level American Mathematics Competitions, or AMC, designed to both prepare students for the AMC and teach them to understand and express math concepts and problem solutions in English. Our middle school programs also offer art classes for students that demonstrate strong interest in arts.

Other Programs

Alongside with our primary school and middle school programs and as a part of our intrinsic educational ecosystem, we offer other programs including interest-oriented programs and kindergarten programs to further enhance our versatility and expand our student coverage.

Interest-Oriented Programs

Our interest-oriented programs include short-term intensive workshops on specific math topics and courses delivered to K-12 schools, as well as study trips. Recognizing the effectiveness of our education, 63 well-known K-12 schools in Shanghai have invited us to deliver our proprietary courses to their students since our inception. Typically, our courses are delivered by our own teachers at these schools through after-school math clubs or interest groups. We charge each school a lump sum cooperation fee and service fees calculated based on fixed hourly rates. We have found our courses incorporating hands-on learning to be the most popular, including our Wisdom in Mathematics module, which introduces math concepts through games and toys such as Sudoku and Rubik's Cube, our Mathematics Magic House module, which consists of math stories and games, and our logic thinking module. In 2019, we have also launched our proprietary Math Lab Program covering a series of math courses including math culture, math thinking, math activities, logic-based games and comprehensive math courses to enhance students' understanding of core math concepts and enrich their study plans for math. In addition, we organize study trips to historical sites and scenic spots which are carefully selected to coincide with our courses to closely complement a student's comprehensive capabilities.

Kindergarten Programs

Our programs for kindergarten students consist of formative courses that help develop their cognition, logic and fundamental skills in math and Chinese. For example, our Early Childhood Thinking Course fosters children's thinking abilities through a comprehensive set of teaching methods and practice. Employing proprietarily developed practice materials, experiments and educational games, we help kindergarten students learn about numbers, shapes, quantities, basic causal relationships and common sense, developing their interest in learning and forming habits for thinking, analysis and inquisitiveness. We provide picture talk workshops which help students with the development of cognitive abilities. We also offer courses on pinyin, the Chinese phonetic system that students typically learn when they begin the formal study of Chinese.

Our Curriculum and Educational Content

We develop our curriculum and educational content with the aim of improving our students' mathematical and logical thinking capabilities. To achieve this, we have established a systematic course development and update process that forms a virtuous cycle in producing quality course offerings.

Our curriculum design is a dynamic process, building on our teachers' own experiences and our students' evolving academic needs. For each curriculum, we refer to the mandatory testing materials of the standard K-12 curriculum and utilize our extensive curriculum design experience to select content that can best illustrate specific concepts or address areas students are weak at. We then refine the curriculum by adjusting the difficulty level based on the academic focus of each course, and the number of questions, supplemental experiments or mini-case studies used in each course.

Our educational content employs a large number of carefully selected questions. In 2016, we initiated a practice problem set database project and started to systematically collect and compile practice questions. We have finished the majority of the course development work for our math lab program in 2019. Our self-test system has also been upgraded with an enriched question library and well-tagged categorization. Based on the increasingly comprehensive dataset, our evaluation system will be able to automatically generate bespoke sets of test questions, helping students develop a comprehensive understanding of certain areas of knowledge according to the individual's scholastic aptitude. We have also developed content that focuses on cultivating our students' interest in mathematics. For example, our Wisdom in Mathematics course, designed for kindergarten and lower level elementary school students and incorporating a large number of math games, has been well-received by our students.

We update our course curriculum on an annual basis to reflect the changing academic focuses of the standard K-12 curriculum. We also dynamically refine and update our educational content based on our students' receptiveness to the materials and our analysis of student answers. For example, we collect and analyze student answers to homework assignments and quiz questions to identify the types of questions that students are prone to making mistakes on, and then allocate additional time and attention to these topics during the relevant lectures.

We design our curriculum and most of our educational content through our in-house efforts. Our educational content development team consists of 99 members experienced in course design, all of whom are also our teachers. Led by our consultant team of over 11 senior, experienced educators, our educational content development team constantly consults top-tier domestic and international mathematics competitions for the latest questions and trends, and is also responsible for writing and compiling our publications.

Our Learning Centers

We established our first learning center in Shanghai in 2010. We currently operate 38 learning centers in Shanghai and 12 in other cities.

We have a business development team focusing on learning center expansion and site selection. We go through a comprehensive evaluation process for every expansion proposal, with joint efforts from our operation team, business development team and other administrative departments. When selecting locations to build new learning centers, we closely study the neighborhood by the size of its residential population, other demographic factors, existing education services and resources, accessibility by public transportation, available parking and specific licensing requirements. We typically prefer locations that are close to dense residential areas and K12 schools.

We have established a dedicated management team for each learning center, typically consisting of a principal and an administrative officer, plus an administrative dean if the particular learning center has enrolled a relatively large number of students. The principal is responsible for the overall management of the learning center, including preparing student recruitment plans and staffing. The administrative officer or dean is mainly responsible for administering the everyday operations.

We opened our first learning center outside of Shanghai in Suzhou, Jiangsu Province, in November 2015. Currently, we operate four learning centers in four cities in Jiangsu Province, two in Nanchang, Jiangxi Province, one in Fuzhou, Fujian Province, one in Bengbu, Anhui Province, one in Shenzhen, Guangdong Province, one in Shaoxing, Zhejiang Province and two in Chongqing. We directly operate one learning centers outside of Shanghai, and, with us being the controlling shareholder, cooperate with local business partners in the operation of the other eleven. In most cases of such cooperation, we are responsible for the program and course design, educational content development and faculty training, while our business partners are responsible for marketing, student recruitment and compliance with local regulations. We also send experienced teachers to newly developed learning centers outside of Shanghai in their initial operation stages, typically for three to six months, to assist in daily operations and coordination with our headquarters.

Certain of our learning centers do not possess the required educational permits and business licenses. See “Item 3. Key Information — D. Risk Factors—Risks Related to Our Business— Certain of our learning centers do not possess the required educational permits and business licenses, 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.” To address this situation, we have been in the process of obtaining educational permits and business licenses required in order to qualify for educational permits or business licenses, and we have achieved substantial progress in obtaining required fire safety permits, which is a prerequisite for educational permits or the business license. As of the date of this annual report, among our 50 learning centers, four do not possess the educational permits. Our Shanghai Four Seasons Education and Training Co., Ltd., Four Seasons Class Training Co., Ltd. and other entities in our group were among the white list of after-school tutoring institutions released by the Shanghai Education Bureau in late December 2018, demonstrating our compliance in terms of operating licensure, educational content and the teaching facility environment. We would like to continue working with related authorities and adapting our operations to the evolving regulations of a rapidly growing after-school tutoring industry in China.

In addition, according to PRC fire safety regulations, venues for children’s activities cannot be located above the third floor of a building. As of the date of this annual report, four of our 50 learning centers in operation are located above the third floor of a building See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Business— We cannot assure all of our learning centers are in compliance with fire safety regulations.” We are in the process of identifying suitable locations, negotiating leases and conducting renovations to relocate these existing learning centers to new locations on the third floor or lower or otherwise to use them in accordance with the requirements of the regulations.

We have strengthened and made more stringent our requirements and standards for the selection and licensing of new learning centers, and strive to achieve compliance with applicable PRC laws and regulations for all of our existing and new learning centers, including obtaining required permits or licenses for our learning centers in a timely fashion and locating new learning centers for children’s activities on third floors or lower.

Our Faculty

We have assembled a faculty of dedicated and capable educators with significant experience in mathematics education and school management. We believe that our faculty is critical to maintaining the quality of our services and promoting our brand and reputation. Our total number of teachers increased from 110 as of February 28, 2016 to 359 as of February 28, 2021. As of February 28, 2021, approximately 93% of our teachers had bachelor’s degrees and above. Among our faculty members, a number of teachers have joined us from public schools, including several who were principals and 15 teachers with more than ten years of teaching experience.

We strive to give our faculty a supportive working environment, providing our faculty members with abundant opportunities for career development and advancement. We offer competitive salary and benefit packages, and make great efforts to build a congenial academic and workplace culture among our faculty. We do not encourage or require our teachers to recruit students or promote our courses on their own, which allows them to focus on teaching and knowing their students. We encourage our faculty to learn at the same time that they are teaching, try out innovative teaching methods and hone their own skills as educators. We believe that our culture promotes self-improvement and a sense of satisfaction from teaching. Our high student quality and competitive compensation also help ensure the stability of our faculty base.

Our faculty recruitment process is highly selective. We require our candidates to pass a series of exams, interviews and mock lectures and three months of training programs before they can become our trainee teachers and start their probation period. During the probation period, the trainee teachers will be arranged to teach a certain number of trial classes. We will evaluate their performance in the probation period and we only hire on a full-time basis those who pass our evaluations. In general, approximately 37% of our candidates are able to complete this process. During the recruitment process, we mainly focus on candidates’ academic background, communication skills and classroom demeanor. We generally recruit our teachers through on-campus recruitment of university graduates and from time to time through referrals or online channels. Although we have adopted standardized content for most of our programs, we encourage teachers to put their own spin on their classes to keep students engaged. Therefore, we also target our faculty recruiting toward candidates with energetic and positive personalities who can connect with and motivate our students.

All of our teachers are required to attend our on-the-job training programs to ensure their familiarity with our latest educational content and our learning software and facilities. We design and implement in-house training programs for our teachers, which consist of courses on specific subjects and teaching techniques. Each teacher participates in a two-month orientation training session when first joining us, as well as a 48-hour on-the-job training program in each subsequent year. In addition, we continuously monitor our teachers' mastery of their subject matter, teaching skills, and communication abilities. We have implemented nine tiers of pay grades for our faculty members, and through a stringent internal review process, our faculty members can be promoted to higher tiers based on a comprehensive evaluation of their teaching effectiveness and their delivery of education services, including their patience in answering student questions and proactiveness in following up on students' needs.

Our Students

We have maintained sizable student enrollment, which represents the cumulative total number of courses enrolled in and paid for by our students. Our student enrollment increased by 26.9% from 157,759 in the 2019 fiscal year to 200,177 in the 2020 fiscal year, and was 165,555 in the 2021 fiscal year.

As our course offerings become more versatile, we have reached out to broader age groups of students. We formally launched our middle school programs in 2017, and in the 2021 fiscal year, the student enrollment of our middle school programs was 35,022, of which 24,022 came from students who had previously taken classes in our elementary school programs.

We enroll our students primarily through word-of-mouth referrals. We have built a sterling reputation for effective education among parents.

Our Branding

Our brand name is highly regarded in the mathematics education field in Shanghai. The quality of our educational content and the effectiveness of our teaching methodologies have made us the first choice for our fellow education service providers as they seek strategic partners in mathematics education. Over the years, we have been invited to teach our course content at well-known K-12 schools and develop content for math camps together with universities. Through such strategic collaborations, we have strengthened our leading market position in Shanghai's mathematics education field, further built up our brand name beyond Shanghai, and attracted motivated students from eastern China.

Collaboration with East China Normal University

In 2016, we entered into a framework agreement with East China Normal University, or ECNU, a university in Shanghai prominent in basic education, and launched a series of projects related to math education for K-12 students. One collaboration project includes a jointly-operated mathematics summer camp, which selects academically strong middle and high school students to attend for free. We participate in the course development process with ECNU and are responsible for student selection, while ECNU will be responsible for hosting and running the summer camp. We are also working with ECNU to establish math and science centers for K-12 students to demonstrate a variety of fun applications of math theories and principles such as Chinese ring puzzles and the Mobius strip. In addition, starting from 2018, we also cooperate with East China Normal University Press in the production and distribution of digital products through Shanghai Huashi Dongfang Digital Publishing Co., Ltd., a company we jointly invested. On April 22, 2020 we acquired another 19.97% equity interest of Huashi Dongfang for a total consideration of RMB1.3 million. As of the date of this annual report, we hold 69.97% of the equity interests in Shanghai Huashi Dongfang Digital Publishing Co., Ltd..

Student Services

Proactive and Individualized Assistance

Our teachers actively monitor the progress of each student and communicate directly with parents. After each class, the teacher will follow up with parents during the week, monitoring students' progress with their homework and answering questions that students may have. We assign a course advisor to each class who works with the teacher and is responsible for handling administrative matters, such as sending notification and course materials, scheduling classes and collecting student feedback, to provide more comprehensive support to our students and their parents.

Online Education and Mobile App

As an alternative to the offline classes, we offer online education courses to primary school students and middle school students. We provide our courses and products through different online platforms in multiple formats, including live and pre-recorded courses for different class sizes. Our students can watch lecture videos and explanations to difficult problem sets, download the syllabus and practice problem sets for their courses, search for courses they are interested in and check previous exam performance and analysis on our study center through our website and mobile app. Leveraging our online education capability, we are also able to swiftly switch our offline operating model to online through the course of the COVID-19 outbreak during the mandatory closure of our learning centers.

Competition

We face competition from national after-school education companies with operations in Shanghai such as TAL Education, as well as local after-school education service providers. The after-school education industry in the PRC is highly fragmented and rapidly developing. We believe the principal competitive factors in our business include the following:

- reputation and brand;
- quality of education services offered;
- number of learning centers we operate;
- ability to effectively tailor service offerings to specific needs of students and parents; and
- ability to attract, train and retain high quality faculty members.

We believe that we compete favorably with our competitors on the basis of the above factors. However, some of our competitors may have greater access to financing and other resources, and a longer operating history than us. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Business—We face significant competition, and if we fail to compete effectively, we may lose our market share and our profitability may be adversely affected.”

Intellectual Property

Our business relies substantially on the creation, use and protection of our proprietary curriculum and course materials. We have copyrights for our original course materials, including practice books, course videos and study software programs. Other forms of intellectual property include our trademarks and domain names. As of February 28, 2021, we had 15 registered trademarks and eight copyrights. In addition, as of February 28, 2021, we have registered 29 domain names, including sijiedu.com.

We believe the protection of our trademarks, copyrights, domain names, trade names, trade secrets and other proprietary rights is critical to our business, and we protect our intellectual property rights by relying on local laws and contractual restrictions. More specifically, we rely on a combination of trademark, fair trade practice, copyright and trade secret protection laws in the PRC as well as confidentiality procedures and contractual provisions to protect our intellectual property and our trademarks. We enter into confidentiality agreements with our employees, and have confidentiality arrangements with our business partners. We also actively engage in monitoring and enforcement activities with respect to infringing uses of our intellectual property by third parties.

While we actively take steps to protect our proprietary rights, these steps may not be adequate to prevent the infringement or misappropriation of the intellectual property created by or licensed to us. Also, we cannot be certain that the course materials that we license, and our redesign of these materials, do not or will not infringe on the valid patents, copyrights or other intellectual property rights held by third parties. We may be subject to legal proceedings and claims from time to time relating to the intellectual property of others, as discussed in “Risk Factors—Risks Related to Our Business—We may encounter disputes from time to time relating to our use of intellectual property of third parties.”

Insurance

We maintain various insurance policies to safeguard against risks and unexpected events. We maintain insurance to cover our liability should any injuries occur at our schools. We maintain medical insurance for our employees and management. We also maintain public liability insurance which covers property damage and casualty damage in accidents. We do not have property, business interruption, general third-party liability, product liability or key-man insurance. See “Item 3. Key Information — D. Risk Factors—Risks Related to Our Business—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 after-school education providers of similar size in the PRC.

Regulation

This section sets forth a summary of the most significant laws, rules and regulations that affect our business activities in China and our shareholders’ rights to receive dividends and other distributions from us.

Regulations Relating to Foreign Investment in Education

Foreign Investment Law

On March 15, 2019, the National People’s Congress reviewed the submitted draft and approved the Foreign Investment Law, which came into effect on January 1, 2020. The Foreign Investment Law replaces the three laws on foreign investment (the Wholly Foreign-owned Enterprise Law, the Cooperative Joint Venture Law of the PRC and the Equity Joint Venture Law of the PRC) and the Foreign Investment Law provides a five-year transition period for the existing foreign invested enterprises, or the FIEs, to adjust their business structures.

On December 26, 2019, the State Council issued the Implementation Rules of the Foreign Investment Law, which came into effect on January 1, 2020, to clarify and elaborate relevant provisions of the Foreign Investment Law. The Foreign Investment Law and its implementation regulations emphasize the principle of applying “national treatment” to foreign investors. Industries that are not listed in the negative list issued by, amended or released upon approval by the State Council from time to time are permitted areas for foreign investments, and are generally open to foreign investment unless specifically restricted by other PRC regulations.

Special Administrative Measures (Negative List) for Foreign Investment Access

Pursuant to the Foreign Investment Industries Guidance Catalog (2015 Revision), which was promulgated by the National Development and Reform Commission, and the Ministry of Commerce, and became effective on April 10, 2015, industries are classified into three categories: encouraged, restricted and prohibited. An industry not expressly listed on this catalog, such as operation of a training institution, is generally open to foreign investment unless specifically restricted or prohibited by other PRC regulations.

The Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Revision), which was promulgated on June 28, 2018 and took effect on July 28, 2018 replacing the abovementioned Foreign Investment Industries Guidance Catalog (2015 Revision), contains the same types of industry categories, with operation of training institution also open to foreign investment unless specifically restricted or prohibited by other PRC regulations.

The current effective negative list is the Special Administrative Measures (Negative List) for Foreign Investment Access, or the 2020 Negative List, which became effective on July 23, 2020. Pursuant to the 2020 Negative List, operation of training institution is outside the scope of the 2020 Negative List, which indicates that this is open to foreign investment, while a preschool, a regular senior secondary school, or a higher education institution shall only be operated by Chinese-foreign contractual joint ventures, under the control of the Chinese party (the principal or the chief executive shall be a Chinese citizen, and the council, board of directors, or joint management committee shall consist of members from the Chinese party accounting for no less than one half of the total number of members).

Regulation on Sino-foreign Cooperation in Operating Schools and its Implementing Rules

Sino-foreign cooperation in operating schools in China is governed by the Regulation on Sino-foreign Cooperative Education (2019 Revision) promulgated by the State Council and the Implementing Rules for Sino-foreign Cooperative Education (2004) issued by the Ministry of Education. These rules encourage substantive cooperation between PRC educational organizations and foreign educational organizations with the relevant qualifications and experience in providing high quality education to jointly operate various types of schools in China. Any Sino-foreign cooperative school and cooperation education program shall be approved by the relevant PRC authorities and obtain a permit for Sino-foreign cooperation in operating schools.

Additionally, the Implementation Opinions of the Ministry of Education on Encouraging and Guiding the Entry of Private Capital in the Education Sector and Promoting the Healthy Development of Private Education (2012) encourage private investment and foreign investment in the education sector. According to these opinions, the proportion of foreign investment in a Sino-foreign cooperative education institution shall be less than 50%.

Regulations Relating to Private Education

PRC Education Law

The PRC Education Law (1995) promulgated by the PRC National People's Congress stipulates that it is the government that formulates plans for the development of education, establishes and operates schools and other types of educational institutions, and in principle, enterprises, institution, social organizations and individuals are encouraged to operate schools and other types of educational organizations. Under the PRC Education Law, no organization or individual may establish or operate a school or any other educational institution for profit-making purposes. On December 27, 2015, the Standing Committee of the PRC National People's Congress, published the Decision on Amendment of the Education Law, which became effective on June 1, 2016. The PRC Education Law (2015 Revision) limits the prohibition of establishment or operation of schools or other educational institutions for profit-making purposes to only schools or other educational institutions established with full or partial governmental funding or government donated assets, which implies that schools or other educational institutions may operate for profit-making purposes if such schools or institutions operate without governmental funds or donated assets. Thereafter, the PRC Education Law was newly amended by Standing Committee of the National People's Congress on 29 April 2021, and came into effect on April 30, 2021.

The PRC Education Law also stipulates the basic conditions to be fulfilled for the establishment of a school or any other educational institution, and the establishment, modification or termination of a school or any other educational institutions shall, in accordance with the relevant PRC laws and regulations, go through the procedures of examination, approval, registration or filing.

Private Education Law and Its Implementation Rules

The PRC Private Education Law (2018 Revision) promulgated by the Standing Committee of the PRC National People's Congress on December 28, 2002 and last amended on December 29, 2018 and the Implementation Rules for the Private Education Law (2021) which was newly revised on April 7, 2021 and will be effective on September 1, 2021, provide rules for social organizations or individuals to establish schools or other educational organizations using non-government funds in China. Such schools or educational organizations so established using non-government funds are referred to as "private schools."

According to the Private Education Law, establishment of private schools for academic education, pre-school education, self-taught examination support and other cultural education are subject to approval by the authorities in charge of education at or above the county level, while establishment of private schools for vocational qualification training and vocational skill training are subject to approval by the authorities in charge of labor and social welfare at or above the county level. A duly approved private school will be granted a private school operating permit and shall be registered with the Ministry of Civil Affairs or its local counterparts as a private non-enterprise institution.

Under the Private Education Law and its Implementation Rules, private education is deemed as a public welfare undertaking, and entities and individuals who establish private schools are commonly referred to as “sponsors” instead of “owners” or “shareholders.” Nonetheless, sponsors of a private school may choose to require “reasonable returns” from the annual net balance of the school after deduction of costs, donations received, government subsidies, if any, the reserved development fund and other expenses as required by the regulations. However, the PRC laws and regulations do not provide a formula or guidelines for determining “reasonable returns.” In addition, the PRC laws and regulations do not provide for sponsors’ economic rights in schools that do not distribute reasonable returns, nor do they have different requirements or restrictions on a private school’s ability to operate its education business based on such school’s status as a school that requires reasonable returns or a school that does not require reasonable returns.

The Decision of the Standing Committee of the National People’s Congress on Amending the Private Education Law was promulgated on November 7, 2016 and became effective on September 1, 2017. Under the amendment, the term “reasonable return” is no longer used and a new classification system for private schools is established based on whether they are established and operated for profit-making purposes. Sponsors of private schools may choose to establish non-profit or for-profit private schools at their own discretion. 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 be non-profit schools after this amendment comes into force. We currently intend to register all of our schools as for-profit schools when allowed. However, most local authorities may delay accepting or approving applications of for-profit schools before the local implementing regulations being promulgated.

According to this amendment and relevant rules, the key features of the 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 operational surplus may be allocated to the sponsors pursuant to the PRC Company Law and other relevant laws and regulations, while sponsors of non-profit private schools are not entitled to the distribution of profits or proceeds from the non-profit schools and all operational 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 in accordance with market conditions, while the collection of fees by non-profit private schools shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government.
- 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 in accordance with the PRC laws.
- The remaining assets of non-profit private schools after liquidation shall continue to be used for the operation of non-profit schools while the remaining assets of for-profit private schools shall be distributed to the sponsors in accordance with the PRC Company Law.
- Government authorities at or above the county level may support private schools by subscription to their services, provision of student loans and scholarships, and leases or transfers of unused state assets. The government authorities may further take such measures as government subsidies, funds rewards and incentives for donation in support of non-profit private schools.

According to the amendment and relevant rules of the Implementing Rules for the Private Education Law:

- A non-profit private school shall use the accounts filed with the competent authorities for charging fees and financial transactions, and a for-profit private school shall deposit the income into a settlement account of its own.
- Private Schools providing compulsory education shall not trade with related parties, and other private schools shall be transparent, just and fair when carrying out transactions with related parties and shall establish information disclosure mechanism for such related party transactions, the government authority, shall strengthen the supervision of the agreements between non-profit private schools and their related parties, and review the related transactions annually.

- The organizer has the obligation to make capital contributions on time and in full to set up a private school and shall not withdraw their capital contributions or misappropriate the funds for running the schools. A private school and its organizers shall not withdraw their capital contributions or misappropriate the funds for running the schools. The organizers may, in accordance with the law, raise funds for the establishment of for-profit non-governmental schools, and the funds raised shall mainly be used for running such schools, and shall perform the obligation of information disclosure. A private school and its organizer shall not collect or in disguise collect sponsorship fees relating to admission from the students or their parents.
- Social organization or individuals are prohibited from controlling any private schools providing compulsory education or any non-profit private schools providing preschool education by way of mergers, acquisitions, or controlling contracts, among other things.

Several Opinions on Encouraging Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education

On December 29, 2016, the State Council issued Several Opinions of the State Council on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education, which encourages and promotes the development of private education. The opinions include differential administrative systems and supportive policies based on the new classification system, more relaxed market access to the operation of private schools, broader funding channels, diversified cooperative education and comprehensive exit mechanisms for termination of private schools. The State Council opinions also provides that each level of the government authorities shall increase their support to private schools in terms of financial investment, financial support, subsidy policies, preferential treatments on tax, land policies and fee policies, autonomous operation, and protecting the rights of teachers and students, among other things. Further, the State Council opinions require each level of the government to improve its local policies on private education.

Implementing Measures on Classification Registration of Private Schools

According to the Implementing Measures on Classification Registration of Private Schools jointly promulgated by the Ministry of Education, the Ministry of Human Resources and Social Security, the Ministry of Civil Affairs, the State Commission Office of Public Sectors Reform and the State Administration for Industry and Commerce on December 30, 2016, the establishment of a private school is subject to approval. Private schools that are approved to be established shall apply for a registration certificate or business license in accordance with the classification registration regulations after they are granted a private school operating permit by the competent governmental authorities. No definite effective date has been set for these measures.

These classification registration rules apply to private schools. Non-profit private schools which meet the requirements under the Interim Administrative Regulations on the Registration of Private Non-enterprise Entities and other relevant regulations shall apply to the Ministry of Civil Affairs, or its local counterparts for registration as private non-enterprise entities. Non-profit private schools which meet the requirements under the Interim Regulations on the Administration of the Registration of Public Institutions and other relevant regulations shall apply to the relevant administrative authority for registration as public institutions. For-profit private schools shall apply to the State Administration for Industry and Commerce, or its local counterparts for registration in accordance with the jurisdiction provisions set out by relevant laws and regulations.

These classification registration rules also apply to private schools which were established before the promulgation of the amendment to the Private Education Law. If one of these schools chooses to register as a non-profit private school, it shall amend its articles of association in accordance with the law, continue its operation, and complete the new registration formalities. If it chooses to register as a for-profit private school instead, it shall make financial clearing, clarify the ownership of the schools' land, buildings and accumulations of previous operation with the consent of the relevant government authorities at or below the provincial level, pay the relevant taxes and fees, obtain a new operating permit, carry out its re-registration and continue its operation. Seven of our learning centers that registered as schools will go through the re-registration procedures in the event that we proceed to register such learning centers as for-profit schools. The provincial government is responsible for formulating detailed measures on the alteration of registration of private schools in accordance with national laws and the local situation.

Implementing Measures for the Supervision and Administration of For-profit Private Schools

According to the Implementing Measures for the Supervision and Administration of For-profit Private Schools jointly promulgated by the Ministry of Education, the Ministry of Human Resources and Social Security,

and the State Administration for Industry and Commerce on December 30, 2016, social organizations or individuals are permitted to run for-profit private colleges and universities and other higher education institutions, high schools and kindergartens, but are prohibited from running for-profit private schools implementing compulsory education. No definite effective date has been set for these measures.

According to these implementing measures, a social organization or individual running a for-profit private school shall have the financial strength appropriate to the level, type and scale of the school, and their net assets or monetary funds shall be sufficient for the costs of the school construction and development. Furthermore, the social organization running the for-profit private school shall be a legal person who is in good credit standing, and shall not be in the list of enterprises operating abnormally or the list of enterprises with serious breaches of law and discredited enterprises. Individuals running for-profit private schools shall be PRC citizens who reside in China, be in good credit standing without any criminal record and enjoy political rights and complete civil capacity.

New Opinions and Notices for Extracurricular Training Institutions

In August 2018, the State Council issued its New Opinion on the Regulation of the Development of Extracurricular Training Institutions, or the New Opinion, which primarily regulates extracurricular training institutions targeting K-12 students. The New Opinion provides certain detailed requirements for extracurricular training institution, including, among others, requirements for licenses and permits, training premises, safety conditions, fee collection, teaching staff and curriculum content.

In October 2018, the Ministry of Education launched a special supervision campaign on extracurricular training institutions and required the local competent authorities to investigate the training institutions within their jurisdictions and requested such institutions to rectify any non-compliant activities. In December 2018, nine PRC governmental authorities, including the Ministry of Education, jointly promulgated the Notice on Measures for Alleviating the Burdens on K-12 Students, which reiterates the above requirements.

In addition, in November 2018, the Ministry of Education, the SAIC and the Ministry of Emergency Management of China jointly promulgated the Notice of Several Work Mechanisms for Strengthening Special Administration and Rectification of Extracurricular Training Institutions, or the New Notice. According to the New Notice, training institutions without certificates and institutions violating other requirements of laws and regulations shall be banned, the business licenses shall be revoked, and legal representatives of these institutions shall be restricted from providing training for elementary and secondary school students. Besides, if the existing fire safety conditions of training institutions do not meet requirements, training qualifications of these institutions shall be revoked.

In May 2020, the General Office of Ministry of Education 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 excessive and advanced training relating to six subjects, including Chinese, Math, English, Physics, Chemistry and Biology, for students in primary school and middle school. 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, the extracurricular education targeting students in primary schools shall not include contents to be taught in middle schools, and the extracurricular education targeting students in middle schools shall not include contents to be taught in high schools.

Opinions on Deepening the Reform of Education and Teaching and Comprehensively Improving the Quality of Compulsory Education

On June 23, 2019, the Central Committee of the Communist Party of China and the State Council issued Opinions on Deepening the Reform of Education and Teaching and Comprehensively Improving the Quality of Compulsory Education. According to the Opinions, the enrollment of private schools providing compulsory education shall be processed with that of public schools at the same time, and students shall be educated and trained comprehensively, including moral development, academic development, physical and mental health, interests and talents, and labor practices, etc.

Regulations on Filing of Extracurricular Online Training

On July 12, 2019, the Ministry of Education, together with other five PRC authorities, jointly promulgated the Implementation Opinions on the Regulation of Extracurricular Online Training, which reinstates the filing

requirement of extracurricular online training institutions and provides that the education authorities at provincial level should review the application documents submitted by extracurricular online training institutions, approve the filing applications submitted by qualified training institutions, and disclose qualified training institutions to the public. The filing information include ICP filings, approvals and licenses, personal information protection system, network security protection measures, introduction of courses, education plans, basic information of teachers, teacher qualification certificates, etc. In case of any change of the filing information, the extracurricular online training institution shall make filing for such updated information.

On February 24, 2020, Shanghai Municipal Education Commission, together with six other Shanghai authorities, jointly promulgated the Rules for Filings of Extracurricular Online Training in Shanghai, which came into effect on April 1, 2020. According to the Rules, extracurricular online training institutions shall submit filing documents through Shanghai Training Institutions Online Management Platform, and institutions shall be added into “Whitelist”, “Greylist” or “Blacklist” depends on the accuracy and completeness of filing materials and whether institutions comply with relevant laws and regulations according to filing materials.

Local Regulations Relating to Commercial Private School

In late December, 2017, the People’s Government of Shanghai published the Implementation Opinions of Shanghai Municipal People’s Government on Promoting the Healthy Development of Private Education and the Administrative Measures of Shanghai Municipality on Classification License and Registration of Private Schools, pursuant to which the existing private schools should choose to be registered as either for-profit or non-profit before December 31, 2018. Those who choose to be registered as non-profit private schools shall amend their article of association before December 31, 2019, and those who choose to be registered as for-profit private schools shall make finance clearance, clarify the title of their properties, pay the tax related and re-make registration before (i) December 31, 2020 for private colleges or universities; or (ii) December 31, 2020 for other private schools.

On December 29, 2017, the People’s Government of Shanghai promulgated three regulations to further implement the Private Education Law and its Implementing Rules, including the Standard for Establishment of Private Educational Institution in Shanghai, the Management Measures of Shanghai Municipality on For-profit Private Educational Institutions and the Management Measures of Shanghai Municipality on Non-profit Educational Institutions. These regulations provide that, among others, requirements and conditions to be satisfied to establish a private educational institution. In addition, these regulations provide that for-profit private educational institutions can be divided into two categories: for cultural education and for professional training. Cultural education institutions like us shall obtain approval from the local education authority as pre-condition for establishment, and professional training institutions shall obtain approval from the local human resource and social security authority. After obtaining the educational permit, the private educational institution shall then make filing and registration at the local Bureau for Industry and Commerce. The for-profit private educational institution cannot enroll students and commence teaching activities until it has obtained the educational permit and completed the required registration. Private educational institutions setting up extended learning centers shall also obtain the required educational permit.

In Jiangsu province, the education authority issued the Implementing Rules for the Supervision and Administration of For-profit Private Schools in Jiangsu Province on May 8, 2018, provides that, the establishment of for-profit private educational training institutions facing primary and secondary school students, including institutions that carry out supplementary tutoring, cultural and educational activities related to the school’s cultural and educational curriculum or to further studies and examinations, shall be examined and approved by the administrative department of education of government at or above the county level.

On March 3, 2019, the General Office of Anhui Provincial People’s Government issued the implementation opinion of the development of standardized after-school training institutions, provides that, for after-school training institutions there are irregularities, around the establishment of a ledger and rectification program, a clear time frame for rectification, strengthen the rectification measures, accelerate the progress of rectification, one by one to account for the number. The deadline for the failure to complete the rectification of after-school training institutions, led by the education department in conjunction with the relevant departments in accordance with the law to deal with. For those after-school training institutions that have not obtained a license to operate and a business license, all of them will be closed down and rectified by the education department in conjunction with the relevant units and issued with a notice of rectification. For those who have the conditions for a license, the education department will guide them to do so; for those who do not meet the conditions for a license, the education department, in conjunction with market supervision, civil affairs, human resources and social security departments, will order them to stop operating schools and dispose of them properly. For those who meet the setting standards and have obtained a school license

and business license, but there are safety hazards of after-school training institutions, all implement rectification; there are major safety hazards, must be closed for rectification, by the education department in conjunction with the public security, emergency management, health, civil affairs, market supervision departments to put forward rectification views, issued a notice of rectification, rectification is not in place shall not resume business.

Regulations Relating to Online Transmission of Audio-Visual Programs

The Measures for the Administration of Publication of Audio-Visual Programs through Internet or Other Information Network, or the Audio-Visual Measures, promulgated by the State Administration of Press, Publication, Radio, Film and Television, or the SAPPRFT (currently known as the State Administration of Radio and Television), on July 6, 2004 and came into effect on October 11, 2004, apply to the activities relating to the opening, broadcasting, integration, transmission or download of audio-visual programs using internet or other information network. Under the Audio-Visual Measures, to engage in the business of transmitting audio-visual programs, a license issued by the SAPPRFT is required, and “audio-visual programs (including audio-visual products of films and televisions)” is defined under the Audio-Visual Measures as the audio-visual programs consisting of movable pictures or sounds that can be listened to continuously, which are shot and recorded using video cameras, vidicons, recorders and other audiovisual equipment for producing programs. Foreign invested enterprises are not allowed to carry out such business.

On April 13, 2005, the State Council promulgated the Certain Decisions on the Entry of the Non-state-owned Capital into the Cultural Industry. On July 6, 2005, five PRC governmental authorities, including the SAPPRFT, jointly adopted the Several Opinions on Canvassing Foreign Investment into the Cultural Sector. According to these regulations, non-state-owned capital and foreign investors are not allowed to engage in the business of transmitting audio-visual programs through information networks. However, the Audio-Visual Measures was repealed according to the Administrative Provisions on Audio-Visual Program Service through Special Network and Directed Transmission that was promulgated by the SAPPRFT on April 25, 2016, effective on June 1, 2016.

To further regulate the provision of audio-visual program services to the public via the internet, including through mobile networks, within the territory of China, the SAPPRFT and the MIIT jointly promulgated the Administrative Provisions on Internet Audio-Visual Program Service, or the Audio-Visual Program Provisions, on December 20, 2007, which came into effect on January 31, 2008 and was last amended on August 28, 2015. Under the Audio-Visual Program Provisions, “internet audio-visual program services” is defined as activities of producing, redacting and integrating audio-visual programs, providing them to the general public via internet, and providing service for other people to upload and transmit audio-visual programs, and providers of internet audio-visual program services are required to obtain a License for Online Transmission of Audio-Visual Programs issued by the SAPPRFT, or complete certain registration procedures with the SAPPRFT. In general, providers of internet audio-visual program services must be either state-owned or state-controlled entities, and the business to be carried out by such providers must satisfy the overall planning and guidance catalog for internet audio-visual program service determined by the SAPPRFT.

On April 8, 2008, SAPPRFT issued a Notice on Relevant Issues Concerning Application and Approval of License for the Online Transmission of Audio-Visual Programs, as amended on August 28, 2015, which sets out detailed provisions concerning the application and approval process regarding the License for Online Transmission of Audio-Visual Programs. According to the above regulations, providers of internet audio-visual program services that engaged in such services prior to the promulgation of the Audio-Visual Program Provisions are eligible to apply for the license so long as those providers did not violate the relevant laws and regulations in the past or their violation of the laws and regulations is minor in scope and can be rectified in a timely manner and they have no records of violation during the last three months prior to the promulgation of the Audio-Visual Program Provisions. Further, on March 31, 2009, SAPPRFT promulgated the Notice on Strengthening the Administration of the Content of Internet Audio-Visual Programs, which reiterates the pre-approval requirements for the audio-visual programs transmitted via the internet, including through mobile networks, where applicable, and prohibits certain types of internet audio-visual programs containing violence, pornography, gambling, terrorism, superstition or other similarly prohibited elements.

On March 17, 2010, the SAPPRFT promulgated Tentative Categories of Internet Audio-Visual Program Services, or the Categories, which clarified the scope of internet audio-visual programs services, which was amended on March 10, 2017. According to the Categories, there are four categories of internet audio-visual program

services which are further divided into seventeen sub-categories. The third sub-category to the second category covers the making and editing of certain specialized audio-visual programs concerning, among other things, educational content, and broadcasting such content to the general public online. However, there are still significant uncertainties relating to the interpretation and implementation of the Audio-Visual Program Provisions, in particular, the scope of “internet audio-visual programs.”

On March 16, 2018, the SAPPRFT promulgated the Notice on Further Regulating the Transmission Order of Internet Audio-Visual Program Services, providing that the classic literary works, radio, film and television programs, internet original audio-visual programs shall not be re-edited, re-dubbed, re-subtitled or partly captured and consolidated as a new program without authorizations and providers of internet audio-visual program services shall strictly manage and supervise such re-edited programs uploaded by the internet users and shall not provide any transmission channel for those internet audio-visual programs which have political orientation issues, copyright issues or content issues.

Regulations Relating to Internet Culture Activities

On February 17, 2011, the Ministry of Culture, or MOC (currently known as the Ministry of Culture and Tourism), promulgated the Interim Administrative Provisions on Internet Culture, or the Internet Culture Provisions, which became effective on April 1, 2011 and was amended on December 15, 2017. The Internet Culture Provisions require ICP services providers engaging in commercial “internet culture activities” to obtain an Internet Culture Business Operating License from the MOC. “Internet cultural activity” is defined in the Internet Culture Provisions as an act of provision of internet cultural products and related services, which includes (i) the production, duplication, importation, and broadcasting of the internet cultural products; (ii) the online dissemination whereby cultural products are posted on the internet or transmitted via the internet to end-users, such as computers, fixed-line telephones, mobile phones, television sets and games machines, for online users’ browsing, use or downloading; and (iii) the exhibition and comparison of the internet cultural products. In addition, “internet cultural products” is defined in the Internet Culture Provisions as cultural products produced, broadcast and disseminated via the internet, which mainly include internet cultural products specially produced for the internet, such as online music entertainment, online games, online shows and plays (programs), online performances, online works of art and online cartoons, and internet cultural products produced from cultural products such as music entertainment, games, shows and plays (programs), performances, works of art, and cartoons through certain techniques and duplicating those to internet for dissemination.

Regulations on Fire Safety

The Fire Safety Law, promulgated by the Standing Committee of the National People’s Congress on April 29, 1998, which was latest amended by the Standing Committee of the National People’s Congress on April 29, 2021, and became effective on the same date, which stipulate that with respect to the fire safety inspection before a public gathering place is put into use or opens for business, the notification and undertaking administration shall apply. Before a public gathering place is put into use or opens for business, the owner or using entity shall apply for fire safety inspection, give an undertaking that the said place complies with fire protection technical standards and management provisions, submit the required materials, and be responsible for its undertaking and the veracity of materials. The fire and rescue department shall examine the materials submitted by the applicant, and if the application materials are complete and of the statutory form, it shall grant a permit. On June 4, 2021, Shanghai Fire and Rescue Headquarters issued a notice which stipulate that, public gathering places in Shanghai put into use before business adopt the notification and undertaking method since July 1 except (1) Dance and entertainment screening amusement venues, (2) hotels, restaurants, shopping malls, marketplaces, theaters, auditoriums, halls, playgrounds, business fitness, leisure venues, passenger station waiting rooms, passenger terminal waiting rooms, civilian airport terminals, stadiums, which floor area is over 300 meters. As well as other relevant detailed fire prevention regulations, require that schools must pass a fire safety control assessment or complete a fire safety filing. Pursuant to these regulations, failure to pass the required fire control assessment shall be subject to: (i) orders to suspend the construction of projects, use of such projects or operation of relevant business; and (ii) a fine between RMB30,000 and RMB300,000. Failure to complete a fire safety filing shall be subject to: (i) orders to make rectifications within a specified time limit; and (ii) a fine of not more than RMB5,000. See “Item 3. Key Information — D. We cannot assure all of our learning centers are in compliance with fire safety regulations.” for further details on the compliance of Regulations on Fire Safety.

In addition, fire departments conduct spot inspections irregularly. Learning centers that fail to pass such inspections are also subject to monetary penalties and suspension of business operations.

Regulations Relating to Intellectual Property Rights

Copyrights

The Standing Committee of the National People's Congress adopted the Copyright Law in 1990 and last amended it on November 11, 2020 and became effective on June 1, 2021. The amended Copyright Law extends copyright protection to Internet activities, products disseminated over the Internet and software products. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. The amended Copyright Law also requires registration of a copyright pledge.

Domain Names

Management of domain names was prescribed by Measures for the Administration of Internet Domain Names of China which was promulgated by the PRC Ministry of Industry and Information Technology in 2002 and amended in 2004. It was superseded by Measures for the Administration of Internet Domain Names of China published in 2017. Pursuant to the 2017 Measures, "domain names" 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. The principle of "first come, first serve" is followed for the domain name registration service. After completing the domain name registration, the registrant becomes the holder of the domain name registered by him/it. See "Item 4. Information on the Company — B. Business Overview—Intellectual Property" for more details on the current situation of our domain names.

Trademark

Trademarks are protected by the PRC Trademark Law which was adopted in 1982 and subsequently amended in 1993, 2001, 2013 and 2020 as well as the Implementation Regulation of the PRC Trademark Law adopted by the State Council in 2002 and amended in 2014. The Trademark Office under the State Administration for Industry and Commerce handles trademark registrations and grants a term of ten years to registered trademarks which may be renewed for consecutive ten-year periods upon request by the trademark owner. Trademark license agreements shall be filed with the Trademark Office for record. The PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. In addition, if a registered trademark is recognized as a well-known trademark, the protection of the proprietary right of the trademark holder may reach beyond the specific sector of the relevant products or services. See "Item 4. Information on the company — B. Business Overview—Intellectual Property" and "Item 4. Key Information — D. Risk Factors — We may encounter disputes from time to time relating to our use of the intellectual property of third parties." for further details on our trademarks.

Regulations on Foreign Exchange

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

According to the Implementation Rules for the Provisional Regulations on Statistics and Supervision of Foreign Debt promulgated by SAFE in 1997, the Interim Provisions on the Management of Foreign Debts, promulgated by SAFE, the National Development and Reform Commission and the Ministry of Finance in 2003, and Measures for the Administration of the Registration of Foreign Debts, effective on May 13, 2013 and revised on May 4, 2015, loans by foreign companies to their subsidiaries in China, which are foreign-invested enterprises, are considered foreign debt, and such loans must be registered with the local branches of SAFE. Under the provisions, these foreign-invested enterprises must submit registration applications to the local branches of SAFE within 15 days following execution of foreign loan agreements, and the registration should be completed within 20 business days from the date of receipt of the application. In addition, the total amount of accumulated medium-term and long-term foreign debt and the balance of short-term debt borrowed by a foreign-invested enterprise is limited to the difference between the total investment and the registered capital of the foreign-invested enterprise. Total investment of a foreign-invested enterprise is the total amount of capital that can be used for the operation of the foreign-invested enterprise, as approved by the Ministry of Commerce or its local branch, and may be increased or

decreased upon approval by the Ministry of Commerce or its local branch. Registered capital of a foreign-invested enterprise is the total amount of capital contributions to the foreign-invested enterprise by its foreign holding company or owners, as approved by the Ministry of Commerce or its local branch and registered at the SAIC or its local branch.

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 the Ministry of Commerce or its local branch has been obtained. In such approval and filing process of capital contributions, the Ministry of Commerce or its local branch examines the business scope of each foreign invested enterprise under review to ensure it complies with the Foreign Investment Industries Guidance Catalog. See “Item 4. Information on the company — B. Business Overview— Regulations Relating to Foreign Investment in Education—Foreign Investment industries Guidance Catalog (2018 Revision)”. 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 the Ministry of Commerce or its local branch, while the capital contribution of the foreign-invested enterprises falling outside such scopes may file with the Ministry of Commerce or its local branch. On December 30, 2019, Measures for the Reporting of Foreign Investment Information was promulgated by the Ministry of Commerce and SAIC and replaced the Interim Measures for the Administration of the Establishment and Alteration of Archival Filing of Foreign Funded Enterprises. According to the Measures, foreign investors or foreign-funded enterprises shall report investment information to commerce departments through the enterprise registration system and the National Enterprise Credit Information Publicity System, and SAIC and its local branches shall forward the aforesaid investment information reported by foreign investors or foreign-funded enterprises to commerce departments in a timely manner.

On January 11, 2017, 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, 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, or the Transitional Period, 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 People’s Bank of China and SAFE.

However, although the Transitional Period ended on January 10, 2018, as of the date of this annual report, neither PBOC nor SAFE has issued any new regulations regarding the appropriate means of calculating the maximum amount of foreign debt for foreign-invested enterprises. Foreign invested enterprises have only been subject to the net assets limit in calculating the maximum amount of foreign debt they may hold from the date of promulgation of PBOC Circular 9. Further, the Notice of the State Administration of Foreign Exchange on Further Facilitating Cross-border Trade and Investment, promulgated by SAFE on October 23, 2019, or Circular 28, effective from January 2020, establishes a pilot program that a non-financial enterprise in pilot regions may register foreign debts up to two times of its net assets with local branch of SAFE, and it then may borrow several tranches of foreign debts within the registered amount, without registration of each foreign debt. Besides, according to the Notice on Adjustment of Macro-prudent Regulation Parameter of Full-coverage Cross-border Financing promulgated by PBOC and SAFE on March 11, 2020, the macro-prudent regulation parameter is increased from one (1) to one and one-fourth (1.25). On April 10, 2020 the SAFE issued the Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business, or the SAFE Circular 8. The SAFE Circular 8 provides that under the condition that the use of the funds is genuine and compliant with current administrative provisions on use of capital relating to capital account, enterprises are allowed to use capital under capital account such as capital funds, foreign debts and overseas listings for domestic payment, without submission to the bank prior to each transaction of materials evidencing the veracity of such payment.

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.

See "Item 4. Key Information — D. Risk Factors—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 initial public offering 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" for further details.

Foreign Currency Exchange

Pursuant to the Foreign Exchange Administration Rules, as amended, and various regulations issued by SAFE, and other relevant PRC government authorities, Renminbi is freely convertible to the extent of current account items, such as trade and service-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investment, unless expressly exempted by laws and regulations, still require prior approval from SAFE or its provincial branch for conversion of Renminbi into a foreign currency, such as U.S. dollars, and remittance of the foreign currency outside of China. Payments for transactions that take place within China shall be made in Renminbi. Foreign currency revenue received by PRC companies may be repatriated into China or retained outside of China in accordance with requirements and terms specified by SAFE.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in China 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 filing with the relevant PRC government authorities (if necessary).

In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, as amended on May 4, 2015, which substantially amends and simplifies the current foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of Renminbi proceeds derived by foreign investors in China, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE promulgated the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in China must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in China based on the registration information provided by SAFE and its branches. On February 28, 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment, or SAFE Notice 13. After SAFE Notice 13 became effective on June 1, 2015, instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, may directly review the applications and conduct the registration.

On March 30, 2015, SAFE promulgated the Circular of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise, or Circular 19, which expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. Circular 19 came into force and replaced both the Circular of the State Administration of Foreign

Exchange on Issues Relating to the Improvement of Business Operations with Respect to the Administration of Foreign Exchange Capital Payment and Settlement of Foreign-invested Enterprises, or Circular 142 and the Circular of the State Administration of Foreign Exchange on Issues concerning the Pilot Reform of the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises in Certain Areas, or Circular 36 on June 1, 2015. Circular 19 allows foreign-invested enterprises established in China whose main business is investment to use their foreign exchange capitals to make equity investment and removes certain other restrictions under Circular 142. However, Circular 19 continues to prohibit foreign-invested enterprises from, among other things, using Renminbi fund converted from its foreign exchange capitals for expenditure beyond its business scope and providing entrusted loans or repaying loans between non-financial enterprises.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or Circular 16, effective in June 2016, which reiterates some of the rules set forth in Circular 19, but compared to Circular 19, Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding Renminbi capital converted from foreign exchange are not restricted from extending loans to related parties or repaying the intercompany loans (including advances by third parties).

SAFE further promulgated Notice of the State Administration of Foreign Exchange on Further Facilitating Cross-border Trade and Investment, or Circular 28, effective from January 2020, which allows all foreign-invested enterprises to make domestic equity investments using their foreign exchange capitals or Renminbi fund converted from its foreign exchange capitals with limited preconditions. However, there exist substantial uncertainties with respect to the interpretation and implementation in practice with respect to the Circular 28, Circular 16 and other laws and regulations related to foreign currency exchange. Circular 19, Circular 16, Circular 28 and other related regulations may delay or limit us from using the proceeds of offshore offerings to make additional capital contributions or loans to our PRC subsidiaries and any violations of these circulars could result in severe monetary or other penalties.

Regulations Relating to Foreign Exchange Registration of Overseas Investment by PRC Residents

SAFE Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, issued by SAFE and effective on July 4, 2014, regulates foreign exchange matters in relation to the use of special purpose vehicles, or SPVs, by PRC residents or entities to seek offshore investment and financing and conduct round trip investment in China. Under SAFE Circular 37, an SPV refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate domestic or offshore assets or interests, while "round trip investment" refers to the direct investment in China by PRC residents or entities through SPVs, namely, establishing foreign-invested enterprises to obtain the ownership, control rights and management rights. SAFE Circular 37 requires that, before making contribution into an SPV, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch. In the event of change of basic information such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the PRC residents or entities shall complete foreign exchange alteration registration formality for offshore investment. The SAFE Circular 37 further provides that option or share-based incentive tool holders of a non-listed SPV can exercise the options or share incentive tools to become a shareholder of such non-listed SPV, subject to registration with SAFE or its local branch. In addition, according to the procedural guidelines as attached to SAFE Circular 37, PRC residents or entities are only required to register the SPV directly established or controlled (first level).

On February 13, 2015, SAFE further promulgated the Circular on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment, or SAFE Circular 13, which took effect on June 1, 2015. SAFE Circular 13 has amended SAFE Circular 37 by requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

As of the date of this annual report, all PRC residents known to us that currently hold direct or indirect interests in our company have completed the necessary registrations with SAFE as required by SAFE Circular 37.

Regulations on Stock Incentive Plans

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of an Overseas Publicly Listed Company, or SAFE Circular 7, issued by SAFE in February 2012, employees, directors, supervisors and other senior management participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company or another qualified institution selected by the PRC subsidiary, and complete certain other procedures. In addition, the domestic qualified agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or other material changes. The domestic qualified agent must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in China opened by the domestic qualified agents before distribution to such PRC residents. Failure to complete the SAFE registrations may subject to fines and legal sanctions and may also limit the ability to contribute additional capital into wholly foreign-owned subsidiary in China and limit such subsidiary's ability to distribute dividends.

In addition, the State Administration of Taxation has issued certain circulars concerning employee share options or restricted shares. Under these circulars, the employees working in the PRC who exercise share options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of such overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If the employees fail to pay or the PRC subsidiaries fail to withhold their income taxes according to relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

Regulations on Tax

PRC Enterprise Income Tax Law

The PRC Enterprise Income Tax Law (2008), as amended in 2017, applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. Under the PRC Enterprise Income Tax Law and its implementation regulations, dividends generated from the business of a PRC subsidiary and payable to its foreign investor may be subject to a withholding tax rate of 10% if the PRC tax authorities determine that the foreign investor is a non-resident enterprise, unless there is a tax treaty with China that provides for a preferential withholding tax rate.

Under the PRC Enterprise Income Tax Law, an enterprise established outside China with "de facto management bodies" within China is considered a "resident enterprise" for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. A circular issued by the State Administration of Taxation in April 2009 regarding the standards used to classify certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese enterprise groups and established outside of China as "resident enterprises" clarified that dividends and other income paid by such PRC "resident enterprises" will be considered PRC-source income and subject to PRC withholding tax, currently at a rate of 10%, when paid to non-PRC enterprise shareholders. This circular also subjects such PRC "resident enterprises" to various reporting requirements with the PRC tax authorities. Under the implementation regulations to the PRC Enterprise Income Tax Law, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, the tax circular mentioned above specifies that certain PRC-invested overseas enterprises controlled by a Chinese enterprise or a Chinese enterprise group in the PRC will be classified as PRC resident enterprises if the following are located or resided in the PRC: (i) senior management personnel and departments that are responsible for daily production, operation and management; (ii) financial and personnel decision making bodies; (iii) key properties, accounting books, the company seal, and minutes of board meetings and shareholders' meetings; and (iv) half or more of the senior management or directors who have the voting rights.

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, which became effective on December 8, 2006 and applies to income derived in any year of assessment commencing on or after April 1, 2007 in Hong Kong and in any year commencing on or after January 1, 2007 in China, the withholding tax rate in respect to the payment of

dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise is deemed the beneficial owner of any dividend paid by a PRC subsidiary by PRC tax authorities and holds at least 25% of the equity interests in that particular PRC enterprise at all times within the 12-month period immediately before distribution of the dividends. The SAT issued the Announcement of the State Administration of Taxation on Issues concerning “Beneficial Owners” in Tax Treaties, or SAT Announcement 9, which became effective from April 1 2018, replacing Notice on the Interpretation and Recognition of Beneficial Owners in Tax Treaties, or SAT Notice 601, SAT Announcement 9 stipulates that in determining whether a non-resident enterprise has the status as a beneficial owner, comprehensive analysis shall be conducted based on the factors listed therein and the actual circumstances of the specific case shall be taken into consideration. Specifically, it expressly excludes an agent or a designated payee from being considered as a “beneficial owner.”

Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, or SAT Circular 81, a Hong Kong resident enterprise shall meet the following conditions, among others, in order to apply the reduced withholding tax rate: (i) it shall be a company; (ii) it shall directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it shall have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. In August 2015, the State Administration of Taxation promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatment under Tax Treaties, or SAT Circular 60, which became effective on November 1, 2015. SAT Circular 60 provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. The State Administration of Taxation promulgated the Administrative Measures for Non-resident Taxpayers to Enjoy Treatment under Treaties, or SAT Circular 35, which became effective on January 1, 2020 and replaced the Circular 60. SAT Circular 35 reiterates that that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax and may apply the reduced withholding tax rate upon self-assessment. Comparing to the SAT Circular 60, the SAT Circular 35 does not require the non-resident enterprises to file the supporting documents when performing tax filing. Instead, the non-resident enterprises are required to retain the supporting documents for the post-tax filing examinations by the relevant tax authorities.

In January 2009, the State Administration of Taxation promulgated the Provisional Measures for the Administration of Withholding of Enterprise Income Tax for Non-resident Enterprises, or the Non-resident Enterprises Measures, pursuant to which entities that have direct obligation to make certain payments to a non-resident enterprise shall be the relevant tax withholders for such non-resident enterprise. Further, the Non-resident Enterprises Measures provides that, in case of an equity transfer between two non-resident enterprises which occurs outside the PRC, the non-resident enterprise which receives the equity transfer payment shall, by itself or engage an agent to, file tax declaration with the PRC tax authority located at place of the PRC company whose equity has been transferred, and the PRC company whose equity has been transferred shall assist the tax authorities to collect taxes from the relevant non-resident enterprise. On April 30, 2009, the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business, or SAT Circular 59. On December 10, 2009, the State Administration of Taxation issued the Notice on Strengthening the Administration of the Enterprise Income Tax concerning Proceeds from Equity Transfers by Non-resident Enterprises, or SAT Circular 698. Both SAT Circular 59 and SAT Circular 698 became effective retroactively as of January 1, 2008. By promulgating and implementing these two circulars, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise.

On February 3, 2015, the State Administration of Taxation issued the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises, or SAT Bulletin 7, to supersede existing provisions in relation to the Indirect Transfer as set forth in SAT Circular 698. SAT Bulletin 7 introduces a new tax regime that is significantly different from that under SAT Circular 698. Public Notice extends its tax jurisdiction to capture not only Indirect Transfer as set forth under SAT Circular 698 but also transactions involving transfer of immovable property in China and assets held under the establishment and place, in the PRC of a foreign company through the offshore transfer of a foreign intermediate holding company. SAT Bulletin 7 also addresses transfer of the equity interest in a foreign intermediate holding company widely. In addition, SAT Bulletin 7 provides clearer criteria than SAT Circular 698 on how to assess reasonable commercial purposes and introduces safe harbor scenarios applicable to internal group restructurings. However, it also brings challenges to both the foreign transferor and transferee of the Indirect Transfer as they have to make self-assessment on whether the transaction should be subject to PRC tax and to file or withhold the PRC tax accordingly.

PRC Value-added Tax

In November 2011, the Ministry of Finance and the State Administration of Taxation promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax. On January 1, 2012, the State Council officially launched a pilot VAT, reform program, applicable to businesses in selected industries. Businesses in the VAT reform program would pay VAT instead of business tax. The pilot industries in Shanghai included industries involving the leasing of tangible movable property, transportation services, product development and technical services, information technology services, cultural and creative services, logistics and ancillary services, certification and consulting services. According to official announcements made by competent authorities in Beijing and Guangdong province, Beijing launched the same Pilot Program on September 1, 2012, and Guangdong province launched it on November 1, 2012. On May 24, 2013, the Ministry of Finance and the State Administration of Taxation issued the Circular on Tax Policies in the Nationwide Pilot Collection of Value Added Tax In lieu of Business Tax in the Transportation Industry and Certain Modern Services Industries, or the Pilot Collection Circular. The scope of certain modern services industries under the Pilot Collection Circular extends to the inclusion of radio and television services. On August 1, 2013, the VAT reform program was implemented throughout the PRC. On December 12, 2013, the Ministry of Finance and the State Administration of Taxation issued the Circular on the Inclusion of the Railway Transport Industry and Postal Service Industry in the Pilot Collection of Value-added Tax in Lieu of Business Tax, or the 2013 VAT Circular. Among the other things, the 2013 VAT Circular abolished the Pilot Collection Circular, and refined the policies for the VAT reform program. On April 29, 2014, the Ministry of Finance and the State Administration of Taxation issued the Circular on the Inclusion of Telecommunications Industry in the Pilot Collection of Value-added Tax in Lieu of business tax. On March 23, 2016, the Ministry of Finance and the State Administration of Taxation issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax. Effective from May 1, 2016, the PRC tax authorities collect VAT in lieu of business tax on a trial basis within the territory of the PRC, and in industries such as construction industries, real estate industries, financial industries, and living service industries. Pursuant to Circular on Further Clarifying Policies on Reinsurance, Real Estate Leasing and Non-diploma Education in Comprehensively Promoting the Pilot Collection of Value-added Tax in Lieu of Business Tax which came into effect on May 1, 2016, general taxpayers providing non-diploma education services may opt to adopt the simplified method for calculation of tax payable at a rate of 3%. In addition, pursuant to the Announcement on Policies for Deepening the VAT Reform that was issued on March 20, 2019 and came into effect on April 1, 2019, the deduction rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

Regulations Relating to Employment, Social Insurance and Housing Fund

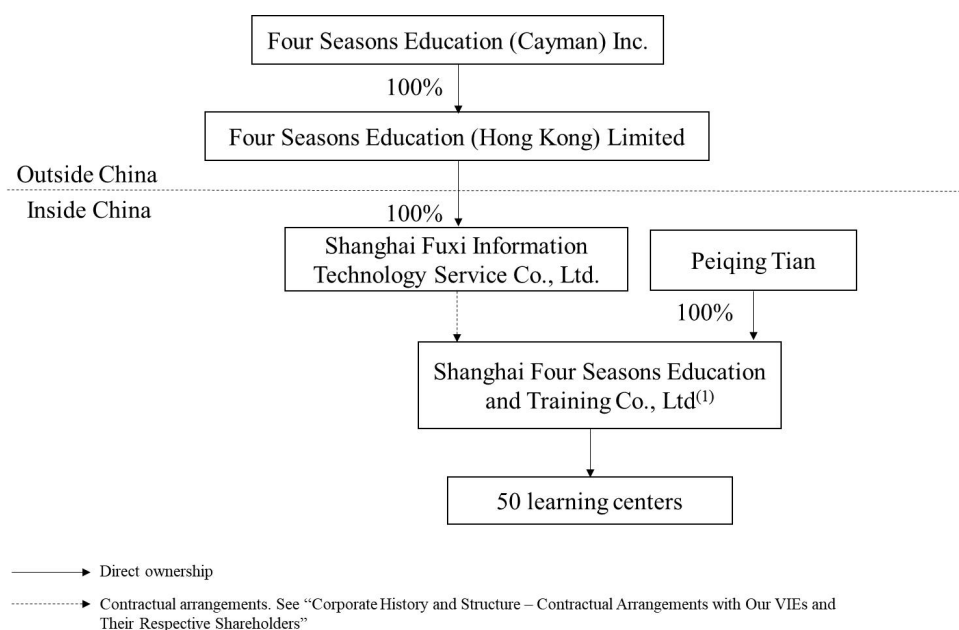
Pursuant to the PRC Labor Law (2018 Revision) and the PRC Labor Contract Law (2012 Revision), a written labor contract shall be executed by employer and an employee when the employment relationship is established. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. The employer shall also pay severance to an employee where a labor contract, including a contract with an un-fixed term, is terminated or expires except that the termination is required by the employee or the statutory conditions are fulfilled. All employers shall compensate their employees equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly abide by state rules and standards and provide employees with appropriate workplace safety training. In addition, the government has continued to introduce various new labor-related regulations. Among other things, new annual leave requirements mandate that annual leave ranging from 5 to 15 days is available to nearly all employees and further require that the employer compensate an employee for any annual leave days the employee is unable to take in the amount of three times his daily salary, subject to certain exceptions. Moreover, all PRC enterprises are generally required to implement a standard working time system of eight hours a day and forty hours a week, and if the implementation of such standard working time system is not appropriate due to the nature of the job or the characteristics of business operation, the enterprise may implement a flexible working time system or comprehensive working time system after obtaining approvals from the relevant authorities. In addition, employers in China are obliged to pay contributions to the social insurance plan and the housing fund plan for their employees, and such contribution amount payable shall be calculated based on the employee actual salary in accordance with the relevant regulations.

M&A Rules and Overseas Listing

The M&A Rules, were jointly adopted by six PRC regulatory authorities, including the CSRC, on August 8, 2006 and became effective as of September 8, 2006, and were later amended on June 22, 2009. The M&A Rules require, among other things, offshore SPVs, formed for listing purposes through acquisition of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. We believe that CSRC approval is not required in the context of our initial public offering as we are not an SPV formed for listing purpose through acquisition of domestic companies that are controlled by our PRC individual shareholders, as we acquired contractual control rather than equity interests in our PRC consolidated VIE. For a detailed description of the risk associated with the M&A Rules, see “Item 4. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC—We may be required to obtain prior approval of the China Securities Regulatory Commission of the listing and trading of our ADSs on the New York Stock Exchange.”

C. Corporate Structure

The chart below summarizes our corporate structure and identifies our subsidiaries, our VIE, its shareholders and the number of our learning centers as of the date of this annual report:



(1) Mr. Peiqing Tian holds 100% equity interest in Shanghai Four Seasons Education and Training Co., Ltd.

Contractual Arrangements with Our VIE, Its Shareholder and Us

PRC laws and regulations place certain restrictions on foreign investment in and ownership of private education businesses. Accordingly, we conduct our operations in the PRC principally through our VIE, namely Shanghai Four Seasons Education and Training Co., Ltd. and its affiliated entities. We effectively control our VIE through contractual arrangements among the VIE, its shareholder and Shanghai Fuxi.

The contractual arrangements, as described in more detail below, collectively allow us to:

- exercise effective control over the VIE and its affiliated entities;
- receive substantially all of the economic benefits of the VIE; and
- have an exclusive call option to purchase all or part of the equity interests in and/or assets of the VIE when and to the extent permitted by PRC laws.

As a result of the contractual arrangements, we are the primary beneficiary of our VIE and its affiliated entities, and, therefore, have consolidated the financial results of our VIE and its affiliate entities in our consolidated financial statements in accordance with U.S. GAAP.

In the opinion of Fangda Partners, our PRC counsel:

- the ownership structures of Shanghai Fuxi, our VIE and the affiliated entities of our VIE, currently and immediately after giving effect to our initial public offering, will not result in any violation of applicable PRC laws or regulations currently in effect; and
- the contractual agreements among Shanghai Fuxi, our VIE, its shareholder and relevant affiliated entities governed by PRC law, currently and immediately after giving effect to our initial public offering, are valid, binding and enforceable in accordance with the terms and applicable PRC laws, rules and regulations currently in effect, and do not result in any violation of applicable PRC laws or regulations currently in effect.

However, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations, and there can be no assurance that the PRC government will take a view that is not contrary to or otherwise different from the opinion of our PRC counsel. If the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC government restrictions on foreign investment in the business we engage in, we could be subject to severe penalties, including being prohibited from continuing operations. See “Item 4. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure — Our after-school education service business is subject to extensive regulation in the PRC. If the PRC government finds that the contractual arrangement that establishes our corporate structure for operating our business does not comply with applicable PRC laws and regulations, we could be subject to severe penalties.” and “Item 4. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC—Uncertainties with respect to the PRC legal system could have a material adverse effect on us.”

Furthermore, if our VIE, its affiliated entities and the shareholder of the VIE fail to perform their obligations under the contractual arrangements, we may be limited in our ability to enforce such contractual arrangements that give us effective control. If we are unable to maintain effective control over our VIE and its affiliated entities, we would not be able to continue to consolidate their financial results in our consolidated financial statements. In the 2019, 2020 and 2021 fiscal years, all of our revenue was derived from the operations of our VIE and their affiliated entities. We rely on dividends and other distributions paid to us by our PRC subsidiary, Shanghai Fuxi, which in turn depends on the service fees paid to Shanghai Fuxi by our VIE. There are significant PRC legal restrictions on the payment of dividends by PRC companies and restrictions on foreign exchange control and foreign investments, all of which may adversely affect our ability to access the revenue of Shanghai Fuxi, our VIE and its consolidated entities. In the 2021 fiscal year, Shanghai Fuxi received service fees of RMB27.3 million (US\$4.2 million) from our VIE and VIE’s subsidiaries and did not distribute any dividends. Notwithstanding our business decisions to continue to invest and expand our PRC operations, growing our learning center network and launching new programs, our PRC subsidiary may receive service fees from our VIE or make distributions to us in the future.

Below is a summary of the contractual arrangements by and among our wholly-owned subsidiary, Shanghai Fuxi, our VIE, its shareholder and relevant affiliated entities.

Exclusive Service Agreement

Pursuant to the exclusive service agreement, Shanghai Fuxi has the exclusive right to provide or designate any third party to provide technical services and management and consulting services to the VIE and its affiliated entities in the form of private non-enterprise institutions. In exchange, the VIE and its affiliated entities pay annual service fees to Shanghai Fuxi in an amount at Shanghai Fuxi’s discretion. Without the prior written consent of Shanghai Fuxi, the VIE and its affiliated entities cannot accept services provided by or establishing similar corporation relationship with any third party. Shanghai Fuxi owns the exclusive intellectual property rights created as a result of the performance of this agreement unless otherwise provided by PRC laws or regulations. The agreement will remain effective unless terminated upon the full exercise of call option in accordance with the exclusive call option agreement or unilaterally terminated by Shanghai Fuxi with a notice 30 days in advance. Unless otherwise required by applicable PRC laws, the VIE and its affiliated entities do not have any right to terminate the exclusive service agreement.

Exclusive Call Option Agreement

Pursuant to the call option agreement, the shareholder of our VIE unconditionally and irrevocably granted Shanghai Fuxi or its designated third party exclusive call options to purchase from the shareholder part or all of its equity interests in the VIE, as the case may be, at the nominal price or for the minimum amount of consideration permitted by the applicable PRC laws and regulations. Such shareholder will not grant a similar right or transfer any of the equity interests in the VIE to any party other than Shanghai Fuxi or its designee, nor will it pledge, create or permit any security interest or similar encumbrance to be created on any of the equity interests. Shanghai Fuxi has sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full. The agreement will remain effective unless terminated upon the full exercise of call option or unilaterally terminated by Shanghai Fuxi with a notice 30 days in advance.

Equity Pledge Agreement

Pursuant to the equity pledge agreement, the shareholder of the VIE unconditionally and irrevocably pledged all of its equity interests in the VIE to Shanghai Fuxi, to respectively guarantee the performance of the VIE of its obligations under the relevant contractual agreement. Should the VIE or its shareholder breach or default under any of the contractual arrangements, Shanghai Fuxi has the right to require the transfer of the pledged equity interests to itself or its designee, to the extent permitted by PRC law, or require an auction or sale of the pledged equity interests and has priority in any proceeds from the auction or sale of such pledged interests. Moreover, Shanghai Fuxi has the right to collect any and all dividends in respect of the pledged equity interests during the term of the pledge. Without the prior written consent of Shanghai Fuxi, the shareholder of the VIE shall not transfer or dispose the pledged equity interests or create or allow any encumbrance on the pledged equity interests that would prejudice Shanghai Fuxi's interest. Unless the VIE has fully performed all of its obligations in accordance with the contractual agreements, or the pledged equity interests have been fully transferred to Shanghai Fuxi or its respective designee in accordance with the exclusive call option agreement, or unilaterally terminated by Shanghai Fuxi with a 30-day prior notice, the equity interest pledge agreement will continue to remain in effect.

The shareholder of the VIE has registered the equity pledge in favor of Shanghai Fuxi with the local counterpart of the State Administration for Industry and Commerce in accordance with PRC laws and regulations.

Shareholder Voting Rights Proxy Agreement and Irrevocable Power of Attorney

The shareholder of the VIE has executed a shareholder voting rights proxy agreement appointing Shanghai Fuxi, or any person designated by Shanghai Fuxi, as their proxy to act for all matters pertaining to such shareholding and to exercise all of their rights as shareholders, including but not limited to attending shareholders' meetings and designating and appointing directors, supervisors, the chief executive officer and other senior management members, and selling, transferring, pledging or disposing the equity interests of the VIE. Shanghai Fuxi may authorize or assign its rights to any other person or entity at its sole discretion without prior notice to or prior consent from the shareholder of the VIE. The agreement will remain effective unless Shanghai Fuxi terminates the agreement by written notice or terminated upon the full exercise of call option in accordance with the exclusive call option agreement.

Spousal Consent Letter

Pursuant to the spousal consent letter executed by the spouse of the shareholder of our VIE, such spouse unconditionally and irrevocably agreed to the execution of exclusive service agreement, exclusive call option agreement, shareholder voting rights proxy agreement and irrevocable power of attorney and equity pledge agreement described above by the applicable shareholder. The spouse further undertakes not to make any assertions in connection with the equity interests of the VIE held by the shareholder, and confirms that the shareholder can perform the relevant transaction documents described above and further amend or terminate such transaction documents without the authorization or consent from such spouse. The spouse of the shareholder agrees and undertakes that if he/she obtains any equity interests of the VIE held by the shareholder for any reasons, he/she would be bound by the transaction documents described above and the amended and restated exclusive service agreement between Shanghai Fuxi and our VIE. The valid term of spousal consent letter is same as the term of the exclusive call option agreement.

D. Property, Plants and Equipment

Our headquarters are located in Shanghai, China. We have learning centers in Shanghai and 10 other cities in China. We lease our headquarters, which occupies approximately 1,762 square meters. We also lease all of our learning centers, which occupy an aggregate of approximately 38,719 square meters. The majority of lease agreements for our Shanghai learning centers have durations of one to six years. For most of our learning centers, we pay annual rental charges. The rental payments for our learning centers are either set at a fixed rate during the entire rental period or increased every other year based on a preset rate. We plan to obtain additional facilities for learning centers to carry out our future expansion generally through leases rather than purchases. For more details, see “—Our Learning Centers.”

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

A. Operating Results

Overview

We offer our education services through three sets of programs: elementary school programs, middle school programs and an assortment of other programs. We derive our revenue primarily from tuition collected from our education services provided through these programs. Our fiscal year ends on the last day of February in each year.

We have experienced steady growth, expanding from a network of 10 learning centers in Shanghai as of February 28, 2015 to 50 learning centers in 11 cities in China as of February 28, 2021. We also successfully extended our course offerings to middle school and kindergarten students, and covering more core subjects including physics, chemistry, Chinese and English. We offer our programs through our variable interest entities, or VIE, and its affiliates.

Our revenue was RMB335.6 million in the 2019 fiscal year, RMB389.0 million in the 2020 fiscal year and RMB280.3 million (US\$43.3 million) in the 2021 fiscal year, respectively. We recorded net loss of RMB1.5 million in the 2019 fiscal year, RMB109.6 million in the 2020 fiscal year and RMB27.9 million (US\$4.3 million) in the 2021 fiscal year.

Our adjusted net income, which exclude share-based compensation expenses, fair value change of investments and impairment loss on intangible assets and goodwill (net of tax effect), was RMB36.1 million in the 2019 fiscal year, RMB47.9 million in the 2020 fiscal year, we recorded adjusted net loss of RMB2.5 million (US\$0.4 million) in the 2021 fiscal year.

Major Factors Affecting Our Results of Operations

Our business and results of operations are affected by the demand for K-12 after-school education services in China. China’s rapid economic growth and higher per capita disposable income have led to both increased spending by parents on after-school education services and intensified competition for high quality education resources. Furthermore, we expect to benefit from the recent relaxation of China’s “One-child Policy”, which we believe in coming years will drive the growth of the K-12 student population and in turn the demand for after-school education services.

We are also affected by the regulatory environment governing the PRC after-school education industry, including the qualification and licensing requirements for entities providing education services, as well as government policies on K-12 school admissions.

In addition, we believe that our results of operations are more directly affected by the following factors specific to us:

- *Student Enrollment.* Our revenue primarily consists of tuition from students enrolled in our programs, which is directly driven by the number of our student enrollment. The growth of our student enrollment is affected by our reputation, the variety of our course offerings and the number of our learning centers. In addition, our student enrollment is affected by relevant laws and regulations. Our student enrollment increased by 26.9% from 157,759 in the 2019 fiscal year to 200,177 in the 2020 fiscal year, and was 165,555 in the 2021 fiscal year.

A substantial portion of our students enroll in our programs through word-of-mouth referrals. Consequently, our reputation has been critical to our student recruitment process. Our ability to maintain and enhance our reputation and continue to attract students is directly dependent on our ability to improve our students' academic performance and maintain the quality of our faculty.

Our student enrollment is also dependent on the size of our learning center network. Our number of learning centers grew from 19 in Shanghai and two in other cities as of February 28, 2016, to 38 in Shanghai and 12 in other cities as of February 28, 2021.

Our portfolio of course offerings also affects our student enrollment. We have extended our services to target kindergarten students and middle school students, covering both academic-related and interest-oriented courses. We launched our kindergarten programs and middle school programs in 2015 and 2017, respectively. As of February 28, 2021, the number of student enrollments of our kindergarten and middle school programs reached 10,091 and 35,022, respectively.

- *Pricing.* Our revenue is directly affected by the pricing for our services. We typically charge students tuition based on the hourly rate of the student's course type and the total number of class hours the student takes. We set hourly rates for our courses based on a number of factors, including class size, course type, our overhead costs, demand for our education services, geographic location of the course offered and our competitors' fee rates for similar offerings.
- *Operating Efficiency.* Our ability to manage the costs and expenses of our operation directly affects our profitability.

Our cost of revenue primarily consists of compensation to our faculty and rental, utilities and maintenance costs for our learning centers. Faculty compensation depends on the size of our faculty and their level of experience. We offer competitive compensation to our faculty in order to attract and retain the best teaching talent. The number of our full-time teachers were 392, 463 and 359 as of February 28, 2019, February 29, 2020 and February 28, 2021, respectively, as a result of (i) our continuous efforts to replace our part-time teachers with full-time teachers, (ii) the expansion of our course offerings, and (iii) the optimization of our learning center network. We are able to improve our operating efficiency and operating leverage through increased classroom utilization, which allows us to increase our gross margin.

Our operating expenses consist of sales and marketing expenses, general and administrative expenses and impairment loss on intangible assets and goodwill. Our operating expenses as a percentage of our revenue increased from 48.5% in the 2019 fiscal year to 82.0% in the 2020 fiscal year primarily because of the impairment loss on intangible assets and goodwill recorded during the fiscal year. Our operating expenses as a percentage of our revenue decreased to 52.8% in the 2021 fiscal year mainly due to the decline in a reporting unit's fair value in the 2020 fiscal year.

Going forward, we expect that our total costs and expenses will increase in line with the continuous expansion of our learning center network and education service offerings and additional costs and expenses associated with becoming a public company. However, this increase is likely to be partially offset by our increasing economies of scale and improved operating efficiency.

In response to the outbreak of the COVID-19, we temporarily closed our offline learning centers from January 2020 to May 2020 as mandatorily required by the PRC government and transitioned our academic educational delivery method to online courses. We also took actions to help mitigate the adverse impact of COVID-19 to our operations and profitability, including proactively applying for government subsidies and lease concessions. As many of the quarantine measures within China have since been relaxed as of the date of this annual report, we have switched our business operating model back to offline and reopened our learning centers.

The long-term effect of the COVID-19 on our business depends on numerous factors, including but not limited to the effect on student enrollment and pricing of our courses. In addition, regulatory activity that occurs in response to COVID-19 could have an adverse effect on our business. Nevertheless, we have seen continued recovery and growth since the second half of 2020. As a result, the long-term impact of COVID-19 on our operations cannot be fully determined at this time. See “Item 3. KEY INFORMATION-D. Risk Factors - The global COVID-19 outbreak has had a significant impact on our business, which may materially and adversely affect our operating results and financial condition.”

Key Components of Results of Operations

Revenue

We currently derive substantially all of our revenue from tuition for our after-school education services. Revenue from our programs includes those generated from programs for elementary school students as well as our middle school and other programs. Revenue from other programs includes tuition we collect from our other program courses and income we generate from staff outsourcing. Our revenue is presented net of sales tax, which includes VAT and related surcharges. The table below sets forth a breakdown of our revenue for the periods indicated:

	For the Year Ended February 28 or 29						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except for percentage)						
Elementary school	255,660	76.2	300,278	77.2	207,720	32,089	74.1
Middle school	41,633	12.4	52,107	13.4	50,902	7,864	18.2
Other programs	39,781	11.8	38,298	9.8	21,714	3,355	7.7
Less: sales tax	1,431	0.4	1,634	0.4	54	8	0.0
Total	335,643	100.0	389,049	100.0	280,282	43,300	100.0

We typically collect tuition from students in advance for the classes that they purchase and record this tuition initially as deferred revenue. We recognize revenue proportionately over time as the tutoring sessions are delivered. We offer refunds for undelivered classes to students who decide to withdraw from a course program at any time and for tuition fees received in advance for offline courses that were cancelled due to COVID-19 and no subsequent online courses enrolled, which are subject to refund at the option of the customer. We estimate and record refund liabilities based on the historical refund ratio on a portfolio basis using the expected value method. We had deferred revenue of RMB87.9 million, RMB71.9 million, and RMB75.2 million (US\$11.6 million) as of February 28 or 29, 2019, 2020 and 2021, respectively.

Cost of Revenue

Our cost of revenue primarily consists of (i) staff costs, including salaries and other compensation for our faculty, (ii) education expenses including teaching material expenses, student activity expenses and platform and service charges for online course and (iii) rental, utilities and maintenance costs for our learning centers. We expect our total cost of revenue to increase in line with our expansion as we open more learning centers and expand our faculty size. The table below sets forth a breakdown of our cost of revenue for the periods indicated:

	For the Year Ended February 28 or 29						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentage)						
Staff costs	95,705	55.7	115,317	57.4	92,712	14,323	54.9
Rental, utilities and maintenance costs	55,077	32.1	61,621	30.7	49,920	7,712	29.6
Depreciation of leasehold improvement	12,785	7.4	11,706	5.8	11,244	1,737	6.7
Other expenses related to learning centers	8,255	4.8	12,289	6.1	14,956	2,310	8.8
Total	171,822	100.0	200,933	100.0	168,832	26,082	100.0

Operating Expenses

Our operating expenses primarily consist of general and administrative expenses and sales and marketing expenses. The table below sets forth a breakdown of our operating expenses for the periods indicated:

	For the Year Ended February 28 or 29						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentage)						
General and administrative expenses	128,349	78.9	139,370	43.7	116,972	18,071	79.1
Sales and marketing expenses	33,783	20.8	34,367	10.8	30,953	4,782	20.9
Impairment loss on intangible assets and goodwill	557	0.3	145,416	45.5	-	-	-
Total	162,689	100.0	319,153	100.0	147,925	22,853	100.0

General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) staff costs and employee benefits for our executive, finance, legal, information technology, human resources and other administrative personnel, (ii) office rent, utility and other expenses, (iii) cost of third-party professional services, and (iv) share-based compensation expenses for our administrative personnel. We expect our general and administrative expenses to remain relatively stable for the foreseeable future.

Sales and Marketing Expenses

Sales and marketing expenses primarily consist of promotional and advertising expenses and salaries and benefits for our sales and marketing personnel. Historically, we have relied on word-of-mouth referrals for our student recruitment. As such, we have incurred relatively low sales and marketing expenses. In the 2017 fiscal year, we entered into a funding commitment agreement with ECNU, pursuant to which we would provide funding of a total amount of RMB100 million to ECNU, payable over a five-year period starting from 2017. We expect this funding commitment and our collaboration with ECNU to positively impact our branding efforts and aid in our expansion to cities outside of Shanghai. Consequently, our sales and marketing expenses primarily consisted of a RMB20 million, RMB20 million and RMB20 million funding commitment accrual to ECNU in the 2019 fiscal year, the 2020 fiscal year and the 2021 fiscal year, respectively. Excluding the effect of our funding commitment to ECNU, we expect our sales and marketing expenses to remain relatively stable in the near future as we ramp up our promotional efforts to increase student enrollment.

Taxation

Cayman Islands

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

Hong Kong

Our wholly-owned subsidiary in Hong Kong, Four Seasons Education HK, is subject a two-tiered profits tax rate regime which is applicable to any year of assessment commencing on or after April 1, 2018. The profits tax rate for the first HK dollar 2,000,000 of profits of corporations will be lowered to 8.25%, while profits above that amount will continue to be subject to the tax rate of 16.5%. No provision for Hong Kong profits tax has been made in our consolidated financial statements as Four Seasons Education HK has no assessable income for the 2019, 2020 and 2021 fiscal years.

PRC

Our subsidiary and VIE in China are companies incorporated under PRC law and, as such, are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC income tax laws. Pursuant to the PRC Enterprise Income Tax Law, a uniform 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

We are subject to VAT at a rate of 6%, less any deductible VAT we have already paid or borne. We are also subject to surcharges on VAT payments in accordance with PRC law. In addition, most of our affiliated entities involved in the non-diploma education service industry choose the simplified method of taxation where the VAT collection rate is 3%.

As a Cayman Islands holding company, we may receive dividends from our PRC subsidiary through Four Seasons Education HK. The PRC Enterprise Income Tax Law and its implementing rules provide that dividends paid by a PRC entity to a non-resident enterprise for income tax purposes is subject to PRC withholding tax at a rate of 10%, subject to reduction by an applicable tax treaty with China. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, or SAT Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, in order to apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. In August 2015, the State Administration of Taxation promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatment under Tax Treaties, or SAT Circular 60, which became effective on November 1, 2015. SAT Circular 60 provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file the necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. The State Administration of Taxation promulgated the Administrative Measures for Non-resident Taxpayers to Enjoy Treatment under Treaties, or SAT Circular 35, which became effective on January 1, 2020 and replaced the Circular 60. SAT Circular 35 reiterates that that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax and may apply the reduced withholding tax rate upon self-assessment. Comparing to the SAT Circular 60, the SAT Circular 35 does not require the non-resident enterprises to file the supporting documents when performing tax filing. Instead, the non-resident enterprises are required to retain the supporting documents for the post-tax filing examinations by the relevant tax authorities. Accordingly, Four Seasons Education HK may be able to benefit from the 5% withholding tax rate for the dividends it receives from Shanghai Fuxi, if it satisfies the conditions prescribed under SAT Circular 81 and other relevant tax rules and regulations. However, according to

SAT Circular 81 and SAT Circular 35, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See “Item 4. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC — 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.”

Critical Accounting Policies

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 revenue 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, and our expectations regarding the future based on available information and assumptions that we believe to be reasonable. 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.

We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements. You should read the following descriptions of critical accounting policies, judgments and estimates in conjunction with our consolidated financial statements and other disclosures included with this annual report.

Revenue Recognition

As of March 1, 2018, we adopted Accounting Standards Update (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 March 1, 2018.

We derive substantially all of its revenue from after-school education tutoring services provided to kindergarten, elementary and middle school students and revenue is recognized proportionately over time as the tutoring sessions are delivered. In response to the COVID-19 pandemic, during the period from February 1, 2020 until May 31, 2020, we transitioned the part of tutoring services delivery method and offered online courses to students who elected to remain enrolled in the programs. We recognize revenue proportionately over the term of the online tutoring sessions delivered. Despite of the recovery of offline courses since June 1, 2020, we still offers online courses to a smaller extent. RMB19.0 million and RMB90.4 million (US\$ 14.0 million) of the online course revenue are recognized for the years ended February 29, 2020 and February 28, 2021. We recognize application fees and material fees charged at a point in time, of which the amounts are insignificant for the year ended February 29, 2020 and February 28, 2021.

Each contract represents a series of distinct services, which is delivery of various courses. The services have substantially the same pattern of transfer to the students, as such, they are considered as a single performance obligation. The transaction price is stated in the contract and known at the time of contract inception. The tuition fees are generally collected in advance and are initially recorded as deferred revenue. There is no variable considerations in the contracts with customers, except that we offer certain refunds for the extra-curricular training. These refunds were offered for any unattended classes to students who decided to withdraw from a course, and for tuition fees received in advance for offline courses that were cancelled due to COVID-19 and were subjected to refund at the option of the customer. We estimate the refund liability based on historical refund rates on a portfolio basis using the expected value method. Reclassification was made from deferred revenue to refund liabilities, which is recorded under accrued expenses and other current liabilities on the consolidated balance sheets, for tuitions collected that are expected to be refunded to the customers in the future. We estimated the refund liability of RMB23.2 million and RMB16.2 million (US\$2.5 million) as of February 29, 2020 and February 28, 2021.

In some promotion activities, we grant cash coupon to students who make qualified course purchases. Those students can redeem the cash coupon in the next purchase as part of payment prior to the incentive's expiration. We determined the cash coupon granted to existing students are material rights. As a result, a portion of sales price received on students making qualified purchases is allocated to the sales incentives granted based on the relative standalone selling prices. The selling price of cash coupon is estimated based on the discount amount and the probability of redemption. Revenue allocated to sales incentives is recorded as deferred revenue until redemption or expiration. Once the coupon is redeemed, revenue will be recognized based on the revenue recognition policy discussed above. Students may not always redeem cash coupon before the expiration of the sales incentive. Therefore, we expect to be entitled to a breakage amount in deferred revenue related to the incentives. We estimate the breakage based on historical students' usage and recognizes the estimated breakage as revenue in proportion to the pattern of incentives exercised by students. The assessment of estimating breakage is updated on a quarterly basis. Changes in estimated breakage is accounted for by adjusting deferred revenue to reflect the remaining incentive rights expected to be exercised. Historically, the estimated breakage has not been significantly changed and the amount related to the sales incentives is not material.

Consolidation of Variable Interest Entities

Our consolidated financial statements include the financial statements of our holding company, our subsidiaries and our VIE. All intercompany transactions and balances have been eliminated on consolidation.

We evaluate the need to consolidate certain VIE by determining whether we are their primary beneficiary. In determining whether we are the primary beneficiary, we consider if we have authority to direct the activities that most significantly affect the economic performance of the VIE, and if the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. We consolidate the VIE if we are deemed its primary beneficiary.

PRC laws and regulations currently require foreign entities that invest in the education business in China to be educational institutions with certain qualifications and experience in providing high quality education outside of China. Our Cayman Islands holding company is not an educational institution and does not provide education services. Therefore, we conduct our operations through our VIE, namely Shanghai Four Seasons Education and Training Co., Ltd.. To provide the effective control over our VIE and receive substantially all of the economic benefits of them, Shanghai Fuxi, our wholly-owned subsidiary, entered into a series of contractual arrangements with our VIE, their shareholders and relevant affiliated entities in the form of private non-enterprise institutions. These contractual agreements include exclusive services agreements, exclusive call option agreements, equity pledge agreements, shareholder voting rights proxy agreements and irrevocable powers of attorney and spousal consent letters. As a result of these contractual arrangements, the shareholders of our VIE irrevocably granted Shanghai Fuxi the power to exercise all voting rights to which they were entitled. In addition, Shanghai Fuxi has the option to acquire all of the equity interests in the VIE, to the extent permitted by the then-effective PRC laws and regulations, for nominal consideration. Finally, Shanghai Fuxi is entitled to receive service fees for certain services to be provided to the VIE in an amount at Shanghai Fuxi's discretion. We conclude that Shanghai Four Seasons Education and Training Co., Ltd. is our VIE, of which we are the primary beneficiary. As such, we consolidated the financial results of the VIE in our consolidated financial statements.

Business Combinations

We account for our business combinations using the acquisition method of accounting in accordance with ASC 805 "Business Combinations". The cost of an acquisition is measured as the aggregate of the acquisition date fair values of the assets transferred and liabilities incurred by us to the sellers and equity instruments issued. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total costs of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. Alternatively, the excess of the (i) the fair value of the identifiable net assets of the acquiree over (ii) the total costs of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree is recorded as a gain on bargain purchase.

Income Taxes

Current income taxes are provided for in accordance with the laws and regulations applicable to us as enacted by the relevant taxing authorities. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Net operating losses are carried forward and credited by applying enacted statutory tax rates applicable to future years when the reported amounts of the asset or liability are expected to be recovered or settled, respectively. Deferred tax assets are reduced by a valuation allowance when, based upon the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The components of the deferred tax assets and liabilities are individually classified as non-current.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authorities. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. No uncertain income tax position was recorded as of February 28, 2019, February 29, 2020 or February 28, 2021.

Impairment of goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Several factors give rise to goodwill in our acquisitions, such as the expected benefit from synergies of the combinations and the existing workforce of the acquired businesses.

Goodwill is reviewed at least annually for impairment (February 28 or 29 for the Group). We evaluate our goodwill for impairment at the reporting unit level, defined as an operating segment or one level below an operating segment in accordance with ASC Topic 350. As a result, the structure of our reporting units changed and goodwill generated from acquisitions was allocated to one reporting unit: Four Seasons Education reporting unit as of February 28, 2021.

In the evaluation of goodwill for impairment, we may perform a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is not, no further analysis is required. If it is, the quantitative impairment test is performed.

Starting from March 1, 2019, we 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. When determining the fair value of each reporting unit, we use discounted cash flow model that includes a number of significant unobservable inputs. Key assumptions used to determine the estimated fair value include: (a) internal cash flows forecasts including expected revenue growth, operating margins and estimated capital needs, (b) an estimated terminal value using a terminal year long-term future growth rate determined based on the growth prospects of the reporting units; and (c) a discount rate that reflects the weighted-average cost of capital adjusted for the relevant risk associated with each reporting unit's operation and the uncertainty inherent in our internally developed forecast.

Based on the results of annual goodwill impairment tests, we recognized RMB0.6 million, RMB114.6 million and nil impairment loss on goodwill during the years ended February 28, 2019, February 29, 2020 and February 28, 2021.

Leases

We adopted ASU 2016-02, Leases (Topic 842) on March 1, 2019 using the modified retrospective transition approach allowed under ASU 2018-11, without adjusting the comparative periods presented. We elected the practical expedients under ASU 2016-02 which includes the use of hindsight in determining the lease term and the practical expedient package to not reassess whether any expired or existing contracts are or contain leases, to not reassess the classification of any expired or existing leases, and to not reassess initial direct costs for any existing leases."

We have lease contracts mainly for offices and learning centers in different cities in the PRC under operating leases. We determine whether an arrangement constitutes a lease and records lease liabilities and right-of-use assets on its consolidated balance sheets at lease commencement. We measure our lease liabilities based on the present value of the total lease payments not yet paid discounted based on the more readily determinable of the rate implicit in the lease or its incremental borrowing rate. As our leases do not provide an implicit borrowing rate, we use an incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at the commencement date. We measure right-of-use assets based on the corresponding lease liability adjusted for payments made to the lessor at or before the commencement date, and initial direct costs it incurs under the lease. Our leases have lease terms of up to fifteen years, which includes lessee options to extend the lease, only to the extent it is reasonably certain that we will exercise such extension options. We begin recognizing lease expense when the lessor makes the underlying asset available to us. Our lease agreements do not contain variable lease payments. Lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. Our lease agreements may include nonlease components, mainly consisting of common area maintenance, which are combined with lease components as we elect to account for these components together as a single lease component, as permitted. Additionally, we elected not to recognize leases with lease terms of 12 months or less at the commencement date. Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term, not included in lease liabilities. Our lease agreements do not contain any significant residual value guarantees or restricted covenants.

We evaluate the carrying value of right-of-use assets 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. Noncash lease expenses are used as the noncash add-back for the amortization of the right-of use assets to the operating section of the consolidated statements of cash flow.

Investments

We account for equity investments in equity securities that are in-substance common stocks and over which we can exercise significant influence and without control under equity-method accounting. Under this method, our pro rata share of income (loss) from investment is recognized in the consolidated statements of comprehensive income (loss). Dividends received reduce the carrying amount of the investment. When our share of loss in an equity-method investee equals or exceeds its carrying value of the investment in that entity, we continue to report its share of equity method losses in the statements of comprehensive income to the extent and as an adjustment to the carrying amount of its other investments in the investee. Equity-method investment is reviewed for impairment by assessing if the decline in market value of the investment below the carrying value is other-than-temporary. In making this determination, factors are evaluated in determining whether a loss in value should be recognized. These include consideration of the intent and ability of us to hold investment and the ability of the investee to sustain an earnings capacity, justifying the carrying amount of the investment. Impairment losses are recognized in other expense when a decline in value is deemed to be other-than-temporary. As a result of the impairment analysis, we did not record any impairment for the years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively.

Impairment of long-lived assets

We evaluate the recoverability of long-lived assets with determinable useful lives, including property and equipment and intangible assets, whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. We measure the carrying amount of long-lived asset against the estimated undiscounted future cash flows associated with it. An impairment charge is recognized when the estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from the disposition of the asset, if any, are less than the carrying value of the asset net of other liabilities. The evaluation of asset impairment requires us 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. We recognized nil, RMB0.8 million and nil impairment loss of property and equipment during the years ended February 28, 2019, February 29, 2020 or February 28, 2021. We recognized nil, RMB30.8 million and nil impairment loss on intangible assets during the years ended February 28, 2019, February 29, 2020 or February 28, 2021.

Recent Accounting Pronouncements

A list of recent accounting announcements that are relevant to us is included in note 2(ac) to our consolidated financial statements included elsewhere in this annual report.

Results of Operations

The table below sets forth a summary of our consolidated results of operations 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 operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended February 28 or 29						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except for percentages)						
Summary Consolidated Statements of Operations:							
Revenue	335,643	100.0	389,049	100.0	280,282	43,300	100.0
Cost of revenue	(171,822)	(51.2)	(200,933)	(51.6)	(168,832)	(26,082)	(60.2)
Gross profit	163,821	48.8	188,116	48.4	111,450	17,218	39.8
Operating expenses							
General and administrative expenses	(128,349)	(38.2)	(139,370)	(35.8)	(116,972)	(18,071)	(41.7)
Sales and marketing expenses	(33,783)	(10.1)	(34,367)	(8.8)	(30,953)	(4,782)	(11.0)
Impairment loss on intangible assets and goodwill	(557)	(0.2)	(145,416)	(37.5)	—	—	—
Operating income (loss)	1,132	0.3	(131,037)	(33.7)	(36,475)	(5,635)	(12.9)
Subsidy income	4,150	1.2	9,572	2.5	11,898	1,838	4.2
Interest income, net	6,756	2.0	5,229	1.3	3,403	526	1.2
Other income (expenses), net	(3,311)	(1.0)	11,080	2.9	1,900	294	0.7
Income (loss) before income taxes and loss from equity method investments	8,727	2.5	(105,156)	(27.0)	(19,274)	(2,977)	(6.8)
Income tax expense	(10,116)	(3.0)	(4,189)	(1.1)	(4,760)	(735)	(1.7)
Loss from equity method investments	(81)	(0.0)	(224)	(0.1)	(3,852)	(595)	(1.4)
Net loss	(1,470)	(0.5)	(109,569)	(28.2)	(27,886)	(4,307)	(9.9)

Year Ended February 28, 2021 Compared to Year Ended February 29, 2020

Revenue

Our total revenue was RMB280.3 million (US\$43.3 million) for the 2021 fiscal year and RMB389.0 million in the 2020 fiscal year, primarily due to the impact of the COVID-19 pandemic resulting in an overall decreased student enrollment, partially offset by the positive outcome of our proactive curricular upgrade in response to evolving market needs.

Cost of Revenue

Our total cost of revenue decreased by 16.0% to RMB168.8 million (US\$26.1 million) for the fiscal year 2021 from RMB200.9 million in the 2020 fiscal year, primarily attributable to the decrease in faculty staff costs due to the impact of the COVID-19 pandemic.

Gross Profit

As a result of the foregoing, our gross profit was RMB111.5 million (US\$17.2 million) for the fiscal year 2021, compared with RMB188.1 million in the same period of last year. Gross margin was 39.8% for the 2021 fiscal year, compared with 48.4% in the 2020 fiscal year.

Sales and Marketing Expenses

Our sales and marketing expenses decreased by 9.9% to RMB31.0 million (US\$4.8 million) for the fiscal year 2021 from RMB34.4 million in the same period of last year, primarily due to continued internal cost controls.

General and Administrative Expenses

Our general and administrative expenses decreased by 16.1% to RMB117.0 million (US\$18.1 million) for the fiscal year 2021 from RMB139.4 million in the same period of last year primarily attributable to the decreased staff costs due to continued network optimization.

Impairment loss on intangible assets and goodwill

Our impairment loss on intangible assets and goodwill was nil for the 2021 fiscal year, compared to RMB145.4 million in the 2020 fiscal year, due to the decline in a reporting unit's fair value in the 2020 fiscal year.

Income/Loss Before Income Taxes and Loss from Equity Method Investments

As a result of the foregoing, our loss before income taxes and income from equity method investments was RMB19.3 million (US\$3.0 million) in the 2021 fiscal year, compared to the RMB105.2 million in the 2020 fiscal year.

Income Tax Expense

Our income tax expense was RMB4.2 million and RMB4.8 million (US\$0.7 million) in the 2020 and 2021 fiscal year.

Net Loss

As a result of the foregoing, we recorded net loss of RMB109.6 million and RMB27.9 million (US\$4.3 million) in the 2020 and 2021 fiscal year.

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

Revenue

Our total revenue increased by 15.9% to RMB389.0 million for the 2020 fiscal year from RMB335.6 million in the 2019 fiscal year, primarily attributable to the healthy ramp-up of new learning centers opened by us during fiscal year 2020, and the increase in student enrollment as a result of the expanded course offerings with higher diversification.

Cost of Revenue

Our total cost of revenue increased by 16.9% to RMB200.9 million for the 2020 fiscal year from RMB171.8 million in the 2019 fiscal year, primarily attributable to the increase in the number of faculty staff. The number of our full-time teachers and consultants increased from 392 as of February 28, 2019 to 463 as of February 29, 2020.

Gross Profit

As a result of the foregoing, our gross profit increased by 14.8% to RMB188.1 million for the 2020 fiscal year from RMB163.8 million in the 2019 fiscal year. Gross margin was 48.4% for the 2020 fiscal year, compared with 48.8% in the 2019 fiscal year.

Sales and Marketing Expenses

Our sales and marketing expenses increased by 1.7% to RMB34.4 million for the 2020 fiscal year from RMB33.8 million in the 2019 fiscal year.

General and Administrative Expenses

Our general and administrative expenses increased by 8.6% to RMB139.4 million for the 2020 fiscal year from RMB128.3 million in the 2019 fiscal year due to the increased staff cost, depreciation expenses and amortization, learning center management fee and other receivable allowance.

Impairment loss on intangible assets and goodwill

Our impairment loss on intangible assets and goodwill was RMB145.4 million for the 2020 fiscal year, compared to RMB0.6 million in the 2019 fiscal year, mainly due to the decline in a reporting unit's fair value.

Income/Loss Before Income Taxes and Loss from Equity Method Investments

As a result of the foregoing, our loss before income taxes and income from equity method investments was RMB105.2 million in the 2020 fiscal year, compared to the income before income taxes and income from equity method investments of RMB8.7 million in the 2019 fiscal year.

Income Tax Expense

Our income tax expense was RMB10.1 million and RMB4.2 million in the 2019 and 2020 fiscal year.

Net Loss

As a result of the foregoing, we recorded net loss of RMB1.5 million and RMB109.6 million in the 2019 and 2020 fiscal year.

Non-GAAP Measures

We use adjusted net income (loss), a non-GAAP financial measure, in the evaluation of our operating results and in our financial and operational decision-making.

Adjusted net income (loss) represents net income (loss) before the impact of (i) share-based compensation expenses; (ii) fair value change of investments, excluding foreign currency translation adjustment and (iii) impairment loss on intangible assets and goodwill (net of tax effect). We believe that adjusted net income (loss) helps us identify underlying trends in our business that could otherwise be distorted by the effect of certain expenses that we include in net income (loss).

Adjusted net income (loss) should not be considered in isolation or construed as an alternative to net income (loss) or any other measure of performance or as an indicator of our operating performance. Investors are encouraged to compare the historical non-GAAP financial measures with the most directly comparable GAAP measures. Adjusted net income (loss) presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

The table below sets forth a reconciliation of our net income (loss) to adjusted net income (loss) for the periods indicated:

	For the Year Ended February 28 or 29			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net income (loss)	(1,470)	(109,569)	(27,886)	(4,307)
Add: share-based compensation expenses (net of tax effect of nil)	32,247	30,859	27,513	4,250
Add: fair value change of investments, excluding foreign currency translation adjustment (net of tax effect of nil)	4,783	(11,134)	(2,148)	(332)
Add: impairment loss on intangible assets and goodwill (net of tax effect 7,701 for the year ended Feb. 29, 2020)	557	137,715	—	—
Adjusted net income (non-GAAP)	36,117	47,871	(2,521)	(389)

B. Liquidity and Capital Resources

Cash Flows and Working Capital

Our principal sources of liquidity have been cash generated from operating activities, net proceeds we received from our initial public offering, and to a lesser extent, proceeds from the issuance of our convertible redeemable preferred shares.

As of February 28 or 29, 2019, 2020 and 2021, we had RMB439.6 million, RMB404.7 million and RMB378.4 million (US\$58.5 million), respectively, in cash and cash equivalents. Cash and cash equivalents consist of cash on hand, cash in bank, time deposits with original maturities of three months or less when purchased and floating rate financial instruments which are unrestricted as to withdrawal or use. Our cash and cash equivalents are primarily denominated in Renminbi. Historically, we have financed our operations through cash generated from operating activities and net proceeds we received from our initial public offering. We intend to finance our future working capital requirements and capital expenditures from cash generated from operating activities and from the funds raised from financing activities, including the net proceeds we received from our initial public offering. We believe that our available cash and cash equivalents will be sufficient to meet our working capital requirements and capital expenditures in the ordinary course of business for the next twelve months.

However, we may require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to sell equity or equity-linked securities, sell debt securities or borrow from banks. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would result in additional dilution to our shareholders. The incurrence of indebtedness and issuance of debt securities would result in debt service obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders.

As a holding company with no material operations of our own, we are a corporation separate and apart from our subsidiaries and our VIE and our VIE'S affiliates and, therefore, must provide for our own liquidity. We conduct our operations in China primarily through our PRC subsidiary and VIE. As a result, our ability to pay dividends and to finance any debt we may incur depends upon dividends paid by our subsidiaries. If our PRC subsidiary or any newly formed PRC subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our PRC subsidiaries are permitted to pay dividends to us only out of their respective retained earnings, if any, as determined in accordance with Chinese accounting standards and regulations.

Under applicable PRC laws and regulations, our PRC subsidiaries are each required to set aside a portion of its after tax profits each year to fund certain statutory reserves, and funds from such reserves may not be distributed to us as cash dividends except in the event of liquidation of such subsidiaries. These statutory limitations affect, and future covenant debt limitations might affect, our PRC subsidiaries' ability to pay dividends to us. As a result of the foregoing PRC laws and regulations, our PRC subsidiary and VIE are restricted from transferring a portion of their net assets to us. The amounts restricted include paid-in capital and the statutory reserves of our VIE and their affiliated entities without considering the effect of elimination upon consolidation during the relevant period. As of February 28, 2021, total restricted net assets were RMB101.4 million (US\$15.7 million). We currently believe that such limitations will not impact our ability to meet our ongoing short-term cash obligations although we cannot assure you that such limitations will not affect our ability to meet our short-term cash obligations and to distribute dividends to our shareholders in the future.

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

	For the Year Ended February 28 or 29			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash provided by operating activities	53,147	82,195	31,124	4,808
Net cash used in investing activities	(187,217)	(98,746)	(68,004)	(10,506)
Net cash provided by/(used in) financing activities	(561)	(26,417)	198	30
Effect of foreign exchange rate changes	22,542	14,088	(16,460)	(2,541)
Net increase/(decrease) in cash, cash equivalents and restricted cash	(112,089)	(28,880)	(53,142)	(8,209)
Cash, cash equivalents and restricted cash at beginning of the year	583,324	471,235	442,355	68,338
Cash, cash equivalents and restricted cash at end of the year	471,235	442,355	389,213	60,129

Operating Activities

Net cash provided by operating activities amounted to RMB31.1 million (US\$4.8 million) in the 2021 fiscal year. It reflected the net loss of RMB27.9 million (US\$4.3 million), primarily adjusted by noncash lease expenses of RMB54.5 million (US\$8.4 million), share-based compensation of RMB27.5 million (US\$4.3 million), depreciation of property and equipment of RMB13.8 million (US\$2.1 million) and accrued expenses and other current liabilities of RMB11.9 million (US\$1.8 million). Additional major factors affecting operating cash flows in the 2021 fiscal year primarily included a decrease in changes in operating lease liabilities of RMB57.9 million (US\$9.0 million).

Net cash provided by operating activities amounted to RMB82.2 million in the 2020 fiscal year. It reflected the net loss of RMB109.6 million, primarily adjusted by noncash lease expenses of RMB54.8 million, share-based compensation of RMB30.9 million, loss from intangible assets impairment of RMB30.8 million and loss from

goodwill impairment of RMB114.6 million. Additional major factors affecting operating cash flows in the 2020 fiscal year primarily included a decrease in changes in operating lease liabilities of RMB47.6 million.

Net cash provided by operating activities amounted to RMB53.1 million in the 2019 fiscal year. It reflected the net loss of RMB1.5 million, primarily adjusted by share-based compensation of RMB32.2 million, depreciation of property and equipment of RMB14.5 million, and fair value change of investments of RMB4.8 million. Additional major factors affecting operating cash flows in the 2019 fiscal year primarily included a decrease in deferred revenue of RMB21.4 million, a decrease in other receivables, deposits and other assets of RMB14.1 million, partially offset by an increase in accrued expenses and other current liabilities of RMB27.8 million, a decrease in amount due from related parties of RMB12.7 million.

Investing Activities

Net cash used in investing activities amounted to RMB68.0 million (US\$10.5 million) in the 2021 fiscal year. This was primarily attributable to the payment to equity method investments of RMB44.5 million (US\$6.9 million), and purchase of investments under fair value of RMB175.8 million (US\$27.2 million), partially offset by proceeds from maturity of investments under fair value of RMB192.9 million (US\$29.8 million).

Net cash used in investing activities amounted to RMB98.7 million in the 2020 fiscal year. This was primarily attributable to the payment of acquisition considerations, net of cash acquired of RMB10.1 million in connection with the purchase of new schools and businesses in the 2020 fiscal year, and purchase of investments under fair value of RMB104.6 million, partially offset by proceeds from maturity of investments under fair value of RMB35.2 million.

Net cash used in investing activities amounted to RMB187.2 million in the 2019 fiscal year. This was primarily attributable to the acquisition of business, net of cash acquired of RMB133.9 million in connection with the purchase of new schools and businesses in the 2019 fiscal year, purchase of investments under fair value of RMB34.8 million and purchase of property and equipment of RMB17.9 million for the renovation of our new and existing learning centers.

Financing Activities

Net cash provided in financing activities amounted to RMB0.2 million (US\$30,598) in the 2021 fiscal year. This was primarily attributable to proceeds from related parties loans of RMB0.1 million (USD\$15,449).

Net cash used in financing activities amounted to RMB26.4 million in the 2020 fiscal year. This was primarily attributable to the repurchase of ordinary shares of RMB27.9 million, partially offset by the contribution from non-controlling shareholders of subsidiaries of RMB3.1 million.

Net cash used in financing activities amounted to RMB0.6 million in the 2019 fiscal year. This was primarily attributable to the dividends paid of RMB3.7 million and offering cost of RMB0.8 million, partially offset by the contribution from non-controlling shareholders of subsidiaries of RMB3.7 million and proceeds from related party loans of RMB0.2 million.

Capital Expenditures

Our capital expenditures amounted to RMB18.2 million, RMB9.2 million and RMB10.4 million (US\$1.6 million) in the 2019, 2020, 2021 fiscal year, respectively. In the past, our capital expenditures primarily consisted of renovation costs of our learning centers. As our business expands, we may continue to renovate our new and existing learning centers and office facilities. We will continue to make capital expenditures to meet the expected growth of our business and expect that cash generated from our operating activities and financing activities will meet our capital expenditure needs in the foreseeable future.

Holding Company Structure

We are a holding company with no material operations of our own. We conduct our operations primarily through our subsidiaries and our consolidated VIE. As a result, our ability to pay dividends depends upon dividends paid by our subsidiaries, which in turn depends on the service fees paid to Shanghai Fuxi by our VIE. In the 2021 fiscal year, Shanghai Fuxi received service fees of RMB27.3 million (US\$4.2 million) from our VIE and did not distribute any dividends. Although we plan to continue to invest in and expand our PRC operations indefinitely, our PRC subsidiary may receive service fees from our VIE and we may rely on dividends from our PRC subsidiary for our cash needs in the future. Furthermore, if our subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us.

Even though we currently do not require any such dividends, loans or advances from our entities for working capital and other funding purposes, we may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to our shareholders.

We operate and generate all of our revenue in the PRC. Our VIE and its affiliates in the PRC contributed all of our revenue in the year ended February 28, 2019, the year ended February 29, 2020 and the year ended February 28, 2021.

Our assets are located in the Cayman Islands, the PRC and Hong Kong. As of February 28, 2021, 50.6% of our total assets were located in the PRC, 43.4% of our total assets were located in the Cayman Islands and 6.0% of our total assets were located in Hong Kong. The table below sets forth the respective asset contributions of (i) our company and our subsidiaries and (ii) our VIE and its affiliates in the PRC for the periods indicated as a percentage of total assets:

	Assets		
	As of February 28 or 29		
	2019	2020	2021
Our Company and our subsidiaries			
Four Seasons Education Cayman	41.2%	43.7%	43.4%
Four Seasons Education HK	7.1%	6.7%	6.0%
Shanghai Fuxi	6.5%	10.1%	11.3%
Our variable interest entities	45.2%	39.5%	39.3%
Total assets	100.0%	100.0%	100.0%

* The percentages given exclude inter-company transactions among Four Season Education (Cayman) Inc., its subsidiaries and its variable interest entities.

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

Research and Development

All costs that are incurred in connection with the planning and implementation phases of the development of software for internal use are expensed. Costs incurred in the development phase are capitalized and amortized over the estimated useful life. No costs were capitalized for any of the periods presented.

Costs incurred internally in researching and developing a software product to be sold, leased or marketed are charged to expense as research and development costs prior to technological feasibility being established for the product. Once technological feasibility is established, all software costs are capitalized until the product is available for general release to customers. Technological feasibility is established upon completion of all the activities that are necessary to substantiate that the software product can be produced in accordance with its design specifications, including functions, features, and technical performance requirements. No costs were capitalized for any of periods presented.

Peiqing Tian has served as our chairman since our inception and our chief executive officer from inception to November 2019. Mr. Tian has been dedicated to math education and critical to the development and success of our business. Mr. Tian is the editor-in-chief of *Elementary School Mathematical Thinking: Practice Problems and Solutions* and various other books on math education. In addition, he has served in various head coach and organizational committee positions for math competitions, such as director of the Shanghai regional organization committee of the Asia International Mathematical Olympiad Open Contest in 2015, head coach and secretary-general of the Asia Pacific Elementary School Mathematics Olympiad Invitational Competition in 2014 and head of the Shanghai testing center of the American Mathematics Competition in 2013. Prior to founding our company, he served as a teacher at Shanghai Wuning Middle School from 1984 to 1989. Between 1989 and 2004, Mr. Tian worked in management roles in several travel agencies. He received his bachelor's degree in mathematics from East China Normal University in 1984.

Yi Zuo has served as our director since February 2015 and chief executive officer since November 2019. She also served as our chief financial officer from March 2017 to November 2019. Prior to joining us, Ms. Zuo served as a partner and the head of the China team of Lihui Private Fund, a private equity fund, from 2013 to 2016. She also has approximately 10 years of experience in investment banking at UBS Group AG, Morgan Stanley Asia Limited and Deutsche Bank AG, Hong Kong Branch. Prior to that, she served as a consulting manager at PricewaterhouseCoopers from 1997 to 2000. She received her MBA from Stanford Business School in 2004 and her bachelor's degree in economics from Fudan University in 1997.

Shaoqing Jiang has served as our director since April 2017. Mr. Jiang currently serves as the operational director of Chengwei Capital. He has over 10 years of experience in investments across the TMT, energy, semiconductor and environmental technologies sectors at Renaissance Environment Investment, Walden International, Cummings-Goldman Capital Partners and Chengwei Ventures. He received his MBA degree from Stern Business School of New York University in 2005 and his bachelor's degree in English literature from Fudan University in 1997.

Zongwei Li has served as our independent director since November 2017. Mr. Li has served as a managing director of Sailing Capital, a private equity fund, from June 2014 to March 2020. He served as an executive director and chief financial officer of Yingli Green Energy Holding Company Limited, a photovoltaic manufacturer listed on the New York Stock Exchange, from 2006 to 2014. He also has approximately 11 years of experience as a senior audit manager at Pricewaterhouse Coopers from 1995 to 2006. Prior to that, he served as a securities and futures trader at CITIC Securities from 1993 to 1995. Mr. Li is also currently an independent director and chairman of the audit committee of Yadea Group Holdings Ltd., an electric vehicle brand listed on the Hong Kong Stock Exchange. He also served as an independent director and chairman of the audit committee of Youku Tudou Inc., an Internet television company listed on the New York Stock Exchange from 2010 to 2016. Mr. Li received his MBA from Olin School of Business, Washington University in St. Louis in 2006 and his bachelor's degree in mechanical engineering from Shanghai Institute of Technology in 1993. Mr. Li is a non-practicing certified member of China institute of Certified Public Accountants. His business address is 36/F, CITIC Plaza, 859 North Sichuan Road, Shanghai 200085, China.

Bing Yuan has served as our independent director since July 2020. Mr. Yuan is the Chief Operating Officer of Hony Capital and a member of Hony Capital's Executive Committee, responsible for its equity investment operations. Prior to joining Hony Capital, Mr. Yuan served as a managing director of the Special Situation Group of Morgan Stanley Asia Limited from 2008 to 2009. Before that, Mr. Yuan served as a managing director of the Investment Banking Division at Morgan Stanley Asia Limited from April 2004 to June 2008. Prior to that, Mr. Yuan served as a Vice President with Credit Suisse First Boston in Hong Kong and New York from August 1998 to March 2004, focused on corporate finance and merger & acquisitions transactions in the technology, media and telecom industry. During his investment banking time, Mr. Yuan has assisted numerous prominent Chinese State-Owned Enterprises and private sector companies in completing their IPO, corporate finance and M&A transactions. Mr. Yuan has also worked as a financial analyst in project finance with Fieldstone Private Equity LLP in New York from 1993 to 1995. Mr. Yuan received his bachelor's degree in English from Nanjing University in July 1990, and received his master's degree in International Relations in June 1993 and his Juris Doctorate's degree in June 1998 from Yale University. His business address is No. 316 Grand Hills, Beijing, China 100015, China.

Employment Agreements and Indemnification 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 unless either we or the executive officer gives prior notice to terminate such employment. We may terminate the employment for cause, at any time, without notice or remuneration, for certain acts of the executive officer, including but not limited to the commitments of any serious or persistent breach or non-observance of the terms and conditions of the employment, conviction of a criminal offense other than one which in the opinion of the board does not affect the executive's position, willful disobedience of a lawful and reasonable order, misconducts being inconsistent with the due and faithful discharge of the executive officer's material duties, fraud or dishonesty, or habitual neglect of his or her duties. An executive officer may terminate his or her employment at any time with a three-month prior written notice.

Each executive officer has agreed to hold, both during and after the employment agreement expires or is earlier terminated, 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 our company all his or her all inventions, improvements, designs, original works of authorship, formulas, processes, compositions of matter, computer software programs, databases, mask works, concepts and trade secrets which the executive officer may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of the executive officer's employment with us that are either related to the scope of the employment or make use of the resources of the company. In addition, all executive officers have agreed to be bound by non-competition and non-solicitation restrictions set forth in their agreements. Specifically, each executive officer has agreed to devote all his or her working time and attention to our business and use best efforts to develop our business and interests. Moreover, each executive officer has agreed not to, for a certain period following termination of his or her employment or expiration of the employment agreement: (i) carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, employee, partner, agent or otherwise carry on any business in direct competition with us, (ii) solicit or entice away any of our customer, client, representative or agent, or (iii) employ, solicit or entice away or attempt to employ, solicit or entice away any of our officer, manager, consultant or employee.

We have entered into indemnification agreements with our directors and executive officers, pursuant to which we will agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or officer.

B. Compensation

Compensation of Directors and Executive Officers

For the year ended February 28, 2021, we paid an aggregate of RMB1.5 million (US\$0.2 million) in cash and benefits to our executive officers, and we paid US\$0.1 million in compensation to our independent directors. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. We have no service contracts with any of our directors providing for benefits upon termination of employment.

Share Incentive Plan

We maintain share incentive plans in order to attract, motivate, retain and reward talent, provide additional incentives to our officers, employees, directors and other eligible persons, and promote the success of our business and the interests of our shareholders. The maximum number of ordinary shares which may be issued pursuant to our share incentive plans is 4,201,330.

2015 Share Incentive Plan

In June 2015, our board of directors approved the 2015 Share Incentive Plan, or the 2015 Plan, to provide additional incentives to our senior management and key employees. The 2015 Plan permits the grant of options to purchase our ordinary shares. As of the date of this annual report, we have granted 1,505,000 shares under the 2015 Plan.

On July 1, 2015, we granted options to purchase a total of 1,175,000 ordinary shares to employees at a weighted average exercise price of US\$1.63 per share. The options vest on a four-year schedule starting July 1, 2016, and will expire on June 30, 2025.

On July 1, 2016, we granted options to purchase a total of 330,000 ordinary shares to employees at a weighted average exercise price of US\$1.63 per share. The options vest on a four-year schedule starting July 1, 2017, and will expire on June 30, 2026.

The following paragraphs summarize the terms of the 2015 Plan.

Plan Administration. Our board of directors or a proxy appointed by our board of directors acts as the plan administrator. The plan administrator 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.

Types of Awards. The 2015 Plan permits the grants of options to purchase ordinary shares.

Award Agreements. Each award under the 2015 Plan shall be evidenced by an award agreement between the award recipient and our company, which includes the provisions applicable in the event of the grantee's employment or service terminates, and our company to amend and modify the award.

Eligibility. Only our senior management, start-up employees and key position holders of the company approved by our board of directors are eligible to receive awards or grants under the 2015 Plan.

Vesting Schedule. The awards granted or to be granted under the 2015 Plan have a four-year vesting schedule, with 25% of the awards vesting annually.

Amendment, Suspension or Termination. Our board of directors has the authority to amend, suspend or terminate the plan. However, no such action may adversely affect in any material way any award that has been granted or awarded to the recipient. Any amendment, suspension or termination shall be made by our board of directors in writing.

Transfer Restrictions. Subject also to all the transfer restrictions under the applicable laws and regulations and the restrictions set forth in the applicable award agreement, all awards are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge.

2017 Share Incentive Plan

In March 2017, we adopted our 2017 Share Incentive Plan, or the 2017 Plan, which permits the grant of options to purchase our ordinary shares, restricted shares and restricted share units. As of the date of this annual report, we have granted awards for 3,270,000 shares under the 2017 Plan.

On March 27, 2017, we granted options to purchase a total of 1,110,000 ordinary shares to employees at a weighted average exercise price of US\$1.63 per share. The options had a four-year vesting schedule starting March 27, 2019, and will expire on March 26, 2027.

On July 3, 2018, we granted options to purchase a total of 860,000 ordinary shares to independent directors, executive officers and employees at a weighted average exercise price of US\$5.89 per share. The options had a three or four-year vesting schedule starting July 3, 2019, and will expire on July 2, 2028.

On January 22, 2019, we modified the exercise price to US\$4.6 for a total number of 460,000 share options previously granted to independent directors, executive officers and employees on July 3, 2018. All other terms of the share options granted remain unchanged.

On June 30, 2019, we granted 360,000 share options to employees at the weighted average grant date fair value of RMB10.46 per share. Options have a ten-year life and vest ratably at each grant date anniversary over a period of four years.

On Feb 17, 2020, we granted 80,000 share options to one employee at the weighted average grant date fair value of RMB10.03 per share. These share options vest ratably at each grant date anniversary over a vesting period of four years.

On February 5, 2021, we granted 860,000 share options to employees at the weighted average grant date fair value of RMB13.24 per share. Options have a ten-year life and vest ratably at each grant date anniversary over a period of four years.

The following paragraphs summarize the terms of the 2017 Plan.

Plan Administration. Our board of directors or a committee appointed by our board of directors acts as the plan administrator. The board of directors or the committee may also delegate one or more members of our board of directors to grant or amend awards or take other administrative actions.

Types of Awards. The 2017 Plan authorizes the grant of options to purchase ordinary shares, the award of restricted shares and the award of restricted share units.

Award Agreements. Each award under the 2017 Plan shall be evidenced by an award agreement between the award recipient and our company, which may be any written notice, agreement, terms and conditions, contract or other instrument or document evidencing such award.

Eligibility. The plan administrator may select among the following eligible individuals to whom an award may be granted: (i) our employees, (ii) consultants or advisers contracted directly with us, who render bona fide services to us (except in connection with the offer or sale of securities in a capital-raising transaction or which directly or indirectly promote or maintain a market for our securities), and (iii) directors who are not our employees; provided however that awards shall not be granted to consultants or non-employee directors who are resident of any country in the European Union and any other country, which pursuant to the applicable laws, does not allow grants to non-employee.

Term of Awards. Each award under the 2017 Plan shall vest or be exercised not more than 10 years after the date of grant unless extended by the plan administrator. Each share award is subject to earlier termination as set forth in the 2017 Plan. The award is only exercisable before the eligible individual's termination of service with us, except as determined otherwise by the plan administrator or set forth in the award agreement.

Vesting Schedule and Other Restrictions. The plan administrator has discretion in determining the individual vesting schedules and other restrictions applicable to the awards granted under the 2017 Plan. The vesting schedule is set forth in the award agreement.

Exercise Price and Purchase Price. The plan administrator has discretion in determining the price of the awards, which can be fixed or variable related to the fair market value of the underlying ordinary shares and are subject to a number of limitations.

Acceleration of Vesting upon Corporate Transaction. Upon the occurrence of a change in control event, the plan administrator may accelerate the vesting, make provision for a cash payment in settlement of, or for the assumption, substitution or exchange of any or all outstanding awards (or the cash, securities or other property deliverable to the holder(s) of any or all outstanding awards) based upon, to the extent relevant in the circumstances, the distribution or consideration payable to holders of the ordinary shares upon or in respect of such event.

Termination. The 2017 Plan shall expire on the tenth anniversary of the date when our board of directors adopted the 2017 Plan.

Amendment, Suspension or Termination. No amendment, modification or termination of the 2017 Plan shall, without the prior written consent of the award recipients, adversely affect in any material way any award that has been granted or awarded prior to such amendment, suspension or termination. Subject to the above, the plan administrator may at any time terminate, amend or modify the 2017 Plan, except where shareholder approval is required to comply with applicable laws or where the amendment relates to (i) any increases in the number of shares available under the 2017 Plan (other than any adjustment permitted under the 2017 Plan), or (ii) an extension of the

term of the 2017 Plan or the exercise period for an option beyond ten years from the date of grant. To the extent permissible under the applicable laws, our board of directors may decide to follow home country practice not to seek shareholder approval for any amendment or modification of the 2017 Plan.

Transfer Restrictions. Subject also to all the transfer restrictions under the applicable laws and regulations and the restrictions set forth in the applicable award agreement, all awards are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge.

C. Board Practice

Our board of directors consists of five directors. A director is not required to hold any shares in our company to qualify to serve as a director. A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with our company is required to declare the nature of his interest at a meeting of our directors. A general notice given to the directors by any director to the effect that he is a member, shareholder, director, partner, officer or employee of any specified company or firm and is to be regarded as interested in any contract or transaction with that company or firm shall be deemed a sufficient declaration of interest for the purposes of voting on a resolution in respect to a contract or transaction in which he has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction. A director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the directors at which any such contract or proposed contract or arrangement is considered. Our board of directors may exercise all of the powers of our company to borrow money, to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock or other securities whenever money is borrowed or as security for any debt, liability or obligation of our 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

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

Audit Committee. Our audit committee consists of Zongwei Li and Bing Yuan, and is chaired by Zongwei Li. Each of Zongwei Li and Bing Yuan satisfies the "independence" requirements of Section 303A of the New York Stock Exchange Listed Company Manual and meets the independence standards under Rule 10A-3 under the Exchange Act. Our audit committee will consist solely of independent directors that satisfy the New York Stock Exchange and SEC requirements within one year of the completion of our initial public offering. Our board of directors has also determined that Zongwei Li qualifies as an "audit committee financial expert" within the meaning of the SEC rules and possesses financial sophistication within the meaning of the New York Stock Exchange Listed Company Manual. 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 our independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by our independent registered public accounting firm;
- reviewing with our independent registered public accounting firm any audit problems or difficulties and management's response and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K;
- discussing the annual audited financial statements with management and our independent registered public accounting firm;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with the management and our internal auditor and our independent registered public accounting firm;
- reporting regularly to the full board of directors; and
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time.

Compensation Committee. Our compensation committee consists of Zongwei Li and Bing Yuan, and is chaired by Bing Yuan. Each of Zongwei Li and Bing Yuan satisfies the “independence” requirements of Section 303A of the New York Stock Exchange Listed Company Manual. Our compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated upon. The compensation committee is responsible for, among other things:

- reviewing and approving to the board with respect to the compensation for our chief executive officer;
- overseeing and making recommendations with respect to the compensation for our officers and employees other than the chief executive officer;
- selecting compensation and benefits consultants, legal counsel or other advisors that the Committee believes to be desirable or appropriate; and
- reviewing and administering all long-term incentive compensation, stock option, annual bonuses, employee pension and welfare benefit plans.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Zongwei Li and Bing Yuan, and is chaired by Bing Yuan. Each of Zongwei Li and Bing Yuan satisfies the “independence” requirements of Section 303A of the New York Stock Exchange Listed Company Manual. 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 of directors and its committees. The nominating and corporate governance committee is responsible for, among other things:

- identifying and recommending nominees for election or re-election to our board of directors or for appointment to fill any vacancy;
- reviewing the performance of each incumbent director and considering the results of such evaluation when determining whether or not to recommend the nomination of such director for an additional term on an annual basis;
- advising the board policies and procedures with respect to corporate governance matters;
- evaluating its own performance on an annual basis; and
- reporting to the board on its findings and actions periodically.

Duties of Directors

Under Cayman Islands law, our directors owe fiduciary duties to our company, 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 must also exercise their powers only for a proper purpose. Our directors also owe to our company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his 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. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. Our company has the right to seek damages if a duty owed by our directors is breached. In certain limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

The functions and powers of our board of directors include, among others:

- convening shareholders’ annual and extraordinary general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares of our company, including the registering of such shares in our register of members.

Terms of Directors and Executive Officers

Each of our directors shall hold office until the expiration of his or her term, or until his or her office is otherwise vacated. Each director whose term of office expires shall be eligible for re-election. All of our executive officers are appointed by and serve at the discretion of our board of directors. Our directors may be removed from office by special resolution. A director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind; (iii) resigns by notice in writing to our company; (iv) without special leave of absence from our board of directors, is absent from three consecutive meetings of the board and the board resolves that his office be vacated; or (v) is removed from office pursuant to any other provision of our memorandum and articles of association. The compensation of our directors is determined by our board of directors. There is no mandatory retirement age for directors.

D. Employees

The following table sets forth the numbers of our employees, categorized by function, as of February 28, 2021:

Functions	Number of Employees
Teachers	359
Learning center student services	238
General and administration	77
Sales, marketing and business development	42
Total	716

We had a total of 910 and 828 employees as of February 29, 2020 and February 28, 2019, respectively.

We generally enter into standard employment agreements with our management and our educational content development personnel. We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes as of the date of this annual report.

E. Share Ownership

The following table sets forth information concerning the beneficial ownership of our ordinary shares as of the date of this annual report by:

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

The calculations in the table below are based on 23,131,195 ordinary shares outstanding as of the date of this annual report, excluding 970,788 ordinary shares represented by the ADSs repurchased by the Company.

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	
	Number**	Percent**
Directors and Executive Officers:		
Peiqing Tian ⁽¹⁾	9,434,907	40.4
Yi Zuo ⁽²⁾	1,149,016	4.8
Shaoqing Jiang	-	-
Zongwei Li	*	*
Bing Yuan	-	-
All directors and executive officers as a group	10,596,423	45.8
Principal Shareholders:		
Peiqing Tian ⁽¹⁾	9,434,907	40.4
Chengwei Capital HK Limited ⁽³⁾	3,133,333	13.5
Jun Guo ⁽⁴⁾	2,100,000	9.1
Crimson Capital Partners III, L.P. ⁽⁵⁾	2,083,333	9.0

* Beneficially owns less than 1% of our outstanding shares.

** 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. These shares, however, are not included in the computation of the percentage ownership of any other person.

- (1) Consists of 8,809,451 ordinary shares held by Four Season Education Holdings Limited and 375,456 ordinary shares held in the form of ADSs, and the shares beneficially held by Mr. Tian also includes 250,000 ordinary shares underlying options vested within 60 days after the date of this annual report held by Mr. Peiqing Tian. Four Season Education Holdings Limited, a British Virgin Islands company, is wholly-owned by Mr. Peiqing Tian. Mr. Peiqing Tian's business address is 36th Floor, BM Tower, 218 Wusong Road, Hongkou District, Shanghai 200080, PRC.
- (2) Consists of 272,222 ordinary shares held by Harvest Consulting Holding Limited and 35,000 ordinary shares held in the form of ADSs, a British Virgin Islands company and 841,794 ordinary shares underlying options vested within 60 days after the date of this annual report held by Ms. Yi Zuo. Ms. Yi Zuo is the sole shareholder of Harvest Consulting Holding Limited. Ms. Yi Zuo's business address is 36th Floor, BM Tower, 218 Wusong Road, Hongkou District, Shanghai 200080, PRC.
- (3) Consists of 3,133,333 ordinary shares held in the form of ADSs held by Chengwei Capital HK Limited, a company incorporated in Hong Kong. Chengwei Capital HK Limited is wholly-owned by Chengwei Evergreen Capital, LP, whose general partner is Chengwei Evergreen Management, LLC. Chengwei Evergreen Capital, LP is 99% economically owned by institutional LPs whose beneficial owners are not controlling persons and are not natural persons. Chengwei Evergreen Management, LLC has 1% economic ownership of Chengwei Evergreen Capital, LP and EXL Holdings, LLC has 100% controlling voting power of Chengwei Evergreen Management, LLC. Eric Xun Li has 100% controlling voting power of EXL Holdings, LLC. The address of Chengwei Capital HK Limited is 26/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (4) Consists of 2,100,000 ordinary shares held by Banya Holding Limited, a British Virgin Islands company. Ms. Jun Guo is the sole shareholder of Banya Holding Limited. Ms. Jun Guo's business address is 14th Floor, Zi'an Building, No. 309 Yuyuan Road, Jing'an District, Shanghai 200040, China.
- (5) Consists of 2,083,333 ordinary shares Crimson Capital Partners III, L.P. holds, including 444,444 ordinary shares in the form of 888,888 ADSs. Crimson Capital Partners III, L.P. holds through Sandhill Investment Holding Limited, a wholly-owned entity of Crimson Capital Partners III, L.P. The natural person ultimately controlling Crimson Capital Partners III, L.P. is John-Paul Ho. The address of Crimson Capital Partners III, L.P. is c/o Walkers SPV Limited, P.O. Box 908GT, Grand Cayman, Cayman Islands.

Our ADSs are traded on the New York Stock Exchange and brokers or other nominees may hold ADSs in “street name” for customers who are the beneficial owners of our ADSs. As a result, we may not be aware of each person or group of affiliated persons who beneficially own more than 5.0% of our ordinary shares.

As of February 28, 2021, the number of our ordinary shares issued and outstanding was 23,131,195, excluding 970,788 ordinary shares represented by the ADSs repurchased by the Company, and Deutsche Bank Trust Company Americas, as the depository of our ADS facility, was the only record holder of our common shares in the United States. Other than the depository, we had no record shareholders in the United States as of February 28, 2021.

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

For certain information as of February 28, 2021 concerning the outstanding awards we have granted to our directors and executive officers individually pursuant to our share incentive plan, see “Item 6. Directors, Senior Management and Employees — B. Compensation — Share Incentive Plan.” Other than under the 2015 Share Incentive Plan and the 2017 Share Incentive Plan, there are no arrangements for involving the employees in the capital of the company, including any arrangement that involves the issue or grant of options or shares or securities of the company.

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 VIE, Their Shareholders and Us

See “Item 4. Information on the Company—C. Organization Structure—Contractual Arrangements among Our VIE, Their Shareholders and Us.”

Transactions with Other Related Parties

Purchases of Services Provided by Related Parties

We purchase technological services for the online courses, the establishment of our IT system infrastructure and the establishment of our practice problem set database from Shanghai Fuxi Network Co., Ltd., an equity method investee of us, and agency services for employee travel activities from Shanghai Jiaxin Travel Agency, which are entities controlled by Mr. Peiqing Tian, our Chairman. For the 2019, 2020 and 2021 fiscal years, we entered into transactions of an aggregate of approximately RMB0.6 million, RMB1.7 million and RMB3.8 million (US\$0.6 million), respectively, to purchase services from related parties. The amounts of transactions that we entered into with Shanghai Fuxi Network Co., Ltd. were approximately nil, RMB1.7 million and RMB3.5 million (US\$0.5 million) for the 2019, 2020 and 2021 fiscal years, respectively. The amounts of transactions that we entered into with Shanghai Jiaxin Travel Agency were approximately RMB0.6 million, nil and nil for the 2019, 2020 and 2021 fiscal years, respectively.

Services Provided to Related Parties

We provide services to Shanghai Fuxi Network Co., Ltd., which is an equity method investee of us and an entity controlled by Mr. Peiqing Tian, our Chairman. We entered into transactions of an aggregate of approximately RMB0.2 million, RMB3.4 million and RMB2.5 million (US\$0.4 million) to provide staff outsourcing and services related to live course collaboration to Shanghai Fuxi Network Co., Ltd. in the 2019, 2020 and 2021 fiscal year, respectively.

We also provide service to Shanghai Zhendou Technology Co., Ltd., which is an entity we invested as equity method investment. For the 2019, 2020 and 2021 fiscal years, we entered into transactions of an aggregate of approximately RMB0.05 million, nil and nil to provide school operating services to Shanghai Zhendou Technology Co., Ltd.

Amounts Due to Related Parties

As of February 28, 2021, we have borrowed loans that are non-interest bearing, unsecured, and due on demand from non-controlling interest shareholders of VIE's subsidiaries, the amount was RMB1.4 million (US\$0.2 million).

Related Party leases

In September 2019, we entered into two lease contracts with Huangshan Culture Investment Group Co., Ltd., non-controlling interest shareholder of Huangshan R&L, we recognized an operating lease right-of-use asset and operating lease liability of RMB0.2 million (US\$0.03 million) and RMB0.1million (US\$0.02 million) as of February 28, 2021, respectively. The operating lease expenses was RMB0.1million (US\$0.02 million) for the year ended February 28, 2021.

Related party acquisition

In March and April 2020, we entered into share purchase agreements with Four Seasons Online Education (Cayman) Inc., the Cayman holding company of Fuxi Network. Under the agreements, we purchased 2,564,103 Series B preferred shares and 1,923,077 Series B-2 preferred shares of Four Seasons Online Education (Cayman) Inc. in March and April 2020, respectively, with the total cash consideration of US\$5.8 million. In May 2021, we entered into an agreement with Four Seasons Online Education (Cayman) Inc., pursuant to which Four Seasons Online Education (Cayman) Inc. would transfer its online education service operations to us in May 2021 for no consideration.

Share Incentive Plan

See "Item 6. Directors, Senior Management and Employees—B. Compensation—Compensation of Directors and Executive Officers—Share Incentive Plan."

Employment Agreements and Indemnification Agreements

See "Item 6. Directors, Senior Management and Employees—A. Directors, Senior Management and Employees—A. Directors and Senior Management—Employment Agreements and Indemnification Agreements."

C. Interest of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statement and Other Financial Information

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

Legal and Administrative Proceedings

From time to time, we are subject to legal proceedings, investigations and claims incidental to the conduct of our business. We are not a party to, nor are we aware of, any legal proceeding, investigation or claim which, in the opinion of our management, is likely to have an adverse material effect on our business, financial condition or

results of operations. We may periodically be subject to legal proceedings, investigations and claims relating to our business. We may also initiate legal proceedings to protect our rights and interests.

Dividend Policy

In January 2018, we declared dividends of US\$20 million to holders of our ordinary shares of record as of February 1, 2018, which was paid in February and April 2018. Except for the foregoing, we have not previously declared or paid cash dividends and we have no plan to declare or pay any dividends in the foreseeable 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.

We are a holding company incorporated in the Cayman Islands. We rely principally on dividends from our PRC subsidiary for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiary to pay dividends to us. See “Item 4. Key Information — D. Risk Factors — Risks Related to Doing Business in the PRC— Our subsidiary and affiliated entities in the PRC are subject to restrictions on making dividends and other payments to us.”

Our board of directors has discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely that our company may pay a dividend out of either profit or share premium account, and provided always that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. 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 the board of directors may deem relevant. If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the ordinary shares underlying our ADSs to the depository, as the registered holder of such ordinary shares, and the depository then will pay such amounts to our ADS holders in proportion to ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

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 have been listed on the New York Stock Exchange since November 8, 2017 and traded under the symbol “FEDU.” Each two ADS represent one ordinary share.

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed on the New York Stock Exchange since November 8, 2017 under the symbol “FEDU.”

D. Selling Shareholders

Not applicable.

E. Dilution
Not applicable.

F. Expenses of the Issue
Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital
Not applicable.

B. Memorandum and Articles of Association

We are an exempted company incorporated in the Cayman Islands and our affairs are governed by our second amended and restated memorandum and articles of association and the Companies Act (As Revised) of the Cayman Islands, or Companies Act, and the common law of the Cayman Islands.

We incorporate by reference into this annual report our Second Amended and Restated Memorandum and Articles of Association, the form of which was filed as Exhibit 3.2 to our registration statement on Form F-1 (File Number 333-220951) filed with the Securities and Exchange Commission on October 13, 2017. Our shareholders adopted our Second Amended and Restated Memorandum and Articles of Association by a special resolution on October 13, 2017, and effective upon completion of our initial public offering of ADSs representing our ordinary shares.

The following are summaries of material provisions of our Second Amended and Restated Memorandum and Articles of Association and the Companies Act as they relate to the material terms of our ordinary shares.

Registered Office and Objects

Our registered office in the Cayman Islands is at the offices of Maples Corporate Services Limited at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

According to Clause 3 of our Second Amended and Restated Memorandum of Association, the objects for which we are established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

Board of Directors

See “Item 6. Directors, Senior Management and Employees.”

Exempted Company

We are an exempted company incorporated with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary resident company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies of the Cayman Islands;
- an exempted company is not required to open its register of members for inspection;
- an exempted company does not have to hold an annual general meeting;

- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

Ordinary Shares

General

All of our issued and outstanding ordinary shares are fully paid and non-assessable. 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 vote their ordinary shares.

Dividends

The holders of our ordinary shares are entitled to receive such dividends as may be declared by our board of directors subject to our Second Amended and Restated Memorandum and Articles of Association and the Companies Act. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely that our company may pay a dividend out of either profit or share premium account, and provided always that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Register of Members

Under Cayman Islands law, we must keep a register of members and there must be entered therein:

- the names and addresses of the members, together with a statement of the shares held by each member, and such statement shall confirm (i) the amount paid or agreed to be considered as paid, on the shares of each member, (ii) the number and category of shares held by each member, and (iii) whether each relevant category of shares held by a member carries voting rights under the articles of association of the company, and if so, whether such voting rights are conditional;
- the date on which the name of any person was entered on the register as a member; and
- the date on which any person ceased to be a member.

Under Cayman Islands law, the register of members of our company is prima facie evidence of the matters set out therein (i.e. the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a member registered in the register of members will be deemed as a matter of Cayman Islands law to have legal title to the shares as set against its name in the register of members.

If the name of any person is, without sufficient cause, entered in or omitted from the register of members, or if default is made or unnecessary delay takes place in entering on the register the fact of any person having ceased to be a member, the person or member aggrieved or any member or our company itself may apply to the Cayman Islands Grand Court for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

Voting Rights

Holders of our ordinary shares have the right to receive notice of, attend, speak and vote at general meetings of our company. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman or one or more shareholder present in person or by proxy entitled to vote and who together hold not less than one-tenth

of all votes attaching to all shares in issue and entitled to vote. An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attaching to the ordinary shares cast in a general meeting. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Act and our memorandum and articles of association. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association.

General Meetings and Shareholder Proposals

As an exempted company incorporated in the Cayman Islands, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our Second Amended and Restated Memorandum and Articles of Association provide that we may (but are not obliged to) in each calendar year hold a general meeting as our annual general meeting in which case we will specify the meeting as such in the notices calling it, and the annual general meeting will be held at such time and place as may be determined by our directors. We, however, will hold an annual shareholders' meeting during each fiscal year, as required by the New York Stock Exchange Listed Company Manual.

Shareholders' general meetings may be convened by a majority of our board of directors. The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our Second Amended and Restated Memorandum and Articles of Association allow our shareholders holding in aggregate, at the date of such requisition, not less than one-third of all votes attaching to all issued and outstanding shares that carry the right to vote to requisition an extraordinary general meeting of the shareholders, in which case our board is obliged to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. However, our Second Amended and Restated Memorandum and Articles of Association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

A quorum required for any general meeting of shareholders consists of one or more shareholders holding not less than one-third of all votes attaching to all shares in issue and entitled to vote present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. Advance notice of at least seven calendar days is required for the convening of our annual general meeting and any other general meeting of our shareholders.

Transfer of Ordinary Shares

Subject to the restrictions in our Second Amended and Restated Memorandum and Articles of Association as set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; or
- a fee of such maximum sum as the New York Stock Exchange 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 are obligated to, within three calendar 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 of shares or of any class of shares may, after compliance with any notice requirement of the designated stock exchange, be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as our board of directors may determine.

Liquidation

On the winding up of our company, if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them. We are a “limited liability” company incorporated under the Companies Act, and under the Companies Act, the liability of our members is limited to the amount, if any, unpaid on the shares respectively held by them. Our Second Amended and Restated Memorandum of Association contains a declaration that the liability of our members is so limited.

Calls on Ordinary Shares and Forfeiture of Ordinary Shares

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

Redemption, Repurchase and Surrender of Ordinary Shares

We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by a special resolution of our shareholders. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by ordinary resolution of our shareholders, or are otherwise authorized by our Second Amended and Restated Memorandum and Articles of Association. 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 (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares

If at any time our share capital is divided into different classes of shares, the rights attached to any class of shares may, subject to any rights or restrictions for the time being attached to any class, be materially adversely varied either with the written consent of the holders of two-thirds of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to any class, be deemed to be materially adversely varied by the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to the shares of that class or the redemption or purchase of any shares of any class by our company. The rights of the holders of shares shall not be deemed to be materially adversely varied by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.

Inspection of Books and Records

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. See “Item 10. Additional Information—H. Document on Display.”

Changes in Capital

Our company may from time to time by ordinary resolutions of our shareholders:

- increase our share capital by new shares of such amount as it thinks expedient;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- subdivide our existing shares, or any of them into shares of a smaller amount than that fixed by our memorandum of association provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; or
- cancel any shares 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 our share capital by the amount of the shares so canceled.

Our company may by special resolution of our shareholders, subject to confirmation by the Grand Court of the Cayman Islands on an application by our company for an order confirming such reduction, reduce our share capital or any capital redemption reserve in any manner permitted by law.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in this annual report.

D. Exchange Controls

The Cayman Islands currently has no exchange control regulations or currency restrictions. See “Item 4. Information on the Company — B. Business Overview — Regulations on Foreign Exchange.”

E. Taxation

The following summary of Cayman Islands, the PRC and U.S. federal income tax consequences of an investment in the ADSs or 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 summary does not deal with all possible tax consequences relating to an investment in the ADSs or ordinary shares, such as the tax consequences under state, local and other tax laws, or tax laws of jurisdictions other than the Cayman Islands, the PRC and the United States. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Maples and Calder (Hong Kong) LLP, our Cayman Islands counsel. To the extent that the discussion relates to matters of the PRC tax law, it represents the opinion of Fangda Partners, our PRC counsel.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our ordinary shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our ordinary shares, nor will gains derived from the disposal of our ordinary shares be subject to Cayman Islands income or corporation tax.

PRC Taxation

Under the PRC Enterprise Income Tax Law, an enterprise established outside the PRC with “de facto management bodies” within the PRC is considered a “resident enterprise” for PRC enterprise income tax purposes. Under the implementation rules to the PRC Enterprise Income Tax Law, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise.

In addition, the SAT Circular 82 issued by the State Administration of Taxation in April 2009 specifies that certain offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups will be classified as PRC resident enterprises if the following are located or resident in the PRC: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, minutes of board meetings and shareholders’ meetings; and half or more of the senior management or directors having voting rights. Further to SAT Circular 82, the State Administration of Taxation issued the SAT Bulletin 45, which took effect in September 2011, to provide more guidance on the implementation of SAT Circular 82. SAT Bulletin 45 provides for procedures and administration details of determination on resident status and administration on post-determination matters. We are incorporated outside the PRC. As a holding company, our key assets are our ownership interests in our subsidiaries, and our key assets are located, and our records (including the resolutions of our board of directors and the resolutions of our shareholders) are maintained, outside the PRC. As such, we do not believe that we meet all of the conditions above or are PRC resident enterprises for PRC tax purposes. For the same reasons, we believe our other entities outside of the PRC are not PRC resident enterprises either. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” There can be no assurance that the PRC government will ultimately take a view that is consistent with us.

If the PRC tax authorities determine that our Cayman Islands holding company is a PRC resident enterprise for PRC enterprise income tax purposes, the holding company is generally subject to a 25% enterprise income tax rate on its worldwide income. In addition, a 10% withholding tax would be imposed on dividends we pay to our non-PRC enterprise shareholders and with respect to gains derived by our non-PRC enterprise shareholders from transferring our shares or ADSs, and a 20% withholding tax would potentially be imposed on dividends we pay to our non-PRC individual shareholders and with respect to gains derived by our non-PRC individual shareholders from transferring our shares or ADSs. See “Item 4. 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.”

Certain United States Federal Income Tax Considerations

The following discussion describes the material United States federal income tax consequences to a United States Holder (as defined below), under current law, of an investment in our ADSs or ordinary shares. This discussion is based on the federal income tax laws of the United States as of the date of this annual report, including the United States Internal Revenue Code of 1986, as amended, or the Code, existing and proposed Treasury

Regulations promulgated thereunder, judicial authority, published administrative positions of the IRS, and other applicable authorities, all as of the date of this annual report. All of the foregoing authorities are subject to change, which change could apply retroactively and could significantly affect the tax consequences described below. We have not sought any ruling from the IRS with respect to the statements made and the conclusions reached in the following discussion and there can be no assurance that the IRS or a court will agree with our statements and conclusions. This summary does not discuss the so-called Medicare tax on net investment income, any United States federal non-income tax laws, including the United States federal estate, gift and alternative minimum tax laws, or the laws of any state, local or non-United States jurisdiction.

This discussion applies only to a United States Holder (as defined below) that holds ADSs or ordinary shares as capital assets for United States federal income tax purposes (generally, property held for investment). The discussion neither addresses the tax consequences to any particular investor nor describes all of the tax consequences applicable to persons in special tax situations, such as:

- banks and certain other financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- brokers or dealers in stocks and securities, or currencies;
- persons who use or are required to use a mark-to-market method of accounting;
- certain former citizens or residents of the United States subject to Section 877 of the Code;
- entities subject to the United States anti-inversion rules;
- tax-exempt organizations and entities;
- persons subject to the alternative minimum tax provisions of the Code;
- persons whose functional currency is other than the United States dollar;
- persons holding ADSs or ordinary shares as part of a straddle, hedging, conversion or integrated transaction;
- persons holding ADSs or ordinary shares through a bank, financial institution or other entity, or a branch thereof, located, organized or resident outside the United States;
- persons that actually or constructively own ADSs or ordinary shares representing 10% or more of our voting power or value;
- persons who acquired ADSs or ordinary shares pursuant to the exercise of an employee stock option or otherwise as compensation;
- partnerships or other pass-through entities, or persons holding ADSs or ordinary shares through such entities;
- persons required to accelerate the recognition of any item of gross income with respect to our ADSs or ordinary shares as a result of such income being recognized on an applicable financial statement; or
- persons that held, directly, indirectly or by attribution, ADSs or ordinary shares or other ownership interests in us prior to our initial public offering.

If a partnership (including an entity or arrangement treated as a partnership for United States federal income tax purposes) holds our ADSs or ordinary shares, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership or partner in a partnership holding our ADSs or ordinary shares should consult its tax advisors regarding the tax consequences of investing in and holding our ADSs or ordinary shares.

THE FOLLOWING DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE UNITED STATES FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE FEDERAL ESTATE OR GIFT TAX LAWS OR THE LAWS OF ANY STATE, LOCAL OR NON-UNITED STATES TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

For purposes of the discussion below, a “United States Holder” is a beneficial owner of the ADSs or ordinary shares that is, for United States federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to United States federal income taxation regardless of its source; or
- a trust, if (i) a court within the United States is able to exercise primary jurisdiction over its administration and one or more United States persons have the authority to control all of its substantial decisions or (ii) in the case of a trust that was treated as a domestic trust under the law in effect before 1997, a valid election is in place under applicable Treasury Regulations to treat such trust as a domestic trust.

The discussion below assumes that the representations contained in the deposit agreement and any related agreement are true and that the obligations in such agreements will be complied with in accordance with their terms.

ADSs

If you own ADSs, then you should be treated as the owner of the underlying ordinary shares represented by those ADSs for United States federal income tax purposes. Accordingly, deposits or withdrawals of ordinary shares for ADSs should not be subject to United States federal income tax.

Dividends and Other Distributions on the ADSs or Our Ordinary Shares

Subject to the discussion under “—Passive Foreign Investment Company” below, the gross amount of any distribution that we make to you with respect to our ADSs or ordinary shares (including the amount of any PRC or other withholding taxes withheld therefrom) will be taxable as a dividend, to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such income (including any withheld taxes) will be includable in your gross income on the day actually or constructively received by you, if you own the ordinary shares, or by the depositary, if you own ADSs. We currently do not, and we do not intend to, determine our earnings and profits on the basis of United States federal income tax principles. Therefore, a United States Holder should expect that any distribution paid generally will be reported as a “dividend” for United States federal income tax purposes. Such dividends will not be eligible for the dividends-received deduction allowed to qualifying corporations under the Code.

Dividends received by a non-corporate United States Holder may qualify for the lower rates of tax applicable to “qualified dividend income,” provided certain conditions are met, including (1) we are neither a passive foreign investment company nor treated as such with respect to you in the taxable year in which the dividend is paid or the preceding taxable year, (2) our ADSs or ordinary shares are readily tradable on an established securities market in the United States or we are eligible for the benefits of a qualifying income tax treaty with the United States that includes an exchange of information program, and (3) certain holding period and other requirements are met. As discussed below under “—Passive Foreign Investment Company,” we believe that we were a PFIC for our taxable year ended February 28, 2021.

Under a published IRS Notice, common or ordinary shares, or American depositary shares representing such shares, are considered to be readily tradable on an established securities market in the United States if they are listed on the New York Stock Exchange, as our ADSs (but not our ordinary shares) are. Based on existing guidance, it is unclear whether the ordinary shares will be considered to be readily tradable on an established securities market in the United States, because only the ADSs, and not the underlying ordinary shares, are listed on a securities market in the United States. We believe, but we cannot assure you, that dividends we pay, if any, on the ordinary shares that are represented by ADSs, but not the ordinary shares that are not so represented, will be eligible for the reduced rates of taxation, subject to applicable limitations (including ineligibility for reduced rates as a result of our being a PFIC). In addition, if we are treated as a PRC resident enterprise under the PRC tax law (see Item 10. Additional Information — E. Taxation—PRC Taxation”), then we may be eligible for the benefits of the income tax treaty between the United States and the PRC. If we are eligible for such benefits, then dividends that we pay on our ordinary shares, regardless of whether such shares are represented by ADSs, would be eligible for the reduced rates of taxation, subject to applicable limitations (including ineligibility for reduced rates as a result of our being a PFIC).

Even if dividends would be treated as paid by a qualified foreign corporation, a non-corporate United States Holder will not be eligible for reduced rates of taxation if it does not hold our ADSs or our ordinary shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date or if the United States Holder elects to treat the dividend income as “investment income” pursuant to Section 163(d)(4) of the Code. In addition, the rate reduction will not apply to dividends of a qualified foreign corporation if the non-corporate United States Holder receiving the dividend is obligated to make related payments with respect to positions in substantially similar or related property.

You should consult your tax advisors regarding the availability of the lower tax rates applicable to qualified dividend income for any dividends that we pay with respect to our ADSs or our ordinary shares, as well as the effect of any change in applicable law after the date of this annual report.

Any PRC withholding taxes imposed on dividends paid to you with respect to the ADSs or ordinary shares generally will be treated as foreign taxes eligible for credit against your United States federal income tax liability, subject to the various limitations and disallowance rules that apply to foreign tax credits generally. For purposes of calculating the foreign tax credit, dividends paid to you with respect to the ADSs or ordinary shares will be treated as income from sources outside the United States and generally will constitute passive category income. The rules relating to the determination of the foreign tax credit are complex, and you should consult your tax advisors regarding the availability of a foreign tax credit in your particular circumstances.

Disposition of the ADSs or Our Ordinary Shares

You will recognize gain or loss on any sale, exchange or other taxable disposition of the ADSs or ordinary shares in an amount equal to the difference between the amount realized on the sale or exchange and your tax basis in the ADSs or ordinary shares. Subject to the discussion under “— Passive Foreign Investment Company” below, such gain or loss generally will be capital gain or loss. Capital gains of a non-corporate United States Holder, including an individual, which has held the ADSs or ordinary shares for more than one year, are currently eligible for reduced tax rates. The deductibility of capital losses is subject to limitations.

Any gain or loss that you recognize on a disposition of the ADSs or ordinary shares generally will be treated as United States-source income or loss for foreign tax credit limitation purposes. However, if we are treated as a PRC resident enterprise for PRC tax purposes and PRC tax is imposed on gain from the disposition of the ADSs or ordinary shares (see Item 10. Additional Information — E. Taxation—PRC Taxation”), then a United States Holder that is eligible for the benefits of the income tax treaty between the United States and the PRC may elect to treat the gain as PRC-source income for foreign tax credit purposes. If such an election is made, the gain so treated will be treated as a separate class or “basket” of income for foreign tax credit purposes. You should consult your tax advisors regarding the proper treatment of gain or loss, as well as the availability of a foreign tax credit, in your particular circumstances.

Passive Foreign Investment Company

Based on the market price of our ADSs, the value of our assets and the composition of our income and assets, we believe that we were a passive foreign investment company, or PFIC, for United States federal income tax purposes for our taxable year ended February 28, 2021.

We will be treated as a PFIC for United States federal income tax purposes for any taxable year if, applying applicable look-through rules, either:

- at least 75% of our gross income for such year is passive income; or
- at least 50% of the value of our assets (generally determined based on a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income.

For this purpose, cash and assets readily convertible into cash are categorized as passive assets, and our goodwill and other unbooked intangibles associated with active business activities may generally be classified as active assets. Passive income generally includes dividends, interest, royalties and rents (other than certain royalties and rents derived in the active conduct of a trade or business and not derived from a related person), and gains from the disposition of passive assets. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% by value of the stock. Although the law in this regard is unclear, we treat our VIE as being owned by us for United States federal income tax purposes because we exercise effective control over the operation of such entities and because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operations in our consolidated United States GAAP financial statements.

We must make a separate determination after the close of each taxable year as to whether we were a PFIC for that year. Accordingly, we cannot assure you that we will not be a PFIC for our current or any future taxable year. The determination of whether we will be a PFIC for any taxable year may depend in part upon the value of our goodwill and other unbooked intangibles not reflected on our balance sheet (which may depend upon the market price of the ADSs or ordinary shares from time to time, which may fluctuate significantly) and also may be affected by how, and how quickly, we spend our liquid assets and the cash we generate from our operations and raise in any offering. In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our market capitalization. While we believe our classification methodology and valuation approach are reasonable, it is possible that the IRS may challenge our classification or valuation of our goodwill and other unbooked intangibles.

If we are a PFIC for any taxable year during which you hold the ADSs or ordinary shares, we will generally continue to be treated as a PFIC with respect to you for all succeeding years during which you hold the ADSs or ordinary shares, unless we cease to be a PFIC and you make a “deemed sale” election with respect to the ADSs or ordinary shares, as applicable. If we cease to be a PFIC and you make a deemed sale election, you will be deemed to have sold the ADSs or ordinary shares you hold at their fair market value and any gain from such deemed sale would be subject to the rules described in the following two paragraphs. After the deemed sale election, so long as we do not become a PFIC in a subsequent taxable year, your ADSs or ordinary shares with respect to which such election was made will not be treated as shares in a PFIC and, as a result, you will not be subject to the rules described below with respect to any “excess distribution” you receive from us or any gain from an actual sale or other disposition of the ADSs or ordinary shares. **You are strongly urged to consult your tax advisors as to the possibility and consequences of making a deemed sale election if we cease to be a PFIC and such an election becomes available to you.**

For each taxable year that we are treated as a PFIC with respect to you, unless you make a “mark-to-market” election (as discussed below), you generally will be subject to special adverse tax rules with respect to any “excess distribution” that you receive from us and any gain that you recognize from a sale or other disposition, including a pledge, of ADSs or ordinary shares. For this purpose, distributions that you receive in a taxable year that are greater than 125% of the average annual distributions that you received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as an excess distribution. Under these rules:

- the excess distribution or recognized gain will be allocated ratably over your holding period for the ADSs or ordinary shares;
- the amount of the excess distribution or recognized gain allocated to the taxable year of the distribution or disposition, and to any taxable years in your holding period prior to the first taxable year in which we were treated as a PFIC, will be treated as ordinary income; and
- the amount of the excess distribution or recognized gain allocated to each other taxable year will be subject to the highest tax rate in effect for individuals or corporations, as applicable, for each such year and the resulting tax for each such year will be subject to the interest charge generally applicable to underpayments of tax.

The tax liability for amounts allocated to years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years, and gains (but not losses) from a sale or other disposition of the ADSs or ordinary shares cannot be treated as capital, even if you hold the ADSs or ordinary shares as capital assets.

For each taxable year that we are treated as a PFIC with respect to you, if any of our non-United States subsidiaries that are corporations (or other corporations in which we own equity interests) is also a PFIC (each such entity, a “lower tier PFIC”), you would be treated as owning a proportionate amount (by value) of the shares of each lower tier PFIC for purposes of the application of these PFIC rules. You should consult your tax advisors regarding the application of the PFIC rules to any of our lower tier PFICs.

A United States Holder of “marketable stock” (as defined below) of a PFIC may make a mark-to-market election for such stock to elect out of the PFIC rules described above regarding excess distributions and recognized gains. If you make a mark-to-market election for our ADSs or ordinary shares, you will include in income for each year that we are a PFIC an amount equal to the excess, if any, of the fair market value of the ADSs or ordinary shares you hold as of the close of your taxable year over your adjusted basis in such ADSs or ordinary shares. You will be allowed a deduction for the excess, if any, of the adjusted basis of the ADSs or ordinary shares over their fair market value as of the close of the taxable year. However, deductions will be allowable only to the extent of any net mark-to-market gains on the ADSs or ordinary shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as any gain from the actual sale or other disposition of the ADSs or ordinary shares, will be treated as ordinary income. Ordinary loss treatment will apply to the deductible portion of any mark-to-market loss on the ADSs or ordinary shares, as well as to any loss from the actual sale or other disposition of the ADSs or ordinary shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs or ordinary shares. Your basis in the ADSs or ordinary shares will be adjusted to reflect any such income or loss amounts. If you make a valid mark-to-market election, any distributions we make would generally be subject to the tax rules discussed above under “—Dividends and Other Distributions on the ADSs or Our Ordinary Shares,” except that the lower capital gains rate applicable to qualified dividend income would not apply.

The mark-to-market election is available only for “marketable stock,” which is stock that is regularly traded on a qualified exchange or other market, as defined in applicable Treasury Regulations. Our ADSs, but not our ordinary shares, are listed on the New York Stock Exchange, which is a qualified exchange or other market for these purposes. Consequently, if the ADSs remain listed on the New York Stock Exchange and are regularly traded, and you are a holder of ADSs, we expect that the mark-to-market election should be available to you, but no assurances are given in this regard.

Because a mark-to-market election cannot be made for equity interests in any lower tier PFICs that we may own, if we were a PFIC for any taxable year, a United States Holder that makes the mark-to-market election may continue to be subject to the tax and interest charges under the general PFIC rules with respect to such United States Holder’s indirect interest in any investments held by us that are treated as an equity interest in a PFIC for United States federal income tax purposes.

In certain circumstances, a shareholder in a PFIC may avoid the adverse tax and interest-charge regime described above by making a “qualified electing fund” election to include in income its share of the corporation’s income on a current basis. However, you may make a qualified electing fund election with respect to your ADSs or ordinary shares only if we agree to furnish you annually with a PFIC annual information statement as specified in the applicable Treasury Regulations. We currently do not intend to prepare or provide the information that would enable you to make a qualified electing fund election.

A United States Holder that holds the ADSs or ordinary shares in any year in which we are a PFIC will be required to file an annual report containing such information as the United States Treasury Department may require. As previously noted, we believe that we were a PFIC for our taxable year ended February 28, 2021. **YOU ARE STRONGLY URGED TO CONSULT YOUR TAX ADVISORS REGARDING THE IMPACT OF OUR BEING A PFIC ON YOUR INVESTMENT IN OUR ADSs OR ORDINARY SHARES, AS WELL AS THE APPLICATION OF THE PFIC RULES TO YOUR INVESTMENT IN OUR ADSs OR ORDINARY SHARES AND THE AVAILABILITY, APPLICATION AND CONSEQUENCES OF THE ELECTIONS DISCUSSED ABOVE.**

Information Reporting and Backup Withholding

Information reporting to the IRS and backup withholding generally will apply to dividends in respect of our ADSs or our ordinary shares, and the proceeds from the sale or exchange of our ADSs or our ordinary shares, that are paid to you within the United States (and in certain cases, outside the United States), unless you furnish a correct taxpayer identification number and make any other required certification, generally on IRS Form W-9 or you otherwise establish an exemption from information reporting and backup withholding. Backup withholding is not an additional tax. Amounts withheld as backup withholding generally are allowed as a credit against your United States federal income tax liability, and you may be entitled to obtain a refund of any excess amounts withheld under the backup withholding rules if you file an appropriate claim for refund with the IRS and furnish any required information in a timely manner.

United States Holders should consult their tax advisors regarding the application of the information reporting and backup withholding rules.

Information with Respect to Foreign Financial Assets

United States Holders who are individuals (and certain entities closely held by individuals) generally will be required to report their names, addresses and such information relating to an interest in our ADSs or ordinary shares as is necessary to identify the class or issue of which the ADSs or ordinary shares are a part. These requirements are subject to exceptions, including an exception for ADSs or ordinary shares held in accounts maintained by certain financial institutions and an exception applicable if the aggregate value of all “specified foreign financial assets” (as defined in the Code) does not exceed US\$50,000.

United States Holders should consult their tax advisors regarding the application of these information reporting rules.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We previously filed with the SEC registration statement on Form F-1 (File Number 333-220951), as amended, including prospectus contained therein, to register additional securities that become effective immediately upon filing, to register our Class A ordinary shares in relation to our initial public offering. We also filed with the SEC

related registration statement on Form F-6 (File Number 333-221179) to register the ADSs and registration statement on Form S-8 (File Number 333-224308) to register our securities to be issued under our 2015 Share Incentive Plan and 2017 Share Incentive Plan.

We are subject to the periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. 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 with the SEC, can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission 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 Deutsche Bank Trust Company Americas, the depository 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 depository 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 depository from us.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

Foreign currency risk arises from future commercial transactions and recognized assets and liabilities. A significant portion of our revenue-generating transactions and expense-related transactions are denominated in Renminbi, which is the functional currency of our subsidiaries, VIE and their subsidiaries in China. We do not hedge against currency risk.

The change in value of the Renminbi against the U.S. dollar and other currencies is affected by various factors such as changes in political and economic conditions in the PRC. On July 21, 2005, the PRC government changed its decade-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 halted 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. 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 the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of Renminbi against the U.S. dollar would reduce the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, servicing our outstanding debt, or for other business purposes, appreciation of the U.S. dollar against the Renminbi would reduce the U.S. dollar amounts available to us.

As of February 28, 2021, we had Renminbi-denominated cash, cash equivalents and restricted cash of RMB192.0 million (US\$29.7 million). A 10% depreciation of the Renminbi against the U.S. dollar based on the foreign exchange rate on February 28, 2021, would result in a decrease of US\$3.0 million in cash, cash equivalents and restricted cash.

Interest Risk

Our exposure to interest rate risk primarily relates to the interest income generated by our excess cash, which is mostly held in interest-bearing bank deposits. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to material risks due to changes in interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure. However, our future interest income may fall short of expectations due to changes in market interest rates.

Inflation Risk

To date, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2018, 2019 and 2020 were increases of 1.9%, 4.5% and 0.2%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS Holders May Have to Pay

Our American depositary shares, each of which represents one Class A ordinary shares, are listed on the New York Stock Exchange. The Deutsche Bank Trust Company Americas is the depository of our ADS program. The depository 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 depository 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 depository 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 depository 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 depository 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 or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions.

<u>Service</u>	<u>Fees</u>
• To any person to which ADSs are issued or to any person to which a distribution is made in respect of ADS distributions pursuant to stock dividends or other free distributions of stock, bonus distributions, stock splits or other distributions (except where converted to cash)	Up to US\$0.05 per ADS issued
• Cancellation of ADSs, including the case of termination of the deposit agreement	Up to US\$0.05 per ADS canceled
• Distribution of cash dividends	Up to US\$0.05 per ADS held
• Distribution of cash entitlements (other than cash dividends) and/or cash proceeds from the sale of rights, securities and other entitlements	Up to US\$0.05 per ADS held
• Distribution of ADSs pursuant to exercise of rights.	Up to US\$0.05 per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to US\$0.05 per ADS held
• Depositary services	Up to US\$0.05 per ADS held on the applicable record date(s) established by the depositary bank

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A.—D. Material Modifications to the Rights of Security Holders

See “Item 10. Additional Information” for a description of the rights of shareholders, which remain unchanged.

E. Use of Proceeds

The following “Use of Proceeds” information relates to the registration statement on Form F-1 (File No. 333-220951), as amended, in relation to our initial public offering, which was declared effective by the SEC on November 7, 2017. In November 2017, we completed our initial public offering in which we issued and sold an aggregate of 9,608,738 ADSs, representing 4,804,369 ordinary shares, resulting in net proceeds to us of approximately US\$89.5 million.

For the period from the effective date of the registration statement on Form F-1 to February 28, 2021, we have used US\$32.4 million of our proceed from the offering, of which US\$20.0 million was paid in connection with our dividend paid in 2019, US\$4.0 million was paid in connection with our share repurchase, US\$5.8 million was paid in connection with investments and US\$2.6 million was used for working capital and other general corporate purposes.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this annual report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, our management has concluded that, as of February 28, 2021, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

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 Rules 13a-15(f) under the Exchange Act, for our company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with generally accepted accounting principles and includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company’s assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that a company’s receipts and expenditures are being made only in accordance with authorizations of a company’s management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company’s assets that could have a material effect on the consolidated financial statements. 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 that the degree of compliance with the policies or procedures may deteriorate. As required by Section 404 of the Sarbanes-Oxley Act and related rules as promulgated by the SEC, our management assessed the effectiveness of our internal control over financial reporting as of February 28, 2021, using criteria established in “Internal Control—Integrated Framework (2013)” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was ineffective due to the presence of a material weakness as of February 28, 2021.

Attestation Report of the Registered Public Accounting Firm

This annual report on Form 20-F does not include an attestation report of the company’s registered public accounting firm because we qualified as an “emerging growth company” as defined under the JOBS Act as of February 28, 2021.

Changes in Internal Control over Financial Reporting

Management has evaluated, with the participation of our chief executive officer and chief financial officer, whether any changes in our internal control over financial reporting that occurred during our last fiscal year have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In the course of auditing our consolidated financial statements for the year ended February 29, 2020, we and our independent registered public accounting firm identified no material weakness but two significant deficiencies in our internal control over financial reporting. We have implemented several procedures to remediate the identified significant deficiencies, including developing a guidance on internal control procedure over new business models and a formal policy guidance on the design and performance of IT risk management under a uniform framework of internal controls.

In the course of auditing our consolidated financial statements for the year ended February 28, 2021, we and our independent registered public accounting firm identified one material weakness related to the lack of sufficient and appropriate review over the financial reporting in accordance with U.S. GAAP. We are in the process of implementing remediation measures to remediate the identified material weakness.

We plan to further refine the relevant controls caliber and incorporate enhanced communication and documentation procedures between our operations team and the individuals responsible for preparation of financial statements. We will implement additional supervision and review activities by qualified personnel, and the development and use of checklists to assist in our financial reporting processes.

However, we cannot assure you that we will remediate our material weakness or significant deficiencies in a timely manner or will not identify additional 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.”

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has also determined that Mr. Zongwei Li, an independent director and a member of our audit committee, qualifies as an “audit committee financial expert” within the meaning of the SEC rules and possesses financial sophistication within the meaning of the New York Stock Exchange Listed Company Manual. Mr. Zongwei Li satisfies the “independence” requirements of Section 303A of the New York Stock Exchange Listed Company Manual and meets the independence standards under Rule 10A-3 under the Exchange Act.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of business conduct and ethics that applies to all of our directors, officers, employees, including certain provisions that specifically apply to our principal executive officer, principal financial officer, principal accounting officer or controller and any other persons who perform similar functions for us. We have filed our code of business conduct and ethics as Exhibit 99.1 of our registration statement on Form F-1 (file No. 333-220951) filed with the SEC on October 13, 2017 and posted a copy of our code of business conduct and ethics on our website at www.sijiedu.com. We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person’s written request.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Deloitte Touche Tohmatsu Certified Public Accountants LLP, our independent registered public accounting firm, for the periods indicated. We did not pay any other fees to our independent registered public accounting firm during the periods indicated below.

	For the Year Ended February 28 or 29		
	2019	2020	2021
	USD	USD	USD
	(in thousands)		
Audit fees(1)	616	775	830
Tax fees(2)	—	11	—

- (2) “Audit fees” means the aggregate fees billed for professional services rendered by our independent registered public accounting firm for the audit of our annual financial statements.
- (3) “Tax fees” means the aggregate fees billed for professional services rendered by our independent registered public accounting firm for tax compliance, tax advice and tax planning.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by Deloitte Touche Tohmatsu Certified Public Accountants LLP, our independent registered public accounting firm, including audit services, audit-related services, tax services and other services as described above, other than those for de minimus services which are approved by the audit committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

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 the New York Stock Exchange corporate governance listing standards. However, 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 the New York Stock Exchange corporate governance listing standards.

We currently follow and intent to continue to follow Cayman Islands corporate governance practices in lieu of the corporate governance requirements of New York Stock Exchange that a listed company must have (i) a majority of the board be independent; (ii) an audit committee of at least three independent directors; and (iii) hold an annual meeting of shareholders no later than one year after the end of our fiscal year. Other than the home country practice described above, we are not aware of any significant ways in which our corporate governance practices differ from those followed by U.S. domestic companies under the New York Stock Exchange listing rules. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our American Depositary Shares—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 U.S. domestic public companies” and “Item 3. Key Information—D. Risk Factors—Risks Related to Our American Depositary Shares—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 the corporate governance listing standards under the New York Stock Exchange; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the corporate governance listing standards under the New York Stock Exchange.”

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17 FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18 FINANCIAL STATEMENTS

The consolidated financial statements of Four Seasons Education (Cayman) Inc. are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description of Document
1.1	Second Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated by reference to Exhibit 3.2 from our registration statement on Form F-1 (File No. 333-220951) filed publicly with the SEC on October 13, 2017)
2.1	Form of Registrant's Specimen American Depositary Receipt (included in Exhibit 2.3)
2.2	Registrant's Specimen Certificate for ordinary shares (incorporated by reference to Exhibit 4.2 from our registration statement on Amendment No. 2 to Form F-1 (File No. 333-220951) filed publicly with the SEC on October 13, 2017)
2.3	Form of Deposit Agreement among the registrant, the depository and owners and holders of the ADSs (incorporated by reference to Exhibit 4.3 from our registration statement on Amendment No. 2 to Form F-1 (File No. 333-220951) filed publicly with the SEC on October 27, 2017)
2.4	Description of Securities (incorporated by reference to Exhibit 2.4 from our registration statement on Form 20-F (File No. 333-220951) filed publicly with the SEC on June 24, 2020)
4.1	2015 Share Option Incentive Plan (incorporated by reference to Exhibit 10.1 from our registration statement on Form F-1 (File No. 333-220951) filed publicly with the SEC on October 13, 2017)
4.2	2019 Share Incentive Plan, as amended (incorporated by reference to Exhibit 10.2 from our registration statement on Form S-8 (File No. 333-224308) filed publicly with the SEC on April 17, 2019)
4.3	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers (incorporated by reference to Exhibit 10.3 from our registration statement on Form F-1 (File No. 333-220951) filed publicly with the SEC on October 13, 2017)
4.4	Form of Employment Agreement between the Registrant and its executive officer of the Registrant (incorporated by reference to Exhibit 10.4 from our registration statement on Form F-1 (File No. 333-220951) filed publicly with the SEC on October 13, 2017)
4.5	English translation of exclusive service agreement among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. (currently named as Shanghai Fuxi Information Technology Service Co., Ltd.), Shanghai Four Seasons Education and Training Co., Ltd., Shanghai Jing'an Modern Art Culture Education School, Shanghai Shane English Training School, Shanghai Jing'an Saxon English Training School, Taicang Yinglian Yunlin Foreign Language Training Center (currently named as Taicang Four Seasons Education and Training Center), Nanchang Honggutan New Area Four Seasons Training School and Mr. Peiqing Tian, dated September 30, 2017 (incorporated by reference to Exhibit 10.6 from our registration statement on Form F-1 (File No. 333-220951) filed publicly with the SEC on October 13, 2017)
4.6	English translation of exclusive call option agreement among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. (currently named as Shanghai Fuxi Information Technology Service Co., Ltd.), Shanghai Four Seasons Education and Training Co., Ltd. and Mr. Peiqing Tian, dated September 30, 2017 (incorporated by reference to Exhibit 10.7 from our registration statement on Form F-1 (File No. 333-220951) filed publicly with the SEC on October 13, 2017)
4.7	English translation of equity pledge agreement among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. (currently named as Shanghai Fuxi Information Technology Service Co., Ltd.), Shanghai Four Seasons Education and Training Co., Ltd. and Mr. Peiqing Tian, dated September 30, 2017 (incorporated by reference to Exhibit 10.8 from our registration statement on Form F-1 (File No. 333-220951) filed publicly with the SEC on October 13, 2017)

- 4.8 [English translation of shareholder voting rights proxy agreement among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. \(currently named as Shanghai Fuxi Information Technology Service Co., Ltd.\), Shanghai Four Seasons Education and Training Co., Ltd. and Mr. Peiqing Tian, dated September 30, 2017 \(incorporated by reference to Exhibit 10.9 from our registration statement on Form F-1 \(File No. 333-220951\) filed publicly with the SEC on October 13, 2017\)](#)
- 4.9 [English translation of exclusive service agreement among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. \(currently named as Shanghai Fuxi Information Technology Service Co., Ltd.\), Shanghai Four Seasons Education Investment Management Co., Ltd., Shanghai Tongfang Science and Technology Training School, Mr. Peiqing Tian and Mr. Peihua Tian, dated June 12, 2017 \(incorporated by reference to Exhibit 10.10 from our registration statement on Form F-1 \(File No. 333-220951\) filed publicly with the SEC on October 13, 2017\)](#)
- 4.10 [English translation of exclusive call option agreement among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. \(currently named as Shanghai Fuxi Information Technology Service Co., Ltd.\), Shanghai Four Seasons Education Investment Management Co., Ltd., Shanghai Tongfang Science and Technology Training School, Mr. Peiqing Tian and Mr. Peihua Tian, dated June 12, 2017 \(incorporated by reference to Exhibit 10.11 from our registration statement on Form F-1 \(File No. 333-220951\) filed publicly with the SEC on October 13, 2017\)](#)
- 4.11 [English translation of equity pledge agreement among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. \(currently named as Shanghai Fuxi Information Technology Service Co., Ltd.\), Shanghai Four Seasons Education Investment Management Co., Ltd., Mr. Peiqing Tian and Mr. Peihua Tian, dated June 12, 2017 \(incorporated by reference to Exhibit 10.12 from our registration statement on Form F-1 \(File No. 333-220951\) filed publicly with the SEC on October 13, 2017\)](#)
- 4.12 [English translation of shareholder voting rights proxy agreement among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. \(currently named as Shanghai Fuxi Information Technology Service Co., Ltd.\), Shanghai Four Seasons Education Investment Management Co., Ltd., Mr. Peiqing Tian and Mr. Peihua Tian, dated June 12, 2017 \(incorporated by reference to Exhibit 10.13 from our registration statement on Form F-1 \(File No. 333-220951\) filed publicly with the SEC on October 13, 2017\)](#)
- 4.13 [English translation of the donation agreement and donation agreement memorandum with Shanghai East China Normal University Education Development Fund \(incorporated by reference to Exhibit 10.14 from our registration statement on Form F-1 \(File No. 333-220951\) filed publicly with the SEC on October 13, 2017\)](#)
- 4.14 [English Translation of Supplementary Agreement of Exclusive Service Agreement among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. \(currently named as Shanghai Fuxi Information Technology Service Co., Ltd.\), Shanghai Four Seasons Education Investment Management Co., Ltd. and Mr. Peiqing Tian dated February 28, 2020 \(incorporated by reference to Exhibit 4.14 from our registration statement on Form 20-F \(File No. 333-220951\) filed publicly with the SEC on June 24, 2020\)](#)
- 4.15 [English Translation of Termination Agreement of Exclusive Service Agreement, Exclusive Call Option Agreement, Equity Pledge Agreement and Shareholder Voting Rights Proxy Agreement among Shanghai Fuxi Information Technology Service Co., Ltd., Shanghai Four Seasons Education Investment Management Co., Ltd., Shanghai Tongfang Science and Technology Training School, Mr. Peiqing Tian and Mr. Peihua Tian, dated March 1, 2021 \(incorporated by reference to Exhibit 4.15 from our registration statement on Form 20-F \(File No. 333-220951\) filed publicly with the SEC on June 24, 2020\)](#)
- 4.16 [English Translation of Supplementary Agreement of Exclusive Service Agreement \(II\) among Shanghai Fuxi Enterprise Management Consulting Co., Ltd. \(currently named as Shanghai Fuxi Information Technology Service Co., Ltd.\), Shanghai Four Seasons Education Investment Management Co., Ltd. and Mr. Peiqing Tian, dated March 1, 2021 \(incorporated by reference to Exhibit 4.16 from our registration statement on Form 20-F \(File No. 333-220951\) filed publicly with the SEC on June 24, 2020\)](#)
- 8.1* [List of major subsidiaries, variable interest entities and principal affiliated entities held by the variable interest entities of the Registrant](#)
- 11.1 [Code of Business Conduct and Ethics of the Registrant \(incorporated by reference to Exhibit 99.1 from our registration statement on Form F-1 \(File No. 333-220951\) filed publicly with the SEC on October 13, 2017\)](#)
- 12.1* [Certification by the Group Principal Executive Officer pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 12.2* [Certification by the Group Principal Financial Officer pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

- 13.1** [Certification by the Group Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 13.2** [Certification by the Group Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 15.1* [Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP, Independent Registered Public Accounting Firm](#)
- 15.2* [Consent of Maples and Calder \(Hong Kong\) LLP](#)
- 15.3* [Consent of Fangda Partners regarding certain PRC law matters](#)
- 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

* Filed with this annual report on Form 20-F.

** Furnished with this annual report on Form 20-F.

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.

Four Seasons Education (Cayman) Inc.

By: /s/ Yi Zuo

Name: Yi Zuo

Title: Chief Executive Director

Date: July 2, 2021

[Signature Page to 20-F]

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
Four Seasons Education (Cayman) Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Four Seasons Education (Cayman) Inc. and its subsidiaries (the "Company") as of February 28, 2021 and February 29, 2020, the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity, and cash flows, for each of the three years in the period ended February 28, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2021 and February 29, 2020, and the results of its operations and its cash flows for each of the three years in the period ended February 28, 2021, 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(h). Such United States dollar amounts are presented solely for the convenience of the readers in the United States of America.

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.

Deloitte Touche Tohmatsu Certified Public Accountants LLP
Shanghai, China
July 2, 2021

We have served as the Company's auditor since 2017.

FOUR SEASONS EDUCATION (CAYMAN) INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except for share and per share data)

	Note	As of	As of	
		February 29, 2020	February 28, 2021	USD (Note 2)
		RMB	RMB	
ASSETS				
Current assets				
Cash and cash equivalents		404,652	378,358	58,452
Accounts receivable and contract assets, net of allowance for credit losses of RMB215 as of both February 29, 2020 and February 28, 2021		1,261	360	56
Other receivables, deposits and other assets, net of allowance for credit losses of RMB5,052 as of both February 29, 2020 and February 28, 2021		18,484	10,566	1,632
Short-term investment		10,000	31,000	4,789
Long-term investments under fair value - current		181,821	96,558	14,917
Total current assets		616,218	516,842	79,846
Restricted cash		37,703	10,855	1,677
Property and equipment, net	4	19,749	15,804	2,442
Operating lease right-of-use assets	14	190,074	150,696	23,281
Intangible assets, net	5	8,765	7,118	1,100
Goodwill	6	35,163	36,967	5,711
Deferred tax assets	11	13,445	16,253	2,511
Equity method investments	7	1,295	36,784	5,683
Long-term investment under fair value - non-current		104,414	163,303	25,228
Other non-current assets		10,790	12,571	1,941
Total non-current assets		421,398	450,351	69,574
TOTAL ASSETS		1,037,616	967,193	149,420
Current liabilities				
Amounts due to related parties (including amounts due to related parties of the consolidated VIE and VIE's subsidiaries without recourse to Four Seasons Education (Cayman) Inc. of RMB1,323 and RMB1,495 as of February 29, 2020 and February 28, 2021, respectively)	13	1,323	1,495	231
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIE and VIE's subsidiaries without recourse to Four Seasons Education (Cayman) Inc. of RMB69,797 and RMB82,736 as of February 29, 2020 and February 28, 2021, respectively)	8	75,118	86,947	13,432
Operating lease liabilities - current (including operating lease liabilities - current of the consolidated VIE and VIE's subsidiaries without recourse to Four Seasons Education (Cayman) Inc. of RMB49,221 and RMB52,290 as of February 29, 2020 and February 28, 2021, respectively)	14	51,842	52,674	8,137
Income tax payable (including income tax payable of the consolidated VIE and VIE's subsidiaries without recourse to Four Seasons Education (Cayman) Inc. of RMB10,066 and RMB8,316 as of February 29, 2020 and February 28, 2021, respectively)		12,789	10,630	1,642
Deferred revenue (including deferred revenue of the consolidated VIE and VIE's subsidiaries without recourse to Four Seasons Education (Cayman) Inc. of RMB71,946 and RMB75,242 as of February 29, 2020 and February 28, 2021, respectively)		71,946	75,242	11,625
Total current liabilities		213,018	226,988	35,067

FOUR SEASONS EDUCATION (CAYMAN) INC.
CONSOLIDATED BALANCE SHEETS - continued
(Amounts in thousands, except for share and per share data)

	Note	As of	As of	
		February 29, 2020	February 28, 2021	USD (Note 2)
		RMB	RMB	
Non-current liabilities				
Deferred tax liabilities (including deferred tax liabilities of the consolidated VIE and VIE's subsidiaries without recourse to Four Seasons Education (Cayman) Inc. of RMB2,136 and RMB1,673 as of February 29, 2020 and February 28, 2021, respectively)	11	2,136	1,673	258
Operating lease liabilities - non-current (including operating lease liabilities - non-current of the consolidated VIE and VIE's subsidiaries without recourse to Four Seasons Education (Cayman) Inc. of RMB135,867 and RMB78,828 as of February 29, 2020 and February 28, 2021, respectively)	14	147,510	92,144	14,236
Total non-current liabilities		149,646	93,817	14,494
TOTAL LIABILITIES		362,664	320,805	49,561
Commitments and contingencies	15			
EQUITY				
Ordinary shares (US\$0.0001 par value; 500,000,000 shares authorized, 23,131,195 shares issued and outstanding as of both February 29, 2020 and February 28, 2021)		15	15	2
Additional paid-in capital		742,637	768,150	118,670
Treasury shares (970,788 shares as of both February 29, 2020 and February 28, 2021)	9	(27,899)	(27,899)	(4,310)
Accumulated deficit		(110,094)	(138,290)	(21,364)
Accumulated other comprehensive income (loss)		26,091	(13,289)	(2,053)
Shareholders' equity		630,750	588,687	90,945
Non-controlling interests		44,202	57,701	8,914
Total equity		674,952	646,388	99,859
TOTAL LIABILITIES AND EQUITY		1,037,616	967,193	149,420

The accompanying notes are an integral part of these consolidated financial statements.

FOUR SEASONS EDUCATION (CAYMAN) INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED FEBRUARY 28, 2019, FEBRUARY 29, 2020 AND FEBRUARY 28, 2021
(Amounts in thousands, except for share and per share data)

	Note	2019 RMB	2020 RMB	2021	
				RMB	USD (Note 2)
Revenue	2(q)	335,643	389,049	280,282	43,300
Cost of revenue		(171,822)	(200,933)	(168,832)	(26,082)
Gross profit		163,821	188,116	111,450	17,218
General and administrative expenses		(128,349)	(139,370)	(116,972)	(18,071)
Sales and marketing expenses		(33,783)	(34,367)	(30,953)	(4,782)
Impairment loss on intangible assets and goodwill		(557)	(145,416)	—	—
Operating income (loss)		1,132	(131,037)	(36,475)	(5,635)
Subsidy income		4,150	9,572	11,898	1,838
Interest income, net		6,756	5,229	3,403	526
Other (expenses) income, net		(3,311)	11,080	1,900	294
Income (Loss) before income taxes and loss from equity method investments		8,727	(105,156)	(19,274)	(2,977)
Income tax expense	11	(10,116)	(4,189)	(4,760)	(735)
Loss from equity method investments		(81)	(224)	(3,852)	(595)
Net loss		(1,470)	(109,569)	(27,886)	(4,307)
Net (loss) income attributable to non-controlling interests		(869)	(76)	310	48
Net loss attributable to Four Seasons Education (Cayman) Inc.		(601)	(109,493)	(28,196)	(4,355)
Net loss per ordinary share:					
- Basic	12	(0.02)	(4.63)	(1.22)	(0.19)
- Diluted	12	(0.02)	(4.63)	(1.22)	(0.19)
Weighted average shares used in calculating net loss per ordinary share:					
- Basic	12	24,053,492	23,668,916	23,131,195	23,131,195
- Diluted	12	24,053,492	23,668,916	23,131,195	23,131,195

The accompanying notes are an integral part of these consolidated financial statements.

FOUR SEASONS EDUCATION (CAYMAN) INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED FEBRUARY 28, 2019, FEBRUARY 29, 2020 AND FEBRUARY 28, 2021
(Amounts in thousands, except for share and per share data)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	
	RMB	RMB	RMB	USD (Note 2)
Net loss	(1,470)	(109,569)	(27,886)	(4,307)
Other comprehensive income (loss), net of tax of nil				
Foreign currency translation adjustments	29,916	24,484	(39,380)	(6,084)
Comprehensive income (loss)	28,446	(85,085)	(67,266)	(10,391)
Less: Comprehensive (loss) income attributable to non-controlling interests	(869)	(76)	310	48
Comprehensive income (loss) attributable to Four Seasons Education (Cayman) Inc.	<u>29,315</u>	<u>(85,009)</u>	<u>(67,576)</u>	<u>(10,439)</u>

The accompanying notes are an integral part of these consolidated financial statements.

FOUR SEASONS EDUCATION (CAYMAN) INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Amounts in thousands, except for share and per share data)

	Ordinary shares		Treasury shares		Additional paid-in capital RMB	Accumulated deficit RMB	Accumulated other comprehensive income(loss) RMB	Total Four Seasons Education (Cayman) Inc. shareholders' equity RMB	Non-controlling interests RMB	Total equity RMB
	Number	RMB	Number	RMB						
Balance at March 1, 2018	24,026,591	15	—	—	679,829	—	(28,309)	651,535	6,413	657,948
Offering cost	—	—	—	—	(847)	—	—	(847)	—	(847)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	35,015	35,015
Non-controlling interests capital injection	—	—	—	—	—	—	—	—	3,683	3,683
Option exercised	39,442	—	—	—	439	—	—	439	—	439
Share-based compensation	—	—	—	—	32,247	—	—	32,247	—	32,247
Net loss for the year	—	—	—	—	—	(601)	—	(601)	(869)	(1,470)
Foreign currency translation adjustments	—	—	—	—	—	—	29,916	29,916	—	29,916
Balance at February 28, 2019	24,066,033	15	—	—	711,668	(601)	1,607	712,689	44,242	756,931
Repurchase of ordinary shares (Note 9)	(970,788)	—	970,788	(27,899)	—	—	—	(27,899)	—	(27,899)
Purchase of non-controlling interests	—	—	—	—	(298)	—	—	(298)	(3,037)	(3,335)
Non-controlling interests capital injection	—	—	—	—	—	—	—	—	3,073	3,073
Option exercised	35,950	—	—	—	409	—	—	409	—	409
Share-based compensation	—	—	—	—	30,858	—	—	30,858	—	30,858
Net loss for the year	—	—	—	—	—	(109,493)	—	(109,493)	(76)	(109,569)
Foreign currency translation adjustments	—	—	—	—	—	—	24,484	24,484	—	24,484
Balance at February 29, 2020	23,131,195	15	970,788	(27,899)	742,637	(110,094)	26,091	630,750	44,202	674,952
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	1,374	1,374
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	11,776	11,776
Share-based compensation	—	—	—	—	27,513	—	—	27,513	—	27,513
Net loss for the year	—	—	—	—	—	(28,196)	—	(28,196)	310	(27,886)
Foreign currency translation adjustments	—	—	—	—	—	—	(39,380)	(39,380)	—	(39,380)
VIE deconsolidation	—	—	—	—	(2,000)	—	—	(2,000)	—	(2,000)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	39	39
Balance at February 28, 2021 in RMB	23,131,195	15	970,788	(27,899)	768,150	(138,290)	(13,289)	588,687	57,701	646,388
Balance at February 28, 2021 in USD (Note 2)	23,131,195	2	970,788	(4,310)	118,670	(21,364)	(2,053)	90,945	8,914	99,859

The accompanying notes are an integral part of these consolidated financial statements.

FOUR SEASONS EDUCATION (CAYMAN) INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED FEBRUARY 28, 2019, FEBRUARY 29, 2020 AND FEBRUARY 28, 2021
(Amounts in thousands, except for share and per share data)

	2019	2020	2021	
	RMB	RMB	RMB	USD (Note 2)
<i>Cash flows from operating activities</i>				
Net loss for the year	(1,470)	(109,569)	(27,886)	(4,307)
<i>Adjustments to reconcile net cash flows from operating activities:</i>				
Share-based compensation	32,247	30,858	27,513	4,250
Allowance for credit losses	—	5,267	—	—
Depreciation of property and equipment	14,528	15,424	13,754	2,125
Noncash lease expenses	—	54,808	54,466	8,414
Loss of disposal of property and equipment	1,596	249	416	64
Loss from property and equipment impairment	—	764	—	—
Amortization of intangible assets	3,435	4,328	1,949	301
Loss from intangible assets impairment	—	30,804	—	—
Loss from equity method investments, net of taxes	81	224	3,852	595
Loss from goodwill impairment	557	114,612	—	—
Fair value change of investments	4,783	(11,134)	(2,148)	(332)
Gain from disposal of subsidiaries	—	—	(2,087)	(322)
<i>Changes in operating assets and liabilities and other, net:</i>				
Accounts receivable and contract assets	4,943	(665)	1,008	156
Amounts due from related parties	12,746	(594)	(515)	(80)
Other receivables, deposits and other assets	(14,081)	(3,517)	8,091	1,250
Deferred income taxes	(6,334)	(12,676)	(3,271)	(505)
Other non-current assets	(800)	(107)	(91)	(14)
Changes in operating lease liabilities	—	(47,550)	(57,938)	(8,951)
Amounts due to related parties	—	446	587	91
Accrued expenses and other current liabilities	27,839	22,424	11,912	1,840
Income tax payable	(5,557)	3,724	(2,159)	(334)
Deferred revenue	(21,366)	(15,925)	3,671	567
Net cash provided by operating activities	<u>53,147</u>	<u>82,195</u>	<u>31,124</u>	<u>4,808</u>
<i>Cash flows from investing activities</i>				
Purchases of property and equipment	(17,870)	(9,186)	(10,441)	(1,613)
Purchases of intangible assets	(322)	—	—	—
Acquisition of businesses, net of cash acquired	(133,902)	(10,115)	854	132
Payments to equity method investments	(300)	—	(44,481)	(6,872)
Purchase of short-term investments	—	(10,000)	(31,000)	(4,789)
Purchase of investments under fair value	(34,823)	(104,602)	(175,820)	(27,162)
Proceeds from maturity of investments	—	35,157	192,884	29,798
Net cash used in investing activities	<u>(187,217)</u>	<u>(98,746)</u>	<u>(68,004)</u>	<u>(10,506)</u>

FOUR SEASONS EDUCATION (CAYMAN) INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS - continue
FOR THE YEARS ENDED FEBRUARY 28, 2019, FEBRUARY 29, 2020 AND FEBRUARY 28, 2021
(Amounts in thousands, except for share and per share data)

	2019	2020	2021	
	RMB	RMB	RMB	USD (Note 2)
<i>Cash flows from financing activities</i>				
Payments to acquire non-controlling interests	—	(3,335)	—	—
Contribution from non-controlling interests	3,683	3,073	90	14
Offering cost paid	(847)	—	—	—
Proceeds from related parties loans	214	986	100	15
Net proceeds from options exercised	66	758	8	1
Repurchase of ordinary shares	—	(27,899)	—	—
Dividends paid	(3,677)	—	—	—
Net cash (used in) provided by financing activities	(561)	(26,417)	198	30
Effect of foreign exchange rate changes	22,542	14,088	(16,460)	(2,541)
Net decrease in cash, cash equivalents and restricted cash	(112,089)	(28,880)	(53,142)	(8,209)
Cash, cash equivalents and restricted cash at beginning of the year	583,324	471,235	442,355	68,338
Cash, cash equivalents and restricted cash at end of the year	471,235	442,355	389,213	60,129
Reconciliation in amounts on consolidated balance sheets:				
Cash and cash equivalents	439,580	404,652	378,358	58,452
Restricted cash	31,655	37,703	10,855	1,677
Total cash, cash equivalents and restricted cash	471,235	442,355	389,213	60,129
Supplemental disclosure of cash flow information:				
Income taxes paid	22,010	13,142	10,189	1,574
Cash paid for amounts included in measurement of lease liabilities	—	60,206	59,547	9,199
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	—	16,412	51,434	7,946
Supplemental schedule of non-cash investing and financing activities:				
Purchases of property and equipment included in payable	984	221	302	47
Non-cash contribution from non-controlling interests	—	—	11,686	1,805
Payables for business acquisitions	10,115	—	—	—

The accompanying notes are an integral part of these consolidated financial statements.

FOUR SEASONS EDUCATION (CAYMAN) INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except for share and per share data)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Four Seasons Education (Cayman) Inc. (the "Company") was incorporated in the Cayman Islands on June 9, 2014. The Company, its subsidiaries, its consolidated Variable Interest Entity (the "VIE") and VIE's subsidiaries (collectively referred to as the "Group") are principally engaged in provision of after-school education services for kindergarten, elementary and middle school students in the People's Republic of China (the "PRC").

On December 29, 2014, the Company established a wholly-owned foreign invested subsidiary, Shanghai Fuxi Enterprise Management Consulting Co., Ltd. ("Shanghai Fuxi", or "WFOE") in the PRC. PRC laws and regulations currently require any foreign entity that invests in the education business in China to be an educational institution with relevant experience in providing educational services outside China. As a Cayman Islands company, the Company is deemed a foreign legal person under the PRC laws but not an educational institution and does not provide education services. To comply with the PRC laws and regulations, the Group provides substantially all of its education business in the PRC through Shanghai Four Seasons Education Investment Management Co., Ltd., Shanghai Four Seasons Education and Training Co., Ltd. (the "VIEs") and its subsidiaries. The Group delivers education services mainly through learning centers, which are physical establishments of education facilities at a specific geographic location, and are directly held and operated by VIEs and VIE's subsidiaries. Shanghai Fuxi entered into a series of contractual arrangements (see Note 2(b)) with its VIEs and their respective shareholders through which the Company became the primary beneficiary of VIEs.

On March 1, 2020, Shanghai Fuxi terminated the contractual arrangements with Shanghai Four Seasons Education Investment Management Co., Ltd. ("Four Seasons Investment") including the exclusive service agreement, exclusive call option agreement, equity pledge agreement and shareholder voting rights proxy agreement. At the same time, the ownership of the learning center previously held by Four Seasons Investment namely Shanghai Tongfang Technology Further Education School ("Tongfang School") was transferred to the other VIE of the Company, namely Shanghai Four Seasons Education and Training Co., Ltd. ("Shanghai Four Seasons"). Other than Tongfang School, the assets and liabilities held by Four Seasons Investment were immaterial.

As of February 28, 2021, details of the Company's major subsidiaries, its VIE and VIE's subsidiaries are as follows:

Name	Later of date of incorporation or acquisition	Place of incorporation (or establishment)	Equity interest attributed to the Group as of February 28, 2021	Principal activities
Subsidiaries:				
Four Seasons Education (Hong Kong) Limited ("Four Seasons Hong Kong")	June 24, 2014	Hong Kong	100%	Investment holding
Shanghai Fuxi Information Technology Service Co., Ltd. ("Shanghai Fuxi")	December 29, 2014	Shanghai	100%	Education and management consulting service
Variable interest entity:				
Shanghai Four Seasons Education and Training Co., Ltd. ("Shanghai Four Seasons")	March 12, 2014	Shanghai	100%	After-school tutoring
VIE's subsidiaries:				
Four Seasons Class Training Co., Ltd. ("Four Seasons Class")	September 1, 2016	Shanghai	100%	After-school tutoring
Shanghai Jing'an Modern Art Culture Education School ("Modern Art School")	January 25, 2017	Shanghai	100%	After-school tutoring
Shanghai Tongfang Technology Further Education School ("Tongfang School")	May 16, 2013	Shanghai	100%	After-school tutoring

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation and consolidation

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

(b) Principles of consolidation

The Company evaluates the need to consolidate the VIE of which the Company is the primary beneficiary. In determining whether the Company is the primary beneficiary, the Company considers if the Company (1) has power to direct the activities that most significantly affects the economic performance of the VIE, and (2) The obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. If deemed the primary beneficiary, the Company consolidates the VIE.

Determining whether the Company is the primary beneficiary in the VIE arrangements between the WFOE and the VIE entity requires a careful evaluation of the facts and circumstances, including whether the contractual agreements are substantive under the applicable legal and financial reporting frameworks, i.e. PRC law and US GAAP. The Company continually reviews its corporate governance arrangements to ensure that the contractual agreements are in fact valid and legally enforceable and therefore are indeed substantive.

The Company has also considered conflicts of interest arisen from the contractual arrangements. Mr. Tian is the nominal shareholder of the VIE, and Mr. Tian is also the controlling shareholder and the largest shareholder of the Company. The interests of Mr. Tian as the nominal shareholder of the VIE may differ from the interests of the Company as a whole, since Mr. Tian is only one of the beneficial shareholders of the Company. The Company relies on Mr. Tian, as a director of the Company, to fulfill his fiduciary duties and abide by laws of the PRC and Cayman Islands and act in the best interest of the Company. The Company believes Mr. Tian will not act contrary to any of the contractual arrangements and the call option agreement provides the Company with a mechanism to remove Mr. Tian as a nominal shareholder of the VIE should he act to the detriment of the Company. If the Company cannot resolve any conflicts of interest or disputes between the Company and Mr. Tian, the Company would have to rely on legal proceedings, which could result in disruption of its business, and there is substantial uncertainty as to the outcome of any such legal proceedings.

The VIE Arrangements

The Company consolidates Shanghai Four Seasons and its subsidiaries as variable interest entities and referred to them as "the VIE and VIE's subsidiaries" in the Company's consolidated financial statements. PRC laws and regulations currently require foreign entity that invests in the education business in China to be an educational institution with certain qualifications and experience in providing high-quality education outside China. The Company is not an educational institution and does not provide education services. Therefore, the Company conduct the operation through the VIE. In addition, the VIE holds leases and other assets necessary to operate the Company's schools and learning centers, employ teachers and generate substantially all of the Company's total net revenue.

The Company, through its wholly owned subsidiary in China, Shanghai Fuxi has entered into the following contractual arrangement with the VIE 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. Accordingly, the Company is considered the primary beneficiary of the VIE and has consolidated the VIE's financial results of operations, assets and liabilities and cash flows in the Company's consolidated financial statements.

Agreements that provide the Company with effective control over the VIE include:

Call Option Agreement Pursuant to the call option agreement among the WFOE, Shanghai Four Seasons and the shareholders of Shanghai Four Seasons ("the VIE shareholders"), the VIE shareholders unconditionally and irrevocably granted the WFOE or its designee an exclusive option to purchase, to the extent permitted under PRC laws and regulations, all or part of the equity interests in the VIE at nominal consideration which decided by the WFOE or the lowest consideration permitted by PRC laws and regulations under the circumstances where the WFOE or its designee is permitted under PRC laws and regulations to own all or part of the equity interests of VIE. The WFOE has the sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full. Without the WFOE's written consent, the VIE shareholders may not sell, transfer, pledge or otherwise dispose of or create any encumbrance on any of VIE's assets or equity interests. The agreement can be terminated by the WFOE by giving a 30-day prior notice, but not by the VIE or VIE's shareholders.

Voting Rights Proxy Agreement & Irrevocable Power of Attorney The VIE shareholders executed voting rights proxy agreement, appointing the WFOE, or any person designated by the WFOE, as their attorney-in-fact to (i) call and attend shareholders meeting of VIE and execute relevant shareholders resolutions; (ii) exercise on his behalf all his rights as a shareholder of VIE, including those rights under PRC laws and regulations and the articles of association of VIE, such as voting, appointing, replacing or removing directors, (iii) submit all documents as required by governmental authorities on behalf of VIE, (iv) assign the shareholding rights to VIE, including receiving dividends, disposing of equity interest and enjoying the rights and interests during and after liquidation. The agreement will remain in effect unless the WFOE terminates the agreement by giving a written notice.

Equity Pledge Agreement The VIE shareholders agreed to pledge their equity interest in VIE to the WFOE to secure the performance of the VIE's obligations under the series of contractual agreements and any such agreements to be entered into in the future. Without prior written consent of the WFOE, the VIE shareholders shall not transfer or dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests. If any economic interests were received by means of their equity interests in the VIE, such interests belong to the WFOE. The agreement can be early terminated by the WFOE by giving a 30-day prior notice, but not by the VIE or VIE's shareholders.

Agreements that transfer economic benefits of VIE to the Group include:

Exclusive Services Agreement Under the exclusive services agreement, the Company and the WFOE have the exclusive right to provide comprehensive technical and business support services to the VIE. In particular, such services include conducting market research and offering strategic business advice, providing information technology services, providing advices on mergers and acquisitions, providing human resources management services, providing intellectual property licensing services, providing support for teaching activities and providing other services that the parties may mutually agree from time to time. In exchange, the VIE pays annual service fees to the WFOE in the amount equivalent to all of their net income as confirmed by the WFOE. The WFOE has the right to adjust the service fee rates at its sole discretion based on the services provided and the operation conditions of VIE. The agreement can be early terminated by the WFOE by giving a 30-day prior notice, but not by the VIE or VIE's shareholders.

The Voting Rights Proxy Agreement and Irrevocable Power of Attorney have conveyed all shareholder rights held by the VIE's shareholders to the WFOE or any person designated by the WFOE, including the right to appoint executive directors of the VIE to conduct day to day management of the VIE's businesses, and to approve significant transactions of the VIE. In addition, the Call Option Agreement provides the WFOE with a substantive kick-out right of the VIE shareholders through an exclusive option to purchase all or any part of the shareholders' equity interest in the VIE. The Equity Pledge Agreements further secure the obligations of the shareholders of the VIE under the above agreements.

Because the Company, through the WFOE, has (i) the power to direct the activities of the VIE that most significantly affect the entity's economic performance and (ii) the right to receive substantially all of the benefits from the VIE, the Company is deemed the primary beneficiary of the VIE. Accordingly, the Company has consolidated the VIE's financial results of operations, assets and liabilities in the Group's consolidated financial statements. The aforementioned agreements are effective agreements between a parent and consolidated subsidiaries, neither of which is accounted for in the consolidated financial statements or are ultimately eliminated upon consolidation (i.e. service fees under the Exclusive Services Agreement).

The Company believes that the contractual arrangements with the VIE are in compliance with PRC law and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce the contractual arrangements. If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government could:

- revoke the business and operating licenses of the Company's PRC subsidiaries and VIE;
- discontinue or restrict the operations of any related-party transactions between the Company's PRC subsidiaries and VIE;
- limit the Group's business expansion in China by way of entering into contractual arrangements;
- impose fines or other requirements with which the Company's PRC subsidiaries and VIE may not be able to comply;
- require the Company or the Company's PRC subsidiaries or VIE to restructure the relevant ownership structure or operations; or
- restrict or prohibit the Company's use of the proceeds of the additional public offering to finance the Group's business and operations in China.

The following consolidated financial statement balances and amounts of the Company's VIE and its subsidiaries, were included in the accompanying consolidated financial statements after the elimination of intercompany balances and transactions among the Company, its subsidiaries, its VIE and VIE's subsidiaries.

	As of		
	February 29, 2020	February 28, 2021	
	RMB	RMB	USD
ASSETS			
Total current assets	108,009	143,671	22,196
Total non-current assets	302,448	236,098	36,474
TOTAL ASSETS	410,457	379,769	58,670
LIABILITIES			
Total current liabilities	202,353	220,079	34,000
Total non-current liabilities	138,003	80,501	12,436
TOTAL LIABILITIES	340,356	300,580	46,436

	Year Ended			
	February 28, 2019	February 29, 2020	February 28, 2021	
	RMB	RMB	RMB	USD
Total revenue	335,643	389,049	280,282	43,300
Operating income (loss)	24,929	(101,126)	(13,652)	(2,109)
Net income (loss)	25,834	(96,977)	(5,529)	(854)
Net cash provided by operating activities	119,185	54,778	43,753	6,759
Net cash used in investing activities	(151,373)	(29,206)	(33,758)	(5,215)
Net cash provided by financing activities	3,897	724	198	30

The VIE contributed 100% of the Group's consolidated revenue for three years ended February 28, 2019, February 29, 2020 and February 28, 2021. As of February 29, 2020 and February 28, 2021, the VIE accounted for an aggregate of 39.6% and 39.3% respectively, of the audited consolidated total assets, and 93.8% and 93.7% respectively, of the consolidated total liabilities. Total assets not associated with the VIE mainly consist of cash and cash equivalents and investments under fair value.

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 the VIE. However, if the VIE was ever to need financial support, the Group may, at its option and subject to statutory limits and restrictions, provide financial support to its VIE through loans to the shareholders of the VIE or entrustment loans to the VIE.

The Group believes that there are no assets held in the VIE that can be used only to settle obligations of the VIE, except for registered capital and the PRC statutory reserves. As the VIE is incorporated as limited liability companies under the PRC Company Law, creditors of the VIE do not have recourse to the general credit of the Company for any of the liabilities of the VIE. Relevant PRC laws and regulations restrict the VIE 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 19 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 revenue 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 assessment of useful lives of long-lived assets, realization of deferred tax assets, impairment assessment of investments, property and equipment, intangible assets and goodwill, valuation of share-based compensation, fair value assessment of investments, assumptions used to determine the fair value of the assets acquired through business combination and incremental borrowing rate for lease. Actual results may differ materially from those estimates.

(d) Business combinations

The Group accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805 "Business Combinations". The cost of an acquisition is measured as the aggregate of the acquisition date fair values of the assets transferred and liabilities incurred by the Company to the sellers and equity instruments issued. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total costs of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. Alternatively, the excess of the (i) the fair value of the identifiable net assets of the acquiree over (ii) the total costs of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree is recorded as a gain on bargain purchase. Business combinations occurred during the year ended February 28, 2021 are disclosed in Note 3.

(e) 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 investments measured at fair value on a recurring basis at the end of each reporting period and classified as level 2 fair value measurements (see Note 2(l)). 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 Company's non-financial assets, which primarily consist of goodwill, intangible assets, property and equipment, and operating lease right-of-use assets, are not required to be measured at fair value on a recurring basis, and instead are reported at carrying value in its consolidated balance sheet. However, on a periodic basis or whenever events or changes in circumstances indicate that they may not be fully recoverable (and at least annually for goodwill), the respective carrying value of non-financial assets are assessed for impairment and, if ultimately considered impaired, are adjusted and written down to their fair value, as estimated based on consideration of external market participant assumptions. The fair values of these assets were determined based on Level 3 measurements, the related inputs of which included estimates of the amount and timing of the assets' net future discounted cash flows, based on historical experience and consideration of current trends, market conditions, and comparable sales, as applicable.

The following table presents the impairment charges recorded by the Group for assets measured at fair value on a non-recurring basis for the years ended February 28, 2019, February 29, 2020 and February 28, 2021:

	February 28, 2019		February 29, 2020		February 28, 2021			
	Fair Value As of Impairment Date	Total Impairment Loss	Fair Value As of Impairment Date	Total Impairment Loss	Fair Value As of Impairment Date		Total Impairment Loss	
	RMB	RMB	RMB	RMB	RMB	USD	RMB	USD
Property and equipment, net (Note 4)	—	—	—	764	—	—	—	—
Operating lease right-of-use assets	—	—	—	800	—	—	—	—
Intangible assets, net (Note 5)	—	—	—	30,804	—	—	—	—
Goodwill (Note 6)	—	557	17,022	114,612	—	—	—	—

The carrying values of financial instruments, which consist of cash and cash equivalents, restricted cash, accounts receivable and contract assets, other receivables, short-term investments, amounts due to related parties and other current liabilities are recorded at cost which approximates their fair value due to the short-term nature of these instruments.

(f) Foreign currency translation

The Group's reporting currency is Renminbi ("RMB"). The functional currency of the Company and affiliates incorporated outside the mainland China is the United States dollar ("US dollar" or "US\$"). The functional currency of all the other subsidiaries and the VIE and VIE's subsidiaries is RMB.

Monetary assets and liabilities denominated in currencies other than the RMB are remeasured into RMB at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the RMB during the year are converted into RMB at the applicable rates of exchange prevailing on the day transactions occurred. Exchange gains and losses are recognized in the consolidated statements of operations.

Assets and liabilities are translated into RMB at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and revenue, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as foreign currency translation adjustments and are shown as a separate component of other comprehensive income in the consolidated statements of comprehensive income (loss).

(g) 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, cash equivalents and restricted cash denominated in RMB amounted to RMB186,607 and RMB192,008 (US\$29,663) as of February 29, 2020 and February 28, 2021, respectively.

(h) Convenience translation

The Group's business is primarily conducted in China and almost all of the revenue is denominated in RMB. Translations of balances in the consolidated balance sheets, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows from RMB into US dollar as of and for the year ended February 28, 2021 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB6.4730, representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on February 26, 2021. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on February 26, 2021, or at any other rate.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in bank, time deposits with original maturities of three months or less when purchased and floating rate financial instruments which are unrestricted as to withdrawal or use. The carrying value of cash equivalents approximates market value.

(j) Allowance for credit losses

On March 1, 2020, the Group adopted Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments using the modified retrospective transition method. ASC 326 replaces the existing incurred loss impairment model with a forward-looking current expected credit loss ("CECL") methodology, which results in more timely recognition of credit losses. The Group has developed a CECL model based on historical experience, the age of the accounts receivable balances, credit quality of its customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from customers. The cumulative effect from the adoption as of March 1, 2020 was immaterial to the consolidated financial statements. The Group considers historical collection rates, current financial status, macroeconomic factors, and other industry-specific factors when evaluating for current expected credit losses. There was no allowance recorded during the year ended February 28, 2021. The balance of allowance for accounts receivable and contract assets and other receivables, deposits and other assets was RMB5,267 and RMB5,267(\$814) as of February 29, 2020 and February 28, 2021, respectively. Balances are written off when determined to be uncollectible.

(k) Restricted cash

The Group's restricted cash represents deposits restricted as to withdrawal or use under government regulations. Restricted cash is classified as non-current based on when the deposits will be released in accordance with the terms of the respective agreements with the banks and governing authorities.

(l) Investments

The Group's investments consist of wealth management products, investments under fair value and equity-method investments.

Wealth management products were mainly deposits placed with financial institutions with original maturities greater than three months but less than one year.

The investments under fair value pertain to structured products in fund-linked notes. The Group elects to adopt the fair value option in accordance with ASC 825 Financial Instruments to record the investments at fair value in long-term investments under fair value in the consolidated balance sheets. Changes in the fair value of the investments are recorded as other (income) expense, net in the consolidated statements of operations. Loss of RMB4,783, income of RMB11,134 and RMB2,148(US\$332) on fair value changes were recorded in the consolidated statements of operations for the years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively.

The Group accounts for investment in equity securities that are in-substance common stocks and over which the Group can exercise significant influence but holds no controlling interest under equity method of accounting. Under this method, the Group's pro rata share of income (loss) from investment is recognized in the consolidated statements of comprehensive income (loss). Dividends received reduce the carrying amount of the investment. When the Group's share of loss in an equity-method investee equals or exceeds its carrying value of the investment in that entity, the Group continues to report its share of equity method losses in the statements of comprehensive income to the extent and as an adjustment to the carrying amount of its other investments in the investee. Equity-method investment is reviewed for impairment by assessing if the decline in market value of the investment below the carrying value is other-than-temporary. In making this determination, factors are evaluated in determining whether a loss in value should be recognized. These include consideration of the intent and ability of the Group to hold investment and the ability of the investee to sustain an earnings capacity, justifying the carrying amount of the investment. Impairment losses are recognized in other expense when a decline in value is deemed to be other-than-temporary. As a result of the impairment analysis, the Group did not record any impairment for the years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively.

(m) 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 and amortization expense of long-lived assets is included in either cost of revenue or selling, general and administrative expenses, as appropriate. Property and equipment consists of the following and depreciation is calculated on a straight-line basis over the following estimated useful lives:

Electronic equipment	3 - 5 years
Office equipment & Furniture	3 - 5 years
Motor vehicles	3 - 5 years
Leasehold improvement	Shorter of the lease term or expected useful life

(n) Intangible assets, net

Acquired intangible assets other than goodwill consist of trade name, student base and customer relationship, school cooperation agreements, non-compete agreement and license which are carried at cost, less accumulated amortization and impairment. 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. The amortization periods by intangible asset classes are as follows:

Trade name	10 - 20 years
Student base and customer relationship	3 - 9 years
School cooperation agreements	5 years
Non-compete agreements	3 years
Software	5 years
License	3 years

(o) 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. An impairment charge is recognized when the estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from the disposition of the asset, if any, are less than the carrying value of the asset net of other liabilities. 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 recognized nil, RMB764 and nil impairment loss of property and equipment during the years ended February 28, 2019, February 29, 2020 and February 28, 2021. The Group recognized nil, RMB30,804 and nil impairment loss on intangible assets during the years ended February 28, 2019, February 29, 2020 and February 28, 2021.

(p) Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Several factors give rise to goodwill in our acquisitions, such as the expected benefit from synergies of the combinations and the existing workforce of the acquired businesses.

Goodwill is reviewed at least annually for impairment (February 28 or 29 for the Group). The Group evaluates its goodwill for impairment at the reporting unit level, defined as an operating segment or one level below an operating segment in accordance with ASC Topic 350. The Group used to have two reporting units and goodwill generated from acquisitions in fiscal year 2017 and 2019 was allocated to two reporting units: Fantasy reporting unit and Four Seasons Education reporting unit, respectively as of February 29, 2020. During the year ended February 28, 2021, the Group conducted an organizational restructure which resulted in only one reporting unit. All goodwill generated from acquisitions was allocated to the one reporting unit: Four Seasons Education reporting unit as of February 28, 2021.

In the evaluation of goodwill for impairment, the Group may perform a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is not, no further analysis is required. If it is, the quantitative impairment test is performed.

Starting from March 1, 2019, the Group 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. When determining the fair value of each reporting unit, the Group uses discounted cash flow model that includes a number of significant unobservable inputs. Key assumptions used to determine the estimated fair value include: (a) internal cash flows forecasts including expected revenue growth, operating margins and estimated capital needs, (b) an estimated terminal value using a terminal year long-term future growth rate determined based on the growth prospects of the reporting units; and (c) a discount rate that reflects the weighted-average cost of capital adjusted for the relevant risk associated with each reporting unit's operation and the uncertainty inherent in the Group's internally developed forecast.

Based on the results of annual goodwill impairment tests, the Group recognized RMB557, RMB114,612 and nil impairment loss on goodwill during the years ended February 28, 2019, February 29, 2020 and February 28, 2021.

(q) Revenue recognition

As of March 1, 2018, the Group adopted Accounting Standards Update (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 March 1, 2018.

The Group derives substantially all of its revenue from after-school education tutoring services provided to kindergarten, elementary and middle school students and revenue is recognized proportionately over time as the tutoring sessions are delivered. In response to the COVID-19 pandemic, the Group began to offer online courses to students who elected to remain enrolled in the programs during the early of this fiscal year. The Group recognizes revenue proportionately over the term of the online tutoring sessions delivered. Despite of the recovery of offline courses since June 1, 2020, the Group continued to offer online courses as a supplement to offline courses. RMB19,011 and RMB90,421 of the online course revenue are recognized for the years ended February 29, 2020 and February 28, 2021. The Group recognizes application fees and material fees charged at a point in time, of which the amounts are insignificant for the years ended February 29, 2020 and February 28, 2021.

Disaggregation of Revenue

The following table represents disaggregation of Group's revenue from contracts with customers by main education programs for the years ended. The Group's revenue is reported net of value added taxes and surcharges.

	For the Year Ended February 28 or 29					
	2019		2020		2021	
	RMB	%	RMB	%	RMB	USD
Elementary school	255,660	76.2	300,278	77.2	207,720	32,089
Middle school	41,633	12.4	52,107	13.4	50,902	7,864
Special programs and others	39,781	11.9	38,298	9.8	21,714	3,355
Less: sales tax	1,431	0.4	1,634	0.4	54	8
Total	<u>335,643</u>	<u>100.0</u>	<u>389,049</u>	<u>100.0</u>	<u>280,282</u>	<u>43,300</u>

Elementary school/middle school The Group offer expertly designed courses for students of different aptitude levels for each elementary school grade level as well as middle school.

Others Others mainly include of courses provided to students in kindergarten, the provision of training, staff outsourcing services and short-term, intensive workshops.

Each contract represents a series of distinct services, which is delivery of various courses. The services have substantially the same pattern of transfer to the students, as such, they are considered as a single performance obligation. The transaction price is stated in the contract and known at the time of contract inception. The tuition fees are generally collected in advance and are initially recorded as deferred revenue. There is no variable considerations in the contracts with customers, except that the Group offers certain refunds for the

programs for elementary and middle school students. These refunds were offered for any unattended classes to students who decided to withdraw from a course, and for tuition fees received in advance for offline courses that were cancelled due to COVID-19 and were subjected to refund at the option of the customer. The Group estimates the refund liability based on historical refund rates on a portfolio basis using the expected value method. Reclassification was made from deferred revenue to refund liabilities, which is recorded under accrued expenses and other current liabilities on the consolidated balance sheets, for tuitions collected that are expected to be refunded to the customers in the future. The Group estimated the refund liability of RMB23,179 and RMB16,208(US\$2,504) as of February 29, 2020 and February 28, 2021.

In some promotion activities, the Group grants cash coupon to students who make qualified course purchases. Those students can redeem the cash coupon in the next purchase as part of payment prior to the incentive's expiration. The Group determined the cash coupon granted to existing students are material rights. As a result, a portion of sales price received on students making qualified purchases is allocated to the sales incentives granted based on the relative standalone selling prices. The selling price of cash coupon is estimated based on the discount amount and the probability of redemption. Revenue allocated to sales incentives is recorded as deferred revenue until redemption or expiration. Once the coupon is redeemed, revenue will be recognized based on the revenue recognition policy discussed above. Students may not always redeem cash coupon before the expiration of the sales incentive. Therefore, the Group expects to be entitled to a breakage amount in deferred revenue related to the incentives. The Group estimates the breakage based on historical students' usage and recognizes the estimated breakage as revenue in proportion to the pattern of incentives exercised by students. The assessment of estimating breakage is updated on a quarterly basis. Changes in estimated breakage is accounted for by adjusting deferred revenue to reflect the remaining incentive rights expected to be exercised. Historically, the estimated breakage has not been significantly changed and the amount related to the sales incentives is not material.

Contract balance

Contract assets primarily relate to the Group's rights to consideration for the cooperation with other learning centers and K-12 school course delivery performed but not billed at the reporting date. The contract assets are transferred to the receivables when the rights become unconditional. Contract assets were RMB53 and nil as of February 29, 2020 and February 28, 2021, respectively. All accounts receivable and contract asset amounts are classified as current.

The Group classifies contract liabilities as deferred revenue. For the years ended February 29, 2020 and February 28, 2021, RMB87,870 and RMB71,946 of revenue are recognized from the beginning balance of contract liabilities as of March 1, 2019 and 2020. The contract liabilities were RMB71,946 and RMB75,242(US\$11,625) as of February 29, 2020 and February 28, 2021, respectively. The difference between the opening and closing balances of the Group's contract liabilities primarily results from the timing difference between the Group's satisfaction of performance obligation and the customer's payment.

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.

The Group has elected to apply the invoice practical expedient to recognize revenue in the amount to which the Group has a right to invoice, given the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's services completed to date.

(r) Cost of revenue

Cost of revenue consists of the following:

- Staff costs, which primarily consist of teaching salaries and other benefits for the teachers,
- Rental, utilities and maintenance costs for the learning centers,
- Education expenses, which primarily consist of expenses related to educational activities, including teaching material expenses, student activity expenses and platform and service charges for online course, and
- Amortization of leasehold improvement of learning centers.

(s) Sales and marketing expenses

Sales and marketing expenses primarily consist of marketing and promotional expenses, salaries and benefits expenses related to the Group's sales and marketing personnel and other expenses related to the Group's sales and marketing team. Advertising expenses primarily consist of cost of funding payments for the promotion of corporate image and product marketing (see disclosure on funding commitment in Note 16). The Group expenses all advertising costs as incurred and classifies these costs under sales and marketing expenses. For the years ended February 28, 2019, February 29, 2020 and February 28, 2021, the advertising expenses were RMB26,317, RMB25,943 and RMB25,486(US\$3,937), respectively.

(t) Leases

The Group has lease contracts mainly for offices and learning centers in different cities in the PRC under operating leases. The Group determines whether an arrangement constitutes a lease and records lease liabilities and right-of-use assets on its consolidated balance sheets at lease commencement. The Group measures its lease liabilities based on the present value of the total lease payments not yet paid discounted based on the more readily determinable of the rate implicit in the lease or its incremental borrowing rate. As its leases do not provide an implicit borrowing rate, the Group uses an incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at the commencement date. The Group measures right-of-use assets based on the corresponding lease liability adjusted for payments made to the lessor at or before the commencement date, and initial direct costs it incurs under the lease. The Group's leases have lease terms of up to fifteen years, which includes lessee options to extend the lease, only to the extent it is reasonably certain that the Group will exercise such extension options. The Group begins recognizing lease expense when the lessor makes the underlying asset available to the Group. Lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. Additionally, the Group elected not to recognize leases with lease terms of 12 months or less at the commencement date. Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term, not included in lease liabilities. Noncash lease expense are used as the noncash add-back for the amortization of the right-of use assets to the operating section of the consolidated statements of cash flows. The Group's lease agreements do not contain any significant residual value guarantees or restricted covenants.

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 right-of-use assets, the Group recognized impairments of RMB800 and nil related to the write-down of value of certain operating lease right-of-use assets during the year ended February 29, 2020 and February 28, 2021, respectively.

(u) Government subsidies

The Group recognizes government subsidies as subsidy income when they are received because they are not subject to any past or future conditions, performance conditions or conditions of use, and they are not subject to future refunds. Government subsidies received and recognized as subsidy income totaled RMB4,150,

RMB9,572 and RMB11,898(US\$1,838) for the years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively.

(v) Income taxes

Current income taxes are provided for in accordance with the laws and regulations applicable to the Group as enacted by the relevant taxing authorities. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Net operating losses are carried forward and credited by applying enacted statutory tax rates applicable to future years when the reported amounts of the asset or liability are expected to be recovered or settled, respectively. Deferred tax assets are reduced by a valuation allowance when, based upon the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The components of the deferred tax assets and liabilities are individually classified as non-current.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authorities. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes.

(w) 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 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 has no other material obligation for payment of pension benefits associated with those schemes beyond the annual contributions described above.

(x) 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 adjusted for forfeiture effect on a straight-line basis, over the requisite service period, with a corresponding impact reflected in additional paid-in capital.

The expected term represents the period that share-based awards are expected to be outstanding, giving consideration to the contractual terms of the share-based awards, vesting schedules and expectations of future employee exercise behavior. Volatility is estimated based on annualized standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar span as the expected expiration term. The Group accounts for forfeitures of the share-based awards when they occur. Previously recognized compensation cost for the awards is reversed in the period that the award is forfeited. Amortization of share-based compensation is presented in the same line item in the consolidated statements of operations as the cash compensation of those employees receiving the award.

(y) Non-controlling interests

A non-controlling interest in a subsidiary of the Group represents the portion of the equity (net assets) in the subsidiary not directly or indirectly attributable to the Group. Non-controlling interests are presented as a separate component of equity in the consolidated balance sheet and earnings and other comprehensive income (loss) are attributed to controlling and non-controlling interests.

(z) Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity except those resulting from investments by owners and distributions to owners. For the years presented, total comprehensive income (loss) included net income (loss) and foreign currency translation adjustments.

(aa) Loss per share

Basic loss per share are computed by dividing net loss attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period.

Diluted loss per ordinary share reflects the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised or converted into ordinary shares. Ordinary share equivalents are excluded from the computation in income periods should their effects be anti-dilutive. The Group had share options, which could potentially dilute basic earnings per share in the future.

(ab) Treasury shares

Treasury shares represents ordinary shares repurchased by the Group that are no longer outstanding and are held by the Group. Treasury shares is accounted for under the cost method. Under this method, repurchase of ordinary shares was recorded as treasury shares at historical purchase price. At retirement, the ordinary shares account is charged only for the aggregate par value of the shares. The excess of the acquisition cost of treasury shares over the aggregate par value is allocated between additional paid-in capital (up to the amount credited to the additional paid-in capital upon original issuance of the shares) and retained earnings.

(ac) Recent accounting pronouncements not yet adopted

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 intraperiod 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 does not expect the adoption of this ASU will have a significant impact on its consolidated financial statements.

3. BUSINESS COMBINATION

Business combinations during the year ended February 28, 2019:

Acquisition of Wupin Education

The Group acquired 90% equity interest in Shanghai Wupin Education Consulting Service Co., Ltd. and its subsidiaries (collectively "Wupin Education") on March 1, 2018, for a total consideration of RMB128,880, which has been paid in full as of February 28, 2019. The intangible assets, goodwill and non-controlling interests acquired from the acquisition were RMB35,630, RMB114,613 and RMB15,799, respectively. The Group recognized RMB2,038 of transaction costs for the acquisition which were included in general and administrative expenses in the year ended February 28, 2019.

Acquisition of Fantasy

The Group acquired 51% equity interests of Shanghai Fantasy Business Consulting Co., Ltd. and its subsidiary ("Fantasy") on September 1, 2018, for a total consideration of RMB12,000 which was fully paid as of February 29, 2020. The intangible assets, goodwill and non-controlling interests acquired from the

acquisition were RMB7,200, RMB18,141 and RMB11,529, respectively. The transaction cost for the acquisition of Fantasy was immaterial.

Other acquisitions

On September 1, 2018, the Group acquired 51% equity interest of Chongqing Jianzhi Education Information Consulting Service Co., Ltd. and its subsidiary ("Chongqing Jianzhi"), for a total consideration of RMB8,000 which was fully paid as of February 29, 2020. The intangible assets, goodwill and non-controlling interests acquired from the acquisition were RMB980, RMB14,072 and RMB7,686, respectively.

On July 1, 2018, the Group executed a business acquisition agreement with Shanghai Zhixun Education Equipment Co., Ltd. and its shareholder to acquire the ownership of its after-school tutoring business in Nanxiang learning center ("Nanxiang"), for a total cash consideration of RMB5,350 which was paid in full as of February 28, 2019. The goodwill and intangible asset (customer relationship) acquired from the acquisition were RMB2,950 and RMB3,200, respectively.

Revenue and net income of Chongqing Jianzhi and Nanxiang included in the consolidated statements of operations for the year ended February 28, 2019 were RMB7,598 and RMB1,611, respectively. The transaction cost for the acquisitions of Chongqing Jianzhi and Nanxiang was immaterial.

Business combinations during the year ended February 28, 2021:

On February 7, 2018, the Group acquired 50% equity interest of Shanghai Huashi Dongfang Digital Publishing Co., Ltd. ("Huashi Dongfang") for a total consideration of RMB1,300. The Group accounted for the investment under equity-method as the Group has the ability to exert significant influence. The Group recognized investment loss of RMB25 and RMB5 in loss from equity method investments for the years ended February 29, 2020 and February 28, 2021, respectively. On April 22, 2020 the Group acquired another 19.97% equity interest of Huashi Dongfang for a total consideration of RMB1,330. Both were fully paid as of February 28, 2021. As a result of these transactions, the Group obtained control in this entity and therefore accounted for these transactions as step acquisition. The goodwill and non-controlling interests acquired from the acquisition were RMB1,804 and RMB1,174, respectively. Pro forma results of operations for this acquisition have not been presented as they are not material to the Group's consolidated results.

On September 1, 2020, the Group acquired 80% equity interest of Shanghai Jiahe International Travel Service Co., Ltd. ("Jiahe") for a total consideration of RMB800 which was fully paid as of February 28, 2021. The intangible assets and non-controlling interests acquired from the acquisition were RMB302 and RMB200, respectively. Pro forma results of operations for this acquisition have not been presented as they are not material to the Group's consolidated results.

Revenue and net loss of Huashi Dongfang and Jiahe aggregately included in the consolidated statements of operations for the year ended February 28, 2021 were RMB213 and RMB258, respectively. The transaction cost for the acquisitions of Huashi Dongfang and Jiahe was immaterial.

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of the followings:

	As of		
	February 29, 2020	February 28, 2021	
	RMB	RMB	USD
Leasehold improvement	41,970	41,029	6,338
Motor vehicles	2,593	2,819	436
Electronic equipment	4,818	5,281	816
Office equipment & furniture	8,316	7,071	1,092
Construction in progress	125	729	113
Total	57,822	56,929	8,795
Less: accumulated depreciation	38,073	41,125	6,353
Property and equipment, net	19,749	15,804	2,442

For the years ended February 28, 2019, February 29, 2020, and February 28, 2021, depreciation expenses were RMB14,528, RMB15,424 and RMB13,754(US\$2,125), respectively.

5. INTANGIBLE ASSETS, NET

Intangible assets, net, consisted of the following:

	As of		
	February 29, 2020	February 28, 2021	
	RMB	RMB	USD
Trade name	37,400	37,400	5,778
Student base and customer relationship	7,940	7,940	1,227
School cooperation agreements	1,000	1,000	154
Non-compete agreements	670	670	104
Purchased software	322	322	50
License	—	302	46
Total	47,332	47,634	7,359
Less: accumulated amortization	7,763	9,712	1,500
accumulated impairment losses	30,804	30,804	4,759
Intangible assets, net	8,765	7,118	1,100

For the years ended February 28, 2019, February 29, 2020 and February 28, 2021, amortization expenses were RMB3,435, RMB4,328 and RMB1,949(US\$301), respectively. As of February 28, 2021, estimated amortization expense of the existing intangible assets for each of the next five years ending February 28, 2026 and thereafter is RMB1,942, RMB1,241, RMB949, RMB756, RMB756 and RMB1,474.

The Group recorded impairment loss for intangible assets of nil, RMB30,804 and nil for the years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively. The impairment arose from the adverse impact that COVID-19 has had on the Group's operation forecast attributable to the intangible assets acquired in business combination in the fiscal year 2020.

6. GOODWILL

Changes in the carrying amount of goodwill for the years ended February 29, 2020 and February 28, 2021 consisted of the following:

	As of		
	February 29, 2020	February 28, 2021	
	RMB	RMB	USD
Balance at beginning of the year			
Goodwill	150,332	150,332	23,224
Accumulated impairment loss	(557)	(115,169)	(17,792)
	<u>149,775</u>	<u>35,163</u>	<u>5,432</u>
Goodwill acquired during the year	—	1,804	279
Impairment losses	(114,612)	—	—
Balance at ending of the year			
Goodwill	150,332	152,136	23,503
Accumulated impairment loss	(115,169)	(115,169)	(17,792)
	<u>35,163</u>	<u>36,967</u>	<u>5,711</u>

During the year ended February 28, 2021, the Group has one reporting unit: Four Seasons Education reporting unit, which was defined upon the contents of tutoring services provided, the production process and methods used to deliver service and operating system. The Group performed qualitative assessment for the reporting unit and considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations.

Based on the Group's assessment as of February 28, 2021, no impairment indicator was identified and the Group did not record impairment of goodwill for the year ended February 28, 2021.

7. EQUITY METHOD INVESTMENTS

The investments as of February 29, 2020 and February 28, 2021 were as follows:

	As of		
	February 29, 2020	February 28, 2021	
	RMB	RMB	USD
Equity-method investments:			
- Four seasons Online Education (Cayman) Inc. ("FSOL")	—	34,892	5,390
- Shanghai Yanjin Information Technology Co., Ltd. ("VIP Sing")	—	1,774	274
- Huashi Dongfang (See Note 3)	1,295	—	—
- Others	—	118	19
Total	<u>1,295</u>	<u>36,784</u>	<u>5,683</u>

The Group purchased 2,564,103 Series B preferred shares and 1,923,077 Series B-2 preferred shares of FSOL in March and April 2020, respectively, with the total cash consideration of US\$5,833 to acquire approximately 35.77% of FSOL. The Group accounted for the investment in FSOL under equity-method as the preferred shares were deemed in-substance common stocks and the Group has the ability to exert significant influence. The Group recognized investment loss of RMB2,857 in loss from equity method investments in fiscal year 2021.

The Group purchased 8.1% equity interest of Shanghai Yanjin Information Technology Co., Ltd. ("VIP Sing") in May 2020 with cash consideration of RMB3,000. The Group accounted for the investment in VIP Sing under equity-method as the Group has the ability to exert significant influence through the board seat held by the Group. The Group recognized investment loss of RMB1,226 in loss from equity method investments in fiscal year 2021.

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	As of		
	February 29, 2020	February 28, 2021	
	RMB	RMB	USD
Accrued employee payroll and welfare benefits	10,565	10,407	1,608
Payable for funding commitments (1)	25,000	45,000	6,952
Other taxes payable (2)	2,477	2,489	385
Professional service fee payable	3,562	3,043	470
Refund liabilities	23,179	16,208	2,504
Others	10,335	9,800	1,513
Total	75,118	86,947	13,432

- (1) As of February 29, 2020, and February 28, 2021, RMB25,000 and RMB45,000 (US\$6,952) have been accrued as marketing expenses, respectively, according to the funding commitment with Shanghai East Normal University Education Development Fund for public welfare purpose. Detail commitment schedule refer to Note 15.
- (2) Other taxes payable consists of value added tax payable, withholding individual tax payable and other tax payable.

9. TREASURY SHARES

Treasury shares represent shares repurchased by the Group that are no longer outstanding and are held by the Group. Under the repurchase plan, the Group had repurchased an aggregate of 970,788 ordinary shares on the open market for a total cash consideration of RMB27,899(US\$4,310) during the year ended February 29, 2020, which were accounted for as the cost of the treasury shares.

10. SHARE-BASED COMPENSATION

The following table presents the classification of the Group's share-based compensation expenses:

	For the year ended			
	February 28, 2019	February 29, 2020	February 28, 2021	
	RMB	RMB	RMB	USD
General and administrative expenses	30,159	28,784	26,822	4,143
Sales and marketing expenses	2,088	2,074	691	107
Total share-based compensation	32,247	30,858	27,513	4,250

In June 2015, The Company's shareholders adopted a share incentive plan ("2015 Option Plan"). In March 2017, The Company's shareholders adopted another share incentive plan ("2017 Option Plan"). The Company's shareholders have authorized the issuance of up to 4,201,330 ordinary shares underlying all options (including incentive share options, or ISOs), restricted shares and restricted share units granted to a participant under the 2015 Option Plan and 2017 Option Plan.

On January 22, 2019, the Company modified the exercise price to US\$4.6 for a total number of 460,000 share options previously granted to independent directors, executive officers and employees on July 3, 2018. All other terms of the share options granted remain unchanged. The modification resulted in an incremental compensation cost of RMB3,967, of which RMB127 was recognized as compensation expenses during the

year ended February 28, 2019. The remaining RMB3,840 will be amortized over the remaining vesting period of the modified options.

On June 30, 2019 and February 17, 2020, the Company granted 360,000 and 80,000 share options to employees at the weighted average grant date fair value of RMB10.46 and RMB10.03 per share, respectively. Options have a ten-year life and vest ratably at each grant date anniversary over a period of four years.

On February 5, 2021, the Company granted 860,000 share options to our directors, executive officers and employees at the weighted average grant date fair value of RMB13.24 per share. Options have a ten-year life and vest ratably at each grant date anniversary over a period of four years.

The Group used the Black-Scholes option pricing model and the following assumptions to estimate the fair value of the options granted during the year ended February 29, 2020 and February 28, 2021 with reference to the closing price of the Company on the measurement dates.

	For the year ended	
	February 29, 2020	February 28, 2021
Average risk-free rate of interest	1.5%~2.0%	1.2%
Estimated volatility rate	43.7%~45.8%	53.0%
Dividend yield	0%	0%
Life of options	10 years	10 years

The risk-free rate of interest is based on the US Treasury yield curve as of valuation date. Volatility is estimated based on annualized standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar span as the expected expiration term.

A summary of the aggregate option activity and information regarding options outstanding as of February 28, 2021 is as follows:

	Number of Options (in 000s)	Weighted Average Exercise Price RMB	Weighted Average Remaining Contract Life Years	Aggregate Intrinsic Value RMB
Options outstanding on March 1, 2020	3,490	14.86	7.06	27,173
Granted	860	15.53	10.00	
Forfeited	(45)	31.50	8.46	
Expired	(215)	12.12	5.30	
Exercised	—	—	—	
Options outstanding on February 28, 2021	<u>4,090</u>	<u>14.96</u>	<u>6.94</u>	<u>29,428</u>
Options vested or expected to vest on February 28, 2021	4,090	14.96	6.94	29,428
Options exercisable on February 28, 2021	2,465	12.73	5.71	21,670

For years ended February 28, 2019, February 29, 2020 and February 28, 2021, the Group recognized share-based compensation expense of RMB32,247, RMB30,858 and RMB27,513(US\$4,250), respectively. As of February 28, 2021, there was RMB19,675(US\$3,040) in total unrecognized compensation cost related to non-vested share options, which is expected to be recognized over a weighted-average period of 2.78 years.

11. INCOME TAXES

Income tax expenses consist of the following:

	For the year ended			
	February 28, 2019	February 29, 2020	February 28, 2021	
	RMB	RMB	RMB	USD
Current income tax expense:				
PRC	16,450	16,865	8,030	1,241
Deferred income tax expense:				
PRC	(6,334)	(12,676)	(3,270)	(506)
Total income tax expense	10,116	4,189	4,760	735

Cayman Islands

Four Seasons Education (Cayman) Inc. is incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, Four Seasons Education (Cayman) Inc. is not subject to income or capital gains taxes. In addition, dividend payments are not subject to withholdings tax in the Cayman Islands.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, the Group's subsidiary, Four Seasons Education (Hong Kong) Limited, which domiciled in Hong Kong, has introduced a two-tiered profits tax rate regime which is applicable to any year of assessment commencing on or after April 1, 2018. The profits tax rate for the first HK dollar 2,000 of profits of corporations will be lowered to 8.25%, while profits above that amount will continue to be subject to the tax rate of 16.5%. Additionally, payments of dividends by the subsidiary incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax. No provision for Hong Kong Profits tax has been made in the consolidated financial statements as it has no assessable income for the years ended February 28, 2019, February 29, 2020 and February 28, 2021.

PRC

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law"), the Group's subsidiaries and VIEs incorporated in the PRC are subject to statutory rate of 25% with the following exceptions.

According to the approval obtained from Tax Bureau during the year ended February 29, 2020, Shanghai Fuxi applied and was qualified as "Software Enterprise" and therefore it was entitled to the exemption from EIT for calendar year 2018. As a result, previously accrued income tax expenses of RMB6,118 were reversed in the year ended February 29, 2020. The statutory income tax rate of 25% was applied by Shanghai Fuxi from calendar year 2019. Certain entities within the Group are qualified as small low-profit enterprises. In accordance with Cai Shui [2019] No.13, the portion of annual taxable income amount of a small low-profit enterprises which does not exceed RMB1 million shall be computed at a reduced rate 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20% tax rate.

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:

	As of		
	February 29, 2020	February 28, 2021	
	RMB	RMB	USD
Deferred tax assets:			
Net operating loss carry-forward	3,578	4,440	686
Advertising expenses	2,982	3,019	466
Rental	2,744	2,701	417
Accrued expenses	6,748	12,048	1,861
Property and equipment, net	213	102	16
Allowance for doubtful accounts	244	244	38
Less: valuation allowance	(3,064)	(6,301)	(973)
Total deferred tax assets	13,445	16,253	2,511
Deferred tax liabilities:			
Intangible assets	2,136	1,673	258
Total deferred tax liabilities	2,136	1,673	258

The Group considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will more likely than not be realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carryforward periods, the Group's experience with tax attributes expiring unused and tax planning alternatives. Valuation allowances have been established for deferred tax assets based on a more likely than not threshold. The Group's ability to realize deferred tax assets depends on its ability to generate sufficient taxable income within the carryforward periods provided for in the tax law. Movement of the valuation allowance is as follows:

	As of		
	February 29, 2020	February 28, 2021	
	RMB	RMB	USD
Balance at the beginning of the year	(1,599)	(3,064)	(473)
Provided	(1,465)	(3,733)	(577)
Written off	—	496	77
Balance at the end of the year	(3,064)	(6,301)	(973)

As of February 28, 2021 tax loss carry-forward amounted to RMB40,312(US\$6,228), and would expire from calendar year 2022 to 2026, respectively. The Group does not file consolidated tax returns, therefore, losses from individual subsidiaries or the VIE may not be used to offset other subsidiaries' or VIE's earnings within the Group. Valuation allowance is considered on each individual subsidiary and VIE basis. A valuation allowance of RMB6,301(US\$973) had been established as of February 28, 2021, 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.

Uncertainties exist with respect to how the current income tax law in the PRC applies to the Group's overall operations, and more specifically, with regard to tax residency status. The EIT Law includes a provision specifying that legal entities organized outside of the PRC will be considered residents for Chinese Income tax purposes if the place of effective management or control is within the PRC. The implementation rules to the EIT Law provide that non-resident legal entities will be considered PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting and properties, occurs within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Group does not believe that the legal entities organized outside of the PRC within the Group should be treated as residents for EIT law purposes. If the PRC tax authorities subsequently determine that the Company and its subsidiaries registered outside the PRC should be deemed resident enterprises, the Company and its subsidiaries registered outside the PRC will be subject to the PRC income taxes, at a statutory income tax rate of 25%. The Group is not subject to any other uncertain tax position.

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 RMB0.1 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.

Aggregate undistributed earnings of the Group's PRC subsidiaries and VIE that are available for distribution was RMB115,139 as of February 28, 2019. As of February 29, 2020 and February 28, 2021, the Group's PRC subsidiaries and VIEs are in accumulated loss status.

In accordance with the EIT Law, dividends, which arise from profits of foreign invested enterprises ("FIEs") earned after January 1, 2008, are subject to a 10% withholding income tax. In addition, under tax treaty between the PRC and Hong Kong, if the foreign investor is incorporated in Hong Kong and qualifies as the beneficial owner, the applicable withholding tax rate is reduced to 5%, if the investor holds at least 25% in the FIE, or 10%, if the investor holds less than 25% in the FIE. A deferred tax liability should be recognized for the undistributed profits of PRC subsidiaries unless the Company has sufficient evidence to demonstrate that the undistributed dividends will be reinvested and the remittance of the dividends will be postponed indefinitely. The Group plans to indefinitely reinvest undistributed profits earned from its China subsidiaries in its operations in the PRC. Therefore, no withholding income taxes for undistributed profits of the Group's subsidiaries have been provided as of February 28, 2021.

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 Group completed its feasibility analysis on a method, which the Group will ultimately execute if necessary to repatriate the undistributed earnings of the VIE without significant tax costs. As such, the Group does not accrue deferred tax liabilities on the earnings of the VIE given that the Group will ultimately use the means.

Reconciliations of the differences between PRC statutory income tax rate and the Group's effective income tax rate for the years ended February 28, 2019, February 29, 2020 and February 28, 2021 are as follows:

	For the year ended		
	February 28, 2019	February 29, 2020	February 28, 2021
Statutory income tax rate	25%	25%	25%
Non-deductible expenses	95%	(36%)	(32%)
Effect of preferential tax rate	(32%)	6%	8%
Effect of different tax rate of subsidiary operation in other jurisdiction	23%	2%	(7%)
Effect of valuation allowance	5%	(1%)	(19%)
Effective tax rate	<u>116%</u>	<u>(4%)</u>	<u>(25%)</u>

12. LOSS PER SHARE

Net loss per share was computed by dividing net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding for the years ended February 28, 2019, February 29, 2020 and February 28, 2021:

	For the year ended			
	February 28, 2019	February 29, 2020	February 28, 2021	
	RMB	RMB	RMB	USD
Net loss attributable to ordinary shareholders-basic and diluted	(601)	(109,493)	(28,196)	(4,355)
Weighted average number of ordinary shares outstanding-basic and diluted	24,053,492	23,668,916	23,131,195	23,131,195
Basic and diluted -net loss per share	(0.02)	(4.63)	(1.22)	(0.19)

As of February 28, 2019, February 29, 2020, and February 28, 2021, diluted net loss per share does not include the following instruments as their inclusion would be antidilutive:

	For the year ended		
	February 28, 2019	February 29, 2020	February 28, 2021
Share options	3,400,559	3,490,109	4,090,109

13. 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
Four Seasons Online Education (Cayman) Inc. ("FSOL")	Equity method investee of the Group
Shanghai Fuxi Network Co., Ltd. ("Fuxi Network")	Equity method investee of the Group
Shanghai Jiaxin Travel Agency ("Jiaxin Travel")	Entity controlled by Tian Peiqing, Chairman of the Group
Shanghai Zhendou Technology Co., Ltd. ("Zhendou")	Equity method investee of the Group
Shanghai Jing'an Four Seasons Bridge Club ("Bridge Club")	Equity method investee of the Group
Huangshan Culture Investment Group Co., Ltd. ("Huangshan Culture")	Non-controlling interest shareholder of VIE's subsidiary
Ju Yiming, Liu Wei, Shen Yalin, and Song Ping	Non-controlling interest shareholders of VIE's subsidiaries

The Group entered into the following transactions with its related parties:

	For the year ended			
	February 28	February 29	February 28	
	2019	2020	2021	
	RMB	RMB	RMB	USD
Services provided to related parties				
Fuxi Network	225	3,436	2,476	383
Zhendou	53	—	—	—
Total	<u>278</u>	<u>3,436</u>	<u>2,476</u>	<u>383</u>
Purchases of services provided by related parties				
Fuxi Network	—	1,702	3,525	545
Zhendou	—	—	24	4
Bridge Club	—	—	222	34
Jiaxin Travel	610	—	—	—
Total	<u>610</u>	<u>1,702</u>	<u>3,771</u>	<u>583</u>
Lease expense to Huangshan Culture (1)	—	53	108	17
Total	<u>—</u>	<u>53</u>	<u>108</u>	<u>17</u>

- (1) In September 2019, the Group entered into two lease contracts with Huangshan Culture Investment Group Co., Ltd., non-controlling interest shareholder of Huangshan Four Seasons Research and Learning Education Development Co., Ltd. The Group recognized an operating lease right-of-use asset of RMB258 and RMB189(US\$29), and operating lease liability of RMB207 and RMB141(US\$22) as of February 29, 2020 and February 28, 2021, respectively. The operating lease expenses was RMB53 and RMB108(US\$17) for the year ended February 29, 2020 and February 28, 2021, respectively.

The following tables present amounts due from and to related parties as of February 29, 2020 and February 28, 2021:

	As of February 29 or 28,		
	2020	2021	
	RMB	RMB	USD
Amounts due to related parties			
Non-controlling interest shareholders of VIE's subsidiaries (1)	1,290	1,390	215
Others	33	105	16
Total	<u>1,323</u>	<u>1,495</u>	<u>231</u>

- (1) The amount represents the loan borrowed from non-controlling interest shareholders, which were non-interest bearing, unsecured, and due on demand.

14. LEASES

The Group's operating leases mainly related to offices and learning centers in the PRC. As of February 29, 2020 and February 28, 2021, the Group had no leases were classified as a financing lease. Total operating lease expenses for the years ended February 29, 2020 and February 28, 2021 were RMB67,465 and RMB56,081(US\$8,664), respectively, and was recorded in cost of revenues or operating expenses on the consolidated statements of operations. The short term lease expenses for the years ended February 29, 2020 and February 28, 2021 were RMB515 and RMB708(US\$109), respectively and was recorded in the consolidated statements of operations. Cash payments against operating lease liabilities were RMB60,206 and RMB59,547(US\$9,199) for the years ended February 29, 2020 and February 28, 2021, respectively. Right-of-use assets obtained in exchange for the operating lease liabilities in non-cash transactions for February 29, 2020 and February 28, 2021 were RMB16,412 and RMB51,434(US\$7,946). As of February 28, 2021, the Group did not have additional operating leases that have not yet commenced.

Weighted-average remaining lease terms and discount rates are as follows:

	As of February 29 or 28,	
	2020	2021
Weighted average remaining lease term (years)	4.5	3.6
Weighted average discount rate	5.5%	5.5%

The following is a maturity analysis of the annual undiscounted cash flows for the annual periods ended February 28 or 29:

Year ending of February 28 or 29:	RMB	USD
2022	55,525	8,578
2023	48,431	7,482
2024	26,442	4,085
2025	15,115	2,335
2026	10,529	1,627
Thereafter	8,339	1,288
Total minimum lease payments	164,381	25,395
Less: amount representing interest	(19,564)	(3,022)
Present value of minimum lease payments	144,817	22,373

15. COMMITMENTS AND CONTINGENCIES

Funding Commitments

The Group entered into an agreement with East China Normal University Education Development Foundation (“Fund”) in 2016 to provide a funding commitment of RMB100,000 to set up a special fund for mathematics education studies purpose. The funding is to be provided in five tranches in a five-year period. The Group recognizes the funding commitment as marketing expenses on a straight-line basis over the five years and the amount accrued as of February 28, 2021 was RMB45,000(US\$6,952).The first, second and third tranches of RMB10,000, RMB15,000 and RMB20,000 were paid in April, December 2017 and April 2019, respectively. The Group paid the fourth tranche of RMB10,000 in March, 2021, and the remaining of RMB45,000 has not been settled as of the date of this annual report.

Contingencies regarding lack of certain required permits and licenses

Certain learning centers do not possess required fire permits, educational permits or business licenses. The Group is in the process of obtaining the required permits and licenses, and do not believe any fines or penalties due to such noncompliance is probable as of February 28, 2021, neither can the amount or range of potential unfavorable outcomes be reasonably estimated.

16. SEGMENT INFORMATION

The Group's chief operating decision maker, comprised of the Chairman and CEO, review the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. The Group does not distinguish among markets or segments for the purpose of internal reports.

All of the Group's revenue for the years ended February 28, 2019, February 29, 2020 and February 28, 2021 were generated from the PRC. As of February 29, 2020 and February 28, 2021, substantially all of the long-lived assets of the Group are located in the PRC, and no geographical information is presented.

17. MAINLAND CHINA CONTRIBUTION PLAN

Full time employees of the Group in the PRC participate in a government-mandated defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. The PRC labor regulations require the Group to accrue

for these benefits based on certain percentages of the employees' salaries. The total contributions for such employee benefits were RMB16,799, RMB18,823 and RMB12,148(US\$1,877) for the years ended February 28, 2019, February 29, 2020, and February 28, 2021 respectively. The Company enjoyed temporary exemption from mandated defined contribution plan in fiscal year 2021 of RMB4,213(US\$651) due to COVID-19.

18. RESTRICTED NET ASSETS

As a result of the 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. Amounts restricted include paid-in capital, additional paid-in capital and the statutory reserves of the Company's PRC subsidiaries, affiliates and VIE. As of February 28, 2019, February 29, 2020 and February 28, 2021, the total of restricted net assets were RMB81,539, RMB92,363 and RMB101,402 (US\$15,665), respectively.

19. SUBSEQUENT EVENT

The Group entered into an agreement with FSOL, pursuant to which FSOL would transfer its online education service operations to the Group in May 2021 for no consideration.

List of major subsidiaries, VIEs and principal affiliated entities held by VIEs of the Registrant

<u>Subsidiaries</u>	<u>Place of Incorporation</u>
Four Seasons Education (Hong Kong) Limited	Hong Kong
Shanghai Fuxi Information Technology Service Co., Ltd.	PRC
<u>Variable interest entities</u>	<u>Place of Incorporation</u>
Shanghai Four Seasons Education and Training Co., Ltd.	PRC
<u>VIEs' subsidiaries</u>	<u>Place of Incorporation</u>
Shanghai Tongfang Technology Further Education School	PRC
Taicang Four Seasons Education and Training Center	PRC
Four Seasons Class Training Co., Ltd.	PRC
Shanghai Shane English Training School	PRC
Shanghai Saxon English School	PRC
Shanghai Jing'an Modern Art Culture Education School	PRC
Nanchang Honggutan New Area Four Seasons Training School	PRC
Changzhou Fuxi Education Technology Co., Ltd.	PRC
Shanghai Jing'an Yuancheng Education and Training Center	PRC
Shenzhen Four Seasons Education and Training Co., Ltd.	PRC
Zhuji Four Seasons Training Center Co., Ltd.	PRC
Shanghai Huangpu Fantasy Further Education School	PRC
Chongqing Jingzhan Math Training Center Co., Ltd.	PRC
Changzhou Tianning Four Seasons Training Center Co., Ltd.	PRC
Fuzhou Cangshan Four Seasons Training Center Co., Ltd.	PRC
Wuxi Four Seasons Education and Training Center Co., Ltd.	PRC
Shanghai Huashi Dongfang Digital Publishing Co., Ltd.	PRC
Tongling Zhengyang Four Seasons Education Management Co., Ltd.	PRC
Shanghai Jiahe International Travel Service Co., Ltd.	PRC
Bengbu Economic Development Zone Four Seasons Education Training School Co., Ltd.	PRC
Nanchang High-tech Industrial Development Zone Four Seasons Extracurricular Training School Co., Ltd.	PRC

**Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Yi Zuo, certify that:

1. I have reviewed this annual report on Form 20-F of Four Seasons Education (Cayman) Inc. (the "Company");
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: July 2, 2021

By: /s/ Yi Zuo

Name: Yi Zuo

Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Xun Wang, certify that:

1. I have reviewed this annual report on Form 20-F of Four Seasons Education (Cayman) Inc. (the "Company");
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: July 2, 2021

By: /s/ Xun Wang

Name: Xun Wang

Title: Vice President of Finance

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of Four Seasons Education (Cayman) Inc. (the "Company") on Form 20-F for the year ended February 28, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yi Zuo, Director and 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: July 2, 2021

By: /s/ Yi Zuo

Name: Yi Zuo

Title: 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 Four Seasons Education (Cayman) Inc. (the "Company") on Form 20-F for the year ended February 28, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Xun Wang, Vice President of Finance 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: July 2, 2021

By: /s/ Xun Wang

Name: Xun Wang

Title: Vice President of Finance

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement No. 333-224308 on Form S-8 of our report dated July 2, 2021, relating to the financial statements of Four Seasons Education (Cayman) Inc., appearing in this Annual Report on Form 20-F for the year ended February 28, 2021.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, China

July 2, 2021

Four Seasons Education (Cayman) Inc.
36th Floor, BM Tower
218 Wusong Road, Hongkou District
Shanghai 200080
People's Republic of China

2 July 2021

Dear Sir

Four Seasons Education (Cayman) Inc.

We have acted as legal advisers as to the laws of the Cayman Islands to Four Seasons Education (Cayman) Inc., an exempted limited liability company incorporated in the Cayman Islands (the "**Company**"), in connection with the filing by the Company with the United States Securities and Exchange Commission (the "**SEC**") of an annual report on Form 20-F for the year ended 28 February 2021 ("**Form 20-F**").

We hereby consent to the reference of our name under the heading "Item 10. Additional Information – E. Taxation – Cayman Islands Taxation" in the Form 20-F.

Yours faithfully

/s/ Maples and Calder (Hong Kong) LLP

Maples and Calder (Hong Kong) LLP

July 2, 2021
Four Seasons Education (Cayman) Inc.
36th Floor, BM Tower
218 Wusong Road, Hongkou District
Shanghai 200080
People's Republic of China

Dear Sirs,

We consent to the reference to our firm in Four Seasons Education (Cayman) Inc.'s Annual Report on Form 20-F for the year ended February 28, 2021, which will be filed with the Securities and Exchange Commission (the "SEC") in July 2021. We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report on Form 20-F for the year ended February 28, 2021.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the U.S. Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ Fangda Partners
Fangda Partners