

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

**FORM 20-F**

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES ACT OF 1934  
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended August 31, 2019  
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report . . . . .

Commission file number: 001-38077

**Bright Scholar Education Holdings Limited**

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

**Cayman Islands**

(Jurisdiction of incorporation)

**No.1, Country Garden Road  
Beijiao Town, Shunde District, Foshan, Guangdong 528300  
The People's Republic of China**

(Address of principal executive offices)

**Ms. Dongmei Li, Chief Financial Officer  
No.1, Country Garden Road  
Beijiao Town, Shunde District, Foshan, Guangdong 528300  
The People's Republic of China  
Telephone: +86-757-6683-2007  
Facsimile: +86-757-2360-2220  
E-mail: lidongmei@brightscholar.com**

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

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

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

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

None

(Title of Class)

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

**None**  
(Title of Class)

---

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

Class A ordinary shares, par value US\$0.00001 each	26,859,136
Class B ordinary shares, par value US\$0.00001 each	93,690,000

---

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

Yes  No

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

Yes  No

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

Yes  No

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

Yes  No

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

Large accelerated filer:

Accelerated filer:

Non-accelerated filer:

Emerging growth company:

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

† 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.

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

---

**TABLE OF CONTENTS**

<a href="#">INTRODUCTION</a>	1
<a href="#">MARKET AND INDUSTRY DATA</a>	4
<a href="#">PART I</a>	4
<a href="#">ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</a>	4
<a href="#">ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</a>	4
<a href="#">ITEM 3. KEY INFORMATION</a>	4
<a href="#">ITEM 4. INFORMATION ON THE COMPANY</a>	64
<a href="#">ITEM 4A. UNRESOLVED STAFF COMMENTS</a>	110
<a href="#">ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</a>	110
<a href="#">ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</a>	148
<a href="#">ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</a>	161
<a href="#">ITEM 8. FINANCIAL INFORMATION</a>	165
<a href="#">ITEM 9. THE OFFER AND LISTING</a>	166
<a href="#">ITEM 10. ADDITIONAL INFORMATION</a>	167
<a href="#">ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</a>	177
<a href="#">ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</a>	178
<a href="#">PART II</a>	181
<a href="#">ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</a>	181
<a href="#">ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</a>	181
<a href="#">ITEM 15. CONTROLS AND PROCEDURES</a>	182
<a href="#">ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT</a>	183
<a href="#">ITEM 16B. CODE OF ETHICS</a>	184
<a href="#">ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES</a>	184
<a href="#">ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</a>	184
<a href="#">ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</a>	185
<a href="#">ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</a>	186
<a href="#">ITEM 16G. CORPORATE GOVERNANCE</a>	186
<a href="#">ITEM 16H. MINE SAFETY DISCLOSURE</a>	186
<a href="#">PART III</a>	187
<a href="#">ITEM 17. FINANCIAL STATEMENTS</a>	187
<a href="#">ITEM 18. FINANCIAL STATEMENTS</a>	187
<a href="#">ITEM 19. EXHIBITS</a>	187

---

## INTRODUCTION

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

- “ADSs” refers to American depositary shares, each of which represents one Class A ordinary share;
- “Advanced Placement” or “AP” refers to a program in the United States and Canada created by the U.S. College Board which offers college-level curricula and examinations to high school students;
- “A-Level” or “A Levels” refers to the General Certificate of Education (Advanced Level) Examination, a subject-based qualification conferred as part of the General Certificate of Education, as well as a school leaving qualification offered by the educational bodies in the United Kingdom and the educational authorities of British Crown dependencies to students completing secondary or pre-university education;
- “BGY Education Investment” refers to BGY Education Investment Management Co., Ltd., our affiliated entity that controls and holds our schools in China, through certain contractual arrangements;
- “Bright Scholar Holdings” refers to Bright Scholar Education Holdings Limited;
- “CAGR” refers to compound annual growth rate;
- “China” or “PRC” refers to the People’s Republic of China, excluding, for the purpose of this annual report only, Taiwan and the special administrative regions of Hong Kong and Macau;
- “Country Garden” refers to Country Garden Holdings Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 2007), a related party, and its subsidiaries;
- “Diploma Program” refers to the International Baccalaureate Diploma Program, a two-year educational program administered by the International Baccalaureate headquartered in Geneva, Switzerland, providing an internationally accepted qualification for entry into higher education, which is generally recognized in all major English-speaking countries;

- “fiscal year” refers to the period from September 1 of the previous calendar year to August 31 of the concerned calendar year;
- “IB” or “IB Organization” refers to International Baccalaureate, an international educational foundation headquartered in Geneva, Switzerland, which offers four educational programs: the IB Diploma Program and the IB Career-related Program for students aged 16 to 19, the IB Middle Years Program for students aged 11 to 16, and the IB Primary Years Program for children aged three to 12, generally recognized in all major English-speaking countries;
- “IGCSE” refers to the International General Certificate of Secondary Education, an English language curriculum developed by the University of Cambridge International Examinations and offered to students to prepare them for the International Baccalaureate, A Level and BTEC Level 3 which is recommended for higher-tier students;
- “learning centers” refer to entities providing after-school education training services, including English proficiency training and extracurricular programs;
- “ordinary shares” or “shares” refers to our Class A and Class B ordinary shares of par value US\$0.00001 per share;
- “RMB” or “Renminbi” refers to the legal currency of China;
- “school” refers to each of our international schools, bilingual schools, overseas schools and kindergartens, unless otherwise specified;
- “school year” refers to the annual period of instruction at each school respectively, which customarily runs from September of the previous calendar year to July of the concerned calendar year;
- “SEC” refers to the Securities and Exchange Commission of the United States;
- “top local high schools” refers to a group of public high schools that are designated as top local high schools during each high school application period by the local educational authorities in cities in which our bilingual schools are located. Such schools are granted early admission privilege by which they enjoy first priority to admit student applicants with excellent academic performances based on their score rankings in Zhongkao, the high school entrance examinations administered in China;

- “US\$,” “U.S. dollars,” “\$” and “dollars” refers to the legal currency of the United States of America;
- “we,” “us,” “our,” and “our company” refers to Bright Scholar Education Holdings Limited, its subsidiaries and its affiliated entities; and
- “Zhuhai Bright Scholar” refers to Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd., our wholly-owned subsidiary in China.

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

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

This annual report on Form 20-F includes our audited combined and consolidated financial statements for the 2017, 2018 and 2019 fiscal years.

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

This annual report contains translations of certain Renminbi amounts into U.S. dollars at specified rates. Unless otherwise stated, the translation of Renminbi into U.S. dollars has been made at RMB7.1543 to US\$1.00, the noon buying rate in effect on August 30, 2019 as set forth in the H.10 Statistical Release of the Federal Reserve Board. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes controls over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. On December 13, 2019, the noon buying rate was RMB6.9925 to US\$1.00.

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

## MARKET AND INDUSTRY DATA

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

### PART I

#### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

#### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

#### ITEM 3. KEY INFORMATION

##### A. *Selected Financial Data*

We have derived our selected combined and consolidated statement of comprehensive income data for the 2017, 2018 and 2019 fiscal years, and our selected consolidated balance sheet data as of August 31, 2018 and 2019, from our audited combined and consolidated financial statements included in this annual report. Our selected combined statement of comprehensive income data for the fiscal years of 2015 and 2016 and our selected combined and consolidated balance sheet data as of August 31, 2015, 2016 and 2017 have been derived from our audited combined and consolidated financial statements not included in this annual report. Our financial statements have been prepared in accordance with U.S. GAAP.

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

	Year Ended August 31,					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US\$
(in thousands, except for share and per share data)						
<b>Summary Combined and Consolidated</b>						
<b>Income (Loss) Data:</b>						
Revenue	745,850	1,040,329	1,328,367	1,718,871	2,563,005	358,247
Cost of revenue	(655,597)	(736,205)	(860,330)	(1,090,595)	(1,586,014)	(221,687)
<b>Gross profit</b>	<b>90,253</b>	<b>304,124</b>	<b>468,037</b>	<b>628,276</b>	<b>976,991</b>	<b>136,560</b>
Selling, general and administrative expenses	(166,084)	(290,098)	(261,972)	(368,141)	(691,900)	(96,711)
Other operating income	5,249	4,283	8,874	12,027	15,435	2,157
<b>Operating (loss)/income</b>	<b>(70,582)</b>	<b>18,309</b>	<b>214,939</b>	<b>272,162</b>	<b>300,526</b>	<b>42,006</b>
Interest income, net	1,808	2,148	4,901	27,297	24,254	3,390
Investment income	—	805	13,718	21,669	17,414	2,434
Other expenses	(455)	(457)	(779)	(4,803)	(8,617)	(1,204)
<b>(Loss)/income before income taxes and share of equity in income of unconsolidated affiliates</b>	<b>(69,229)</b>	<b>20,805</b>	<b>232,779</b>	<b>316,325</b>	<b>333,577</b>	<b>46,626</b>
Income tax benefit/(expense)	29,317	(17,889)	(40,970)	(67,382)	(80,580)	(11,263)
Share of equity in income of unconsolidated affiliates	—	—	—	(40)	(239)	(33)
<b>Net (loss)/income</b>	<b>(39,912)</b>	<b>2,916</b>	<b>191,809</b>	<b>248,903</b>	<b>252,758</b>	<b>35,330</b>
Net income attributable to non-controlling interests	166	39,290	19,759	1,934	11,659	1,630
Net (loss)/income attributable to ordinary shareholders	(40,078)	(36,374)	172,050	246,969	241,099	33,700
Net (loss)/earnings per share attributable to ordinary shareholders						
Basic	(0.43)	(0.38)	1.64	2.02	1.97	0.28
Diluted	(0.43)	(0.38)	1.64	2.02	1.97	0.28
Weighted average shares used in calculating net loss per ordinary share:						
Basic	92,590,000	96,983,360	104,839,041	122,088,201	122,322,894	122,322,894
Diluted	92,590,000	96,983,360	104,839,041	122,186,796	122,430,457	122,430,457



	As of August 31,					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US\$
(in thousands)						
<b>Summary Combined and Consolidated</b>						
<b>Balance Sheet Data</b>						
Cash and cash equivalents	240,684	356,018	1,883,000	3,153,852	3,246,995	453,852
Restricted Cash	3,564	6,433	13,662	10,229	18,019	2,519
Total assets	1,093,196	1,239,232	2,686,632	4,666,481	7,787,637	1,088,525
Total equity	(38,955)	161,561	1,419,458	3,011,599	3,083,268	430,967
Current liabilities	1,074,601	1,011,849	1,202,074	1,625,344	2,512,290	351,159
Total liabilities	1,132,151	1,077,671	1,267,174	1,654,882	4,704,369	657,558

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

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

## Risks Related to Our Business

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

We have grown rapidly in the past few years, expanding our school network from 29 schools as of September 1, 2013 to 88 schools as of the date of this annual report. We intend to enroll students, recruit teachers and educational staff, increase the utilization rates of our existing and new schools and invest in overseas and complementary businesses. However, we may not be able to continue to grow as rapidly as we did in the past due to uncertainties involved in the process, for example:

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

- we may be unable to successfully build our brand name and launch schools independent of Country Garden; and
- we may be unable to successfully execute new growth strategies.

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

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

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

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

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

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

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

As of the date of this annual report, we have 80 schools in China, among which four are for-profit schools, three are non-profit private schools, and the remaining ones have not elected to register as either for-profit or non-profit schools. The election to register as for-profit or non-profit schools depends on the legislative status of the implementing regulations by competent government authorities in the various provinces where we operate. In the provinces where the implementation regulations have specified deadlines and provided grace periods for sponsors to elect to register private schools as for-profit or non-profit schools, we are still within such grace periods. For example, for our schools located in Hunan province, we shall be submitting our applications in batches aiming to complete the required election by August 2020. For our schools located in Hubei and Sichuan provinces, we do not have to make such elections until September 2020. For our schools located in Jiangsu province, we do not have to make such elections until December 2022. For our schools located in Hebei and Shandong provinces, we do not have to make such elections until September 2022. The date of election can be postponed to a later date in some of the provinces we operate, such as Jiangsu province, if so approved by the local authorities. However, for provinces that have not promulgated implementing regulations that include deadlines or procedures for making the election, it is unclear when or how we must make the election. To the extent that we have to register certain of our schools in China as non-profit schools pursuant to the implementing regulations, our ability to generate revenue from these schools in the form of service fees could be adversely affected.

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

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

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

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

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

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

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

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

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

According to the Amended Law, which became effective on September 1, 2017, private schools for after-school tutoring can be established as for-profit private schools at the election of the school sponsors. The Amended Law also deleted the provision which stipulates that measures for administration of profit-making privately-run training institutions registered with the administrative department for industry and commerce shall be separately formulated by the State Council. According to The Rules for the Implementation of Supervision and Management of For-profit Private Schools, jointly issued by the Ministry of Education, the Ministry of Human Resources and Social Security and the State Administration for Industry and Commerce, which came into force on December 30, 2016, for-profit private tutoring institutions shall be in compliance with the regulations applicable to private schools. On February 13, 2018, the General Offices of the Ministry of Education and three other ministries in China jointly issued the Notice to Launch Special Campaign towards After-school Tutoring Institutions on Practically Reducing Burdens for Primary and Middle School Students, which requires after-school tutoring institutions with satisfactory conditions to obtain school operation licenses and other permits. Further, on August 22, 2018, the State Council issued the Opinion on Supervising After-School Tutoring Institutions (the “Opinions 80”), which provides detailed guidance for these after-school tutoring institutions. Therefore, we expect that the Amended Law, accompanied with its relevant implementation rules and regulations as well as other administrative actions, will bring significant changes to our compliance environment and a certain number of our entities, through which we operate our existing learning centers, may be required to obtain new licenses and permits or update their existing ones.

As of the date of this annual report, nine out of 21 of our learning centers in China currently in operation do not possess the operating permits or business licenses required by the regulatory changes discussed above. Although the implementing rules for the Amended Law or the relevant local regulations have not been published to the public, we are in the process of preparing filings and applying for permits for these learning centers in accordance with the Opinions 80 and relevant PRC laws and regulations but do not expect to complete all such filings and obtain all such permits in the near term. If we fail to obtain such required permits and licenses, we may be subject to fines or confiscation of profits derived from noncompliant operations and we may be unable to continue the operations at our noncompliant learning centers, which could materially and adversely affect our business and results of operations.

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

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

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



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

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

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

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

- implementing integration process and management systems to ensure management philosophies, group-wide strategies and evaluation benchmarks can be effectively carried out at each acquired school and business;
- demonstrating to students of our acquired schools that the acquisitions will not result in adverse changes in the service quality and business focus;
- retaining local existing managerial and operational teams and qualified education professionals of our acquired schools and businesses;
- integrating and streamlining different system infrastructure and data management systems;
- integrating financial reporting systems, the failure of which could cause a delay in, or impact the reliability of, our financial statements;
- maintaining adequate internal control over financial reporting and preventing failed or delayed integration of these acquired businesses into our internal control over financial reporting;

- preserving strategic, marketing or other important relationships of the acquired schools;
- obtaining requisite pre-acquisition and post-acquisition regulatory approvals in countries and jurisdictions in which our target schools and businesses are located in a timely manner or at all; and
- competing with multinational education companies.

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

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

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

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

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

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

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

As of the date of this annual report, we have a network of 80 schools in China and eight overseas schools in the United Kingdom and the United States, 30 of which, including four international schools, seven bilingual schools and 19 kindergartens, are in the ramp-up period which typically follows within the first five fiscal years upon the launch of a new school. Certain of our schools currently in the ramp-up period are operating at a loss. We have dedicated significant resources to expanding our international school business in China. As of the date of this annual report, we have seven international schools in China, among which we have three schools that have been in operation for more than five years as of the date of this annual report, four that were profitable for the 2017 fiscal year, five that were profitable for the 2018 fiscal year and all were profitable for the 2019 fiscal year. We cannot assure you that we will be able to continue to attract a sufficient number of students to enroll in these schools, recruit additional qualified teachers and educational staff to meet the demands of the increased student enrollment or otherwise expand our operations at schools in a manner that ensures a consistently high quality of education service. For example, our three newly launched kindergartens, eight newly acquired kindergartens, one newly acquired international school and six newly acquired overseas schools in the 2019 fiscal year contributed an increase of 4,866 out of a total increase of 10,059 in student enrollment in the 2019 fiscal year.

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

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

As of the date of this annual report, 44 of our 88 schools are located in Guangdong province, China. Our schools in Guangdong province in aggregate generated 67.6% and 53.8% of our total revenues in the 2018 and 2019 fiscal years, respectively. Our flagship school, Guangdong Country Garden School, alone generated approximately 20.8% and 16.4% of our total revenues in the 2018 and 2019 fiscal years, respectively. We have historically benefited from the rapid economic development of this region. The concentration of our business in Guangdong province, however, exposes us to geographical concentration risks related to this region or the schools located in this region. Any material adverse social, economic or political development or any natural disaster or epidemic affecting this region could negatively affect the disposable income of the families of our current and prospective students and their demand for private education. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

Furthermore, the tuition we are able to charge is subject to a number of other factors, such as the perception of our brand, the academic results achieved by our students, our ability to hire qualified teachers, and general local economic conditions. Any significant deterioration in these factors could have a material adverse effect on our ability to charge tuition at levels sufficient for us to remain profitable.

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

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

As of August 31, 2019, substantially all of our schools in China, other than those that did not operate on Country Garden properties, had entered into a three-year school operation agreement with Country Garden. We are in the process of arranging the execution of such school operation agreements with Country Garden for our schools in China established after August 31, 2019. Under these agreements, Country Garden provides the premises and facilities for our schools, while we are responsible for school operation and management. We may also offer preferential placement and favorable tuition rates to Country Garden homeowners. In the 2019 fiscal year, the aggregate amount of tuition discounts was equal to 5.4% of total revenues from our schools in China. If a higher proportion of our students are from families of Country Garden homeowners in the future, the aggregate amount of tuition discounts may increase as a percentage of our revenue. We only recognize the tuition that we actually receive as revenue. However, we cannot assure you that we will be able to renegotiate the contract terms that are commercially acceptable to us with Country Garden when the existing agreements expire. As a result, we may be required by Country Garden to pay fees such as rent to use Country Garden's school premises and facilities or relocate the affected operations to new locations outside of Country Garden's school premises and facilities or residential communities, which would require us to pay higher fees for or even purchase the school facilities, and may significantly increase our marketing expenses to attract students from families residing outside Country Garden's residential communities. Our profitability may decrease if we are unable to pass on the increased costs and expenses to our students by raising tuition without compromising our ability to retain students.

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



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

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

Guangdong Country Garden School is located on a parcel of land of approximately 172,240 square meters, leased pursuant to a 70-year lease agreement, effective since 1994, signed between Guangdong Country Garden School and the local village cooperative. This long-term lease agreement has been registered on the rural collective asset management platform in accordance with the local administrative rules. However, PRC law requires that land parcels be classified according to their specific use type. Although the parcel on which Guangdong Country Garden School is located and which was classified for agricultural use has been converted by the relevant government authorities from agricultural use into a piece of land for construction purpose and upon which the construction and operation of a school can be carried out, we are still unable to obtain the relevant land planning approval, construction planning approval, construction approval, inspection for completion of construction, fire control assessment and title certificates because such formalities for conversion cannot be rectified retrospectively. As a result, we may be subject to fines and may be required to vacate if the facilities are found to fall below the statutory standard for construction. Further, the relevant local authorities could prevent us from continuing to use the land for failing to fulfill the aforesaid formalities and we could be required to give up our school facilities. As of the date of this annual report, we are not aware of any government investigations related to our school facilities. However, if our school facilities are found to fall below the relevant statutory standards, we could be required to relocate Guangdong Country Garden School. Guangdong Country Garden School is our flagship school and alone generated 20.8% and 16.4% of our total revenues in the 2018 and 2019 fiscal years, respectively. We cannot assure you that suitable alternative locations are readily available on commercially reasonable terms or at all, and if we are unable to relocate our operations in a timely manner, our operations will be severely interrupted, which may materially and adversely affect our business, result of operations and financial condition.

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

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

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

On December 29, 2016, the State Council issued the Several Opinions of the State Council on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education, or the State Council Opinions. The State Council Opinions emphasize enhancing the leadership of the Chinese Communist Party, or the CCP, over private schools and, in particular, furthering the theoretical system of Socialism with Chinese Characteristics by introducing such system into textbooks and teaching programs.

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

It is not entirely clear under current PRC laws what penalties we may be subject to for non-compliant curriculum and textbook practice. The local education authorities have the right to prevent us from offering the non-government-mandated coursework or using the textbooks that have not been approved or permitted. As of the date of this annual report, we are not aware of any government investigation of our curriculum or textbook practices. We cannot guarantee, however, that more stringent rules regulating curriculum and textbook will not be promulgated following the implementation of the Opinion on Deepening the Reform on June 23, 2019. Neither can we assure you that enhancing the leadership of the CCP over private schools according to the State Council Opinions will not lead to more stringent administrative orders on or any penalty against our current practice. We may be ordered by the government to rectify our current practices, which may include ceasing to provide courses that are not government-mandated, if a subsequent government investigation concludes that our practices are not fully compliant with the laws. If regulatory authorities challenge our curriculum or textbook practices, our business, results of operations and financial condition may be materially and adversely affected.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Our business is subject to the risks of international operations.***

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

We maintain records that include personal data, such as academic and medical records, address and family information. If the security measures we use to protect personal data are ineffective due to a system failure or other reasons, we could be liable for claims of invasion of privacy, impersonation, unauthorized purchases or other claims. In addition, we could be held liable for the misuse of personal data, fraudulent or otherwise, by our employees, independent consultants or third-party contractors.

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

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

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

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

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

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

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

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

We granted share options to purchase a total of 3,557,138 Class A ordinary shares to certain school principals and management team members pursuant to our 2017 Share Incentive Plan (the “2017 Plan”) from 2017 to 2019. We may grant additional share options under the 2017 Plan in the future. We are required to account for share-based compensation in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation, which generally requires a company to recognize, as an expense, the fair value of share options and other equity incentives to employees based on the fair value of equity awards on the date of the grant, with the compensation expense recognized over the period in which the recipient is required to provide service in exchange for the equity award. If we grant options or other equity incentives in the future, we could incur significant compensation charges and our results of operations could be adversely affected.

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

Prior to our initial public offering, we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. Our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. In the 2019 fiscal year, we and our independent registered public accounting firm identified one significant deficiency, together with other control deficiencies not identified as significant. The significant deficiency identified relates to lack of comprehensive documentation on assessment on transition and implementation of new accounting standards/pronouncements. In recent years, we have expanded rapidly through acquisitions in China and overseas. For the fiscal year 2019, we have excluded the businesses acquired during the year from our assessment of the effectiveness of internal control over financial reporting as of August 31, 2019. We have implemented and are continuing to implement a number of measures to (1) address our historical material weaknesses, significant deficiency and other control deficiencies not identified as significant, (2) the current significant deficiency and other control deficiencies not identified as significant in our internal control over financial reporting as well as (3) integrate operations, system infrastructure, existing partnership and management philosophies of acquired schools and businesses. See “Item 15. Controls and Procedures—Internal Control over Financial Reporting.” We cannot assure you, however, that these measures will fully address the significant deficiency, together with other control deficiencies identified, in our internal control over financial reporting or that we will conclude that they have been fully remedied. Our failure to correct these control deficiencies or our failure to discover and address any other control deficiencies could result in inaccuracies in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. As a result, our business, 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.

Furthermore, it is possible that, had our independent registered public accounting firm conducted an audit of our internal control over financial reporting, such firm might have identified material weaknesses and additional deficiencies. As a public company in the United States, we are subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002 requires that we include a report from management on the effectiveness of our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the 2018 fiscal year. Our management has concluded that our internal control over financial reporting was effective as of August 31, 2019. See “Item 15. Controls and Procedures.” If we fail to maintain effective internal control over financial reporting in the future, our management and our independent registered public accounting firm may conclude that our internal control over financial reporting is not effective. This could adversely impact the market price of our ADSs due to a loss of investor confidence in the reliability of our reporting processes. We will need to incur additional costs and use management and other resources in order to comply with Section 404. In addition, once we cease to be an “emerging growth company” as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, we may identify other weaknesses and deficiencies in our internal control over financial reporting, and we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

### **Risks Related to Our Corporate Structure**

***Our private education service business is subject to extensive regulation in China. 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 private education service business is subject to extensive regulations in China. The PRC government regulates various aspects of our business and operations, such as curriculum content, education materials, standards of school operations, student recruitment activities, tuition and other fees. The laws and regulations applicable to the private 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 retrospectively or prospectively.

Foreign ownership in education services is subject to significant regulations in China. The PRC government regulates the provision of education services through strict licensing requirements. In particular, PRC laws and regulations currently prohibit foreign ownership of companies and institutions providing compulsory education services at primary and middle school levels, and restrict foreign investment in education services businesses at the high school and kindergarten level. We are a company incorporated in the Cayman Islands. Our PRC subsidiary, Zhuhai Bright Scholar, is a foreign-owned enterprise and is currently ineligible to apply for and hold licenses to operate, or otherwise own equity interests in, our schools. Due to these restrictions, we conduct our private education business in China primarily through contractual arrangements among (1) Zhuhai Bright Scholar, (2) our affiliated entities, including BGY Education Investment and the schools controlled and held by it, and (3) the ultimate shareholders of BGY Education Investment, including Ms. Meirong Yang. We hold the required licenses and permits necessary to conduct our private education business in China through the schools controlled and held by BGY Education Investment. We have been and expect to continue to be dependent on our affiliated entities to operate our private education business. See “Item 4. Information on the Company—C. Organizational Structure” for more information.

If our ownership structure and contractual arrangements are found to violate any PRC laws or regulations, or if we are found to be required but failed to obtain any of the permits or approvals for our private education business, the relevant PRC regulatory authorities, including the MOE, which regulates the education industry, the PRC Ministry of Commerce, or MOFCOM, which regulates foreign investments, the Civil Affairs Bureau, which regulates the registration of schools, and SAIC, which regulates the registration of for-profit schools, would have broad discretion in imposing fines or punishments upon us for such violations, including:

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

As of August 31, 2019, similar ownership structure and contractual arrangements have been used by many China-based companies listed overseas, including a number of education companies listed in the United States. To our knowledge, none of the fines or punishments listed above has been imposed on any of these public companies, including companies in the education industry. However, we cannot assure you that such fines or punishments will not be imposed on us or any other companies in the future. If any of the above fines or punishments is imposed on us, our business, financial condition and results of operations could be materially and adversely affected. If any of these penalties results in our inability to direct the activities of BGY Education Investment and our schools and subsidiaries that most significantly impact their economic performance, and/or our failure to receive the economic benefits from BGY Education Investment and our schools and subsidiaries, we may not be able to consolidate BGY Education Investment and our schools and subsidiaries in our financial statements in accordance with U.S. GAAP. However, we do not believe that such actions would result in the liquidation or dissolution of our company, our wholly-owned subsidiaries in China or BGY Education Investment or our schools or subsidiaries.

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

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law (“Foreign Investment Law”), which will come into effect on January 1, 2020 and replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, “foreign investment” refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under PRC Laws. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our business, results of operations or financial position.

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

We have relied and expect to continue to rely on the contractual arrangements with BGY Education Investment and its shareholders, including Ms. Meirong Yang, one of our largest shareholders, to operate our private education business. For a description of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure.” The revenue contribution of our affiliated entities accounted for 82.0% of our total revenues in the 2019 fiscal year. However, these contractual arrangements may not be as effective as direct equity ownership in providing us with control over BGY Education Investment and our schools. Any failure by our affiliated entities, including BGY Education Investment and our schools controlled and held by BGY Education Investment, and the shareholders of BGY Education Investment, to perform their obligations under the contractual arrangements would have a material adverse effect on the financial position and performance of our company. For example, the contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with arbitral procedures as contractually stipulated. The commercial arbitration system in China is not as developed as some other jurisdictions, such as the United States. As a result, uncertainties in the commercial arbitration system or legal system in China could limit our ability to enforce these contractual arrangements. In addition, if the legal structure and the contractual arrangements were found to violate any existing or future PRC laws and regulations, we may be subject to fines or other legal or administrative sanctions.



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

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

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

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

Ms. Meirong Yang is the controlling shareholder and a director of BGY Education Investment. She and Ms. Huiyan Yang are also the largest shareholders of our company. We cannot assure you that Ms. Meirong Yang and Ms. Huiyan Yang will always act in the best interests of our company. In addition, Ms. Meirong Yang owes duties of loyalty and diligence to BGY Education Investment as its director pursuant to PRC law. However, she does not owe a fiduciary duty to our company as she is not an officer or director of our company. We provide no incentives to encourage Ms. Meirong Yang to act in our best interest in her capacity as the shareholder of our affiliated entities. We rely on Ms. Meirong Yang to comply with the terms and conditions of the contractual arrangements. Although Ms. Meirong Yang is obligated to honor her contractual obligations with respect to our affiliated entities, she may nonetheless breach or cause our affiliated entities to breach or refuse to renew the existing contractual arrangements which allow us to effectively exercise control over our affiliated entities and to receive economic benefits from them. If Ms. Meirong Yang does not honor her contractual obligations with respect to our affiliated entities, we may exercise our exclusive option to purchase, or cause our designee to purchase, all or part of the equity interest in BGY Education Investment to the extent permitted by PRC law. If we cannot resolve any disputes between us and the shareholders of BGY Education Investment, we would have to rely on arbitration or legal proceedings, which could result in disruption of our business and substantial uncertainty as to the outcome of any such legal proceedings.

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

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

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

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

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

Under PRC law, legal documents for corporate transactions, including agreements and contracts that our business relies on, are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant PRC industry and commerce authorities.

In order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to authorized employees. Although we monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of one of our subsidiaries or affiliated entities. If any employee obtains, misuses or misappropriates our chops and seals or other controlling intangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations.

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

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

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

- loans by us to our wholly-owned subsidiaries in China, which are foreign-invested enterprises, cannot exceed statutory limits, which is the difference between the total investment amount and the registered capital of our wholly-owned subsidiaries, and must be registered with the State Administration of Foreign Exchange of the PRC, or SAFE, or its local counterparts;

- loans by us to our affiliated entities, which are domestic PRC entities, over a certain threshold must be approved by the relevant government authorities and must also be registered with SAFE or its local counterparts; and
- capital contributions to our wholly-owned subsidiaries in China must be filed with MOFCOM or its local counterparts and must also be registered with the local bank authorized by SAFE.

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

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

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

We expect that PRC laws and regulations may continue to limit our use of proceeds from our initial public offerings and other financing activities or from other financing sources. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our entities in China. If we fail to receive such registrations or approvals, our ability to use the proceeds of our initial public offerings and other financing activities and to capitalize our PRC operations may be hindered, which could adversely affect our liquidity and our ability to fund and expand our business.

### **Risks Related to Doing Business in China**

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

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

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

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

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

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

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions in a civil law system may be cited as reference but have limited precedential value. Since 1979, newly introduced PRC laws and regulations have significantly enhanced the protections of interests related to foreign investments in China. However, since these laws and regulations are relatively new and the PRC legal system continues to evolve rapidly, the interpretations of such laws and regulations may not always be consistent, and enforcement of these laws and regulations involves significant uncertainties, any of which could limit the available legal protections.

In addition, the PRC administrative and judicial authorities have significant discretion in interpreting, implementing or enforcing statutory rules and contractual terms, and it may be more difficult to predict the outcome of administrative and judicial proceedings and the level of legal protection we may enjoy in the PRC than under some more developed legal systems. These uncertainties may affect our decisions on the policies and actions to be taken to comply with PRC laws and regulations, and may affect our ability to enforce our contractual or tort rights. In addition, the regulatory uncertainties may be exploited through unmerited legal actions or threats in an attempt to extract payments or benefits from us. Such uncertainties may therefore increase our operating expenses and costs, and materially and adversely affect our business and results of operations.

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

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

Preferential tax treatments granted to us by local government authorities are subject to review and may be adjusted or revoked at any time in the future. For example, our schools located in Changsha have historically elected not to require reasonable returns, and had enjoyed tax preference policies for enterprise income tax and business tax prior to January 1, 2018. In addition, two of our affiliate entities in Sichuan enjoy preferential enterprise income tax treatments. The discontinuation of any preferential tax treatments currently available to us will cause our effective tax rate to increase, which will increase our income tax expenses and in turn decrease our net income. In addition, we may not be granted preferential tax treatment by the local governments of additional regions into which we may expand. The Amended Law, which became effective on September 1, 2017, no longer uses the term “reasonable return.” Instead, under the Amended Law, sponsors of private schools may elect to register their schools as either non-profit or for-profit, with the exception that private schools in compulsory education must be registered as non-profit private schools. Pursuant to such Amended Law, non-profit private schools will be entitled to the same tax benefits as public schools, but taxation policies for for-profit private schools are still unclear. However, it is unclear how the Amended Law and its potential implementation rules would impact the tax treatment applicable to our schools and whether our schools would enjoy any preferential tax treatment in the future. Any negative development could have a material adverse effect on our business, financial condition and results of operations.

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

The PRC enterprise income tax law and its implementing rules provide that enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” under PRC tax laws. The implementing rules define the term “de facto management bodies” as a management body which substantially manages, or has control over the business, personnel, finance and assets of an enterprise. On April 22, 2009, the State Administration of Taxation issued Circular 82, which provides that a foreign enterprise controlled by a PRC company or a group of PRC companies will be classified as a “resident enterprise” with its “de facto management body” located within China if all of the following requirements are satisfied: (1) the senior management and core management departments in charge of its daily operations function are mainly in China; (2) its financial and human resources decisions are subject to determination or approval by persons or bodies in China; (3) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in China; and (4) at least half of the enterprise’s directors with voting right or senior management reside in China. The State Administration of Taxation issued a bulletin on August 3, 2011 to provide more guidance on the implementation of Circular 82. The bulletin clarifies certain matters relating to resident status determination, post-determination administration and competent tax authorities. Although both the circular and the bulletin only apply to offshore enterprises controlled by PRC enterprises and not those by PRC individuals, the determination criteria set forth in the circular and administration clarification made in the bulletin may reflect the general position of the State Administration of Taxation on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises and the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals.

In addition, the State Administration of Taxation issued a bulletin on January 29, 2014 to provide more guidance on the implementation of Circular 82. This bulletin further provides that, among other things, an entity that is classified as a “resident enterprise” in accordance with the circular shall file the application for classifying its status of resident enterprise with the local tax authorities where its main domestic investors are registered.

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

The change in value of the Renminbi against the U.S. dollar and other currencies is affected by, various factors, such as changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under such policy, the Renminbi was permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Later on, the People's Bank of China has decided to further implement the reform of the RMB exchange regime and to enhance the flexibility of RMB exchange rates. Such changes in policy have resulted in a significant appreciation of the Renminbi against the U.S. dollar since 2005. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant adjustment of the Renminbi against the U.S. dollar.

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

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

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

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

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

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

SAFE has promulgated regulations, including the Notice on Relevant Issues Relating to Foreign Exchange Control on Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles, or Circular 37, effective on July 4, 2014, and its appendices, that require PRC residents, including PRC institutions and individuals, to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in Circular 37 as a "special purpose vehicle." The term "control" under Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Further, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for foreign exchange evasion.

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

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

Pursuant to the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in a Stock Incentive Plan of an Overseas Publicly-Listed Company issued by SAFE on February 15, 2012, or Circular 7, a qualified PRC agent (which could be the PRC subsidiary of the overseas-listed company) is required to file, on behalf of “domestic individuals” (both PRC residents and non-PRC residents who reside in China for a continuous period of not less than one year, excluding the foreign diplomatic personnel and representatives of international organizations) who are granted shares or share options by the overseas-listed company according to its share incentive plan, an application with SAFE to conduct SAFE registration with respect to such share incentive plan, and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the share purchase or share option exercise. Such PRC individuals’ foreign exchange income received from the sale of shares and dividends distributed by the overseas listed company and any other income shall be fully remitted into a collective foreign currency account in China, which is opened and managed by the PRC domestic agent before distribution to such individuals. In addition, such domestic individuals must also retain an overseas entrusted institution to handle matters in connection with their exercise of share options and their purchase and sale of shares. The PRC domestic agent also needs to update registration with SAFE within three months after the overseas-listed company materially changes its share incentive plan or make any new share incentive plans.

We have granted shares options under the 2017 Plan in the past and may continue to grant additional share options in the future. When we do, from time to time, we need to apply for or update our registration with SAFE or its local branches on behalf of our employees or consultants who receive options or other equity-based incentive grants under our share incentive plan or material changes in our share incentive plan. However, we may not always be able to make applications or update our registration on behalf of our employees or consultants who hold any type of share incentive awards in compliance with Circular 7, nor can we ensure you that such applications or update of registration will be successful. If we or the participants of our share incentive plan who are PRC citizens fail to comply with Circular 7, we and/or such participants of our share incentive plan may be subject to fines and legal sanctions, there may be additional restrictions on the ability of such participants to exercise their share options or remit proceeds gained from sale of their shares into China, and we may be prevented from further granting share incentive awards under our share incentive plan to our employees or consultants who are PRC citizens.

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

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

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

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

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

Our independent registered public accounting firm issues audit report included in this annual report filed with the Securities and Exchange Commission, or SEC. As auditors of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditors are located in China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditors are not currently inspected by the PCAOB.

On May 24, 2013, PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulatory Commission, or the CSRC, and the Ministry of Finance which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations in the United States and China. On inspection, it appears that the PCAOB continues to be in discussions with the Mainland China regulators to permit inspections of audit firms that are registered with PCAOB in relation to the audit of Chinese companies that trade on U.S. exchanges. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. The joint statement reflects a heightened interest in this issue. However, it remains unclear what further actions the SEC and the PCAOB will take and its impact on Chinese companies listed in the United States.

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

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

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

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

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

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

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



## Risks Related to Our Ordinary Shares and ADSs

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

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

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

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

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

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

- regulatory developments affecting us or our industry, and customers of our education services;

- actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results;
- changes in the market condition, market potential and competition in education services;
- announcements by us or our competitors of new education services, expansions, investments, acquisitions, strategic partnerships or joint ventures;
- fluctuations in global and Chinese economies;
- changes in financial estimates by securities analysts;
- adverse publicity about us;
- additions or departures of our key personnel and senior management;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities; and
- potential litigation or regulatory investigations.

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

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

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

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

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

As of December 15, 2019, Ms. Meirong Yang and Ms. Huiyan Yang together beneficially own 92.45% of the aggregate voting power of our company, and Mr. Junli He beneficially own 6.49% of the aggregate voting power of our company. See “Item 6. Directors, Senior Management And Employees—E. Share Ownership.” As a result of the dual-class share structure and the concentration of ownership, Ms. Meirong Yang, Ms. Huiyan Yang, and Mr. Junli He have considerable influence over matters such as decisions regarding mergers, consolidations, sale of all or substantially all of our assets, election of directors and other significant corporate actions. They may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

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

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

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

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

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

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

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

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

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

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

We will be classified as a “passive foreign investment company,” or PFIC, if, in the case of any particular taxable year, either (1) 75.0% or more of our gross income for such year consists of certain types of passive income, or (2) 50.0% or more of the average quarterly value of our assets during such year produce or are held for the production of passive income. Although the law in this regard is unclear, we treat our affiliated entities as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operation in our financial statements. Assuming that we are the owner of our affiliated entities for United States federal income tax purposes, and based upon our current income and assets, we do not believe that we were classified as a PFIC for the taxable year ended August 31, 2019, and we do not expect to be classified as a PFIC for the current taxable year or for the foreseeable future.

The determination of whether we are or will become a PFIC will depend upon the composition of our income (which may differ from our historical results and current projections) and assets and the value of our assets from time to time, including, in particular, the value of our goodwill and other unbooked intangibles (which may depend upon the market value of our ADSs or ordinary shares from time-to-time and may be volatile). In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our anticipated market capitalization, which may fluctuate. Among other matters, if our market capitalization were to decline, we may be classified as a PFIC for future taxable years. It is also possible that the IRS may challenge our classification or valuation of our goodwill and other unbooked intangibles, which may result in our company being, or becoming classified as, a PFIC for the current or foreseeable future taxable years.

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

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

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

Our memorandum and articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our board of directors has the authority subject to any resolution of the shareholders to the contrary, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our Class A ordinary shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our Class A ordinary shares and ADSs may be materially and adversely affected.

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

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

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

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

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

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

We are a Cayman Islands company and substantially all of our assets are located outside of the United States. The majority of our current operations are conducted in China. In addition, a majority of our current directors and officers are nationals and residents of countries other than the United States. Substantially all of the assets of these persons 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 China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

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

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

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

We will be required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of the New York Stock Exchange. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information, which would be made available to you, were you investing in a U.S. domestic issuer.

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

Under the rules of the NYSE, a company of which more than 50% of the voting power for the election of directors is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including the requirement that a majority of our directors be independent, as defined in the NYSE rules, and the requirement that our compensation and nominating and corporate governance committees consist entirely of independent directors. In April 2017, Ms. Huiyan Yang and Ms. Meirong Yang entered into an acting-in-concert agreement by which Ms. Huiyan Yang agrees with Ms. Meirong Yang when voting and deciding on material matters in relation to the management of our company. Ms. Huiyan Yang and Ms. Meirong Yang are also joint settlors and members of the two-person investment committee of Yeung Family Trust V, which holds 1.68% of the outstanding Class A ordinary shares and 93.49% of the outstanding Class B ordinary shares as of December 15, 2019. As a result, Ms. Huiyan Yang and Ms. Meirong Yang collectively are the beneficial owners of a majority of the voting power of our issued and outstanding share capital as of December 15, 2019. Therefore, we qualify as a “controlled company” under the rules of the NYSE. We have elected to rely on certain exemptions under the NYSE rules available to controlled companies, including the exemption from having a majority of our directors be independent, and may continue to elect to do so as long as we remain a controlled company. As a result, you may not have the same protections afforded to shareholders of companies that are subject to all of the NYSE corporate governance requirements.

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

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

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

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

As a holder of our ADSs, you will only be able to exercise the voting rights with respect to the underlying Class A ordinary shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depository. Upon receipt of your voting instructions, the depository will vote the underlying Class A ordinary shares in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying shares unless you withdraw the shares. Under our memorandum and articles of association, the minimum notice period required for convening a general meeting is ten days. When a general meeting is convened, you may not receive sufficient advance notice to withdraw the shares underlying your ADSs to allow you to vote with respect to any specific matter. If we ask for your instructions, the 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 your shares. 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 vote and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.



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

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

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

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

***You may not receive dividends or other distributions on our Class A ordinary shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.***

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

***You may experience dilution of your holdings due to inability to participate in rights offerings.***

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

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

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

**ITEM 4. INFORMATION ON THE COMPANY**

**A. History and development of the company**

We are an exempted company with limited liability incorporated in the Cayman Islands. We conduct our business primarily through our subsidiaries and affiliated entities in China, the United Kingdom, the United States and Canada. As of the date of this annual report, we have a network of 80 schools in China that cover K-12 education and a number of learning centers for after-school programs through certain contractual arrangements with BGY Education Investment, which in turn controls and holds these schools and learning centers. As of the date of this annual report, we operate eight overseas schools and ten language training institutions, which we may also refer to as international language schools, through Bright Scholar (UK) Holdings Limited, a wholly owned subsidiary of ours. We trace our history back to the founding of Guangdong Country Garden School, our first private school, in 1994. Over the past two decades, we have launched and acquired a number of schools and complementary education services in China, the United Kingdom, the United States and Canada.

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

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

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

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

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

Ms. Meirong Yang is one of our founders and a relative of Ms. Huiyan Yang, our chairperson. Mr. Wenjie Yang is Ms. Meirong Yang's business partner. We do not have any equity interest in our affiliated entities. However, as a result of these contractual arrangements, we control our affiliated entities through our PRC subsidiary, Zhuhai Bright Scholar. We have combined and consolidated the results of our affiliated entities in our combined and consolidated financial statements included elsewhere in this annual report in accordance with U.S. GAAP. The contractual arrangements were executed and became effective on January 25, 2017. As of the date of this annual report, we are in the process of arranging the execution of Rights and Obligations Assumption Letters for our domestic schools newly launched and acquired in 2019 fiscal year. For a detailed description of the risks associated with our corporate structure, see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure" and "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China."

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

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

If we are unable to maintain effective control over our affiliated entities, we will not be able to continue to consolidate the financial results of our affiliated entities into our financial results. The revenue contribution of our affiliated entities accounted for 99.4% of our total revenues in the 2017 fiscal year, 94.4% of our total revenues in the 2018 fiscal year, and 82.0% of our total revenues in the 2019 fiscal year. Further, as a holding company, our ability to generate profits, pay dividend and other cash distributions to our shareholders depends principally on our ability to receive dividends and other distributions from our PRC subsidiary, Zhuhai Bright Scholar, which in turn depends on the service fees paid to Zhuhai Bright Scholar from our schools and other affiliated entities. We, through our PRC subsidiary, Zhuhai Bright Scholar, have entered into an exclusive management services and business cooperation agreement with each of our affiliated entities, pursuant to which we provide service to our schools in exchange for the payment of service fees. The services fees we are entitled to collect under the agreement are calculated as the balance of general income less any costs, taxes and other reserved fees stipulated by laws and regulations. In practice, we evaluate on a case-by-case basis the performance and future plans of individual schools before determining the amount we collect from each school. We do not have unfettered access to the revenues from our PRC subsidiaries or affiliated entities due to the significant PRC legal restrictions on the payment of dividends by PRC companies, foreign exchange control restrictions, and the restrictions on foreign investment, among others. For example, under the applicable requirements of PRC law, our PRC subsidiaries may only distribute dividends after they have made allowances to fund certain statutory reserves and each private school in China is required to allocate a certain amount to its development fund prior to payments of dividend. In particular, our schools that require reasonable returns must allocate no less than 25.0% of their annual net income, and our schools that do not require reasonable returns must allocate no less than 25.0% of their annual increase in their net assets for such purposes. See “—D. Risk Factors—Risks Related to Doing Business in China—Our subsidiaries and affiliated entities in China are subject to restrictions on making dividends and other payments to us.”

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

In April 2018, our board approved a share repurchase program (the “2018 Share Repurchase Program”) to repurchase up to US\$100.0 million worth of our outstanding ADSs within 12 months. The 2018 Share Repurchase Program has expired on April 30, 2019 and as of such date, we had repurchased 6,679,183 of our outstanding ADSs for an aggregate purchase price of approximately US\$77 million, pursuant to the 2018 Share Repurchase Program. In September 2019, our board approved a share repurchase program to repurchase up to US\$30.0 million worth of our outstanding ADSs within 12 months. As of December 15, 2019, we have repurchased 36,138 of our outstanding ADSs for an aggregate purchase price of US\$0.3 million pursuant to the new share repurchase program.

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

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

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

## **B. Business Overview**

We are a global premier education service provider operating K-12 schools and complementary education services in China and overseas, and we were the largest operator of international and bilingual K-12 schools in China in terms of student enrollment as of August 31, 2019, according to the Frost & Sullivan report. We are dedicated to providing quality international education to Chinese students and equipping them with the critical academic foundation and skillsets necessary to succeed in the pursuit of higher education overseas. We also complement our international offerings with Chinese government-mandated curriculum for students who wish to maintain the option of pursuing higher education in China. We established one of the first private schools in China in 1994 and have since expanded our network to operate 80 schools as of the date of this annual report covering the breadth of K-12 academic needs of our students across ten provinces in China. As part of our global expansion plan, we have been actively exploring mergers and acquisition opportunities abroad to expand our global school network, targeting quality K-12 private education providers and reputable schools in our targeted overseas countries and jurisdictions where students of our domestic school network would normally be interested in pursuing or continuing their education. As of the date of this annual report, we have eight overseas schools located in the United Kingdom and the United States. During the 2019 school year, we had an average of 46,738 students enrolled at our schools, representing an increase of 121.7% from an average of 21,084 students enrolled during the 2015 school year. Bright Scholar Holdings, our ultimate Cayman Islands holding company, does not have any substantive operations other than indirectly controlling BGY Education Investment, our affiliated entity which controls and holds our domestic schools, through certain contractual arrangements, and indirectly holding Bright Scholar (UK) Holdings Limited, through which we operate our overseas schools.

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

Our schools have effectively enhanced our students' academic performance. Approximately 93.4% of the 2019 graduating class enrolled in our Diploma Program, Advance Placement or A-level curricula that applied for overseas universities were admitted into global top 50 institutions, as ranked by either the QS World University Rankings or U.S. News, including University of Cambridge, University of Oxford, The University of Chicago, New York University, University of Toronto, The University of Sydney. Students in our 2019 graduating class have received more than 750 offers in total from global top 50 institutions by the same ranking as of August 31, 2019. We believe our bilingual schools are often one of the schools of choice in their respective cities. Approximately 82.1% of our graduating students from our bilingual schools were admitted into top local high schools in the 2019 fiscal year. Approximately 86.2% and 92.4% of the 2019 graduating class from our two largest bilingual schools, Huanan Country Garden School and Phoenix City Bilingual School, respectively, were admitted into the top local high schools.

The effectiveness of our education, along with our state-of-the-art facilities, student- and parent-centric support services and our brand recognition, allow us to command premium pricing. The average tuition of our domestic K-12 schools for the 2019 school year was significantly higher than that of overall K-12 private schools in China, according to the Frost & Sullivan Report.

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

We have experienced substantial growth in recent years. Our revenue increased from RMB1,328.4 million in the 2017 fiscal year to RMB1,718.9 million in the 2018 fiscal year, and further to RMB2,563.0 million (US\$358.2 million) in the 2019 fiscal year, representing a CAGR of 38.9%. We focus on providing quality education to our students and, since the beginning of the 2016 fiscal year, we have implemented various initiatives to improve operating efficiency and profitability. See “—Centralized Management.” We had net income of RMB191.8 million, RMB248.9 million and RMB252.8 million (US\$35.3 million) in the 2017, 2018 and 2019 fiscal years, respectively. We use adjusted net income, which excludes share-based compensation and amortization of intangible assets, in evaluating our ongoing results of operations. Our adjusted net income was RMB194.3 million, RMB284.6 million and RMB327.7 million (US\$45.8 million) for the 2017, 2018 and 2019 fiscal years, respectively. See “Item 5. Operating and Financial Review and Prospectus—A. Operating Results-Results of Operations—Non-GAAP measures” for details.

### **Our Domestic K-12 Schools**

We offer education programs that cover K-12 education and integrate internationally-accredited curricula, government-mandated curricula and extracurricular activities that aim to develop well-rounded individuals through a network of 80 schools in ten provinces in China as of the date of this annual report. We divide our schools in China broadly into international schools, bilingual schools and kindergartens.

- International schools. As of the date of this annual report, we have seven international schools in China, which focus on internationally-accredited curricula and offer extracurricular activities and programs that aim to develop well-rounded individuals.
- Bilingual schools. As of the date of this annual report, we have 15 bilingual schools in China, which provide government-mandated curricula. Our bilingual schools place an emphasis on developing students’ English proficiency and well-rounded individuals.
- Kindergartens. As of the date of this annual report, we have 58 kindergartens in China, including 11 kindergartens that deliver international curricula.



During the 2019 school year, we had an average of 44,224 students enrolled and employed an average of 5,007 teachers and instructors at our domestic K-12 schools. We have grown rapidly during the past three years, supported by strong demand for quality education in China and favorable policies promulgated by the PRC government and the nationwide expansion of Country Garden's residential communities. The following table sets forth the average number of students enrolled at our domestic K-12 schools for the period indicated.

	2017 school year	2018 school year	2019 school year
<b>Domestic K-12 schools</b>			
International schools	6,283	7,366	9,350
Bilingual schools	13,189	15,620	18,132
Kindergartens	10,275	13,693	16,742
Total	29,747	36,679	44,224

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

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

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

Most of our international and bilingual schools have boarding facilities, which allows students to focus on their studies and experience living independently before attending universities and allows us to recruit students from beyond Country Garden's residential communities. While substantially all of our domestic K-12 schools are located within or in the vicinity of the residential communities developed by Country Garden, students from families that have not purchased property from Country Garden are increasingly attracted by our reputation for quality education. Approximately 55.7% of our students enrolled in the bilingual and international schools established by us as of August 31, 2019 came from families who do not own Country Garden properties. All of our domestic K-12 schools also feature a comprehensive suite of sports and education facilities and on-campus catering facilities.

**Our international schools**

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

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

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

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

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

The number of students enrolled at our international schools have increased rapidly in the last three school years, from an average of 6,283 for the 2017 school year to 9,350 in the 2019 school year. Students in the 2019 graduating class at our international schools were accepted to top colleges and universities in countries and regions such as the United Kingdom, the United States, Ireland, Switzerland, France, Canada, Australia, New Zealand, Singapore and Hong Kong. Approximately 93.4% of the 2019 graduating class enrolled in our Diploma Program, Advance Placement and A-Level curricula who applied for overseas universities were admitted into global top 50 institutions, ranked by either the QS World University Rankings or U.S. News, including University of Oxford, University of Cambridge, The University of Chicago, New York University, University of Toronto, and The University of Sydney. As of August 31, 2019, students in our 2019 graduating class have received more than 750 offers in total from global top 50 institutions by the same rankings.

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

<u>Name</u>	<u>Location</u>	<u>Establishment</u>	<u>Grades</u>	<u>Average number of students enrolled during the 2018 school year</u>	<u>Average number of students enrolled during the 2019 school year</u>	<u>Capacity as of September 1, 2019</u>
Guangdong Country Garden School	Shunde, Guangdong province	1994	1-12	3,562	3,987	3,940
Jurong Country Garden School	Jurong, Jiangsu province	2013	1-12	1,347	1,542	2,950
Ningxiang Country Garden School	Changsha, Hunan province	2014	1-12	490	745	2,100
Country Garden Silver Beach School	Huizhou, Guangdong province	2015	1-12	740	898	3,000
Huaxi Country Garden International School	Guiyang, Guizhou province	2015	1-9	385	468	798
Lanzhou Country Garden International School	Lanzhou, Gansu province	2016	1-12	842	1,356	2,472
Wuhan Sannew American Middle School*	Wuhan, Hubei province	2016	7-12	N/A	354	1,200
<b>Total</b>				<u>7,366</u>	<u>9,350</u>	<u>16,460</u>

\* In May 2019, we acquired an 80% equity interest in Sannew Education, which operates a private boarding school in Wuhan, namely Wuhan Sannew American Middle School.



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

Our students in this school are regular winners of national and international competitions. During the 2019 school year, one of our students scored in the top 5% in the American Mathematics Competition, Canadian Mathematics Competition and Canadian Computer Science Competition, one won a gold award in American Biology Olympic Competition and British Biology Olympic Competition, and one student scored in the top 5% in the University of Waterloo's Chem 13 News Exam. Among our 2019 graduating class enrolled in our Diploma Program, A-level or AP curricula at this school who applied for overseas universities, approximately 95.4% of them were admitted into top 50 universities, as ranked by either the QS World University Rankings or the U.S. News.

*Jurong Country Garden School (碧桂园学校)*



Founded in 2013, Jurong Country Garden School, our first international school outside Guangdong province, obtained authorization from the IB Organization to offer all three IB-accredited programs within three years of its establishment. The school is also authorized to offer IGCSE and A-Level courses and International Foundation Year courses. Among our 2019 graduating classes enrolled in our Diploma Program, A-Level or AP curricula at this school, who applied for overseas universities, approximately 80.0% of them were admitted into top 50 universities, as ranked by either the QS World University Rankings or the U.S. News.

*Other international schools*

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

## Our bilingual schools

As of the date of this annual report, we have 15 bilingual schools in five provinces in China. Our bilingual schools teach government-mandated curricula with an emphasis on English proficiency development. We supplement our academic offerings with activities for the well-balanced development of our students, such as arts-related and life skills building classes or club events, which are not generally available in public schools. The students enrolled at our bilingual schools have increased rapidly in the last three school years, from an average of 13,189 for the 2017 school year to an average of 18,132 in the 2019 school year.

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

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

Name	Location	Establishment	Grades	Average number of students enrolled during the 2018 school year	Average number of students enrolled during the 2019 school year	Capacity as of September 1, 2019
Huanan Country Garden School	Guangzhou (Panyu), Guangdong province	2002	1-9	2,890	2,986	2,848
Phoenix City Bilingual School	Guangzhou (Zengcheng), Guangdong province	2003	1-9	3,887	4,306	4,438
Country Garden Huacheng School	Shunde, Guangdong province	2003	1-9	1,149	1,208	1,116
Country Garden Venice Bilingual School	Changsha, Hunan province	2007	1-9	1,714	1,813	1,728
Wuyi Country Garden Bilingual School	Jiangmen, Guangdong province	2009	1-9	807	922	1,008
Heshan Country Garden School	Heshan, Guangdong province	2010	1-9	1,309	1,246	1,296
Wuhan Country Garden School	Wuhan, Hubei province	2011	1-6	465	722	840
Zengcheng Country Garden School	Guangzhou (Zengcheng), Guangdong province	2013	1-9	1,049	1,311	1,512
Country Garden Experimental School**	Shunde, Guangdong province	2015	1-9	994	1,226	1,080
Laian Country Garden Foreign Language School	Chuzhou, Anhui province	2015	1-9	301	501	768
Taishan Country Garden School	Jiangmen, Guangdong province	2015	1-9	506	646	1,944
Chuzhou Country Garden Foreign Language School	Chuzhou, Anhui province	2017	1-9	113	240	960
Shaoguan Country Garden Foreign Language School	Shaoguan, Guangdong province	2017	1-9	137	454	1,296
Kaiping Country Garden School	Jiangmen, Guangdong province	2017	1-6	134	363	1,080
Shenghua Country Garden Bilingual School	Baoding, Hebei province	2017	1-9	107	188	1,296
Total				15,562*	18,132	23,210

\* We ceased operations of Huaian Country Garden Tianshan Bilingual School, whose average student number during 2018 school year was 58.

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

We believe our bilingual schools are often one of the schools of choice in their respective cities. Approximately 82.1% of graduating students from our bilingual schools have been accepted into top high schools in their respective regions in the 2019 school year. Approximately 86.2% and 92.4% of the 2019 graduating class from our two largest bilingual schools, Huanan Country Garden School and Phoenix City Bilingual School, were admitted into the top local high schools, respectively.

### ***Our kindergartens***

As of the date of this annual report, we have 58 kindergartens in ten provinces across China. A significant portion of our kindergartens are built adjacent to our primary, middle and high schools to share certain education resources and facilities and provide potential student sources to our schools. Our kindergartens are generally smaller in size compared with our international and bilingual schools. In the 2019 school year, our kindergartens had an average of 16,742 students.

Our kindergartens provide an active and healthy learning environment to help students develop their potential and personality, appreciate diverse cultures and lay the foundation to drive future success. In our kindergartens, we integrate elements of traditional Chinese culture with international cultural awareness through language classes and cultural activities. We have 11 kindergartens that offer Primary Years Programs, four of which have received IB accreditations. Under the Primary Years Programs, we provide a foreign homeroom teacher to stay with our students throughout each school day and implement a holistic approach to English education including the adoption of English teaching materials. We believe that administering Primary Years Programs at our kindergartens helps our students move up seamlessly to other IB-accredited programs offered in the primary through high schools within our school network.

### **Our Overseas Schools**

As of the date of this annual report, we have an overseas school network of eight schools, including seven schools in the United Kingdom and one in the United States, with an average of 2,514 enrolled students for the 2019 school year. As a global premier education provider, we have built our global presence primarily through overseas acquisition of schools and education services in countries such as the United Kingdom, the United States and Canada.

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

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

In September 2019, we acquired St. Michael’s School and BIC located in the United Kingdom. St. Michael’s School offers day and boarding education from three to 18 years of age, comprising predominantly day students and boarders from more than 16 countries. BIC provides independent boarding education to pupils from the United Kingdom and other countries from 13 to 19 years of age.

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

<b>Name*</b>	<b>Location</b>	<b>Acquisition Time</b>	<b>Average number of students enrolled during the 2018 school year</b>	<b>Average number of students enrolled during the 2019 school year</b>	<b>Capacity as of September 1, 2019</b>
Bournemouth Collegiate School	the United Kingdom	December 2018	—	598	707
CATS London	the United Kingdom	July 2019	—	236	400
CATS Cambridge	the United Kingdom	July 2019	—	398	525
CATS Canterbury	the United Kingdom	July 2019	—	464	500
CATS Academy Boston	the United States	July 2019	—	441	700
Cambridge School of Visual & Performing Arts	the United Kingdom	July 2019	—	377	525
<b>Total</b>				<b>2,514</b>	<b>3,357</b>

\* We had not closed the transactions to acquire St. Michael's School and BIC as of September 1, 2019.



## **Our Complementary Education Services**

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

### ***Camp programs***

We have organized summer and winter camp programs in certain countries, including the United Kingdom, the United States and Australia. We also offer summer school programs, which are more rigorous and allow our participants to study for specific courses or prepare for standardized tests. These summer and winter camp programs are primarily offered to students enrolled at our domestic K-12 schools, but are also open to other students. During the summer of 2019, a total of 1,370 students participated in our overseas camp programs.

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

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

In addition to overseas camps, we have launched our domestic camp programs by opening our first campground, Lake Forest Camp, in Huizhou, Guangdong province at the beginning of 2019. Taking full advantage of its outdoor adventure facilities, we provide different kinds of activities on the land and in the water, which encourage personal growth, team cooperation and leadership. Lake Forest Camp targets students from both our own schools and schools outside our network. In June 2019, we acquired a 25% equity interest in Start Camp Education ("Start Camp"). Start Camp provides one-stop solution in camp layout and program design for education department of local governments, education groups and real estate developers. We plan to launch our new camp programs in Shanghai and Yangjiang, Guangdong province in May 2020. In the future, we plan to launch more domestic summer and winter camp programs, which will target students enrolled in our schools as well as students outside our network and feature STEAM activities, i.e., activities related to science, technology, engineering, art and math.

## ***After-school programs***

### ***English proficiency training***

We offer English proficiency development courses to children aged from five to 15 through a network of 19 learning centers located in Beijing, Shanghai and Guangdong province, China under the brand of “élan.” Our goal is to help children improve their general English proficiency. To this end, we have adopted a holistic language learning approach, which immerses children in an English-speaking environment and requires them to think, learn and communicate with the mindset of native speakers. Our learning centers are staffed only by native English speakers as instructors and are equipped with libraries containing age-appropriate English-language books and audio materials suited to English learners of different proficiency levels. In the 2019 school year, we had an average of 102 instructors in our learning centers. In the 2019 fiscal year, we had an average student enrollment of 4,573 for English proficiency training.

### ***Extracurricular programs***

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

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

## ***Education Consulting Services***

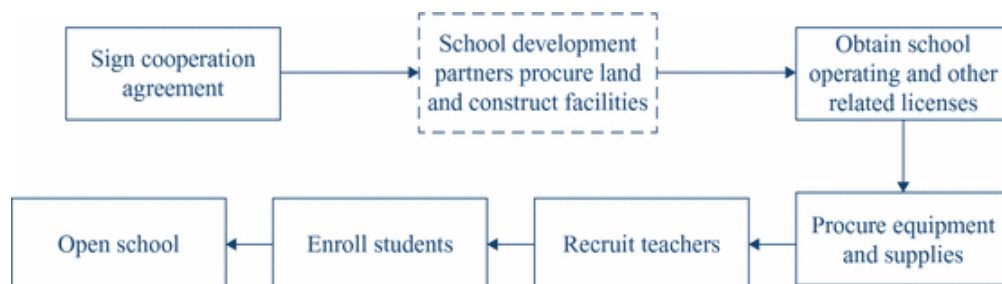
We offer education consulting services to better serve our students in and outside of our network of schools. As of the date of this annual report, we have strategically invested in the acquisitions of equity interests in several providers of education consulting services, including Can-achieve (Beijing)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

## Schools under development

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

We generally favor new domestic schools located within the residential communities developed by Country Garden to achieve cost savings and synergies in land procurement, facilities construction, marketing and student acquisition. Based on its residential property development plans, Country Garden has plans to develop several hundred sites in the next few years, presenting us with a large number of potential opportunities for expanding our domestic school network. We may also enter into agreements with third-party partners to expand our domestic school network. Under such agreements, we are primarily responsible for the day-to-day operation of the schools, and our partner is primarily responsible for land procurement and facilities construction.

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



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

We have launched two kindergartens, and acquired one kindergarten and two overseas schools in the 2020 fiscal year as of the date of this annual report, and expect to launch another four kindergartens before the end of the 2020 fiscal year.

### **Centralized management**

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

### ***Sharing and development of teaching resources***

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

### ***Education material and equipment procurement***

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

### ***School administration***

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

### **School marketing**

While each of our schools conducts its own on-site promotional events to attract local students, we also organize group-wide marketing events to promote our brand and corporate image as one of China’s leading private school operators, including our strategic arrangements with local newspapers such as Nanfang Metropolis Daily. For details, see “—Marketing” below.

### **Our Expansions and Investments**

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

In addition to expansion through acquisitions, in September 2018, we also entered into a partnership agreement with third-parties to establish an investment fund under which we agreed to invest a total of RMB999.8 million in promoting the establishment and operations of K-12 education centers, bilingual schools and international schools. We controlled and consolidated the partnership since its establishment. As of the date of this annual report, we have invested approximately RMB100.0 million pursuant to the partnership agreement.

## **Our Students**

### ***Student admission***

Our students enrolled in our domestic K-12 schools are primarily Chinese nationals from relatively affluent families and aspire to pursue the next level of education overseas or gain a competitive advantage from bilingual education. Since substantially all of our domestic K-12 schools were launched within or in the vicinity of the residential communities developed by Country Garden, our recruitment efforts were initially targeted at students from families who were Country Garden's homeowners. As we have gradually forged a reputation for providing quality education through a proven track record of success over the years, we frequently attract prospective students from outside of Country Garden properties, largely through word-of-mouth referrals and marketing efforts. Approximately 55.7% of our students enrolled in our bilingual and international schools as of August 31, 2019 came from families who do not own Country Garden properties. We believe that our schools are attractive to prospective students and their parents due to our reputation and the quality and breadth of our education programs.

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

### ***Student performance***

Approximately 93.4% of the 2019 graduating class of our domestic K-12 schools who were enrolled in our Diploma Program, Advance Placement or A-Level curricula and applied for overseas universities were admitted into the global top 50 institutions, ranked by either the QS World University Rankings or U.S. News, including University of Oxford, University of Cambridge, The University of Chicago, New York University, University of Toronto, and The University of Sydney. Students in our 2019 graduating class have received 751 offers in total from global top 50 institutions by the same ranking as of August 31, 2019. Our 2019 graduating students of our domestic K-12 schools were admitted by 185 top institutions which are located in over ten countries or regions, including the United States, the United Kingdom, Ireland, Australia, New Zealand, Canada, Switzerland, France, Singapore and Hong Kong, of which over 36.2% are U.S.-based institutions. Students enrolled at our bilingual schools have also achieved extraordinary academic results. Approximately 82.1% of our graduating students from our bilingual schools were admitted into top local high schools in the 2019 fiscal year. Approximately 86.2% and 92.4% of the 2019 graduating class from our Huanan Country Garden School and Phoenix City Bilingual School were admitted into the top local high schools.

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

### ***Student and parent support services***

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

As a testament to the positive student experience we provide at our schools, we have historically maintained relatively high student retention rates in our schools in China. After our students complete their studies at our schools, we encourage them to advance their education within our school network if they meet the requisite academic requirements. For example, in our domestic K-12 schools offering both primary and middle school education, 70.4% of the 2019 primary school graduating class continued their next level of studies at the same school. Our average net annual student retention rate for all students in our domestic K-12 schools, which measures the percentage of students enrolled at the beginning of a school year who move on to the next grade level, was over 90.0% for each of the 2017, 2018 and 2019 school years.

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

### **Our Teachers**

#### ***Teacher qualifications***

We have assembled a team of teachers with extensive experience in education. Our schools are staffed with different levels of teachers and educational staff. Certain senior teachers have managerial responsibilities in addition to their responsibilities as instructors. Educational staff include teaching assistants, librarians and medical staff. In the 2019 fiscal year, we had an average of 5,602 teachers and instructors globally.

We seek to employ teachers that have a passion for teaching, mastery of their subject areas, strong communication skills and proficiency in employing innovative and effective teaching methods. Our teachers for schools in China who are Chinese nationals have an average of approximately nine years of experience in teaching. Across our domestic school network, we also had an average of 316 foreign teachers, representing 6.3% of the teacher pool of our domestic K-12 schools in the 2019 school year. Foreign teachers of our international schools represented 10.3% of our teacher pool in international schools during the same period. We believe that foreign teachers are essential to providing an immersive bilingual environment and better preparing our students for the pursuit of the next level of education overseas.

We had 678 teachers, or 13.5% of our total teacher pool in our schools in China and 48.7% of our teacher pool in international schools, licensed with IB training certificates as of August 31, 2019. To stay current with the constant changes in the IB syllabus, we require all of our teachers to take regular IB training classes. We typically outsource instructors for our extracurricular programs.

### ***Teacher recruitment***

Our teachers are critical to maintaining the quality of our programs and services and in promoting our brand and reputation. We place particular importance on recruiting teachers who are appropriately qualified and experienced. We implement a centralized recruitment program that seeks to hire teachers and educational staff and deploy them across our domestic school network based on each school's needs and teacher preferences. We screen candidates for strong academic credentials, dedication and knowledge in the relevant teaching subjects, and commitment to serving students' needs. We require our teachers for schools in China to possess the appropriate qualifications required by PRC regulatory authorities, including the foreign expert certificate in the case of foreign teachers. We believe that teacher candidates are attracted to our schools because of our reputation, commitment to quality education, financial strength and competitive compensation package. To enhance our retention rate, we also allow our teachers to laterally transfer within our school network. We maintained teacher retention rates of above 87.0% for each of the 2017, 2018 and 2019 school years. "Teacher retention rate" is calculated as 100.0% minus the quotient of the number of both our Chinese and foreign teachers that leave employment during a school year by the number of teachers at the beginning of that school year (not including teachers hired during that school year).

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



### **Teacher training**

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

### **Our Tuition**

We charge our students tuition, boarding and textbook fees generally prior to the beginning of each semester. Tuition and fees being paid in arrears is subject to special approval. As a result, approximately 88.4% of our revenue from schools in China for the first semester of the 2019 school year was received in or before August 2018 and approximately 11.6% was received after August 2018. For the second semester of the 2019 school year, approximately 87.6% of our revenue from schools in China was received in or before February 2019 and approximately 12.4% was received after February 2019. We also accept monthly payment of fees at certain kindergartens we operate. We offer a partial refund if a student withdraws in the predetermined period. We may also offer tuition discounts to certain of Country Garden's homeowners, our employees and employees of Country Garden. Tuition refund or discounts did not materially and adversely affect our business, results of operations or financial position. We have limited discretion in determining the types and amounts of fees we charge under the current PRC regulatory regime. For example, in accordance with the relevant local regulations, if we increase the tuition at our schools in Guangdong province in a certain school year, such increase will generally not affect the existing students until they complete their current section of education at the same schools. In determining the amount of tuition we charge, we consider factors including the demand for our education programs, the cost of our operations, the geographic markets where our schools are located, the tuition charged by our competitors, our pricing strategy to gain market share and general economic conditions in China. For example, the average tuition and fees per student at Guangdong Country Garden School was RMB105,570 in the 2019 school year, compared to RMB68,120 and RMB69,939 at Ningxiang Country Garden School and Jurong Country Garden School, respectively, in the same period. Our tuition and fees charged for internationally-accredited programs are typically higher than that for government-mandated curricula, which reflects the additional educational and operational resources associated with administering the former. For the 2019 school year, we charged average tuition and fees of RMB83,555 for international schools, RMB35,872 for bilingual schools, RMB30,424 for kindergartens and RMB239,486 for overseas schools. Our average tuition for our kindergartens decreased slightly from RMB30,736 in the 2018 fiscal year to RMB30,424 in the 2019 fiscal year primarily due to the lower average tuition fees at the newly acquired kindergartens .

For our complementary education services, we determine our fees by referring to the prevailing market rates. In 2018 and 2019 school years, we charged an average of RMB41,108 and RMB33,986 per student enrollment for overseas camps and an average of 21,249 and RMB22,057 per student for English proficiency training, respectively.

### **Our Business Partners**

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

Over the years, our international schools have individually obtained authorization from the Cambridge International Examinations to administer education programs such as IGCSE and A-Level and the related examinations. In May 2016, we became a Cambridge Associate, which allows us to review and self-approve the eligibility of all of our schools to administer such programs and the related examinations. Our status as a Cambridge Associate also allows us to deepen our cooperation with Cambridge International Examinations on teacher training, curriculum development and international exchange programs. On May 17, 2017, we cooperated with Columbia University and co-established the “Bright Scholar — Columbia Scholarship” program. On May 26, 2017, we co-established the “Bright Scholar — University of California — Berkley Scholarship.” In June 2018, we signed a collaboration agreement with Fettes College, a boarding and day school in Scotland, to jointly establish a school in China that features the campus design, curricular, management system and school traditions of Fettes College. The school is targeted to students aged two to 18, and is expected to begin operation in 2020 with a capacity of nearly 2,500 students. In November 2018, in collaboration with BNU, we opened Huiyan International Education College aiming to strengthen BNU’s international collaborations with other educational institutions in the area of education training for teachers. In addition, we granted a third party the right to use the brands “CATS” and “Cambridge School of Visual & Performing Arts” for the operation of two campuses in Shanghai, China.

## **Research and Curriculum Development**

We believe we have devoted significant resources to our research and curriculum development efforts which are reflected in our course materials and effective teaching methods. We encourage our teachers to develop, update and improve our curricula and course materials based upon our students' needs and the latest official government curricula or course outlines issued by the relevant international programs. As our students' academic ability levels vary, our curricula are designed with the flexibility to address a particular student's strengths and weaknesses. Our teachers in charge of designing the curricula also work with other teachers to prepare or update such course curricula, and revise the curricula based on feedback from the classroom. To ensure our education quality can be upheld across our schools, we have dedicated a team of senior teaching staff to designing curricula for the programs implemented in our schools and to keep our teaching materials updated with reference to the latest educational trends.

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

## **Marketing**

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

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

- Referrals. Word-of-mouth referrals by former and current students and their families have been a significant source of our student enrollment. Recommendations made by our alumni who matriculated into reputable overseas education institutions or excelled in Zhongkao or Gaokao provide convincing testimonials to prospective students. We actively work with our alumni and current students to encourage them to recommend our programs to prospective students.
- Promotional events. From time to time, we organize promotional and recruiting events to provide real-time, on-site opportunities for our prospective students to learn more about our services and programs, as well as to meet our teachers and staff. We also organize event-driven marketing campaigns such as seminars for our international schools so that prospective students interested in studying abroad can meet with teachers and recruiting personnel from overseas institutions and learn more about our international programs. For example, in December 2018, we held the first “Bright Scholar Youth English Speaking Contest,” which attracted more than 1,000 students to participate and more than 150,000 people to vote online, and received reports from 15 media and a total of over 58,000 pageviews. In May 2019, more than 80 media reported our 2019 international test results, which attracted a total of more than 100,000 pageviews.
- Media advertising. We have entered into a strategic cooperation agreement with Nanfang Metropolis Daily, a newspaper of significant popularity in Guangdong province, where most of our schools are located. We have arranged with Nanfang Metropolis Daily to publish a series of stories on our people, our education philosophy and our company to promote brand awareness. We have also placed advertisements on searching engines and internet portals in China.

## Competition

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

- scalable business model;
- operating knowledge;

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

### **Properties and Facilities**

A significant portion of our properties are located in China. We currently occupy a total combined gross floor area of approximately 1.4 million square meters of facilities developed by Country Garden, substantially all of which is leased. By utilizing the properties developed by Country Garden we avoid significant capital expenditures in connection with land procurement and facilities construction. We may also provide preferential student placements and tuition discounts to homeowners of the Country Garden properties. We are in the process of entering into school operation agreements to document our arrangements with Country Garden for the newly established schools. In recognition of our synergistic relationship, Country Garden adopted an internal policy that designates us as a preferred school operator partner, under which we are entitled to the right of first refusal on school development projects in connection with its new residential properties.

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

As of the date of this annual report, we also own 44 properties and lease 38 facilities in the United Kingdom, the United States and Canada for school campuses and office use.

## **Intellectual Property**

We have obtained a license to use certain trademarks, including “Country Garden” from Country Garden free of charge for a term expiring in 2020 and plan to obtain a renewal thereafter. We have applied for or registered trademarks relating to our logos and names, including “Bright Scholar” and “Bo Shi Le” in China. As of the date of this annual report, we have registered 31 trademarks including “élan,” with the PRC Trademark Office and major domain names used for our operation with the China Internet Network Information Center, including www.brightscholar.com, www.bgyedu.cn, brightscholar.cn and bgyedu.com. As of the date of this annual report, we have registered a total of 17 trademarks and 62 domain names with relevant authorities in jurisdictions where we operate internationally. From time to time, we are required to obtain licenses with respect to course materials owned by third parties for our education services, in particular for our international program which requires foreign-language education materials. We own copyrights to the course content we developed in-house.

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

## **Insurance**

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

## **Legal Proceedings**

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

## Regulations

We operate our business in China under a legal regime consisting of the National People's Congress, which is the country's highest legislative body, the State Council, which is the highest authority of the executive branch of the PRC central government, and several ministries and agencies under its authority, including the MOE, the Ministry of Industry and Information Technology, the State Administration for Market Regulation, the Ministry of Civil Affairs and their respective local offices. The section summarizes the principal PRC regulations related to our business.

### ***PRC Laws and Regulations Relating to Foreign Investment in Education***

#### *Special Administrative Measures for Access of Foreign Investment (2019 Version)*

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

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

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

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

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

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

### ***Regulations on Private Education in the PRC***

#### *Education Law of the PRC*

On March 18, 1995, the National People's Congress of the PRC, or the NPC, enacted the Education Law of the PRC, or the Education Law, which was amended on August 27, 2009. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising kindergarten education, primary education, secondary education and higher education, a system of nine-year compulsory education, a national education examination system, and a system of education certificates. The Education Law stipulates that the government formulates plans for the development of education, establishes and operates schools and other education institution. Furthermore, it provides that in principle, enterprises, social organizations and individuals are encouraged to establish and operate schools and other types of education institutions in accordance with PRC laws and regulations. Meanwhile, no organization or individual may establish or operate a school or any other education institution for profit-making purposes. On December 27, 2015, the Education Law was amended, which became effective on June 1, 2016. The amended Education Law repudiates a specific paragraph of the old law, which prohibits any organization or individual from establishing or operating a school or any other education institution for profit-making purposes. Nevertheless, schools and other education institutions sponsored wholly or partially by government financial funds and donated assets remain prohibited from being established as for-profit organizations.



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

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

According to PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as “sponsors” rather than “owners” or “shareholders.” The economic substance of “sponsorship” with respect to private schools is substantially similar to that of shareholder’s ownership with respect to companies in terms of legal, regulatory and tax matters. For example, the name of the sponsor shall be entered into the private schools’ articles of association and Permit for Operating a Private School, similar to that of shareholders where their names shall be entered into the company’s articles of associations and corporate records filed with relevant authority. From the perspective of control, the sponsor of a private school also has the right to exercise ultimate control over the school by means such as adopting the private school’s constitutional documents, electing the school’s decision-making bodies, including the school’s board of directors and principals. The sponsor can also profit from the private schools by receiving “reasonable returns,” as explained in detail below, or disposing its sponsorship interests in the schools for economic gains. However, the rights of sponsors vis-à-vis private schools also differ from the rights of shareholders vis-à-vis companies. For example, under the PRC laws, a company’s ultimate decision-making body is its shareholders meeting, while for private schools, it is the board of directors, though the members of which are substantially appointed by the sponsor. The sponsorship interest also differs from the ownership interests with regard to the right to the distribution of residual properties upon liquidation of a private school, mainly because private education is treated as a public welfare undertaking under the current regulations. While private education is treated as a public welfare undertaking under the current regulations, sponsors of a private school may choose to require “reasonable returns” from the annual net balance of the school after deduction of costs for school operations, donations received, government subsidies (if any), the reserved development fund and other expenses as required by the regulations. Private schools whose sponsor does not require reasonable returns shall be entitled to the same preferential tax treatment as public schools, while the preferential tax treatment policies applicable to private schools whose sponsor require reasonable returns shall be formulated by the finance authority, taxation authority and other authorities under the State Council. To date, however, no regulations have been promulgated by such authorities in this regard.

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

Under the Amendment, the term “reasonable return” is no longer used and sponsors of private school may choose to establish non-profit or for-profit private schools at their own discretion, while before the Amendment, all private schools shall not be established for for-profit purposes. Nonetheless, school sponsors are not allowed to establish for-profit private schools that are engaged in compulsory education. In other words, the schools engaged in compulsory education should retain their non-profit status after the Amendment comes into force.

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

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

According to the Amendment, the key features of the aforesaid new classification system for private schools include the following:

- sponsors of for-profit private schools are entitled to retain the profits and proceeds from the schools and the operation surplus may be allocated to the sponsors pursuant to the PRC Company Law and other relevant laws and regulations;
- sponsors of non-profit private schools are not entitled to the distribution of profits or proceed from the non-profit schools and all operation surplus of non-profit schools shall be used for the operation of the schools;
- for-profit private schools are entitled to set their own tuition and other miscellaneous fees without the need to seek prior approvals from or report to the relevant government authorities. The collection of fees by non-profit private schools, on the other hand, shall be regulated by the provincial, autonomous regional or municipal governments;

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

On December 29, 2016, the State Council issued the Several Opinions of the State Council on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education, or the State Council Opinions, which requires to ease the access to the operation of private schools and encourages social forces to enter the education industry. The State Council Opinions also provides that each level of the people's governments shall increase their support to the private schools in terms of financial investment, financial support, autonomy policies, preferential tax treatments, land policies, fee policies, autonomy operation, protecting the rights of teachers and students etc. Further, the State Council Opinions require each level of the people's governments to improve its local policies on government support to for-profit and non-profit private schools by ways of preferential tax treatments etc. In addition, under the State Council Opinions, private schools shall strengthen its construction of the Chinese Communist Party, or the CCP, and further the theoretical system of Socialism with Chinese Characteristics by introducing such system into textbooks and teaching programs. The construction of the CCP's organizations by the private schools as well as the CCP's leadership to private schools shall constitute an important part of such schools annual inspection.

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

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

On September 1, 2017, SAIC and MOE jointly issued the Notice of Relevant Work on the Registration and Management of the Name of For-Profit Private Schools, which specifies the requirements on the names of for-profit private schools.

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

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

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

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

As of the date of this annual report, certain local governments, such as Jiangsu province and Hebei province, have promulgated their local regulations relating to legal person registration and administration for private schools and certain local governments, such as Guangdong province, Jiangsu province, Hubei province, Hebei province, Gansu province, and Anhui province, have promulgated general guidance to encourage the development of private schools. Among these local regulations and guidance, some local governments, such as Hubei province, Hebei province, and Anhui province, require the existing private schools to register either as for-profit or non-profit schools within a specific time period.

#### *Regulations on compulsory education*

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

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

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

#### *Regulations on the operation of high schools*

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

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

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

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

#### *Regulations on After-School Tutoring*

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

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

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

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

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

*PRC Laws and Regulations Relating to Trademark and Domain Name*

*Trademark*

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

*Domain name*

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

***PRC Laws and Regulations Relating to Foreign Exchange***

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

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

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



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

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

SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or Circular 16, on June 9, 2016, which became effective simultaneously. Pursuant to Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on self-discretionary basis. Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis which applies to all enterprises registered in the PRC. Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

As Circular 16 is newly issued and SAFE has not provided detailed guidelines with respect to its interpretation or implementations, it is uncertain how these rules will be interpreted and implemented.

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

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

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

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

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

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

On January 12, 2017, the People's Bank of China promulgated Notice of the People's Bank of China on Issues Concerning Macro Prudential Management of Full Scale Cross-border Financing, or PBOC Circular 9. According to PBOC Circular 9, the People's Bank of China establishes a cross-border financing regulation system and the legal entities and financial institutions established in PRC excluding government financing vehicles and real estate enterprise, may carry out cross-border financing of foreign currency in accordance with relevant regulations. PBOC Circular 9 provides that, among other things, the outstanding amount of the foreign currency for the entities in cross-border financing, shall be limited to the upper limit of the risk-weighted balance of such entity.

The enterprise shall, after signing the cross-border financing contract, but not later than three business days before the withdrawal of the borrowing funds, file with the local branches of SAFE for the cross-border financing through SAFE's capital project information system. PBOC Circular 9 also provides that during the one-year period starting from January 11, 2017, foreign-invested enterprises may choose one method to carry out cross-border financing in foreign currency either according to PBOC Circular 9 or according to the Interim Provisions on the Management of Foreign Debts. After the end of such one-year period, the method of foreign-invested enterprises to carry out cross-border financing in foreign currency will be determined by the People's Bank of China and SAFE.

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

Zhuhai Bright Scholar, a foreign-invested enterprise indirectly held by us, currently has a total investment amount of RMB14.0 million (approximately US\$2.0 million) and an initially subscribed registered capital RMB10.0 million (approximately US\$1.4 million). We may provide shareholder loans of up to the U.S. dollar equivalent of RMB4.0 million (approximately US\$0.6 million) to Zhuhai Bright Scholar, which is the difference between its total investment amount and registered capital. According to Interim Measures for the Administration of the Establishment and Alteration of Archival Filing of Foreign Invested Enterprises issued by MOFCOM on October 8, 2016, revised on July 30, 2017 and June 29, 2018, the increase of total investment amount and registered capital of a foreign-invested enterprise must be registered with local MOFCOM offices, which is an administrative procedure that may take up to several weeks in local practice.

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

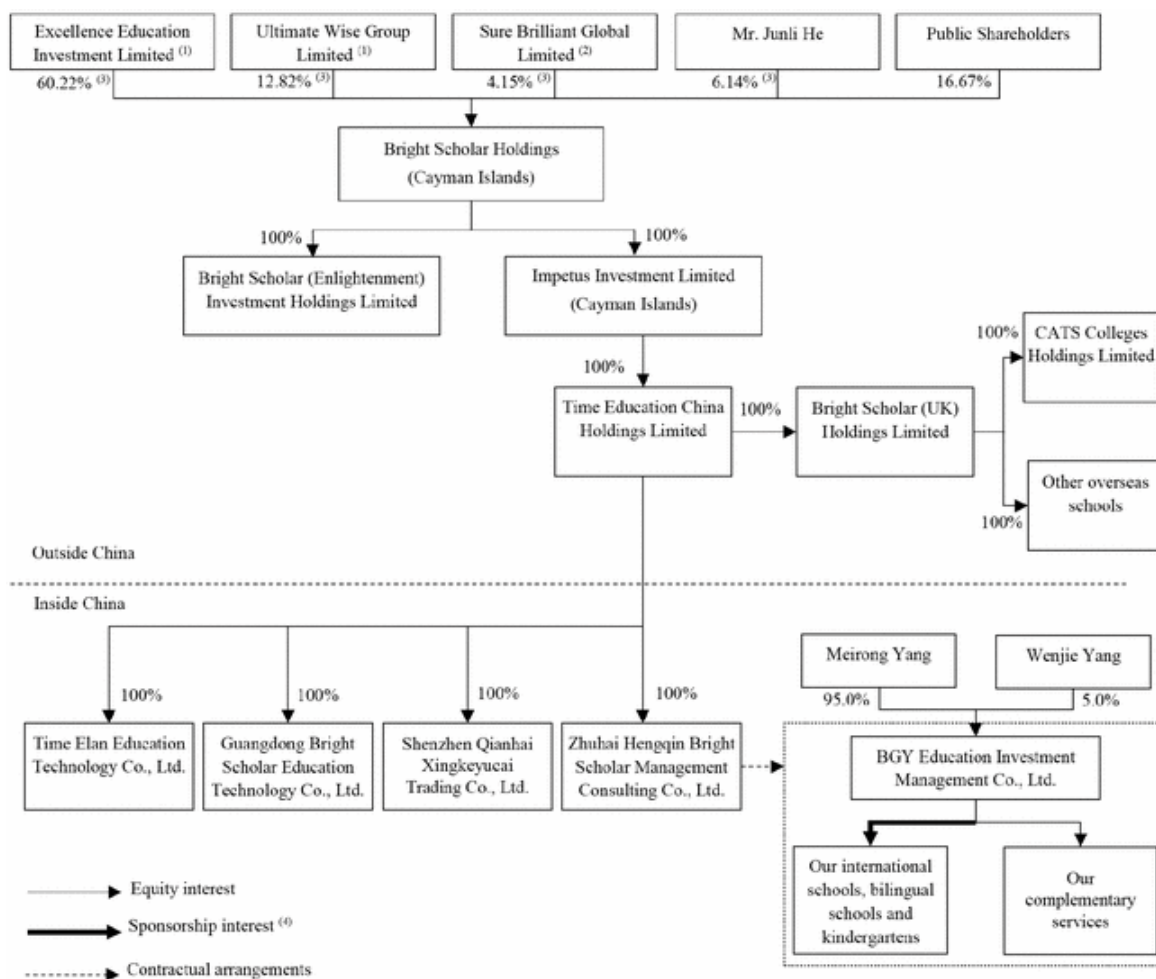
*Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (Revised in 2009)*

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

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

**C. Organizational Structure**

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



(1) Ultimately owned by Ms. Meirong Yang and Ms. Huiyan Yang. See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.” Ms. Meirong Yang and Ms. Huiyan Yang have also entered into an acting-in-concert arrangement, pursuant to which they consult with each other before voting and deciding on material matters in relation to the management of our company. Under such arrangement, if no consensus could be reached through consultation, the decision made by Ms. Meirong Yang prevails. Furthermore, Ms. Huiyan Yang and Ms. Meirong Yang are joint settlors and members of the two-person investment committee of Yeung Family Trust V, which controls Excellence Education Investment Limited and Ultimate Wise Group Limited.

- (2) Wholly owned by Ms. Huiyan Yang. See “Item 6. Directors, Senior Management and Employees—E. Share Ownership” for information.
- (3) For the beneficial ownership of Ms. Meirong Yang, Ms. Huiyan Yang and Mr. Junli He, see “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”
- (4) Under PRC law, entities and individuals who establish private schools are referred to as “sponsors” rather than “owners” or “shareholders.” The rights of sponsors vis-à-vis schools are similar to the rights of shareholders vis-à-vis companies with regard to legal, regulatory and tax matters, but differ with regard to the right of a sponsor to receive returns on investment and the right to the distribution of residual properties upon termination and liquidation. Each of our schools we currently operate is sponsored by BGY Education Investment or a school sponsored by it as registered pursuant to applicable PRC laws and regulations. For more information regarding school sponsorship and the difference between sponsorship and ownership under relevant laws and regulations, see “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Private Education in the PRC.”

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

### **Our Contractual Arrangements**

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

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

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

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

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

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

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

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

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



**D. Property, plants and equipment**

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

**ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

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

**A. Operating Results**

**Overview**

Our business includes domestic K-12 schools, overseas schools and complementary education services. We operate three types of educational facilities for domestic K-12 schools, including international schools, bilingual schools and kindergartens. We offer a broad range of internationally-accredited curricula at our international schools. We tailor the delivery of coursework to optimize learning outcomes for our students and prepare them for higher education overseas. We also have an overseas school network of eight schools in the United Kingdom and the United States as of the date of this annual report. In the 2019 school year, an average of 46,738 students were enrolled in our schools. We have experienced significant growth in our business. In the 2019 fiscal year, our revenue increased to RMB2,563.0 million (US\$358.2 million) from RMB1,328.4 million in the 2017 fiscal year, representing an increase of 92.9%. We focus on providing quality education to our students and, since the beginning of the 2016 fiscal year, we have implemented various initiatives to improve operating efficiency and profitability. For example, in the 2018 fiscal year, we implemented an ERP system where we centralize the collection and analysis of budgeting, procurement and financial information and data, which enhanced the efficiency of our data management processes, adding value to the overall operation of our business. See “Item 4. Information on the Company—B. Business Overview—Centralized Management” for details. We had net income of RMB191.8 million and RMB248.9 million and RMB252.8 million (US\$35.3 million) in the 2017, 2018 and 2019 fiscal years, respectively. We use adjusted net income, which excludes share-based compensation and amortization of intangible assets, in evaluating our ongoing results of operations. Our adjusted net income was RMB194.3 million, RMB284.6 million and RMB327.7 million (US\$45.8 million) for the 2017, 2018 and 2019 fiscal years, respectively. Our share-based compensation was nil, RMB29.1 million and RMB51.7 million (US\$7.2 million) in the 2017, 2018 and 2019 fiscal years, respectively. Our amortization of intangible assets was RMB2.5 million, RMB6.6 million and RMB23.3 million (US\$3.3 million) for the 2017, 2018 and 2019 fiscal years, respectively. See “—Results of Operations—Non-GAAP measures” for details.

**Major Factors Affecting Our Results of Operations**

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

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

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

***Our student enrollment and mix***

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

	2017 school year		2018 school year		2019 school year	
	Number	% of total	Number	% of total	Number	% of total
<b>Domestic K-12 Schools</b>						
International schools	6,283	21.1%	7,366	20.1%	9,350	20.0%
Bilingual schools	13,189	44.4%	15,620	42.6%	18,132	38.8%
Kindergartens	10,275	34.5%	13,693	37.3%	16,742	35.8%
<b>Overseas Schools (1)</b>	—	—	—	—	2,514	5.4%
<b>Total</b>	<b>29,747</b>	<b>100.0%</b>	<b>36,679</b>	<b>100.0%</b>	<b>46,738</b>	<b>100.0%</b>

(1) We acquired six overseas schools in the 2019 fiscal year, including BCS and five overseas schools under the brand “CATS.” For the purpose of calculating average number of students enrolled at our schools, we do not take into account the ten language training institutions.

Our total student enrollment increased from an average of 29,747 students for the 2017 school year, to an average of 36,679 students for the 2018 school year and further to an average of 46,738 students for the 2019 school year. Student enrollment is generally dependent on, among other things, the reputation of our schools, which is primarily driven by our education quality and our students' academic results, the ramp-up stage of our schools, the expansion of our school network as well as the population density in Country Garden's residential properties, which have served as a major source of students for our schools. An increase in the student contribution of our international schools also enhances our ability to increase revenue, because our international schools generally charge tuition and fees substantially higher than our bilingual schools and kindergartens do.

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

	As of September 1,					
	2017		2018		2019	
	Number of schools	Student capacity	Number of schools	Student capacity	Number of schools	Student capacity
<b>Domestic K-12 Schools</b>						
International schools	6	15,260	6	15,260	7	16,460
Bilingual schools (1)	16	25,530	15	23,210	15	23,210
Kindergartens (1)	38	17,077	44	19,009	58	23,127
<b>Overseas Schools (2)</b>	—	—	—	—	6	3,357
<b>Total</b>	<b>60</b>	<b>57,867</b>	<b>65</b>	<b>57,479</b>	<b>86</b>	<b>66,154</b>

- (1) We ceased operations of Huaian Country Garden Tianshan Bilingual School and Tianshan Kindergarten on August 1, 2018 due to termination of cooperation with a third-party partner and therefore no longer include them in the number of our schools.
- (2) We acquired six overseas schools in the 2019 fiscal year, including BCS and five overseas schools under the brand "CATS." We had not closed the transactions to acquire St. Michael's School and BIC as of September 1, 2019. For the purpose of calculating number of schools and student capacity, we do not take into account the ten language training institutions.

We expanded our school network from 60 schools as of September 1, 2017 to 88 schools as of the date of this annual report, with our total student capacity increasing from 57,867 students as of September 1, 2017 to 66,154 students as of September 1, 2019. In August 2018, we ceased operations of Huaian Country Garden Tianshan Bilingual School and Tianshan Kindergarten because we terminated our cooperation relationship with a third-party partner. In December 2018, we acquired and commenced operation of BCS, being the first overseas school within our network. In July 2019, we acquired five overseas schools under the brand “CATS.” As utilization rates are generally higher for schools that have been in operation for a longer period of time, the unutilized capacity at our recently-opened schools, which are still at the ramp-up stage, allows us to readily increase student enrollment without incurring significant additional investment. The utilization rate, defined as the average of monthly student enrollment at a school for a period divided by the school capacity as of the start of such period, at our schools in China that had five or more years of operating history as of September 1, 2019 remained at high levels of 92.8%, 84.7% and 87.6% on average for the 2017, 2018 and 2019 school years, respectively. The average utilization rate for schools that had less than five years of operating history as of September 1, 2019 increased from 23.4% for the 2017 school year to 43.7% for the 2019 school year. In particular, the average utilization rate for our schools that opened on or after September 1, 2015 was 12.4% in their first year of operation, 28.5% in their second year of operation and 44.4% in their third year of operation, demonstrating our ability to effectively ramp up individual new schools.

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

### ***Our tuition and fees***

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

	2017 school year	2018 school year	2019 school year	
	RMB	RMB	RMB	US\$
<b>Domestic K-12 Schools</b>				
International schools	80,478	80,048	83,555	11,679
Bilingual schools	31,346	34,187	35,872	5,014
Kindergartens	30,364	30,736	30,424	4,253
Average	<u>41,384</u>	<u>42,108</u>	<u>43,891</u>	<u>6,135</u>
<b>Overseas Schools (1)</b>	—	—	239,486	33,474

(1) We acquired six overseas schools in the 2019 fiscal year, including BCS and five overseas schools under the brand “CATS.” For the purpose of calculating average tuition and fees of our schools, we do not take into account the ten language training institutions.

For the 2017, 2018 and 2019 school years, our average tuition and fees across all of our domestic schools were RMB41,384, RMB42,108, and RMB43,891 respectively. Our tuition and fees charged for international schools are higher than that for our bilingual schools and kindergartens, which reflects the additional education and operating resources we provide and the premium that parents are willing to pay for international education. For the 2019 school year, we charged average tuition and fees of RMB83,555 per student for international schools, RMB35,872 per student for bilingual schools and RMB30,424 per student for kindergartens. Our tuition and fees charged for overseas schools take into consideration of market rates and consumption levels of the relevant countries and areas where our schools are located. For the 2019 school year, we charged average tuition and fees of RMB239,486 per student for overseas schools.

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

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

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

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

Staff costs and administrative expenses have a direct impact on our profitability. The number of our staff, particularly our teachers, generally increases as our student base expands, while other expenses, particularly those in relation to administrative functions, are relatively fixed. Our ability to drive the productivity of our staff and enhance our operating efficiency affects our profitability. The ratio of the number of our students to the number of our teachers in our schools affects our margins, with higher student-to-teacher ratios generally representing higher operating efficiency and higher margins. Our student-to-teacher ratio for our schools in China in the 2019 school years was 8.8, which was generally lower than that seen amongst our industry peers for the same periods, according to the Frost & Sullivan report, and represents potential for us to increase this ratio in the future. Our operating margin was 16.2%, 15.8% and 11.7% in the 2017, 2018 and 2019 fiscal years, respectively. Our adjusted operating income margin, which excludes share-based compensation expenses and amortization of intangible assets, was 16.4%, 17.9% and 14.6% in the 2017, 2018 and 2019 fiscal years, respectively. See “—Results of Operations—Non-GAAP measures.” The decline in our operating margin and adjusted operating income margin was primarily a result of increase in selling, general and administrative expenses, due to in part the increase in the compensation and benefits incurred from additional general and administrative staff members. The average number of our staff was 6,501, 7,891 and 10,366 in the 2017, 2018, and 2019 fiscal years, respectively, and our total staff costs as a percentage of revenue were 57.3%, 55.0% and 52.0% during the same periods, respectively.

We focus on providing quality education to our students and, since the beginning of the 2017 fiscal year, we have implemented various initiatives to improve operating efficiency and profitability through management centralization of certain operational aspects, those schools in our network with longer operating history have seen significant improvement in operating margin over time. Schools in our domestic network that have been in operation for five or more years as of September 1, 2019 had, as a group, significantly improved their adjusted operating margin, calculated as the total adjusted operating income of the concerned schools, which excludes share-based compensation expenses and amortization of intangible assets, divided by total revenues of such schools, from 23.4% in the 2017 fiscal year to 28.7% in the 2019 fiscal year. See “—Results of Operations—Non-GAAP measures.”

Our newly-established schools have been able to grow rapidly during the ramp-up period following their establishment, as their brand value grows, student enrollment increases and capacity utilization improves. This has resulted in greater operating leverage and increasing profitability at these schools as well. Schools in our domestic network that have been in operation for less than five years as of September 1, 2019 had, as a group, significantly narrowed their adjusted operating margin, calculated as the total adjusted operating income or loss of the concerned schools, which excludes share-based compensation expenses and amortization of intangible assets, divided by the total revenues of such schools, from an adjusted operating margin of negative 0.3% in the 2017 fiscal year to 8.3% in the 2019 fiscal year. See “—Results of Operations—Non-GAAP measures.” In addition, four out of the seven international schools we operate have less than five years of operating history. The relatively higher fixed and variable costs and expenses for our international schools and the number of international schools at the ramp-up stage have affected the gross margin of our international schools segment historically. In the 2019 fiscal year, gross margin for our international schools segment was 38.8%, compared to 38.5% and 43.6% for bilingual schools and kindergartens, respectively.

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

***Our ability to expand our school network cost-efficiently***

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

### ***Strategic acquisitions and investments***

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

### ***Seasonality***

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

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

### **Critical Accounting Policies**

We prepare our combined and consolidated financial statements in accordance with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. We continually evaluate these judgments and estimates based on our own experience, knowledge and assessment of current business and other conditions. Our expectations regarding the future are based on available information and assumptions that we believe to be reasonable, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.



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

#### ***Consolidation of Variable Interest Entity***

PRC laws and regulations currently prohibit foreign ownership of companies and institutions providing compulsory education services at primary and middle school levels, and restrict foreign investment in education services at the kindergarten and high school level. In addition, the PRC government regulates the provision of education services through strict licensing requirements. As Bright Scholar Holdings is deemed a foreign legal person under PRC laws, subsidiaries owned by us are ineligible to engage in provisions of education services in China. Due to these restrictions, we conduct our private education business in China primarily through contractual arrangements among (1) Zhuhai Bright Scholar, our wholly owned PRC subsidiary, (2) our affiliated entities, including BGY Education Investment and the schools controlled and held by it, and (3) the shareholders of BGY Education Investment.

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

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

## **Goodwill**

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired in a business combination. Goodwill is not amortized but is tested for impairment on an annual basis as of August 31, or more frequently if events or changes in circumstances indicate that it might be impaired. We have the option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. In the qualitative assessment, we consider primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. We will perform the quantitative impairment test if we bypass the qualitative assessment, or based on the qualitative assessment, if it is more likely than not that the fair value of each reporting unit is less than the carrying amount.

In performing the two-step quantitative impairment test, the first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying amount of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for the purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities.

We did not incur any impairment loss on goodwill for the years ended August 31, 2017, 2018 and 2019, respectively.

## **Revenue recognition**

As of September 1, 2018, we adopted ASU 2014-09, Revenue from Contracts with Customers (“Topic 606”) and all subsequent ASUs that modified ASC 606, using the modified retrospective method for all contracts not completed as of September 1, 2018. Results for reporting periods beginning on September 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior periods.

Revenue is recognized when control of promised goods or services is transferred to our customers in an amount of consideration to which Group expects to be entitled to in exchange for those goods or services. We follow the five steps approach for revenue recognition under Topic 606: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) we satisfy a performance obligation. The primary sources of our revenues are as follows:

### *Income from educational programs and services*

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

*Complementary training course and program fees*

We offer various types of after-school tutoring services and art training services, which primarily consist of after-school group class courses, personalized tutoring courses and art training courses. The tutoring services and art training services are accounted for as a single performance obligation. Tutoring services and art training service fee recognized proportionately as the tutoring sessions and art training courses are delivered. The course fees are generally collected in advance and are initially recorded as contract liability. Tuition refunds are provided to students if they decide within the trial period that they no longer want to take the course. For certain courses, we also offer refunds for any remaining unutilized classes to for students who withdraw from the course. We determine the transaction price to be earned based on the tutoring services and art training service fees and the estimated refund liability. The refund liability is determined based on historical refund ratio on a portfolio basis using the expected value method. We have not experienced significant refunds in the past or in the current year.

*Commission income*

We earn commission revenue by providing referral services to overseas education universities and institutions. Students' referral service is accounted for as a single performance obligation. Commission income is recognized at the point in time when the referred students enrolled at the overseas education universities or institutions' program, with the tuition fees are paid and upon we are entitled to the commission income.

*Consulting service fees*

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

*Camp service income*

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

*Practical expedients and exemptions*

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

We have elected to record the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

**Recent Accounting Pronouncements**

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

**Key Components of Results of Operations**

***Revenue***

We derive our revenue from five operating segments, including international schools, bilingual schools, kindergartens, overseas schools and complementary education services. Our revenue increased during the 2017, 2018 and 2019 fiscal years primarily due to increases in the average tuition and fees and the increased number of student enrollment, which is the result of the expansion of our school network and increasing utilization of existing schools.

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

	Year Ended August 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
	(in thousands)			
<b>Domestic K-12 Schools</b>				
International schools	505,595	589,599	745,015	104,135
Tuition revenue (1)	436,612	513,493	652,307	91,177
Others (2)	68,983	76,106	92,708	12,958
Bilingual schools	413,404	534,008	650,433	90,915
Tuition revenue (1)	300,934	396,069	486,703	68,029
Others (2)	112,470	137,939	163,730	22,886
Kindergartens	312,008	399,249	495,024	69,193
Tuition revenue (1)	269,962	344,828	426,838	59,662
Others (2)	42,046	54,421	68,186	9,531
<b>Overseas schools (6)</b>	—	—	181,793	25,410
Tuition revenue (1)	—	—	123,897	17,318
Others (3)	—	—	57,896	8,092
<b>Complementary education services</b>	97,360	196,015	490,740	68,594
Tuition revenue (4)	71,267	85,098	123,895	17,318
Others (5)	26,093	110,917	366,845	51,276
<b>Total</b>	<b>1,328,367</b>	<b>1,718,871</b>	<b>2,563,005</b>	<b>358,247</b>



	Year Ended August 31,		
	2017	2018	2019
	%	%	%
<b>Domestic K-12 Schools</b>			
International schools	38.1%	34.3%	29.1%
Tuition revenue (1)	32.9%	29.9%	25.5%
Others (2)	5.2%	4.4%	3.6%
Bilingual schools	31.1%	31.1%	25.4%
Tuition revenue (1)	22.6%	23.1%	19.0%
Others (2)	8.5%	8.0%	6.4%
Kindergartens	23.5%	23.2%	19.3%
Tuition revenue (1)	20.3%	20.0%	16.7%
Others (2)	3.2%	3.2%	2.6%
<b>Overseas schools (6)</b>	—	—	7.1%
Tuition revenue (1)	—	—	4.8%
Others (3)	—	—	2.3%
<b>Complementary education services</b>	7.3%	11.4%	19.1%
Tuition revenue (4)	5.4%	5.0%	4.8%
Others (5)	1.9%	6.4%	14.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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

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

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

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

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

(6) We acquired six overseas schools in the 2019 fiscal year, including BCS and five overseas schools under the brand “CATS.”

We raised the average tuition and fees per student for our domestic K-12 schools at a CAGR of approximately 3.0% from the 2017 fiscal year to the 2019 fiscal year. We generally charge our students tuition and other fees prior to the beginning of each semester. We also accept monthly payment for fees at certain kindergartens. We offer a partial refund if a student withdraws during a semester and tuition discounts to certain of Country Garden’s homeowners, our employees and Country Garden’s employees.

The increase in revenues from our schools was primarily driven by the increased number of student enrollment and an increase in the average tuition and fees. Revenue from our complementary education services increased significantly from the 2017 fiscal year to the 2019 fiscal year primarily due to (1) an increase in revenue of élan English learning centers, (2) an increase in our revenue generated from camp programs, and (3) revenue contribution from our acquired complementary education services, including Can-achieve, FGE, Hangzhou Impression and Chengdu Yinzhe.

### Cost of revenue

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

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

	Year Ended August 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
	(in thousands)			
<b>Domestic K-12 Schools</b>				
International schools	360,044	373,391	456,003	63,738
Staff costs	268,279	286,004	340,592	47,607
Others (1)	91,765	87,387	115,411	16,131
Bilingual schools	262,283	346,868	400,043	55,916
Staff costs	182,648	242,572	279,596	39,081
Others (1)	79,635	104,296	120,447	16,835
Kindergartens	178,758	223,397	279,315	39,042
Staff costs	136,049	164,893	196,911	27,523
Others (1)	42,709	58,504	82,404	11,519
<b>Overseas schools (2)</b>	—	—	145,625	20,355
Staff costs	—	—	58,242	8,141
Others	—	—	87,383	12,214
<b>Complementary education services</b>	59,245	146,939	305,028	42,636
Staff costs	31,076	60,180	104,235	14,570
Others (1)	28,169	86,759	200,793	28,066
<b>Total</b>	<b>860,330</b>	<b>1,090,595</b>	<b>1,586,014</b>	<b>221,687</b>

	Year Ended August 31,		
	2017	2018	2019
	%	%	%
<b>Domestic K-12 Schools</b>			
International schools	71.2%	63.3%	61.2%
Staff costs	53.1%	48.5%	45.7%
Others (1)	18.1%	14.8%	15.5%
Bilingual schools	63.4%	65.0%	61.5%
Staff costs	44.2%	45.5%	43.0%
Others (1)	19.2%	19.5%	18.5%
Kindergartens	57.3%	56.0%	56.4%
Staff costs	43.6%	41.3%	39.8%
Others (1)	13.7%	14.7%	16.6%
<b>Overseas schools (2)</b>	—	—	80.1%
Staff costs	—	—	32.0%
Others	—	—	48.1%
<b>Complementary education services</b>	60.9%	75.0%	62.2%
Staff costs	31.9%	30.7%	21.2%
Others (1)	29.0%	44.3%	41.0%
<b>Total</b>	<b>64.8%</b>	<b>63.4%</b>	<b>61.9%</b>

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

(2) We acquired six overseas schools in the 2019 fiscal year, including BCS and five overseas schools under the brand “CATS.”

Our cost of revenue increased from the 2017 fiscal year to the 2019 fiscal year primarily due to an increase in staff costs, resulting from an increase in the total number of our teachers and educational staff, and an increase in boarding expenses, which is in line with the increased number of our student enrollment and the expansion of our school network.

Our cost of revenue as a percentage of our total revenues decreased from 64.8% in the 2017 fiscal year to 63.4% in the 2018 fiscal year, and further to 61.9% in the 2019 fiscal year, primarily due to (1) the increased economy of scale as a result of the ramping up of our schools, (2) improved operating efficiency due to cost control and improved teacher productivity, and (3) increased average tuition fees.

***Selling, general and administrative expenses***

Our selling, general and administrative expenses primarily consisted of salaries and other benefits for our administrative, management and marketing personnel, maintenance costs of our office facilities and teaching equipment, and share-based compensation expenses. Our selling, general and administrative expenses were RMB262.0 million, RMB368.1 million and RMB691.9 million (US\$96.7 million) in the 2017, 2018 and 2019 fiscal years, respectively, accounting for 19.7%, 21.4% and 27.0% of our revenue for the same periods, respectively. Excluding the share-based compensation in the 2019 fiscal year, our selling, general and administrative expenses would have been RMB640.2 million, accounting for 25.0% of our revenue in the same fiscal year. See “A Operating Results—Results of Operations—Non-GAAP measures” for details. Our selling, general and administrative expenses before share-based compensation expenses as a percentage of our revenue increased from 19.7% in the 2018 fiscal year to 25.0% in the 2019 fiscal year, primarily due an increase in the compensation and benefits incurred from additional general and administrative staff members, an increase in marketing expenses for brand promotion, the costs associated with acquisitions and other professional services to support the business growth as a public company as well as the incremental selling, general and administrative expenses incurred from the acquired businesses.

**Results of Operations**

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

	<b>Year Ended August 31,</b>			
	<b>2017</b>	<b>2018</b>	<b>2019</b>	
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>US\$</b>
	<b>(in thousands, except for share and per share data)</b>			
Revenue	1,328,367	1,718,871	2,563,005	358,247
Cost of revenue	(860,330)	(1,090,595)	(1,586,014)	(221,687)
Gross profit	468,037	628,276	976,991	136,560
Selling, general and administrative expenses	(261,972)	(368,141)	(691,900)	(96,711)
Other operating income	8,874	12,027	15,435	2,157
Operating income	214,939	272,162	300,526	42,006
Interest income, net	4,901	27,297	24,254	3,390
Investment income	13,718	21,669	17,414	2,434
Other expenses	(779)	(4,803)	(8,617)	(1,204)
Income before income taxes and share of equity in income of unconsolidated affiliates	232,779	316,325	333,577	46,626
Income tax expenses	(40,970)	(67,382)	(80,580)	(11,263)
Share of equity in income of unconsolidated affiliates	—	(40)	(239)	(33)
Net income	191,809	248,903	252,758	35,330
Net income attributable to non-controlling interests (1)	19,759	1,934	11,659	1,630
Net income attributable to ordinary shareholders	172,050	246,969	241,099	33,700
Adjusted net income (2)	194,328	284,585	327,706	45,806
Net earnings per share attributable to ordinary shareholders (3)				
Basic	1.64	2.02	1.97	0.28
Diluted	1.64	2.02	1.97	0.28
Weighted average shares used in calculating net earnings per ordinary share (3)				
Basic	104,839,041	122,088,201	122,322,894	122,322,894
Diluted	104,839,041	122,186,796	122,430,457	122,430,457

- 
- (1) Includes former shareholders that disposed of their minority investments in certain schools to us in the first quarter of the 2017 fiscal year, and net income attributable to our non-controlling interests in the acquired businesses in the respective years.
  - (2) Represents net income before share-based compensation expenses and amortization of intangible assets. See “—Non-GAAP measures” for details.
  - (3) After giving effect to a share split effected on April 26, 2017, following which each of our authorized and issued ordinary shares was sub-divided into 10 ordinary shares.

***Non-GAAP measures***

In evaluating our business, we consider and use certain non-GAAP measures, including adjusted EBITDA, adjusted net income/(loss), adjusted gross profit/(loss), adjusted selling, general and administrative expenses (“adjusted SG&A”), adjusted operating income/(loss), adjusted net earnings per share attributable to ordinary shareholders basic and diluted as supplemental measures to review and assess our operating performance. The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with U.S. GAAP. We define adjusted gross profit/(loss) as gross profit/(loss) excluding amortization of intangible assets and adjusted gross margin as adjusted gross profit/(loss) divided by revenue. We define adjusted EBITDA as net income/(loss) excluding interest income, net; income tax expense/benefit; depreciation and amortization; share-based compensation expense, and non-recurring foreign exchange gain/loss (included in other expenses) due to the movement of the cash denominated in US dollars at a PRC subsidiary level which was reserved for designated purpose of use in fiscal year 2018 and subsequently exchanged to RMB and realized exchange gain in later 2018, and adjusted net income/(loss) as net income/(loss) excluding share-based compensation expense and amortization of intangible assets. We define adjusted SG&A as selling, general and administration expense excluding share-based compensation expense and adjusted operating income/(loss) as net operating income/(loss) excluding share-based compensation expense and amortization of intangible assets. Additionally, we define adjusted net earnings per share attributable to ordinary shareholders, basic and diluted, as adjusted net income/(loss) attributable to ordinary shareholders (net income/(loss) to ordinary shareholders excluding share-based compensation expense and amortization of intangible assets) divided by the weighted average number of basic and diluted ordinary shares or ADSs, each representing one Class A ordinary share of the Company, on an as-converted basis.

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

We present the non-GAAP financial measures because they are used by our management to evaluate our operating performance and formulate business plans. Such non-GAAP measures include adjusted EBITDA, adjusted net income/(loss), adjusted gross profit/(loss), adjusted SG&A, adjusted operating income/(loss), adjusted net earnings per share attributable to ordinary shareholders basic and diluted. Non-GAAP financial measures enable our management to assess our operating results without considering the impact of non-cash charges, including depreciation and amortization and share-based compensation expense, and without considering the impact of non-operating items such as interest income, net; income tax expense/benefit; non-recurring foreign exchange gain/loss (included in other expenses) due to the movement of the cash denominated in US dollars at a PRC subsidiary level which was reserved for designated purpose of use in fiscal year 2018 and subsequently exchanged to RMB and realized exchange gain in later 2018; and share-based compensation expense and amortization of intangible assets. We also believe that the use of these non-GAAP measures facilitates investors' assessment of our operating performance.

The non-GAAP financial measures are not defined under U.S. GAAP and are not presented in accordance with U.S. GAAP. The non-GAAP financial measures have limitations as analytical tools. One of the key limitations of using these non-GAAP financial measures is that they do not reflect all items of income and expense that affect our operations. Interest income, net; income tax expense/benefit; depreciation and amortization; share-based compensation expense; and non-recurring foreign exchange gain/loss (included in other expenses) due to the movement of the cash denominated in US dollars at a PRC subsidiary level which was reserved for designated purpose of use in fiscal year 2018 and subsequently exchanged to RMB and realized exchange gain in later 2018, have been and may continue to be incurred in our business and are not reflected in the presentation of these non-GAAP measures. Further, these non-GAAP measures may differ from the non-GAAP information used by other companies, including peer companies, and therefore their comparability may be limited.

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

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

	Year Ended August 31,			
	2017 RMB	2018 RMB (in thousands, except for share amounts and per share data)	2019 RMB	US\$
<b>Reconciliation of gross profit to adjusted gross profit</b>				
Gross profit	468,036	628,276	976,991	136,560
Add: amortization of intangible assets	2,519	6,621	23,284	3,255
Adjusted gross profit	470,555	634,897	1,000,275	139,815
<b>Reconciliation of operating income to adjusted operating income</b>				
Operating income	214,939	272,162	300,526	42,006
Add: share-based compensation expense	—	29,061	51,664	7,221
Add: amortization of intangible assets	2,519	6,621	23,284	3,255
Adjusted operating income	217,458	307,844	375,474	52,482
<b>Reconciliation of net income to adjusted net income</b>				
Net income	191,809	248,903	252,758	35,330
Add: Share-based compensation expense	—	29,061	51,664	7,221
Add: Amortization of intangible assets	2,519	6,621	23,284	3,255
Adjusted net income	194,328	284,585	327,706	45,806
<b>Reconciliation of net income attributable to ordinary shareholders to adjusted net income attributable to ordinary shareholders</b>				
Net income attributable to ordinary shareholders	172,050	246,969	241,099	33,700
Add: Share-based compensation expense	—	29,061	51,664	7,221
Add: Amortization of intangible assets	2,519	6,621	23,284	3,255
Adjusted net income attributable to ordinary shareholders	174,569	282,651	316,047	44,176
<b>Reconciliation of net income to EBITDA and adjusted EBITDA</b>				
Net income	191,809	248,903	252,758	35,330
Less: interest income, net	4,901	27,297	24,254	3,390
Add: income tax expense	40,970	67,382	80,580	11,263
Add: depreciation and amortization	78,056	85,879	130,819	18,285
Add: share-based compensation expense	—	29,061	51,664	7,221
Add: foreign exchange loss (included in other expenses)	—	4,868	—	—
Adjusted EBITDA	305,934	408,796	491,567	68,709
<b>Reconciliation of selling, general and administrative expenses to adjusted SG&amp;A</b>				
Selling, general and administrative expenses	261,972	368,141	691,900	96,711
Less: share-based compensation expense	—	29,061	51,664	7,221
Adjusted SG&A	261,972	339,080	640,236	89,490
<b>Weighted average shares used in calculating earnings per ordinary share</b>				
Basic	104,839,041	122,088,201	122,322,894	122,322,894
Diluted	104,839,041	122,186,796	122,430,457	122,430,457
<b>Adjusted net earnings per share attributable to ordinary shareholders</b>				
Basic	1.67	2.32	2.58	0.36
Diluted	1.67	2.31	2.58	0.36

### Segment information

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

	Year Ended August 31,			
	2017 RMB	2018 RMB (in thousands)	2019 RMB	US\$
<b>Revenue</b>	1,328,367	1,718,871	2,563,005	358,247
Domestic K-12 Schools				
International schools	505,595	589,599	745,015	104,135
Bilingual schools	413,404	534,008	650,433	90,915
Kindergartens	312,008	399,249	495,024	69,193
Overseas schools (1)	—	—	181,793	25,410
Complementary education services	97,360	196,015	490,740	68,594
<b>Cost of revenue</b>	(860,330)	(1,090,595)	(1,586,014)	(221,687)
Domestic K-12 Schools				



International schools	(360,044)	(373,391)	(456,003)	(63,738)
Bilingual schools	(262,283)	(346,868)	(400,043)	(55,916)
Kindergartens	(178,758)	(223,397)	(279,315)	(39,042)
Overseas schools (1)	—	—	(145,625)	(20,355)
Complementary education services	(59,245)	(146,939)	(305,028)	(42,636)
<b>Gross profit</b>	<b>468,037</b>	<b>628,276</b>	<b>976,991</b>	<b>136,560</b>
Domestic K-12 Schools				
International schools	145,551	216,208	289,012	40,397
Bilingual schools	151,121	187,140	250,390	34,999
Kindergartens	133,250	175,852	215,709	30,151
Overseas schools (1)	—	—	36,168	5,055
Complementary education services	38,115	49,076	185,712	25,958

	Year Ended August 31,		
	2017	2018	2019
	(as a percentage of segment revenue)		
<b>Revenue</b>	100.0%	100.0%	100.0%
Domestic K-12 Schools			
International schools	100.0%	100.0%	100.0%
Bilingual schools	100.0%	100.0%	100.0%
Kindergartens	100.0%	100.0%	100.0%
Overseas schools (1)	100.0%	100.0%	100.0%
Complementary education services	100.0%	100.0%	100.0%
<b>Cost of revenue</b>	(64.8)%	(63.4)%	(61.9)%
Domestic K-12 Schools			
International schools	(71.2)%	(63.3)%	(61.2)%
Bilingual schools	(63.4)%	(65.0)%	(61.5)%
Kindergartens	(57.3)%	(56.0)%	(56.4)%
Overseas schools (1)	—	—	(80.1)%
Complementary education services	(60.9)%	(75.0)%	(62.2)%
<b>Gross profit</b>	35.2%	36.6%	38.1%
Domestic K-12 Schools			
International schools	28.8%	36.7%	38.8%
Bilingual schools	36.6%	35.0%	38.5%
Kindergartens	42.7%	44.0%	43.6%
Overseas schools (1)	—	—	19.9%
Complementary education services	39.1%	25.0%	37.8%

(1) We acquired six overseas schools in the 2019 fiscal year, including BCS and five overseas schools under the brand “CATS.”

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

**Revenue.** Our revenue increased by 49.1% from RMB1,718.9 million in the 2018 fiscal year to RMB2,563.0 million (US\$358.2 million) in the 2019 fiscal year, primarily due to a 27.4% increase in the average total number of students from 36,679, to 46,738, a 4.2% increase in the average tuition and fees for all of our domestic K-12 schools from RMB42,108 to RMB43,891, in part driven by the contribution of the newly-acquired overseas schools during the same periods. Our revenue from complementary education services also increased significantly from RMB196.1 million in the 2018 fiscal year to RMB490.8 million (US\$68.6 million) in the 2019 fiscal year, primarily due to revenue contribution from our acquired complementary education services, including Can-achieve, FGE, Hangzhou Impression and Chengdu Yinzhe.

· *Domestic K-12 schools.*

*International schools.* Our revenue from international schools increased by 26.4% from RMB589.6 million in the 2018 fiscal year to RMB745.0 million (US\$104.1 million) in the 2019 fiscal year, primarily due to a 26.9% increase in the average number of students from 7,366 to 9,350 and a 4.4% increase in the average tuition and fees from RMB80,048 to RMB83,555 during the same period. Revenue contribution from Sannew Education was RMB15.5 million (US\$2.2 million) for the 2019 fiscal year.

*Bilingual schools.* Our revenue from bilingual schools increased by 21.8% from RMB534.0 million in the 2018 fiscal year to RMB650.4 million (US\$90.9 million) in the 2019 fiscal year, primarily due to a 16.1% increase in the average number of students from 15,620 to 18,132 and a 4.9% increase in the average tuition and fees from RMB34,187 to RMB35,872 during the same period.

*Kindergartens.* Our revenue from kindergartens increased by 24.0% from RMB399.2 million in the 2018 fiscal year to RMB495.0 million (US\$69.2 million) in the 2019 fiscal year, primarily due to a 22.3% increase in the average number of students from 13,693 to 16,742. Revenue contribution from Xinqiao and Qiqiaoban kindergartens was RMB52.9 million (US\$7.4 million) for the 2019 fiscal year. The average tuition and fees decreased from RMB30,736 in the 2018 fiscal year to RMB30,424 in the 2019 fiscal year, primarily due to the lower average tuition and fees at our newly-acquired kindergartens.

· *Overseas schools.* We recorded revenue from overseas schools of RMB181.8 million (US\$25.4 million) in the 2019 fiscal year, accounted for 7.1% of the total revenues. For the 2019 fiscal year, overseas schools had an average number of students of 2,514 and an average tuition and fees of RMB239,486.

· *Complementary education services.* Our revenue from complementary education services increased by 150.4% from RMB196.1 million in the 2018 fiscal year to RMB490.8 million (US\$68.6 million) in the 2019 fiscal year, primarily due to the revenue contribution from acquired businesses including Can-achieve, FGE, Hangzhou Impression and Chengdu Yinzhe of RMB285.0 million (US\$39.8 million).

*Cost of revenue.* Our cost of revenue increased by 45.4% from RMB1,090.6 million in the 2018 fiscal year to RMB 1,586.0 million (US\$221.7 million) in the 2019 fiscal year, primarily due to an increase in staff costs from RMB753.7 million to RMB979.6 million (US\$136.9 million) during the same period as a result of an increase in the number of teachers and educational staff needed to support the expansion of our school network and the ramp-up of recently-opened or acquired schools. We opened three kindergartens in the 2019 fiscal year. We also acquired eight kindergartens, one international school and six overseas schools in the 2019 fiscal year. The average number of our teachers and instructors increased by 30.4% from 4,297 in the 2018 fiscal year to 5,602 in the 2019 fiscal year.

· *Domestic K-12 schools.*

*International schools.* Our cost of revenue incurred by international schools increased by 22.1% from RMB373.4 million in the 2018 fiscal year to RMB456.0 million (US\$63.7 million) in the 2019 fiscal year, primarily due to a 19.1% increase in staff costs from RMB286.0 million to RMB340.6 million (US\$47.6 million) as a result of an increase in the number of teachers and educational staff needed to support the expansion of our school network and the ramp-up of schools. We acquired one international schools during the 2019 fiscal year.

*Bilingual schools.* Our cost of revenue incurred by bilingual schools increased by 15.3% from RMB346.9 million in the 2018 fiscal year to RMB400.0 million (US\$55.9 million) in the 2019 fiscal year, primarily due to a 15.3% increase in staff costs from RMB242.6 million to RMB279.6 million (US\$39.1 million) as a result of an increase in the number of teachers and educational staff to support the expansion of our school network.

*Kindergartens.* Our cost of revenue incurred by kindergartens increased by 25.0% from RMB223.4 million in the 2018 fiscal year to RMB279.3 million (US\$39.0 million) in the 2019 fiscal year, primarily due to a 19.4% increase in staff costs from RMB164.9 million to RMB196.9 million (US\$27.5 million) as a result of an increase in the number of teachers and educational staff to support the expansion of our school network and the ramp-up of recently-opened schools. We opened three kindergartens and acquired eight kindergartens during the 2019 fiscal year.

· *Overseas school.* Our costs of revenue incurred by our overseas school was RMB145.6 million (US\$20.4 million) in the 2019 fiscal year. We acquired six overseas schools during the 2019 fiscal year.

· *Complementary education services.* Our cost of revenue incurred by complementary education services increased significantly from RMB146.9 million in the 2018 fiscal year to RMB305.0 million (US\$42.6 million) in the 2019 fiscal year, primarily due to the increased expenses from our acquired complementary education services, including Can-achieve, FGE, Hangzhou Impression and Chengdu Yinzhe.

*Gross profit.* As a result of the foregoing, our gross profit increased by 55.5% from RMB628.3 million in the 2018 fiscal year to RMB977.0 million (US\$136.6 million) in the 2019 fiscal year. Our gross margin increased from 36.6% in the 2018 fiscal year to 38.1% in the 2019 fiscal year, primarily due to our improved operating efficiency and the increased average tuition and fees. Since the beginning of the 2016 fiscal year, we have implemented various initiatives to improve operating efficiency and profitability, including budget control, improvement of teacher productivity and allocation of experienced teachers from mature schools to newer schools across our school network.

*Selling, general and administrative expenses.* Our selling, general and administrative expenses increased by 87.9% from RMB368.1 million in the 2018 fiscal year to RMB691.9 million (US\$96.7 million) in the 2019 fiscal year. Our selling, general and administrative expenses as a percentage of our revenue increased from 21.4% in the 2018 fiscal year to 27.0% in the 2019 fiscal year. The increase in selling, general and administrative expenses was primarily due to the increase in the compensation and benefits incurred from additional general and administrative staff members, equity incentive award-related expenses to retain talents, the increase in marketing expenses for brand promotion, the costs associated with acquisitions and other professional services to support the business growth as a listed company as well as the incremental selling, general and administrative expenses incurred from the acquired businesses.

*Operating income.* As a result of the foregoing, we experienced an operating gain of RMB272.2 million in the 2018 fiscal year, and an operating gain of RMB300.5 million (US\$42.0 million) in the 2019 fiscal year.

*Interest income, net.* Our net interest income decreased by 11.1% from RMB27.3 million in the 2018 fiscal year to RMB24.3 million (US\$3.4 million) in the 2019 fiscal year, primarily due to the increased interest expense as a result of senior note issuance.

*Income tax expense.* Our income tax expense was RMB80.6 million (US\$11.3 million) in the 2019 fiscal year, and our effective tax rate was 24.2%, lower than the statutory rate of 25.0%, primarily due to the utilization of net operating losses carry-forwards. Our effective tax rate increased from 21.3% in the 2018 fiscal year to 24.2% in the 2019 fiscal year, primarily due to (1) the increase in the number of schools that began to generate net profits in the 2019 fiscal year, and (2) the increase of undeductible expenses.

*Income for the year.* As a result of the foregoing, we experienced a net gain of RMB248.9 million for the 2018 fiscal year and a net gain of RMB252.8million (US\$35.3 million) for the 2019 fiscal year.

*Adjusted net income.* We recorded an adjusted net income of RMB327.7 million (US\$45.8 million) for the 2019 fiscal year, compared to an adjusted net income of RMB284.6 million for the 2018 fiscal year. See “—Non-GAAP measures.”

***Year ended August 31, 2017 compared to year ended August 31, 2018***

*Revenue.* Our revenue increased by 29.4% from RMB1,328.4 million in the 2017 fiscal year to RMB1,718.9 million in the 2018 fiscal year, primarily due to a 23.3% increase in the average total number of students from 29,747 to 36,679, and a 1.7% increase in the average tuition and fees from RMB41,384 to RMB42,108 during the same periods. Our revenue from complementary education services also increased significantly from RMB97.4 million in the 2017 fiscal year to RMB196.1 million in the 2018 fiscal year, primarily due to revenue contribution from Can-achieve, our acquired international education consulting company, and an increase in the revenue of élan English learning centers.

- *International schools.* Our revenue from international schools increased by 16.6% from RMB505.6 million in the 2017 fiscal year to RMB589.6 million in the 2018 fiscal year, primarily due to a 17.2% increase in the average number of students from 6,283 to 7,366, partially offset by a 0.5% decrease in the average tuition and fees from RMB80,478 to RMB80,048 during the same period primarily due to pricing strategies related to our promotional efforts for schools in the ramp-up stage.
- *Bilingual schools.* Our revenue from bilingual schools increased by 29.2% from RMB413.4 million in the 2017 fiscal year to RMB534.0 million in the 2018 fiscal year, primarily due to an 18.4% increase in the average number of students from 13,189 to 15,620 and a 9.1% increase in the average tuition and fees from RMB31,346 to RMB34,187 during the same period.
- *Kindergartens.* Our revenue from kindergartens increased by 28.0% from RMB312.0 million in the 2017 fiscal year to RMB399.2 million in the 2018 fiscal year, primarily due to a 33.3% increase in the average number of students from 10,275 to 13,693, and a 1.2% increase in the average tuition and fees from RMB30,364 to RMB30,736 during the same period.
- *Complementary education services.* Our revenue from complementary education services increased significantly from RMB97.4 million in the 2017 fiscal year to RMB196.1 million in the 2018 fiscal year, primarily due to (1) a revenue contribution of RMB62.5 million from Can-achieve, (2) an RMB13.3 million increase in the revenue of élan English learning centers from the 2017 fiscal year, and (3) revenue contribution from FGE of RMB6.7 million.

*Cost of revenue.* Our cost of revenue increased by 26.8% from RMB860.3 million in the 2017 fiscal year to RMB1,090.6 million in the 2018 fiscal year, primarily due to a RMB135.6 million increase in staff costs as a result of an increase in the number of teachers and educational staff needed to support the expansion of our school network and the ramp-up of recently-opened schools. We opened five bilingual schools and five kindergartens in the 2018 fiscal year. We also acquired five kindergartens in the 2018 fiscal year. The average number of our teachers and instructors increased by 18.4% from 3,628 in the 2017 fiscal year to 4,297 in the 2018 fiscal year.

- *International schools.* Our cost of revenue incurred by international schools increased by 3.7% from RMB360.0 million in the 2017 fiscal year to RMB373.4 million in the 2018 fiscal year, primarily due to a 6.6% increase in staff costs from RMB268.3 million to RMB286.0 million as a result of an increase in the number of teachers and educational staff needed to support the expansion of our school network and the ramp-up of schools.

- *Bilingual schools.* Our cost of revenue incurred by bilingual schools increased by 32.2% from RMB262.3 million in the 2017 fiscal year to RMB346.9 million in the 2018 fiscal year, primarily due to a 32.8% increase in staff costs from RMB182.6 million to RMB242.6 million as a result of an increase in the number of teachers and educational staff to support the expansion of our school network. We opened five bilingual schools during the 2018 fiscal year.
- *Kindergartens.* Our cost of revenue incurred by kindergartens increased by 25.0% from RMB178.8 million in the 2017 fiscal year to RMB223.4 million in the 2018 fiscal year, primarily due to a 21.2% increase in staff costs from RMB136.0 million to RMB164.9 million as a result of an increase in the number of teachers and educational staff to support the expansion of our school network and the ramp-up of recently-opened schools. We opened five kindergartens and acquired five kindergartens during the 2018 fiscal year.
- *Complementary education services.* Our cost of revenue incurred by complementary education services increased significantly from RMB59.2 million in the 2017 fiscal year to RMB146.9 million in the 2018 fiscal year, primarily due to (1) the consolidation of Can-achieve's cost of revenue of RMB47.3 million, and (2) an increase in cost of revenue of élan.

*Gross profit.* As a result of the foregoing, our gross profit increased significantly from RMB468.0 million in the 2017 fiscal year to RMB628.3 million in the 2018 fiscal year. Our gross margin increased from 35.2% in the 2017 fiscal year to 36.6% in the 2018 fiscal year, primarily due to our improved operating efficiency and the increased average tuition and fees. Since the beginning of the 2016 fiscal year, we have implemented various initiatives to improve operating efficiency and profitability, including budget control, improvement of teacher productivity and allocation of experienced teachers from mature schools to newer schools across our school network, resulting in an improvement in the student-to-teacher ratio in our schools from 8.4 for the 2017 fiscal year to 8.8 for the 2018 fiscal year.

Our gross profit margin for our bilingual schools decreased from the 2017 fiscal year to the 2018 fiscal year primarily due to the ramp-up of our five newly opened bilingual schools in the 2018 fiscal year, and our gross profit margin for our complementary education services decreased primarily due to (1) the ramp-up of élan English learning centers, and (2) the integration of our acquired international education consulting business under the brand of Can-achieve, the gross margin of which is generally lower than those of the private K-12 education business.

*Selling, general and administrative expenses.* Our selling, general and administrative expenses increased by 40.5% from RMB262.0 million in the 2017 fiscal year to RMB368.1 million in the 2018 fiscal year. Our selling, general and administrative expenses as a percentage of our revenue increased from 19.7% in the 2017 fiscal year to 21.4% in the 2018 fiscal year. This increase is primarily due to our share-based compensation to our selling, general and administrative staff of RMB29.1 million.

*Operating income.* As a result of the foregoing, we experienced an operating gain of RMB214.9 million in the 2017 fiscal year, and an operating gain of RMB272.2 million in the 2018 fiscal year.

*Interest income, net.* Our net interest income increased significantly from RMB4.9 million in the 2017 fiscal year to RMB27.3 million in the 2018 fiscal year, primarily due to an increase in holdings of bank deposits from cash generated from our business operations and proceeds from our initial public offering and follow-on offering during the 2018 fiscal year.

*Income tax expense.* Our income tax expense was RMB67.4 million in the 2018 fiscal year, and our effective tax rate was 21.3%, lower than the statutory rate of 25.0%, primarily due to the utilization of net operating losses carry-forwards. Our effective tax rate increased from 17.6% in the 2017 fiscal year to 21.3% in the 2018 fiscal year, primarily due to (1) the increase in the number of schools that began to generate net profits in the 2018 fiscal year, and (2) the expiration of a five-year tax exemption previously enjoyed by Country Garden Venice Bilingual School and Country Garden Venice Kindergarten.

*Income for the year.* As a result of the foregoing, we experienced a net gain of RMB191.8 million for the 2017 fiscal year and a net gain of RMB248.9 million for the 2018 fiscal year.

*Adjusted net income.* We recorded an adjusted net income of RMB284.6 million for the 2018 fiscal year, compared to an adjusted net income of RMB194.3 million for the 2017 fiscal year. See “—Non-GAAP measures.”

## **B. Liquidity and Capital Resources**

Historically, we have financed our operations primarily through cash generated from our operating activities and proceeds from our financing activities. As of August 31, 2017, 2018 and 2019, we had RMB1,896.7 million, RMB3,164.1 million and RMB3,265.0 million (US\$456.4 million), respectively, in cash and cash equivalents and restricted cash. Approximately 43.7% of our cash and cash equivalents and restricted cash as of August 31, 2019 were held in China. Our cash primarily consists of cash on hand and interest-bearing financial instruments which are unrestricted as to withdrawal or use. We intend to finance our future working capital requirements and capital expenditures primarily from cash generated from operating activities, and to a lesser extent, from debt and equity financing activities.

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



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

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

	Year Ended August 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash provided by operating activities	464,919	554,216	864,988	120,905
Net cash provided by/(used in) investing activities	(55,725)	(472,460)	(2,256,009)	(315,336)
Net cash provided by financing activities	1,161,511	1,092,604	1,479,533	206,803
Net increase in cash and cash equivalents, and restricted cash	1,570,705	1,174,360	88,512	12,372
Cash and cash equivalents, and restricted cash at beginning of the year	362,451	1,896,662	3,164,081	442,263
Effect of exchange rate change	(36,494)	93,059	12,421	1,736
Cash and cash equivalents, and restricted cash at end of the year	<u>1,896,662</u>	<u>3,164,081</u>	<u>3,265,014</u>	<u>456,371</u>

### *Operating activities*

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

For the 2019 fiscal year, we had net cash from operating activities of RMB865.0 million (US\$121.0 million). This amount represents our net income of RMB252.8 million (US\$35.3 million), adjusted primarily for (1) contract liability of RMB293.3 million (US\$41.0 million) due to increased enrollment of students and increase in our average tuitions, (2) depreciation of RMB106.1 million (US\$14.8 million) relating primarily to our school facilities capitalized renovation construction, (3) accrued expenses and other current liabilities of RMB104.5 million (US\$14.6 million), and (4) share-based compensation of RMB51.7 million (US\$7.2 million).

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

For the 2017 fiscal year, we had net cash from operating activities of RMB464.9 million. This amount represents our net income of RMB191.8 million, adjusted primarily for (1) depreciation of RMB74.4 million relating primarily to our school facilities capitalized renovation construction, (2) deferred revenue of RMB96.5 million due to increased enrollment of students and increase in our average tuitions, and (3) accrued expenses and other current liabilities of RMB69.1 million.

### ***Investing activities***

For the 2019 fiscal year, we had net cash used in investing activities of RMB2,256.0 million (US\$315.3 million), primarily attributable to (1) acquisition of subsidiaries of RMB1,721.1 million (US\$240.6 million), (2) purchase of short-term investments of RMB688.4 million (US\$96.2 million), (3) payment for acquisition deposits of RMB338.6 million (US\$47.3 million), and (4) additions of property and equipment of RMB155.2 million (US\$21.7 million), partially offset by proceeds from redemption of short-term investments upon maturity of RMB669.1 million (US\$93.5 million). For details on our acquisitions, see “Item 4. Information on the Company—B. Business Overview—Our Expansions and Investments.”

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

For the 2017 fiscal year, we had net cash used in investing activities of RMB55.7 million, primarily attributable to (1) purchase of short-term investments of RMB966.0 million; (2) advances to related parties of RMB144.6 million, partially offset by (1) proceeds from redemption of short-term investments upon maturity of RMB1,003.5 million, and (2) repayments from related parties of RMB229.2 million.

### **Financing activities**

For the 2019 fiscal year, we had net cash from financing activities of RMB1,479.5 million (US\$206.8 million), representing (1) proceeds from the issuance of senior notes in July 2019 of RMB2,069.2 million (US\$300.0 million), and (2) proceeds from bank borrowings of RMB50.0 million (US\$7.0 million), partially offset by repurchase of ordinary shares of RMB417.1 million (US\$58.3 million).

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

For the 2017 fiscal year, we had net cash from financing activities of RMB1,161.5 million, primarily due to (1) net proceeds from our initial public offering (net of offering cost paid RMB3.2 million) of RMB1,147.9 million, and (2) advances from related parties of RMB71.4 million, partially offset by repayments to our related parties of RMB57.7 million.

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

### **Capital Expenditures**

We incurred capital expenditures of RMB97.1 million, RMB117.6 million and RMB155.2 million (US\$21.7 million) in the 2017, 2018 and 2019 fiscal years, respectively, primarily in connection with the construction, maintenance and renovation of school facilities and purchase of educational equipment. We intend to fund our future capital expenditures with our existing cash balance, proceeds from our offering and other financing alternatives. We will continue to incur capital expenditures to support the growth of our business.

### **Holding Company Structure**

We are a holding company with no material operations of our own. We conduct our operations primarily through our subsidiaries and affiliated entities in China, the United Kingdom, the United States and Canada. As a result, our ability to pay dividends depends upon dividends paid by our PRC subsidiaries. If our PRC subsidiaries or any newly formed subsidiaries incur any debt in the future, the instruments governing their debt may restrict their ability to pay dividends to us. Our PRC subsidiaries are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and affiliated entities is required to set aside at least 10.0% of its after-tax profits each year, if any, to fund a statutory surplus reserve until such reserve reaches 50.0% of its registered capital. In addition, each of our PRC subsidiaries may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion fund and staff bonus and welfare fund at its discretion. Each of our affiliated entities may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. Although the statutory surplus reserves can be used to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. Furthermore, at the end of each fiscal year, each of our schools that are private school in China is required to allocate a certain amount to its development fund for the construction or maintenance of the school properties or purchase or upgrade of school facilities. In particular, our schools that require reasonable returns must allocate no less than 25.0% of their annual net income, and our schools that do not require reasonable returns must allocate no less than 25.0% of their annual increase in the net assets of the school for such purposes. For the 2017, 2018 and 2019 fiscal years, our PRC subsidiaries did not make any apportion to the statutory surplus reserve fund, and our schools made apportions of RMB17.1 million, nil and nil to the development fund, respectively. Our PRC subsidiaries have not historically paid any dividends to our offshore entities until they generate accumulated profits and meet the requirements for statutory reserve funds.

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

	2017		As of August 31, 2018		2019		
	RMB	% of total revenues	RMB	% of total revenues	RMB	US\$	% of total revenues
	(in thousands, except percentages)						
Our affiliated entities	1,320,421	99.4%	1,621,872	94.4%	2,102,396	293,865	82.0%
Our subsidiaries	7,946	0.6%	96,999	5.6%	460,609	64,382	18.0%
Total revenues	<u>1,328,367</u>	<u>100.0%</u>	<u>1,718,871</u>	<u>100.0%</u>	<u>2,563,005</u>	<u>358,247</u>	<u>100.0%</u>

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

	As of August 31,					
	2017		2018		2019	
	RMB	% of total assets	RMB	% of total assets	RMB	US\$
	(in thousands, except percentages)					
Our affiliated entities	1,488,123	55.4%	1,690,615	36.2%	2,405,769	336,269
Our subsidiaries	1,198,509	44.6%	2,975,866	63.8%	5,381,868	752,256
Total assets	2,686,632	100.0%	4,666,481	100.0%	7,787,637	1,088,525

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

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

**D. Trend Information**

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the 2019 fiscal year that are reasonably likely to have a material adverse effect on our net revenue, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

**E. Off-Balance Sheet Arrangements**

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

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

**F. Tabular Disclosure of Contractual Obligations**

The following table sets forth our contractual obligations as of August 31, 2019.

	Payment Due by Period					
	Total		Less than one year	One to three years	Three to five years	More than five years
	RMB	US\$	RMB	RMB	RMB	RMB
	(in thousands)					
Operating lease commitments	2,907,174	406,353	194,285	365,562	316,668	2,030,659
Senior notes	2,625,986	367,050	159,899	2,466,087	—	—
Short-term loans	50,085	7,001	50,085	—	—	—

We lease certain school and office premises under non-cancellable operating leases that expire at various dates. We incurred rental expenses under operating leases of RMB20.2 million, RMB28.1 million and RMB107.9 million (US\$15.1 million) in the 2017, 2018 and 2019 fiscal years, respectively.

We also have certain capital commitments that primarily relate to commitments for construction of schools. Total capital commitments contracted but not yet reflected in the combined and consolidated financial statements was RMB64.0 million (US\$8.9 million) as of August 31, 2019. All of these capital commitments will be fulfilled in the future according to the construction progress.

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

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

**G. Safe Harbor on Forward-Looking Statements**

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

- our goals and strategies;
- growth of the private education market in China;

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

You should read this annual report and the documents that we refer to in this annual report and have filed as exhibits to the registration statement, of which this annual report is a part, completely and with the understanding that our actual future results may be materially different from and worse than what we expect. Moreover, new risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

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

The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report and the documents that we refer to in this annual report and have filed as exhibits to the registration statement, of which this annual report is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

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

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

<b>Directors and Executive Officers</b>	<b>Age</b>	<b>Position/Title</b>
Huiyan Yang	38	Chairperson of the Board of Director
Junli He	45	Director and Executive Vice Chairman
Shuting Zhou	35	Director
Peter Andrew Schloss	59	Director
Jun Zhao	57	Director
Ronald J. Packard	56	Director
Derek Yiyi Feng	53	Chief Executive Officer
Dongmei Li	51	Chief Financial Officer
Jinsheng Cheng	56	Vice President
Yibo Wen	36	Vice President and Chief Human Resource Officer

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



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

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

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

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

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

**Derek Yiyi Feng** has served as the chief executive officer of Bright Scholar Holdings since January 2019. Prior to joining us, Mr. Feng co-founded and served as the chief executive officer of Qingmiao Dental, a company primarily engaged in orthodontics for children from 2017 to 2018. Before that, he had served as the chief executive officer of Global Education and Technology Group from 2015 to 2016, a leading provider of test preparation, study abroad services, and overseas camp programs in China. From 2012 to 2014, Mr. Feng had served as the chairman and interim chief executive officer of Chinacast Education Corporation, a company focusing on higher education in China. From 2006 to 2011, Mr. Feng had served as an executive vice president for strategy, planning, and operations at Knowledge Universe, an education investment company in the United States. Prior to that, he had spent seven years at General Electric Company. Mr. Feng obtained a bachelor degree in industrial automation from Tsinghua University, and an MBA from the University of California, Los Angeles.

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

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

**Yibo Wen** has served as a vice president and chief human resource officer of Bright Scholar Holdings since July 2019. Prior to joining us, Mr. Wen had worked for Country Garden Holdings Company Limited from January 2015 and served as a deputy general manager of the training and development department, general manager of the overseas human resource department and a deputy general manager at the human resource center. Prior to that, he had also worked for Midea Group, Hay Group and Aon-Hewitt. Mr. Wen obtained a master's degree in public administration from Harbin Institute of Technology.

**B. Compensation**

**Compensation of Directors and Executive Officers**

For the fiscal year ended August 31, 2019, we paid an aggregate of approximately RMB12.5 million (US\$1.7 million) in cash to our executive officers, and RMB0.8 million (US\$0.1 million) to our directors. Other than the statutory benefits that we are required by the PRC law to contribute for each employee, including pension insurance, we have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors.

**Share Incentive Plan**

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

In the 2018 fiscal year, our share-based payment expenses were RMB29.1 million in connection with the share options granted to employees. In the 2019 fiscal year, our share-based payment expenses were RMB51.7 million (US\$7.2 million) in connection with the share options granted to employees.

The following table summarizes, as of December 15, 2019, the outstanding options we have granted to our directors, officers and other individuals under the 2017 Plan:

Name	Options	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
Dongmei Li	*	US\$ 8.74	December 15, 2017	December 14, 2027
Jinsheng Cheng	*	US\$ 8.74	December 15, 2017	December 14, 2027
Derek Yiyi Feng	*	US\$ 8.74	January 18, 2019	December 14, 2027
Senior management members of Can-achieve	129,017	US\$ 8.74	September 1, 2018	December 14, 2027
Other individuals as a group	570,646	US\$ 8.74	December 15, 2017	December 14, 2027

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

The following table sets forth the number of options that have been granted, exercised, and forfeited as of December 15, 2019.

	Options**
Granted	3,557,138
Exercised	14,457
Forfeited	480,845
Outstanding	3,061,836

\*\* Includes the 167,138 options granted to senior management members of Can-achieve, of which 10,197 has been exercised, and 27,924 has been forfeited.

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

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

**Plan administration.** Our board of directors or a committee of one or more members of the board of directors will administer the 2017 Plan. The committee or the full board of directors, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award grant.

**Award agreement.** Awards granted under the 2017 Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event of the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

**Eligibility.** We may grant awards to our employees, directors and consultants of our company, and other individuals, as determined by the plan administrator. However, we may grant options that are intended to qualify as incentive share options only to our employees and employees of our parent companies and subsidiaries.

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

**Exercise of options.** The plan administrator determines the exercise price for each award, which is stated in the award agreement. The vested portion of option will expire if not exercised prior to the time as the plan administrator determines at the time of its grant. However, the maximum exercisable term is 10 years from the date of a grant.

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

**Termination and amendment of the 2017 Plan.** Unless terminated earlier, the 2017 Plan has a term of 10 years. Our board of directors has the authority to amend or terminate the plan. However, no such action may adversely affect in any material way any awards previously granted without the prior written consent of the recipient.

**C. Board Practices**

**Board of Directors**

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

## Committees of the Board of Directors

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

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

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- reviewing and reassessing annually the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent registered public accounting firm; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

**Compensation Committee.** Our compensation committee consists of Mr. Jun Zhao, Mr. Peter Andrew Schloss and Ms. Huiyan Yang, and is chaired by Mr. Zhao. Mr. Zhao and Mr. Schloss satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which their compensation is deliberated upon. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person’s independence from management.

**Nominating and Corporate Governance Committee.** Our nominating and corporate governance committee consists of Mr. Jun Zhao, Mr. Peter Andrew Schloss and Ms. Huiyan Yang, and is chaired by Mr. Zhao. Messrs Zhao and Schloss satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The nominating and corporate governance committee assists the board in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, age, skills, experience and availability of service to us;
- selecting and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as of the nominating and corporate governance committee itself;

- developing and reviewing the corporate governance principles adopted by the board and advising the board with respect to significant developments in the law and practice of corporate governance and our compliance with such laws and practices; and
- evaluating the performance and effectiveness of the board as a whole.

### **Duties of Directors**

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

### **Terms of Directors and Officers**

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

### **Employment Agreements**

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

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



**D. Employees**

We had 6,501 employees in 2017 fiscal year, 7,891 in 2018 fiscal year and 10,366 in 2019 fiscal year. The majority of our employees are full-time and have signed employment agreements for one year, renewable with substantially same terms on mutual agreements. In addition to teachers, we also have supporting staff such as security guards, chefs, electricians and chauffeurs, and educational and administrative staff including teaching assistants, librarians, medical staff, and employees in sales and marketing, finance and general administration. In the 2018 fiscal year, we began to classify certain nursery staff as teachers, and we retrospectively made the reclassification for the 2016 and 2017 fiscal years. The following table sets forth the average numbers of our employees, categorized by function for the period indicated.

	2017 fiscal year	2018 fiscal year	2019 fiscal year
Teachers and instructors	3,628	4,297	5,602
Managerial staff	139	469	660
Educational and administrative staff	969	1,012	1,629
Supporting staff	1,765	2,113	2,475
Total	<u>6,501</u>	<u>7,891</u>	<u>10,366</u>

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

**E. Share Ownership**

The following table sets forth information concerning the beneficial ownership of our ordinary shares as of December 15, 2019 by:

- each of our directors and executive officers; and

- each person known to us to beneficially own more than 5.0% of our ordinary shares.

The calculations in the table below are based on the fact that there are 120,549,136 ordinary shares outstanding, including 26,859,136 Class A ordinary shares and 93,690,000 Class B ordinary shares outstanding as of December 15, 2019.

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

	Ordinary Shares Beneficially Owned			% of aggregate ordinary shares***	% of aggregate voting power†***
	Class A ordinary shares	Class B ordinary shares	Total ordinary shares on an as-converted basis		
<b>Directors and Executive Officers: **</b>					
Ms. Huiyan Yang (1)	5,451,559	87,590,000	93,041,559	77.18%	92.45%
Mr. Junli He (2)	1,304,000	6,100,000	7,404,000	6.14%	6.49%
Ms. Shuting Zhou	—	—	—	—	—
Mr. Peter Andrew Schloss	—	—	—	—	—
Mr. Ronald J. Packard	—	—	—	—	—
Mr. Derek Yiyi Feng	*	—	*	*	*
Mr. Jun Zhao	—	—	—	—	—
Ms. Dongmei Li	*	—	*	*	*
Mr. Jinsheng Cheng	*	—	*	*	*
Mr. Yibo Wen	—	—	—	—	—
Directors and executive officers as a group	7,124,982	93,690,000	100,814,982	83.63%	98.96%
<b>Principal Shareholders:</b>					
Excellence Education Investment Limited (3)	—	72,590,000	72,590,000	60.22%	76.38%
Ultimate Wise Group Limited (4)	451,559	15,000,000	15,451,559	12.82%	15.81%
Mr. Junli He (5)	1,304,000	6,100,000	7,404,000	6.14%	6.49%
Sure Brilliant Global Limited (6)	5,000,000	—	5,000,000	4.15%	0.26%
Serenity Capital LLC (7)	2,195,075	—	2,195,075	1.82%	0.12%
Hillhouse Capital Advisors, Ltd. (8)	3,985,797	—	3,985,797	3.31%	0.21%
Indus Capital Partners, LLC (9)	5,237,814	—	5,237,814	4.34%	0.28%

- 
- † For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A and Class B ordinary shares as a single class. Each holder of Class A ordinary shares is entitled to one vote per share and each holder of our Class B ordinary shares is entitled to 20 votes per share on all matters submitted to them for a vote. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Our Class B ordinary shares are convertible at any time by the holder thereof into Class A ordinary shares on a one-for-one basis.
- \* Less than 1% of our total outstanding share on an as-converted basis or voting power.
- \*\* The business address of our directors and executive officers is No. 1, Country Garden Road, Beijiao Town, Shunde District, Foshan, Guangdong 528300, China.
- \*\*\* The calculation of percentage of aggregate ordinary shares and aggregate voting power does not take into account the 235,022 Class A ordinary shares issued to The Bank of New York Mellon and reserved for further issuance to beneficiaries under the 2017 Plan. We have, however, included the 14,457 Class A ordinary shares already issued upon exercise of options under the 2017 Plan as of December 15, 2019. We have also included Class A ordinary shares that may be issued for options exercisable within 60 days from the date of this annual report, provided that these shares are not included in the computation of the percentage ownership or voting power of any other person. The calculation of percentage of aggregate ordinary shares and aggregate voting power also does not take into account the 36,138 Class A ordinary shares we repurchased but not cancelled as of December 15, 2019.
- (1) Represents 5,000,000 Class A ordinary shares directly held by Sure Brilliant Global Limited (“Sure Brilliant”) wholly owned by Ms. Huiyan Yang, and 451,559 Class A ordinary shares and 15,000,000 Class B ordinary shares directly held by Ultimate Wise Group Limited (“Ultimate Wise”) and 72,590,000 Class B Ordinary Shares directly held by Excellence Education Investment Limited (“Excellence Education”), both of which are wholly owned subsidiaries of Noble Pride Global Limited (“Noble Pride”). The sole shareholder of Noble Pride is TMF Trust (HK) Limited (“TMF Trust”), which acts as the trustee for Yeung Family Trust V, in which Ms. Huiyan Yang is a joint settlor and a member of the two-person investment committee. Sure Brilliant, Noble Pride, Ultimate Wise and Excellence Education are all British Virgin Islands companies. TMF Trust is incorporated and existing under the laws of Hong Kong, with its principal business address at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Yeung Family Trust V is an irrevocable discretionary trust established under the laws of Jersey. Ms. Huiyan Yang and Ms. Meirong Yang, a relative of hers, are the joint settlors and the members of the two-person investment committee of Yeung Family Trust V. The investment committee retains the sole right to vote the ordinary shares beneficially owned by Yeung Family Trust V in our company. Ms. Meirong Yang has two votes and Ms. Huiyan Yang has one vote on the investment committee. In addition, according to an acting-in-concert agreement entered into in February 2017, Ms. Huiyan Yang agreed to consult and agree with Ms. Meirong Yang when voting and deciding on material matters in relation to the management of our company. See the Schedule 13D and Schedule 13D/A jointly filed by Ms. Huiyan Yang, Sure Brilliant, Ultimate Wise, Excellence Education, Noble Pride, TMF Trust and Yeung Family Trust V on December 31, 2018 and February 19, 2019, respectively, for further details.

- (2) Includes 64,000 Class A ordinary shares in the form of ADSs acquired from open market, 4,000,000 Class B ordinary shares and 1,240,000 Class A ordinary shares directly held by Mr. He and 2,100,000 Class B ordinary shares held in an irrevocable discretionary trust established by Mr. He.
- (3) Represents 72,590,000 Class B ordinary shares directly held by Excellence Education, a British Virgin Islands company with its registered office located at Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands. See also footnote (1) above.
- (4) Represents 451,559 Class A ordinary shares in the form of ADSs and 15,000,000 Class B ordinary shares directly held by Ultimate Wise, a British Virgin Islands company with its registered office located at Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands. See also footnote (1) above.
- (5) In his capacity as an individual principal shareholder. See also footnote (2) above.
- (6) Represent 5,000,000 Class A ordinary shares in the form of ADSs directly held by Sure Brilliant which is wholly-owned by Ms. Huiyan Yang. Sure Brilliant is a British Virgin Islands company with its registered address located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands. See also footnote (1) above.
- (7) Represents 2,195,075 Class A ordinary shares in the form of ADSs beneficially owned by Serenity Capital LLC as reported in Form 13F-HR filed by Serenity Capital LLC on November 14, 2019. Serenity Capital LLC is a company incorporated in Delaware, United States with its business address at Suite 200, 530 Lytton Avenue, Palo Alto, California 94301.
- (8) Represents 3,985,797 Class A ordinary shares in the form of ADSs beneficially owned by Hillhouse Capital Advisors, Ltd. as reported in Form 13F-HR filed by Hillhouse Capital Advisors, Ltd. on November 14, 2019. Hillhouse Capital Advisors, Ltd. is a company incorporated in the Cayman Islands with its business address at C/O DMS House, 20 Genesis Close PO Box 2587, George Town, Grand Cayman, E9 KY1-1103.
- (9) Represents 5,237,814 Class A ordinary shares in the form of ADSs beneficially owned by Indus Capital Partners, LLC as reported in Form 13F-HR filed by Indus Capital Partners, LLC on November 14, 2019. Indus Capital Partners, LLC is a company incorporated in Delaware, United States with its business address at 888 Seventh Avenue, 26th Floor, New York, New York 10019.

On February 8, 2017, Ms. Meirong Yang and Ms. Huiyan Yang, who together beneficially own 92.45% of the aggregate voting power of our company, entered into an acting-in-concert agreement. According to the acting-in-concert agreement, Ms. Huiyan Yang and Ms. Meirong Yang must consult with each other before voting and deciding on material matters in relation to the management of our company, including matters subject to approvals by board or shareholders' meetings, such as appointment of directors and officers and adoption of key group-level policies. If no consensus could be reached through consultation, the decision made by Ms. Meirong Yang prevails. Ms. Huiyan Yang and Ms. Meirong Yang retrospectively confirmed in the acting-in-concert agreement that they have been acting-in-concert since 2008. The acting-in-concert agreement will continue until (1) such agreement is terminated by the parties thereto or (2) the disposal of all of either party's interests in our company and affiliated entities and termination of either party's employment or directorship with our company and affiliated entities. In 2018, Ms. Huiyan Yang and Ms. Meirong Yang further set up Yeung Family Trust V, an irrevocable discretionary trust established under the laws of Jersey with TMF Trust, a company incorporated and existing under the laws of Hong Kong, acting as its trustee. Ms. Huiyan Yang and Ms. Meirong Yang are the joint settlors and the members of the two-person investment committee of Yeung Family Trust V. The investment committee retains the sole right to vote the ordinary shares beneficially owned by Yeung Family Trust V in our company. Ms. Meirong Yang has two votes and Ms. Huiyan Yang has one vote on the investment committee. Yeung Family Trust V was established for succession planning purposes.

To our knowledge, as of August 31, 2019, the record holders of our Class A ordinary shares in the United States include Mr. Junli He and The Bank of New York Mellon, the depository of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

**A. Major Shareholders**

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

**B. Related Party Transactions**

**Contractual Arrangements with Our Affiliated Entities and Their Shareholders**

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

All of our newly launched and acquired schools have executed Rights and Obligations Assumption Letters in 2018 to enjoy the rights and perform the obligations under the contractual arrangements.

### **School Operation Agreements with Country Garden**

As of August 31, 2019, substantially all of our schools in China, other than those that do not operate on Country Garden properties, had entered into a three-year school operation agreement with Country Garden. Under these agreements, Country Garden provides the premises and facilities for us to operate these schools, while we are responsible for the operation and management of these schools. We may also provide preferential student placements and tuition discounts to Country Garden's homeowners. We are in the process of arranging the execution of such school operation agreements with Country Garden for our domestic K-12 schools established after August 31, 2019.

### **Trademark Licensing Agreements with Country Garden**

As of August 31, 2019, the majority of our schools in China had entered into a trademark licensing agreement with Country Garden, pursuant to which Country Garden agreed to grant such schools the right to use certain trademarks, including "Country Garden," free of charge for a term expiring in 2020 or 2023. We are in the process of arranging the execution of such trademark licensing agreements with Country Garden for schools that have not already executed such agreements and for the kindergarten established after August 31, 2019.

### **Transactions with Certain Related Parties**

#### *Purchase of services and materials*

We purchase services and materials, which include mechanics and electrics engineering services, construction services, shuttle bus services and furniture, from other entities controlled by Ms. Huiyan Yang, our chairperson, including Country Garden. In the 2017, 2018 and 2019 fiscal years, we entered into various agreements with certain entities controlled by Ms. Huiyan Yang or her affiliates, including primarily the following:

- Country Garden Intelligent Services Group Co., Ltd.
- Guangdong Phoenix Holiday International Travel Service Co., Ltd.
- Guangdong Shunde Chuang Xi Bang Sheng Furniture Co., Ltd.
- Foshan Shunde Country Garden Property Development Co., Ltd.
- Zengcheng Crystal Water Plant Co., Ltd.
- Guangdong Shunde Phoenix Optimal Commercial Co., Ltd.
- Guangzhou Country Garden Shuttle Bus Services Limited
- Huidong Country Garden Real Estate Development Co., Ltd.
- Zhaoqing Contemporary Zhumei Furnishing Co., Ltd.
- Guangdong Elite Architectural Co., Ltd.
- Guangdong Teng An Mechanics and Electrics Engineering Co., Ltd.
- Guangyuan Country Garden Investment Co., Ltd.
- Guangdong Giant Leap Construction Co., Ltd.

For the 2017, 2018 and 2019 fiscal years, we entered into transactions of an aggregate of approximately RMB15.7 million, RMB16.8 million and RMB19.4 million (US\$2.7 million), respectively, to purchase materials, construction services and other services from such related parties.

#### *Interest incurred from Promissory Note*

During 2019, Fine Nation Group Limited issued a promissory note with a principal amount of US\$100 million to us, which has been fully paid as of August 31, 2019 with an interest expense of RMB4.5 million.

#### *Advances and loans from and to related parties*

The following table presents amounts owed from and to our related parties as of August 31, 2018 and 2019:

	<b>As of August 31,</b>		
	<b>2018</b>	<b>2019</b>	
	<b>RMB</b>	<b>RMB</b>	<b>US\$</b>
	<b>(in thousands)</b>		
<b>Amounts due from related parties</b>			
Foshan Shunde Country Garden Property Development Co., Ltd. (1)	4,172	3,576	500
Huidong Country Garden Real Estate Development Co., Ltd. (2)	3,445	—	—
Changsha Ningxiang Country Garden Property Development Co., Ltd. (2)	2,186	474	66
Kaiping Country Garden Property Development Co., Ltd. (6)	1,590	1,590	222
Zengcheng Country Garden Property Development Co., Ltd. (5)	948	—	—
Szeto, Kwok Kin Daniel (3)	999	2	1
Can-Achieve Global Edutour Co., Ltd. (4)	2,505	3,144	439
Others (1)	2,115	1,866	261
<b>Total</b>	<b>17,960</b>	<b>10,652</b>	<b>1,489</b>

- (1) The amounts mainly represent the advance payment for purchasing services and materials or construction services provided by the entities controlled by Ms. Huiyan Yang.
- (2) The amounts mainly represent the receivables of the enrolment tuition discount provided to the owners of properties which were subsidized by real estate entities controlled by Ms. Huiyan Yang.
- (3) The amounts mainly represent the receivable from a non-controlling interest shareholder acquired through the acquisition of FGE Group.
- (4) The amounts mainly represent the receivables from Can-Achieve Global Edutour Co., Ltd. which consist of expense paid on behalf of Can-Achieve Global Edutour Co., Ltd.
- (5) The amounts due from related parties represent expenses paid on behalf of entities controlled by Ms. Huiyan Yang.
- (6) The amounts mainly represent the receivables of providing consulting services on pre-opening schools to Kaiping Country Garden Property Development Co., Ltd.

	As of August 31,		
	2018	2019	
	RMB	RMB	US\$
	(in thousand)		
<b>Amounts due to related parties</b>			
Laian Country Garden Property Development Co., Ltd.(1)	11,550	11,550	1,614
Changsha Ningxiang Country Garden Property Development Co., Ltd. (1)	8,732	8,732	1,221
Chuzhou Country Garden Property Development Co., Ltd. (1)	12,000	30,769	4,301
Wuhan Country Garden Property Management Co., Ltd. (1)	3,154	3,154	441
Guangdong Teng An Mechanics and Electrics Engineering Co., Ltd. (2)	5,781	6,515	911
Guangdong Giant Leap Construction Co., Ltd. (2)	17,058	10,166	1,421
Guangyuan Country Garden Investment Co., Ltd. (2)	1,200	—	—
Baoding Baigou New Town Honghua Eaton Commerce Co., Ltd. (3)	3,000	3,000	419
New Learning Management Co., Ltd. (4)	89,469	—	—
Huaihua Zhiyi Network Technology Limited Partnership (5)	—	18,335	2,563
Huaihua Yimeng Network Technology Limited Partnership (5)	—	9,167	1,281
Huidong Country Garden Real Estate Development Co., Ltd. (6)	—	3,110	435
Others	5,351	5,540	774
<b>Total</b>	<b>157,295</b>	<b>110,038</b>	<b>15,381</b>

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

	As of August 31,		
	2018	2019	
	RMB	RMB	US\$
	(in thousand)		
<b>Other non-current liability due to related parties</b>			
Huaihua Zhiyi Network Technology Limited Partnership (5)	—	14,490	2,025
Huaihua Yimeng Network Technology Limited Partnership (5)	—	7,246	1,013
<b>Total</b>	<b>—</b>	<b>21,736</b>	<b>3,038</b>

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

- (1) The amounts mainly represent financing funds for maintaining daily operation of schools held by affiliated entities under common control from other entities controlled by Ms. Huiyan Yang.
- (2) The amounts mainly represent construction services provided by other entities controlled by Ms. Huiyan Yang.
- (3) The amounts represent the financing funds for maintaining daily operation from Baoding BaiGou, the non-controlling interest shareholder.
- (4) The amounts represent the acquisition payables to New Learning Management Co., Ltd. for the acquisition of Xinqiao Group in fiscal year 2018 which was settled during fiscal year 2019.
- (5) The amounts represent the acquisition payables to Huaihua Zhiyi Network Technology Limited Partnership and Huaihua Yimeng Network Technology Limited Partnership for the acquisition of Chengdu Yinzhe Group in fiscal year 2019.
- (6) The amount mainly represents the advance payment from Huidong Country Garden Real Estate Development Co., Ltd., the entities controlled by Ms. Huiyan Yang, as the enrolment tuition discount to the owners of properties. We utilize facilities and equipment provided by other real-estate subsidiaries controlled by Ms. Huiyan Yang. In return, we give enrolment priorities to the owners of properties with these affiliated companies when providing its educational services.



**Employment Agreements**

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

**Share Incentive Plan**

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

**C. *Interests of Experts and Counsels***

Not applicable.

**ITEM 8. FINANCIAL INFORMATION**

**A. *Combined and Consolidated Statements and Other Financial Information***

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

**B. *Legal Proceedings***

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

**C. *Dividend Policy***

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

Our board of directors has discretion as to whether to distribute dividends, subject to applicable laws. Under Cayman Islands law, a Cayman Islands company may pay a dividend on its shares out of its profits, realized or unrealized, or from any reserve set aside from profits which its directors determine is no longer required or out of the share premium account or any other fund or account that can be authorized for this purpose in accordance with the Companies Law (2018 Revision) of the Cayman Islands, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our Class A ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our Class A ordinary shares, if any, will be paid in U.S. dollars.

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

**B. Significant Changes**

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited combined and consolidated financial statements included in this annual report.

**ITEM 9. THE OFFER AND LISTING**

**A. Offer and Listing Details**

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

**B. Plan of Distribution**

Not applicable.

**C. Markets**

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

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

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

**C. Material Contracts**

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

**D. Exchange Controls**

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

**E. Taxation**

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

**Cayman Islands Taxation**

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

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

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

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

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

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

## People's Republic of China Taxation

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

Under the PRC enterprise income tax law, enterprises established under the laws of jurisdictions outside China with their “de facto management body” located within China may be considered to be PRC tax resident enterprises for tax purposes and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The implementation rules of the PRC enterprise income tax law define the term “de facto management body” as a management body which substantially manages, or has control over the business, personnel, finance and assets of an enterprise. The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore incorporated enterprise is located in China, which include all of the following conditions: (1) the senior management and core management departments in charge of daily operations are located mainly within China, (2) financial and human resources decision are subject to determination or approval by persons or bodies in China, (3) major assets, accounting books, company seals and minutes and files of board and shareholders’ meeting are located or kept within China, and (4) at least half of the enterprise’s directors with voting rights or senior management reside within China. The State Administration of Taxation issued a bulletin on August 3, 2011 to provide more guidance on the implementation of Circular 82. The bulletin clarifies certain matters relating to resident status determination, post-determination administration and competent tax authorities. Although both the circular and the bulletin only apply to offshore enterprises controlled by PRC enterprises and not those by PRC individuals, the determination criteria set forth in the circular and administration clarification made in the bulletin may reflect the general position of the State Administration of Taxation on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises and the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals. See “Item 3. Key Information—D. Risk Factors—Risk Related to Doing Business in China—Under the PRC enterprise income tax law, we may be classified as a PRC “resident enterprise,” which could result in unfavorable tax consequences to us and our non-PRC shareholders.”

## United States Federal Income Tax Considerations

The following discussion is a summary of United States federal income tax considerations relating to the ownership and disposition of our ADSs or Class A ordinary shares by a U.S. Holder, as defined below, who holds our ADSs or Class A ordinary shares as “capital assets” (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended, or the Code. This discussion is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. No ruling has been sought from the Internal Revenue Service, or the IRS, with respect to any United States federal income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position. This discussion does not address all aspects of United States federal income taxation that may be important to particular investors in light of their individual circumstances, including investors subject to special tax rules (such as, for example, financial institutions, insurance companies, regulated investment companies, real estate investment trusts, broker-dealers, traders in securities that elect mark-to-market treatment, partnerships or other pass-through entities and their partners or investors, tax-exempt organizations (including private foundations)), investors who are not U.S. Holders, investors subject to special accounting rules under Section 451(b) of the Code, investors that own (directly, indirectly, or constructively) 10% or more of our stock by vote or by value, investors that hold their ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction, or investors that have a functional currency other than the U.S. dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this discussion does not address any state, local, alternative minimum tax, or non-United States tax considerations, or the Medicare contribution tax on net investment income. Each potential investor is urged to consult its tax advisor regarding the United States federal, state, local and non-United States income and other tax considerations of an investment in our ADSs or ordinary shares.

### **General**

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

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

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

#### ***Passive foreign investment company considerations***

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

Although the law in this regard is unclear, we treat our affiliated entities as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we combine and consolidate their operating results in our combined and consolidated financial statements. Assuming that we are the owner of our affiliated entities for United States federal income tax purposes, based upon our current income and assets, we do not believe that we were classified as a PFIC for the taxable year ending August 31, 2019, and we do not expect to be classified as a PFIC for the current taxable year or for the foreseeable future.

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

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

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

### **Dividends**

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

A non-United States corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) will generally be considered to be a qualified foreign corporation (1) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program, or (2) with respect to any dividend it pays on stock (or ADSs in respect of such stock) which is readily tradable on an established securities market in the United States. Our ADSs are listed on the New York Stock Exchange. Accordingly, we believe that the ADSs are readily tradable on an established securities market in the United States and that we will be a qualified foreign corporation with respect to dividends paid on the ADSs. Since we do not expect that our Class A ordinary shares will be listed on established securities markets, it is unclear whether dividends that we pay on our Class A ordinary shares that are not backed by ADSs currently meet the conditions required for the reduced tax rate. There can be no assurance that our ADSs will continue to be considered readily tradable on an established securities market in later years. In the event we are deemed to be a PRC resident enterprise under the EIT Law, we may be eligible for the benefits of the Agreement Between the Government of the United States of America and the Government of the People’s Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income (the “United States-PRC income tax treaty”) (which the Secretary of the Treasury of the United States has determined is satisfactory for this purpose), in which case we would be treated as a qualified foreign corporation with respect to dividends paid on our Class A ordinary shares or ADSs. U.S. Holders are urged to consult their tax advisors regarding the availability of the reduced tax rate on dividends in their particular circumstances. Dividends received on our ADSs or Class A ordinary shares will not be eligible for the dividends received deduction allowed to corporate shareholders of a domestic corporation.



For United States foreign tax credit purposes, dividends paid on our ADSs or Class A ordinary shares will generally be treated as income from foreign sources and will generally constitute passive category income. In the event that we are deemed to be a PRC resident enterprise under the EIT Law, a U.S. Holder may be subject to PRC withholding taxes on dividends paid, if any, on our ADSs or Class A ordinary shares. A U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on our ADSs or Class A ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction for United States federal income tax purposes in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

***Sale or other disposition of ADSs or ordinary shares***

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

### ***Passive Foreign Investment Company Rules***

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will, except as discussed below, be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (1) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the ADSs or Class A ordinary shares), and (2) any gain realized on the sale or other disposition, including, under certain circumstances, a pledge, of ADSs or Class A ordinary shares. Under the PFIC rules:

- the excess distribution and/or gain will be allocated ratably over the U.S. Holder's holding period for the ADSs or Class A ordinary shares;
- the amount allocated to the current taxable year and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which we are classified as a PFIC, or a pre-PFIC year, will be taxable as ordinary income; and
- the amount allocated to each prior taxable year, other than the current taxable year or a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the individuals or corporations, as appropriate, for that year, and will be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to each such other taxable year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares and any of our non-United States subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. Each U.S. Holder is advised to consult its tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

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

If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the U.S. Holder will not be required to take into account the mark-to-market gain or loss described above during any period that such corporation is not classified as a PFIC.

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

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections, which, if available, would result in tax treatment different from the general tax treatment for PFICs described above.

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

### ***Information reporting***

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

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

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

**F. Dividends and Paying Agents**

Not applicable.

**G. Statement by Experts**

Not applicable.

**H. Documents on display**

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

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

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

We will furnish The Bank of New York Mellon, the depositary of our ADSs, with our annual reports, which will include a review of operations and annual audited combined and consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

**I. Subsidiary Information**

Not applicable.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

***Foreign currency risk***

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

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

In addition, very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

***Concentration of credit risk***

Financial instruments that potentially subject us to significant concentration of credit risk consist primarily of cash and cash equivalents and restricted cash. As of August 31, 2019, substantially all of our cash and cash equivalents and term deposits were deposited with financial institutions with high-credit ratings and quality.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**A. *Debt Securities***

Not applicable.

**B. *Warrants and Rights***

Not applicable.

**C. Other Securities**

Not applicable.

**D. American Depositary Shares****Fees and Expenses**

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

**Persons depositing or withdrawing shares or ADS holders must pay :**

	<b>For :</b>
US\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
US\$0.05 (or less) per ADS	Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depository to ADS holders
US\$0.05 (or less) per ADS per calendar year	Depository services
Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the depository or its agent when you deposit or withdraw shares
Expenses of the depository	Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) converting foreign currency to U.S. dollars
Taxes and other governmental charges the depository or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depository or its agents for servicing the deposited securities	As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions.

The depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the depositary's obligations under the deposit agreement. The methodology used to determine exchange rates used in currency conversions is available upon request.



**PART II**

**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

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

**Material Modifications to the Rights of Security Holders**

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

**Use of Proceeds**

The following “Use of Proceeds” information relates to the registration statement on Form F-1, as amended (File Number 333-217359) in relation to our initial public offering of 17,250,000 ADSs representing 17,250,000 Class A ordinary shares, at an initial offering price of US\$10.50 per ADS, and the F-1 Registration Statement (File Number 333-223193) in relation to our follow-on public offering of 10,000,000 ADSs representing 10,000,000 Class A ordinary shares at US\$19.00 per ADS. Our initial public offering closed in June 2017, and our follow-on offering closed in March 2018. Morgan Stanley & Co. International plc and Deutsche Bank Securities Inc. were the representatives of the underwriters for our initial public offering, and Deutsche Bank Securities Inc. and Goldman Sachs (Asian) LLC were the representatives of the underwriters for our follow-on public offering.

The F-1 registration statement for our initial public offering was declared effective by the SEC on May 17, 2017. For the period from the effective date of the F-1 registration statement to August 31, 2017, the total expenses incurred for our company’s account in connection with our initial public offering was approximately US\$0.6 million. We received net proceeds of approximately US\$174.7 million from our initial public offering. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds from the initial public offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

The F-1 registration statement for our follow-on public offering was declared effective by the SEC on February 27, 2018. For the period from the effective date of the F-1 registration statement to August 31, 2018, the total expenses incurred for our company’s account in connection with our follow-on public offering was approximately US\$1.0 million. We received net proceeds of approximately US\$181.4 million from our follow-on offering. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds from the follow-on offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

For the period from May 17, 2017, the date that the F-1 registration statement in connection with our initial public offering was declared effective by the SEC, to the date of this annual report, we have used (1) approximately US\$50.0 million as the registered capital of Guangdong Bright Scholar Education Technology Co., Ltd., (2) approximately US\$77.4 million for the repurchase of our ADSs, and (3) approximately US\$228.7 million for overseas acquisitions, of the net proceeds received from our public offerings.

## **ITEM 15. CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, which is defined in Rules 13a-15(e) of the Exchange Act, as of August 31, 2019. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures as of August 31, 2019 were effective.

### **Management's Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with policies or procedures may deteriorate. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of August 31, 2019. As permitted by the SEC, we have excluded the businesses acquired in the 2019 fiscal year from our assessment of the effectiveness of internal control over financial reporting as of August 31, 2019, which are listed in Note 3 of our combined and consolidated financial statements. The businesses that we acquired represented 11.4% of our total assets as of August 31, 2019, and 11.9% of our revenues and negative 0.6% of our net income for the 2019 fiscal year, which mainly relate to the acquisition completed in July 2019. The assessment was based on criteria established in the framework Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management will include the business acquired in the 2019 fiscal year in the assessment of the effectiveness of internal control over financial reporting at the conclusion of the 2020 fiscal year. Based on this assessment, management concluded that our internal control over financial reporting was effective as of August 31, 2019.

## **Attestation Report of the Registered Public Accounting Firm**

This annual report on Form 20-F does not include an attestation report of our registered public accounting firm due to rules of the SEC where domestic and foreign registrants that are “emerging growth companies” which we are, are not required to provide the auditor attestation report.

## **Changes in Internal Control over Financial Reporting**

We have implemented remediation measures to address the significant deficiency related to the lack of sufficient documentation of goodwill impairment test processes and results as of and for the year ended August 31, 2018 by enhancing the implementation a set of internal control policies that include detailed procedures and guidance on goodwill impairment test, which will better enable us to track and identify potential impairment indicators in a more systematic way. Our historical significant deficiency of the lack of sufficient documentation of goodwill impairment test processes and results has been remediated during the year ended August 31, 2019.

As permitted by the SEC, companies are allowed to exclude acquired businesses from management’s assessment of the effectiveness of internal control over financial reporting for the year in which the acquisition is completed. In the 2019 fiscal year, we identified no material weakness and one significant deficiency within our internal control over financial reporting (excluding the newly acquired business in the 2019 fiscal year). The significant deficiency identified relates to lack of comprehensive documentation on assessment on transition and implementation of new accounting standards/pronouncements. Having identified such significant deficiency, we are in the process of enhancing the implementation of a set of internal control policies that include detailed procedures and guidance on assessment on transition and implementation of new Accounting Standards Updates, which will enable us to complete and document a comprehensive assessment of the impact arise from the adoption of new accounting standards/pronouncements to our consolidated financial statements.

However, we cannot assure you that we will not identify material weaknesses or significant deficiencies in the future. In addition, the process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to employ significant resources to maintain a financial reporting system that satisfies our reporting obligations. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report our results of operations or prevent fraud, and investor confidence and the market price of our ADSs may be materially and adversely affected.” As a result, we may be subject to a number of risks, including increased risks that we have or may not file our financial statements and related reports with the SEC on a timely basis and that there are errors in our reported financial statements and material misstatements in our reports and other documents filed with the SEC.

## **ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our board of directors has determined that Mr. Peter Andrew Schloss, an independent director (under the standards set forth in Section 303A of the Corporate Governance Rules of the New York Stock Exchange and Rule 10A-3 under the Exchange Act) and the chairman of our audit committee, is our audit committee financial expert.

**ITEM 16B. CODE OF ETHICS**

Our board of directors has adopted our code of conduct and ethics, a code that applies to members of the board of directors including its chairman and other senior officers, including the chief executive officer, the chief financial officer and the chief operations officer. This code is publicly available on our website at <http://ir.brightscholar.com/>.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Deloitte Touche Tohmatsu Certified Public Accountants LLP (“Deloitte”), our independent registered public accounting firm, its member firms of Deloitte Touche Tohmatsu Limited, and their respective affiliates (“Deloitte Entities”), for the periods indicated. We did not pay any other fees to the Deloitte Entities during the periods indicated below.

	2018 Fiscal Year		2019 Fiscal Year		
	(in thousands)				
Audit fees (1)	RMB	5,785	RMB	6,726	US\$ 940
Audit-related fee (2)	RMB	1,700	RMB	2,242	US\$ 313
All other fees (3)	RMB	2,494	RMB	1,038	US\$ 145

- (1) Audit fees represent the aggregate fees billed for each of the fiscal years listed for professional services rendered by our principal accountant for the audit of our annual combined and consolidated financial statements, review of quarterly financial information, and audit services that are normally provided by the principal accountant in connection with regulatory filings or engagements for those fiscal years.
- (2) Audit-related fees represent the aggregate fees billed in each of the fiscal years listed for assurance and related services by our principal accountant that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit Fees.
- (3) All other fees represent the aggregate fees billed in each of the fiscal years listed for products and services provided by our principal accountant, other than the services reported in (1) and (2).

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

Not applicable.

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

In April 2018, our board of directors announced a share repurchase program pursuant to which we would repurchase up to US\$100 million worth of our ADSs. The 2018 share repurchase program expired on April 30, 2019 and as of such date we had repurchased 6,679,183 of our outstanding ADSs for an aggregate purchase price of approximately US\$77 million pursuant to the program.

In September 2019, our board of directors announced a new share repurchase program pursuant to which we would repurchase up to US\$30 million worth of our ADSs. As of December 15, 2019, we had repurchased 36,138 ADSs for an aggregate purchase price of approximately US\$0.3 million pursuant to the program.

The table below is a summary of the shares repurchased by us during the 2019 fiscal year and up to December 15, 2019. All ADSs were repurchased in the open market pursuant to the applicable share repurchase programs.

	Total Number of ADSs Purchased	Average Price Paid per ADS(US\$)	Total Number of ADSs Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Programs(US\$)
September 2018	810,622	11.83	810,622	73,604,348
October 2018	916,678	10.79	916,678	63,714,106
November 2018	171,666	11.47	171,666	61,744,637
December 2018	463,818	10.38	463,818	56,930,025
January 2019	1,477,395	11.17	1,477,395	40,421,346
February 2019	687,324	10.72	687,324	33,050,269
March 2019	491,890	10.53	491,890	27,868,399
April 2019	396,108	11.23	396,108	23,421,479
May 2019	56,217	12.14	56,217	22,738,935
June 2019	—	—	—	—
July 2019	—	—	—	—
August 2019	—	—	—	—
September 2019	—	—	—	—
October 2019	—	—	—	—
November 2019	14,373	9.29	14,373	29,866,540
December 2019	21,765	9.26	21,765	29,664,982

**ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16G. CORPORATE GOVERNANCE**

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

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States. To the extent we choose to follow home country practice with respect to corporate governance matters, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Ordinary Shares and ADSs—As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from New York Stock Exchange corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with New York Stock Exchange corporate governance listing standards.”

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

**PART III****ITEM 17. FINANCIAL STATEMENTS**

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

**ITEM 18. FINANCIAL STATEMENTS**

Our combined and consolidated financial statements are included at the end of this annual report.

**ITEM 19. EXHIBITS**

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
1.1	<a href="#">Amended and Restated Articles of Association of the Registrant (incorporated by reference to Exhibit 3.2 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017</a>
2.1	<a href="#">Registrant's specimen American depository receipt (included in Exhibit 2.3)</a>
2.2	<a href="#">Registrant's specimen certificate for ordinary shares (incorporated by reference to Exhibit 4.2 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on May 5, 2017</a>
2.3	<a href="#">Form of deposit agreement by and among the Registrant, the depository and holders of the American Depository Receipts (incorporated by reference to Exhibit 4.3 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on May 5, 2017</a>
2.4*	<a href="#">Indenture, dated as of July 31, 2019, among Bright Scholar Education Holdings Limited, its Subsidiary Guarantors and The Bank of New York Mellon, London Branch, as the Trustee</a>
3.1	<a href="#">English translation of acting-in-concert agreement between Ms. Meirong Yang and Ms. Huiyan Yang dated February 8, 2017 (incorporated by reference to Exhibit 4.4 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017</a>
4.1	<a href="#">Form of employment agreement between the Registrant and the executive officers of the Registrant (incorporated by reference to Exhibit 10.1 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017</a>
4.2	<a href="#">Form of indemnification agreement by and between the Registrant and its directors and executive officers (incorporated by reference to Exhibit 10.2 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017</a>

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
4.3	<a href="#">English translation of exclusive management service and business cooperation agreement among Zhuhai Bright Scholar, our affiliated entities, and Ms. Meirong Yang and Mr. Wenjie Yang, dated January 25, 2017 (incorporated by reference to Exhibit 10.3 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017</a>
4.4	<a href="#">English translation of exclusive call option agreement among Zhuhai Bright Scholar, Ms. Meirong Yang and Mr. Wenjie Yang, and BGY Education Investment dated January 25, 2017 (incorporated by reference to Exhibit 10.4 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017).</a>
4.5	<a href="#">English translation of power of attorney granted by BGY Education Investment dated January 25, 2017 (incorporated by reference to Exhibit 10.5 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017)</a>
4.6	<a href="#">English translation of power of attorney granted by Ms. Meirong Yang dated January 25, 2017 (incorporated by reference to Exhibit 10.6 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017)</a>
4.7	<a href="#">English translation of power of attorney granted by Mr. Wenjie Yang dated January 25, 2017. (incorporated by reference to Exhibit 10.7 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017)</a>
4.8	<a href="#">English translation of equity pledge agreement among Zhuhai Bright Scholar, Ms. Meirong Yang and Mr. Wenjie Yang, and BGY Education Investment dated January 25, 2017 (incorporated by reference to Exhibit 10.8 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017).</a>
4.9	<a href="#">2017 Share Incentive Plan (incorporated by reference to Exhibit 10.9 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017)</a>
4.10	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Baoding Baigou New City Bright Scholar Shenghua Education Consulting Co., Ltd. dated June 14, 2017 (incorporated by reference to Exhibit 4.10 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 7, 2017)</a>
4.11	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Chuzhou Country Garden Kindergarten dated August 30, 2017 (incorporated by reference to Exhibit 4.12 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 7, 2017)</a>
4.12	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Chuzhou Country Garden Foreign Language School dated October 13, 2017 (incorporated by reference to Exhibit 4.13 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 7, 2017)</a>
4.13	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Kaiping Country Garden Jade Bay Kindergarten dated July 5, 2017 (incorporated by reference to Exhibit 4.14 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 7, 2017)</a>



<u>Exhibit No.</u>	<u>Description of Exhibit</u>
4.14	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Shaoguan Country Garden English Foreign Language School dated September 3, 2017 (incorporated by reference to Exhibit 4.15 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 7, 2017).</a>
4.15	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Shenghua Country Garden Bilingual School dated October 10, 2017 (incorporated by reference to Exhibit 4.16 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 7, 2017).</a>
4.16	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Kaiping Country Garden School dated September 25, 2017 (incorporated by reference to Exhibit 4.17 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 7, 2017).</a>
4.17	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Wuhan East Lake High-tech Development Zone Xinqiao-Jinxu Longcheng Kindergarten dated October 22, 2018 (incorporated by reference to Exhibit 4.17 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018).</a>
4.18	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Wuhan East Lake High-tech Development Zone Xinqiao Kindergarten dated October 22, 2018 (incorporated by reference to Exhibit 4.18 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018).</a>
4.19	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Wuhan Dongxihu District Dongqiao Kindergarten dated October 22, 2018 (incorporated by reference to Exhibit 4.19 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018).</a>
4.20	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Wuhan Hongshan District Xinqiao Aijia Kindergarten dated October 22, 2018 (incorporated by reference to Exhibit 4.20 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018).</a>
4.21	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Wuhan Qingshan District Xinqiao Bilingual Kindergarten dated October 22, 2018 (incorporated by reference to Exhibit 4.21 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018).</a>
4.22	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Wuhan Qiaosheng Education Investment Co., Ltd. dated October 23, 2018 (incorporated by reference to Exhibit 4.22 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018).</a>
4.23	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Foshan Shunde Beijiao Country Garden Guilanshan Kindergarten Co., Ltd. dated November 3, 2018 (incorporated by reference to Exhibit 4.23 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018).</a>
4.24	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Chengdu Yinze Education and Technology Co., Ltd. dated December 13, 2018 (incorporated by reference to Exhibit 4.24 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018).</a>
4.25	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Chengdu Laizhe Education and Technology Co., Ltd. dated December 13, 2018 (incorporated by reference to Exhibit 4.25 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018).</a>
4.26	<a href="#">Business and Asset Sale and Purchase Agreement in relation to the sale and purchase of the Business and Asset of Bournemouth Collegiate School dated October 1, 2018 (incorporated by reference to Exhibit 4.26 of our Form 20-F (file No. 001-38077) filed with the Securities and Exchange Commission on December 14, 2018).</a>
4.27*	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Hubei Sannew Education Development Limited dated December 15, 2019</a>
4.28*	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Sannew American Middle School dated December 20, 2019</a>
4.29*	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Wuhan Mierdun Education Technology Limited dated December 10, 2019</a>
4.30*	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Heze Qiqiaoban Education Technology Limited dated December 10, 2019</a>
4.31*	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Heze Development Zone Electric Kindergarten dated December 9, 2019</a>
4.32*	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by HeZe Qiqiaoban Juancheng Kindergarten dated December 10, 2019</a>

[Table of Contents](#)

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
4.33*	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Beijing Huanxue International Travel Limited dated December 12, 2019</a>
4.34*	<a href="#">English Translation of Rights and Obligations Assumption Letter executed by Guangzhou Huihua Education Consulting Co., Ltd. dated December 12, 2019</a>
4.35*	<a href="#">Purchase Agreement in relation to the issuance and sales of US\$300,000,000 7.45% Senior Notes due 2022 to the Initial Purchaser dated July 24, 2019</a>
4.36*†	<a href="#">Sale and Purchase Agreement relating to CATS Colleges Holdings Limited dated July 5, 2019</a>
8.1*	<a href="#">List of subsidiaries and affiliated entities of the Registrant</a>
11.1	<a href="#">Code of business conduct and ethics (incorporated by reference to Exhibit 99.1 of our Registration Statement on Form F-1 (file No. 333-217359) filed with the Securities and Exchange Commission on April 18, 2017)</a>
12.1*	<a href="#">CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
12.2*	<a href="#">CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
13.1**	<a href="#">CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
13.2**	<a href="#">CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
15.1*	<a href="#">Consent of Frost &amp; Sullivan</a>
15.2*	<a href="#">Consent of JunHe LLP</a>
15.3*	<a href="#">Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP</a>
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

† Portions of the exhibit have been omitted

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED**

By: /s/ Dongmei Li

Name: Dongmei Li

Title: Chief Financial Officer

Date: December 23, 2019

INDEX TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-2
<a href="#">Consolidated Balance Sheets as of August 31, 2018 and 2019</a>	F-3
<a href="#">Combined and Consolidated Statements of Operations for the years ended August 31, 2017, 2018 and 2019</a>	F-4
<a href="#">Combined and Consolidated Statements of Comprehensive Income for the years ended August 31, 2017, 2018 and 2019</a>	F-5
<a href="#">Combined and Consolidated Statements of Shareholders' Equity for the years ended August 31, 2017, 2018 and 2019</a>	F-6
<a href="#">Combined and Consolidated Statements of Cash Flows for the years ended August 31, 2017, 2018 and 2019</a>	F-7
<a href="#">Notes to Combined and Consolidated Financial Statements</a>	F-9
<a href="#">Schedule 1-Condensed Financial Statement of Bright Scholar Education Holdings Limited</a>	F-50

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Bright Scholar Education Holdings Limited

### Opinion of the Financial Statements

We have audited the accompanying consolidated balance sheets of Bright Scholar Education Holdings Limited (the “Company”), its subsidiaries, other affiliated entities and its variable interest entities under common control with the Company (collectively referred to as the “Group”) as of August 31, 2018 and 2019, the related combined and consolidated statements of operations, comprehensive income, shareholders’ equity and cash flows for each of the three years in the period ended August 31, 2019, and the related notes and the schedule (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of August 31, 2018 and 2019, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

### Convenience Translation

Our audits also comprehended the translation of Renminbi amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2(g). Such United States dollar amounts are presented solely for the convenience of the readers.

### Change in Accounting Principle

As discussed in Note 2 to the combined and consolidated financial statements, the Company has changed its manner in which it accounts for revenue from contracts with customers as a result of the modified retrospective adoption of Accounting Standard Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606), as amended.

### Basis for Opinion

These financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on the Group’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 Group 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 Group’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP  
Guangzhou, China

December 23, 2019

We have served as the Group’s auditor since 2016.

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED  
CONSOLIDATED BALANCE SHEETS  
(Amounts in thousands, except shares and par value data)

	Note	As of August 31,		
		2018	2019	
		RMB	RMB	USD
				(Note 2)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	25	3,153,852	3,246,995	453,852
Restricted cash	25	10,229	18,019	2,519
Short-term investments	4	—	241,270	33,724
Accounts receivable, net of allowance of nil and RMB 7,772 as of August 31, 2018 and 2019, respectively	15	809	21,528	3,009
Amounts due from related parties	19	17,960	10,652	1,489
Other receivables, deposits and other assets	5	52,457	177,150	24,761
Inventories		9,174	26,234	3,667
<b>Total current assets</b>		<b>3,244,481</b>	<b>3,741,848</b>	<b>523,021</b>
Property and equipment, net	6	460,485	899,510	125,730
Land use rights, net	7	33,721	88,204	12,329
Intangible assets, net	8	73,657	552,011	77,157
Goodwill	11	609,511	2,090,078	292,143
Long-term investments	10	207,364	28,455	3,977
Prepayments for construction contract		2,983	5,251	734
Deferred tax assets, net	17	18,129	30,333	4,240
Deposits for acquisition	9	8,854	338,585	47,326
Other non-current assets		7,296	13,362	1,868
<b>Total non-current assets</b>		<b>1,422,000</b>	<b>4,045,789</b>	<b>565,504</b>
<b>TOTAL ASSETS</b>		<b>4,666,481</b>	<b>7,787,637</b>	<b>1,088,525</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Accounts payable (including accounts payable of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of RMB 37,271 and RMB 32,842 as of August 31, 2018 and 2019, respectively)		63,602	94,295	13,180
Amounts due to related parties (including amounts due to related parties of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of RMB 142,068 and RMB 76,117 as of August 31, 2018 and 2019, respectively)	19	157,295	110,038	15,381
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of RMB 289,388 and RMB 364,734 as of August 31, 2018 and 2019, respectively)	13	335,857	615,082	85,974
Short term loan (including short term loan of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of nil and nil as of August 31, 2018 and 2019, respectively)		49,840	50,000	6,989
Income tax payable (including income tax payable of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of RMB 23,886 and RMB 50,968 as of August 31, 2018 and 2019, respectively)		53,598	93,479	13,066
Current portion of deferred revenue (including deferred revenue of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of RMB 936,615 and nil as of August 31, 2018 and 2019, respectively)	15	965,152	—	—
Contract liabilities (including contract liabilities of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of nil and RMB 1,157,774 as of August 31, 2018 and 2019, respectively)	15	—	1,529,137	213,737
Refund liabilities (including refund liabilities of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of nil and RMB 19,132 as of August 31, 2018 and 2019, respectively)	15	—	20,259	2,832
<b>Total current liabilities</b>		<b>1,625,344</b>	<b>2,512,290</b>	<b>351,159</b>
Deferred tax liabilities, net (including deferred tax liabilities, net of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of RMB 14,452 and RMB 35,895 as of August 31, 2018 and 2019, respectively)	17	17,067	53,689	7,504
Bond payable	12	—	2,106,000	294,368
Other non-current liabilities due to related parties (including non-current liabilities due to related parties of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of nil and RMB 21,736 as of August 31, 2018 and 2019, respectively)	19	—	21,736	3,038
Other non-current liabilities (including other non-current liabilities of the consolidated VIEs without recourse to Bright Scholar Education Holdings Limited of RMB 7,817 and RMB 7,621 as of August 31, 2018 and 2019, respectively)		12,471	10,654	1,489
<b>Total non-current liabilities</b>		<b>29,538</b>	<b>2,192,079</b>	<b>306,399</b>
<b>TOTAL LIABILITIES</b>		<b>1,654,882</b>	<b>4,704,369</b>	<b>657,558</b>
<b>Commitments and Contingencies</b>				
<b>EQUITY</b>				
Share capital (US\$0.00001 par value; 127,250,000 shares issued and outstanding as of August 31, 2018, 120,585,274 shares issued and outstanding as of August 31, 2019)	14	9	8	1
Additional paid-in capital		2,469,815	2,105,189	294,255
Statutory reserves		64,945	64,945	9,078
Accumulated other comprehensive income		75,770	78,955	11,036
Accumulated retained earnings		231,036	472,339	66,022
<b>Shareholders' equity</b>		<b>2,841,575</b>	<b>2,721,436</b>	<b>380,392</b>
<b>Non-controlling interests</b>	21	<b>170,024</b>	<b>361,832</b>	<b>50,575</b>
<b>Total equity</b>		<b>3,011,599</b>	<b>3,083,268</b>	<b>430,967</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,666,481</b>	<b>7,787,637</b>	<b>1,088,525</b>

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

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED  
 COMBINED AND CONSOLIDATED STATEMENTS OF OPERATIONS  
 FOR THE YEARS ENDED AUGUST 31, 2017, 2018 AND 2019  
 (Amounts in thousands, except for share and per share data)

	Note	2017	2018	2019	
		RMB	RMB	RMB	USD (Note 2)
<b>Revenue</b>	15	1,328,367	1,718,871	2,563,005	358,247
<b>Cost of revenue</b>		(860,330)	(1,090,595)	(1,586,014)	(221,687)
<b>Gross profit</b>		468,037	628,276	976,991	136,560
Selling, general and administrative expenses		(261,972)	(368,141)	(691,900)	(96,711)
Other operating income		8,874	12,027	15,435	2,157
<b>Operating income</b>		214,939	272,162	300,526	42,006
Interest income, net		4,901	27,297	24,254	3,390
Investment income		13,718	21,669	17,414	2,434
Other expenses		(779)	(4,803)	(8,617)	(1,204)
Income before income taxes and share of equity in income of unconsolidated affiliates		232,779	316,325	333,577	46,626
Income tax expense	17	(40,970)	(67,382)	(80,580)	(11,263)
Share of equity in income of unconsolidated affiliates		—	(40)	(239)	(33)
<b>Net income</b>		191,809	248,903	252,758	35,330
<b>Net income attributable to non-controlling interests</b>	21	19,759	1,934	11,659	1,630
<b>Net income attributable to ordinary shareholders</b>		172,050	246,969	241,099	33,700
<b>Net earnings per share attributable to ordinary Shareholders</b>					
Basic	18	1.64	2.02	1.97	0.28
Diluted	18	1.64	2.02	1.97	0.28
<b>Weighted average shares used in calculating net earnings per ordinary share:</b>					
Basic	18	104,839,041	122,088,201	122,322,894	122,322,894
Diluted	18	104,839,041	122,186,796	122,430,457	122,430,457

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

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED  
COMBINED AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED AUGUST 31, 2017, 2018 AND 2019  
(Amounts in thousands)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>USD</u> (Note 2)
<b>Net income</b>	191,809	248,903	252,758	35,330
Other comprehensive (loss) income, net of tax				
Foreign currency translation adjustment	(36,494)	112,264	3,247	454
<b>Other comprehensive (loss) income</b>	(36,494)	112,264	3,247	454
<b>Comprehensive income</b>	155,315	361,167	256,005	35,784
Less: comprehensive income attributable to non-controlling interests	19,759	1,934	11,721	1,639
<b>Comprehensive income attributable to ordinary shareholders</b>	<u>135,556</u>	<u>359,233</u>	<u>244,284</u>	<u>34,145</u>

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



BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED  
 COMBINED AND CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
 (Amounts in thousands, except for share data)

	Share capital		Additional paid-in capital	Statutory reserves	Accumulated (deficit)/retained earnings	Accumulated other comprehensive (loss)/income	Total	Non-controlling interests	Total equity
	Number of shares	RMB							
Balance at August 31, 2016	100,000,000	7	239,760	47,813	(170,851)	—	116,729	44,832	161,561
Net income for the year	—	—	—	—	172,050	—	172,050	19,759	191,809
Transfer to statutory reserve	—	—	—	17,132	(17,132)	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	(36,494)	(36,494)	—	(36,494)
Capital injection	—	—	—	—	—	—	—	3,600	3,600
Acquisition of additional interest in subsidiaries of non-controlling interests	—	—	49,154	—	—	—	49,154	(64,866)	(15,712)
Distribution to owners under group Reorganization (Note*)	—	—	(32,167)	—	—	—	(32,167)	—	(32,167)
Issuance of ordinary shares upon initial public offering ("IPO"), net of offering cost	17,250,000	—	1,146,861	—	—	—	1,146,861	—	1,146,861
Balance at August 31, 2017	117,250,000	7	1,403,608	64,945	(15,933)	(36,494)	1,416,133	3,325	1,419,458
Net income for the year	—	—	—	—	246,969	—	246,969	1,934	248,903
Acquisition of subsidiaries (Note 21)	—	—	—	—	—	—	—	166,718	166,718
Issuance of ordinary shares upon follow on offering, net of offering cost	10,000,000	2	1,151,700	—	—	—	1,151,702	—	1,151,702
Foreign currency translation adjustment	—	—	—	—	—	112,264	112,264	—	112,264
Repurchase of ordinary shares**	—	—	(114,554)	—	—	—	(114,554)	—	(114,554)
Share-based compensation	—	—	29,061	—	—	—	29,061	—	29,061
Disposal of a subsidiary	—	—	—	—	—	—	—	(1,953)	(1,953)
Balance at August 31, 2018	127,250,000	9	2,469,815	64,945	231,036	75,770	2,841,575	170,024	3,011,599
Net income for the year	—	—	—	—	241,099	—	241,099	11,659	252,758
Acquisition of subsidiaries (Note 21)	—	—	—	—	—	—	—	179,429	179,429
Capital injection	—	—	—	—	—	—	—	500	500
Foreign currency translation adjustment	—	—	—	—	—	3,185	3,185	62	3,247
Repurchase of ordinary shares**	—	—	(417,149)	—	—	—	(417,149)	—	(417,149)
Cancellation of treasury stock**	(6,679,183)	(1)	1	—	—	—	—	—	—
Share-based compensation (Note 16)	—	—	51,664	—	—	—	51,664	—	51,664
Issuance of ordinary shares upon vesting of shares option (Note 16)	14,457	—	858	—	—	—	858	—	858
Cumulative-effect adjustment upon of ASC606 (Note 2)	—	—	—	—	204	—	204	158	362
Balance at August 31, 2019 in RMB	120,585,274	8	2,105,189	64,945	472,339	78,955	2,721,436	361,832	3,083,268
Balance at August 31, 2019 in USD	120,585,274	1	294,255	9,078	66,022	11,036	380,392	50,575	430,967

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

Note\*: Distribution represent the payment of capital to Mr. Guoqiang Yang, Ms. Huiyan Yang ("Ms. H"), daughter of Mr. Guoqiang Yang and Ms. Meirong Yang ("Ms. M"), sister of Mr. Guoqiang Yang (collectively as the "Yang's Family") for the transfer of schools held by other affiliated entities under common control of Yang's Family to Guangdong Country Garden Education Investment Management Co., Ltd. ("BGY Education Investment") as a result of Reorganization as disclosed in Note 1 and was recorded as distribution to owners in the combined and consolidated statements of shareholders' equity.

Note\*\*: The repurchase of ordinary shares is accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. During the years ended August 31, 2017, 2018 and 2019, the Group repurchased a total of nil, 1,207,465 and 5,471,718 shares from the market for a cash consideration of nil, RMB 114,554 and RMB 417,149. As of August 31, 2019, all the treasury stock had been cancelled and retired.

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED  
 COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED AUGUST 31, 2017, 2018 AND 2019  
 (Amounts in thousands)

	<u>Note</u>	<u>2017</u> <u>RMB</u>	<u>2018</u> <u>RMB</u>	<u>2019</u>	
				<u>RMB</u>	<u>USD</u> <u>(Note 2)</u>
<i>Cash flows from operating activities</i>					
Net income for the year		191,809	248,903	252,758	35,330
<i>Adjustments to reconcile net cash flows from operating activities:</i>					
Depreciation		74,436	78,286	106,107	14,831
Amortization of land use rights		973	973	1,357	190
Amortization of intangible assets		2,647	6,620	23,355	3,264
Finance costs		—	—	19,089	2,668
Loss on disposal of property and equipment		80	117	2,945	412
Share of equity in income of unconsolidated affiliates		—	40	239	33
Share-based compensation		—	29,061	51,664	7,221
Gain on disposal of subsidiaries		—	(2,443)	—	—
Investment income		(13,406)	(19,226)	(7,373)	(1,031)
Deferred income taxes		975	6,691	(4,549)	(636)
<i>Changes in operating assets and liabilities and other, net:</i>					
Accounts receivable		2,181	(424)	1,564	219
Inventories		982	(468)	(14,723)	(2,058)
Amounts due from related parties		(2,405)	(7,674)	6,573	919
Other receivables, deposits and other assets		(1,180)	(13,948)	(10,516)	(1,469)
Accounts payable		14,550	(2,738)	(3,477)	(486)
Amounts due to related parties		1,411	(5,865)	16,955	2,370
Accrued expenses and other current liabilities		69,105	50,920	104,458	14,601
Contract liabilities		—	—	293,322	40,999
Deferred revenue		96,473	190,575	—	—
Refund liabilities		—	—	6,309	882
Other assets and liabilities		26,288	(5,184)	18,931	2,646
Net cash provided by operating activities		<u>464,919</u>	<u>554,216</u>	<u>864,988</u>	<u>120,905</u>
<i>Cash flows from investing activities</i>					
Purchase of short term investments	4	(966,000)	(1,897,000)	(688,360)	(96,216)
Purchase of long-term investments		—	(190,920)	(13,416)	(1,875)
Proceed from redemption of short term investments upon maturity	4	1,003,516	1,922,616	669,127	93,528
Additions of property and equipment and intangible assets		(97,116)	(117,556)	(155,204)	(21,694)
Proceeds from sale of property and equipment		73	859	1,552	217
Acquisition of subsidiaries, net of cash acquired of RMB 651, RMB 60,155 and RMB 185,106 in 2017, 2018 and 2019, respectively		(2,125)	(179,571)	(1,721,123)	(240,572)
Payment for acquisition deposits		(78,750)	(8,854)	(338,585)	(47,326)
Payment for equity method investments		—	—	(10,000)	(1,398)
Disposal of subsidiaries		—	(2,034)	—	—
Advances to related parties		(144,560)	—	—	—
Repayments from related parties		229,237	—	—	—
Net cash used in investing activities		<u>(55,725)</u>	<u>(472,460)</u>	<u>(2,256,009)</u>	<u>(315,336)</u>

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED  
 COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED AUGUST 31, 2017, 2018 AND 2019 - CONTINUED  
 (Amounts in thousands)

	Note	2017	2018	2019	
		RMB	RMB	RMB	USD (Note 2)
<i>Cash flows from financing activities</i>					
Proceeds from capital contribution		3,600	—	—	—
Proceeds from initial public offering, net of offering cost paid of RMB 3,226 in 2017		1,147,886	—	—	—
Proceeds from follow-on offering, net of offering cost paid of RMB 5,996 in 2018		—	1,151,702	—	—
Advances from related parties		71,367	—	694,751	97,110
Payment for the consideration for the transfer of schools as a result of Reorganization		(3,667)	—	—	—
Repayments to related parties		(57,675)	—	(694,751)	(97,110)
Repurchase of ordinary shares		—	(108,938)	(417,149)	(58,307)
Proceeds from bank borrowing		—	49,840	50,000	6,989
Repayment to bank borrowing		—	—	(50,021)	(6,992)
Proceeds from issuance of bond payable		—	—	2,069,160	289,219
Issuance cost of bond payable		—	—	(32,971)	(4,609)
Capital injection from non-controlling interests		—	—	500	70
Proceeds on exercise of stock options		—	—	858	120
Payment for acquisition of Hangzhou Impression		—	—	(21,000)	(2,935)
Payment for acquisition of Chengdu Yinzhe		—	—	(30,375)	(4,246)
Payment for acquisition of Xinqiao Group		—	—	(89,469)	(12,506)
Net cash provided by financing activities		1,161,511	1,092,604	1,479,533	206,803
Net increase in cash and cash equivalents, and restricted cash		1,570,705	1,174,360	88,512	12,372
Cash and cash equivalents and restricted cash at beginning of the year		362,451	1,896,662	3,164,081	442,263
Effect of exchange rate changes on cash and cash equivalents and restricted cash		(36,494)	93,059	12,421	1,736
Cash and cash equivalents and restricted cash at end of the year	25	1,896,662	3,164,081	3,265,014	456,371
Supplemental disclosure of cash flow information:					
Income tax paid		16,378	65,136	56,472	7,893
Non-cash investing activities:					
Acquisition of subsidiaries		—	—	49,238	6,882
Acquisition of additional interest in subsidiaries of non-controlling interests		15,712	—	—	—
Distribution to owners under group Reorganization		32,167	—	—	—
For the year ended of August 31, 2017, 2018 and 2019					
Other payable related to cost of initial public offering		(1,025)	—	—	—
Other payable related to stock repurchase		—	(5,616)	—	—
Accounts payable balance for acquisition of property and equipment		(28,281)	(5,751)	(8,738)	(1,221)
Amounts due to related parties balance for acquisition of property and equipment		(1,858)	(27,869)	(16,909)	(2,363)

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

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED  
NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS  
(Amounts in thousands, except for share and per share data, unless otherwise stated)

## 1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Bright Scholar Education Holdings Limited (the “Company”) was incorporated under the laws of Cayman Islands on December 16, 2016. The Company, its subsidiaries, other affiliated entities and its variable interest entities under common control with the Company (collectively referred to as the “Group”) are principally engaged in the provision of full spectrum private fundamental education and complementary education services including kindergarten, primary, middle, high school and international schools in the People’s Republic of China (the “PRC”), and education programs and services including independent schools and colleges in United Kingdom(the “UK”), the United States ( the “US”) and Canada.

### Reorganization

In order to raise capital for the Group through IPO, the Group undertook a reorganization (“Reorganization”) which includes:

- 1) During the period from September 1, 2016 to February 28, 2017, the interests of all schools/subsidiaries held by other affiliated entities under common control of Yang’s Family has been transferred to BGY Education Investment, a company owned by Yang’s Family.
- 2) The Company was incorporated in the Cayman Islands (“Cayman”) as the proposed listing entity on December 16, 2016. As of the incorporation date, the total issued share capital was 10 ordinary shares with a par value of USD0.00001 and total authorized share capital is US\$50 divided into 5,000,000,000 shares.
- 3) Impetus Investment Limited (“Impetus”), a company owned by Yang’s Family, set up a wholly owned PRC subsidiary, Zhuhai Hengqin Bright Scholar Management Consulting Co. Ltd (“Zhuhai Bright Scholar”) on January 24, 2017.
- 4) Pursuant to the PRC laws and regulations which prohibits foreign ownership of companies and institutions providing compulsory education services at primary and middle school levels, and restricts foreign investment in education services at the kindergarten and high school level. Due to these restrictions, Impetus, through its PRC subsidiary, Zhuhai Bright Scholar, have entered into a series of contractual arrangements with BGY Education Investment, the schools that BGY Education Investment owns and the shareholders of BGY Education Investment on January 25, 2017 (“the VIE Arrangement”).
- 5) On February 8, 2017, the Company issued additional 99,999,990 shares to exchange 100% equity interest of Impetus to the Company. After the Company’s share increment, the total outstanding share of the Company was 100,000,000 share, among that, 72.6%, 20% and 7.4% of its shares are held by Ms. Meirong Yang, Ms. Huiyan Yang and Mr. Junli He (“Mr. He”), the chief executive officer of the Group, respectively. Each shareholder maintain individual ownership interests in the Group prior to the Reorganization. The 7.4% of the Company’s shares was issued to Mr. He as the exchange of his interest of the Education Group, which includes primary schools, middle schools, high schools, international schools and kindergartens in the PRC (collectively referred to as the “Education Group”) then as part of the acquisition transaction.

The Company was incorporated in December 2016 and the current structure was completed in February 2017. The Group has accounted for the Reorganization akin to a reorganization of entities under common control and accordingly, the accompanying combined and consolidated financial statements have been prepared as if the current corporate structure has been in existence throughout the periods presented and the assets, liabilities, revenue, expenses and cash flows of the Group are presented by using historical costs. The share and per share data relating to the ordinary shares issued by the Company are presented as if the Reorganization occurred at the beginning of the first period presented.

In May 2017, the Group completed its IPO and issued 17,250,000 American Depositary Shares (“ADSs”). Net proceeds from the IPO after deducting underwriting discount and offering costs were RMB 1,146,861.

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued**

The Group's principal subsidiaries and VIEs and schools as of August 31, 2019 are as follows:

Name	Place of establishment	Date of establishment	Equity interest attributed to the Group as of August 31, 2019	Principal activities
<b>Wholly owned subsidiaries:</b>				
Impetus	Cayman	April 1, 2014	100%	Investment holding
Zhuhai Bright Scholar				Management consulting service
Time Education China Holdings Limited	The PRC	January 24, 2017	100%	Investment holding
Time Elan Education Technology Co., Ltd.	Hong Kong	August 16, 2013	100%	Complementary education services
Shenzhen Qianhai Xingkeyucai Trading Co., Ltd.	The PRC	December 6, 2013	100%	Complementary education services
Bright Scholar (Enlightenment) Investment Holdings Limited	The PRC	December 15, 2016	100%	Investment holding
Bright Scholar (UK) Holdings Limited	Cayman	December 27, 2017	100%	Investment holding
Bright Scholar (BCS) Limited	The UK	July 31, 2018	100%	Investment holding
Bright Scholar (BCS) Property Limited	The UK	August 1, 2018	100%	Overseas School
Bright Scholar (BCS) Management Limited	The UK	August 1, 2018	100%	Overseas School
Beijing Bright Scholar Education Consulting Limited Co., Ltd.	The PRC	August 1, 2018	100%	Overseas School
Foshan Shunde Elan Education Training Co., Ltd.	The PRC	July 20, 2016	100%	Complementary education services
Shenzhen Elan Education Training Co., Ltd.	The PRC	April 12, 2017	100%	Complementary education services
Guangdong Bright Scholar Education Technology Co., Ltd.	The PRC	April 1, 2017	100%	Complementary education services
Guangzhou Elan Education Consulting Co., Ltd.	The PRC	September 26, 2017	100%	Complementary education services
Guangdong Zhixing Weilai Logistics Management Co., Ltd.	The PRC	December 20, 2017	100%	Complementary education services
CATS Colleges Holdings Limited	The PRC	October 24, 2018	100%	Investment holding
CEG Colleges Limited	The UK	March 13, 2019	100%	Investment holding
Cambridge Arts and Science Limited	The UK	August 29, 2007	100%	Investment holding
CATS Canterbury Limited	The UK	October 23, 1997	100%	Overseas School
CATS College London Limited	The UK	August 29, 2007	100%	Overseas School
Cambridge School of Visual and Performing Arts Limited	The UK	November 17, 2010	100%	Overseas School
CATS Retail Limited	The UK	February 22, 1989	100%	Inactive
Cambridge School of Art and Design Limited	The UK	August 29, 2007	100%	Inactive
Stafford House Companies Limited	The UK	September 29, 1997	100%	Inactive
Stafford House School of English Limited	The UK	August 29, 2007	100%	Investment holding
Study Holidays Limited	The UK	April 12, 1960	100%	Overseas School
CEG Properties Limited	The UK	July 14, 1989	100%	Overseas School
976821 Ontario Inc.	The UK	March 17, 1998	100%	Inactive
744648 Alberta Inc.	The UK	March 3, 1989	100%	Investment holding
Cambridge Education Group Holdings Inc.	Canada	April 3, 2016	100%	Investment holding
CATS Academy Boston Inc.	Canada	February 24, 1992	100%	Overseas School
Boston Academy of English Inc.	Canada	February 24, 1992	100%	Overseas School
Intrax English Academies LLC	The US	November 29, 2011	100%	Investment holding
Beijing Bright Scholar Education Consulting (Huizhou) Co., Ltd.	The US	July 5, 2012	100%	Overseas School
Beijing Jingshiboda Education Technology Co., Ltd.	The US	February 7, 1992	100%	Overseas School
	The US	May 22, 2015	100%	Overseas School
	The PRC	November 23, 2018	100%	Complementary education services
	The PRC	July 18, 2019	100%	Complementary education services

## 1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Name	Place of establishment	Date of establishment	Equity interest attributed to the Group as of August 31, 2019	Principal activities
<b>Non-wholly owned subsidiaries:</b>				
Zhuhai Hengqin Kaidi Education Consulting Co., Ltd.	The PRC	May 11, 2017	80%	Complementary education services
Zhuhai Xin Xu Education Management Co., Ltd.	The PRC	August 8, 2018	75%	Complementary education services
Xin Rui Management Co., Ltd.	Hong Kong	May 2, 2018	75%	Investment holding
New Bridge Management Co., Ltd	Cayman	March 21, 2018	75%	Investment holding
Foundation Education China Limited	Hong Kong	July 19, 2012	75%	Study-abroad consulting service
Foundation Academy Limited	Hong Kong	June 16, 2009	75%	Study-abroad consulting service
Foundation Education Services Limited	Hong Kong	April 12, 2000	75%	Study-abroad consulting service
Foundation Information Consulting (Shenzhen) Co., Ltd.	The PRC	October 29, 2012	75%	Study-abroad consulting service
FGE Holdings Limited	The British Virgin Islands	March 24, 2016	75%	Study-abroad consulting service
Foundation Global Education Limited	Hong Kong	June 22, 2009	75%	Study-abroad consulting service
Can-achieve (Beijing) Education Consulting Co., Ltd.	The PRC	May 14, 2008	70%	Study-abroad consulting service and referral service
Can-achieve Global Education, Inc. (Los Angeles)	The US	August 1, 2016	70%	Study-abroad consulting service and referral service
Can-Achieve International Education Limited	Hong Kong	July 23, 2015	70%	Study-abroad consulting service and referral service
Guangzhou Can-achieve Global Consulting Co., Ltd.	The PRC	May 19, 2016	70%	Study-abroad consulting service and referral service
Zhengzhou Dahua Education Consulting Co., Ltd.	The PRC	March 28, 2001	70%	Study-abroad consulting service and referral service
Bright Scholar Wanjia (Beijing) Education Consulting Co., Ltd.	The PRC	June 11, 1999	70%	Study-abroad consulting service and referral service
Hangzhou Impression Arts Training Co., Ltd.	The PRC	May 19, 2010	70%	Complementary education services
Zhuhai Hengqin Dingjia Education Consulting Limited	The PRC	March 13, 2019	70%	Complementary education services
Cambridge Education Technology (Shanghai) Co Limited	The PRC	August 21, 2018	70%	Investment holding
CEG Hong Kong JV Limited	Hong Kong	September 10, 2018	52%	Investment holding

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued**

<b>Name</b>	<b>Place of establishment</b>	<b>Date of establishment</b>	<b>Equity interest attributed to the Group as of August 31, 2019</b>	<b>Principal activities</b>
<b>Subsidiaries and schools of VIE</b>				
BGY Education Investment	The PRC	October 16, 2014	100%	Investment holding
Time Elan Education Technology (Beijing) Co., Ltd.	The PRC	December 17, 2012	100%	Complementary education services
Shenzhen Time Elan Technology Co., Ltd.	The PRC	October 19, 2015	100%	Complementary education services
Shanghai Elan Education and Training Co., Ltd.	The PRC	September 30, 2016	100%	Complementary education services
Guangdong Xingjian Education Co., Ltd.	The PRC	April 2, 2015	100%	Complementary education services
Guangdong Country Garden School ("GCGS")	The PRC	January 3, 1994	100%	Kindergarten and formal education services*
Huanan Country Garden School ("HCGS")	The PRC	June 2, 2004	100%	Formal education services*
Huanan Country Garden Bilingual Kindergarten	The PRC	June 22, 2004	100%	Kindergarten education services
Phoenix City Country Garden Kindergarten	The PRC	December 13, 2009	100%	Kindergarten education services
Phoenix City Bilingual School ("PCBS")	The PRC	April 1, 2004	100%	Formal education services*
Country Garden Huacheng School	The PRC	August 21, 2003	100%	Formal education services*
Country Garden Huacheng Kindergarten	The PRC	August 21, 2003	100%	Kindergarten education services
Xiju Country Garden Kindergarten	The PRC	March 3, 2013	100%	Kindergarten education services
Dalang Country Garden Kindergarten	The PRC	March 15, 2013	100%	Kindergarten education services
Huadu Holiday Peninsula Kindergarten	The PRC	August 5, 2013	100%	Kindergarten education services
Jurong Country Garden School	The PRC	September 1, 2013	100%	Kindergarten and formal education services*
Maoming Country Garden Kindergarten	The PRC	March 5, 2013	100%	Kindergarten education services
Country Garden Venice Bilingual School ("CGBS")	The PRC	September 1, 2007	100%	Formal education services*
Wuyi Country Garden Bilingual School	The PRC	September 1, 2009	100%	Kindergarten and formal education services*
Heshan Country Garden School	The PRC	September 1, 2010	100%	Formal education services*
Wuhan Country Garden School	The PRC	August 26, 2011	100%	Formal education services*
Ningxiang Country Garden School	The PRC	September 1, 2014	100%	Formal education services*
Zengcheng Country Garden School	The PRC	October 8, 2013	100%	Formal education services*
Country Garden Silver Beach School	The PRC	August 20, 2015	100%	Formal education services*
Country Garden Experimental School	The PRC	July 1, 2015	100%	Formal education services*
Huaxi Country Garden International School	The PRC	September 1, 2015	100%	Formal education services*
Laian Country Garden Foreign Language School	The PRC	August 11, 2015	100%	Formal education services*
Taishan Country Garden School	The PRC	August 24, 2015	100%	Kindergarten and formal education services*
Lanzhou Country Garden School	The PRC	September 1, 2016	100%	Kindergarten and formal education services*
Chuzhou Country Garden Foreign Language School	The PRC	April 17, 2017	100%	Formal education services*
Shaoguan Country Garden Foreign Language School	The PRC	September 1, 2017	100%	Formal education services*
Kaiping Country Garden School	The PRC	September 22, 2017	100%	Formal education services*
Huidong Silver Beach Education Consulting Co., Ltd.	The PRC	June 30, 2015	100%	Formal education services*
Ningxiang Country Garden Foreign Language Training School	The PRC	September 1, 2014	100%	Formal education services*
Phoenix City Bilingual Kindergarten	The PRC	April 16, 2008	100%	Kindergarten education services
Foshan Shunde Shengbo Culture and Arts Training Co., Ltd.	The PRC	July 16, 2015	100%	Complementary education services
Licheng Country Garden Bilingual Kindergarten	The PRC	November 17, 2004	100%	Kindergarten education services
Huaxi Country Garden International Kindergarten	The PRC	September 1, 2014	100%	Kindergarten education services



**1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued**

Name	Place of establishment	Date of establishment	Equity interest attributed to the Group as of August 31, 2019	Principal activities
<b>Subsidiaries and schools of VIE - continued</b>				
Nansha Country Garden Bilingual Kindergarten	The PRC	August 7, 2009	100%	Kindergarten education services
Shawan Country Garden Kindergarten	The PRC	July 5, 2010	100%	Kindergarten education services
Heshan Country Garden Kindergarten	The PRC	September 1, 2010	100%	Kindergarten education services
Country Garden Venice Kindergarten	The PRC	September 1, 2011	100%	Kindergarten education services
Wuhan Country Garden Kindergarten	The PRC	August 26, 2011	100%	Kindergarten education services
Huanan Country Garden Cuiyun Mountain Kindergarten	The PRC	May 31, 2012	100%	Kindergarten education services
Zengcheng Country Garden Kindergarten	The PRC	October 18, 2013	100%	Kindergarten education services
Fengxin Country Garden Kindergarten	The PRC	August 25, 2014	100%	Kindergarten education services
Phoenix City Fengyan Kindergarten	The PRC	August 25, 2014	100%	Kindergarten education services
Huiyang Country Garden Kindergarten	The PRC	September 17, 2014	100%	Kindergarten education services
Country Garden Silver Beach Kindergarten	The PRC	August 20, 2014	100%	Kindergarten education services
Haoting Country Garden Kindergarten	The PRC	November 27, 2014	100%	Kindergarten education services
Danyang Country Garden Kindergarten	The PRC	September 1, 2015	100%	Kindergarten education services
Qingyuan Country Garden Bilingual Kindergarten	The PRC	September 1, 2015	100%	Kindergarten education services
Shaoguan Zhenjiang Country Garden Foreign Language Kindergarten	The PRC	November 1, 2015	100%	Kindergarten education services
Gaoming Country Garden Kindergarten	The PRC	August 13, 2015	100%	Kindergarten education services
Enping Country Garden Kindergarten	The PRC	August 3, 2015	100%	Kindergarten education services
Laian Country Garden Kindergarten	The PRC	August 11, 2015	100%	Kindergarten education services
Kaiping Country Garden Jade Bay Kindergarten	The PRC	May 22, 2017	100%	Kindergarten education services
Chuzhou Country Garden Kindergarten	The PRC	April 17, 2017	100%	Kindergarten education services
Dongguan Qishi Country Garden Kindergarten	The PRC	January 12, 2018	100%	Kindergarten education services
Dongguan Qingxi Country Garden Kindergarten	The PRC	January 9, 2018	100%	Kindergarten education services
Ningxiang Country Garden Kindergarten	The PRC	September 1, 2014	100%	Kindergarten education services
Beijing Huanxue International Travel Limited	The PRC	September 14, 2016	100%	Complementary education services
Guangzhou Huihua Education Consulting Limited Co., Ltd.	The PRC	July 4, 2019	100%	Complementary education services
Haiyang Country Garden Kindergarten	The PRC	December 27, 2018	100%	Kindergarten education services
Foshan Shunde Beijiao Country Garden Guilanshan Kindergarten Co., Ltd.	The PRC	November 2, 2018	100%	Kindergarten education services
Xiangtan Yisuhe Country Garden Kindergarten	The PRC	May 20, 2019	100%	Kindergarten education services
Wuhan Ruijiang Bright Scholar Education Industry Investment Fund Limited Partnership	The PRC	October 10, 2018	99.98%	Investment holdings
Wuhan Qiaosheng Education Investment Co., Ltd.	The PRC	July 21, 2017	75%	Complementary education services
Wuhan Qingshan District Bilingual Kindergarten	The PRC	August 16, 2006	75%	Kindergarten education services
Wuhan Donghu Tech Development Zone Xinqiao Kindergarten	The PRC	September 8, 2008	75%	Kindergarten education services
Wuhan Donghu Tech Development Zone Xinqiao-Jinxiu Longcheng Kindergarten	The PRC	April 20, 2009	75%	Kindergarten education services
Wuhan Dongxihu District Dongqiao Kindergarten	The PRC	August 8, 2008	75%	Kindergarten education services
Wuhan Hongshan District Xinqiao Aijia Kindergarten	The PRC	November 25, 2011	75%	Kindergarten education services
Shenghua Country Garden Bilingual School	The PRC	September 7, 2017	70%	Formal education services*
Baoding Baigou New City Shenghua Country Garden Kindergarten Co., Ltd.	The PRC	May 28, 2017	70%	Kindergarten education services
Baoding Baigou New City Bright Scholar Shenghua Education Consulting Co., Ltd.	The PRC	May 19, 2017	70%	Complementary education services



## 1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Name	Place of establishment	Date of establishment	Equity interest attributed to the Group as of August 31, 2019	Principal activities
<b>Subsidiaries and schools of VIE - continued</b>				
Guangzhou Zangxing Network Technology Co., Ltd. (“Zangxing”)	The PRC	December 30, 2014	51.67%	Education Promotion Service
Chengdu Yinzhe Education and Technology Co., Ltd.	The PRC	June 11, 2015	70%	Complementary education services
Chengdu Laizhe Education and Technology Co., Ltd.	The PRC	November 12, 2013	70%	Complementary education services
Dreambig Career Limited	Hong Kong	June 14, 2017	70%	Complementary education services
Hubei Sannew Education Development Limited	The PRC	February 16, 2015	80%	Complementary education services
Sannew American Middle School	The PRC	May 26, 2016	80%	Formal education services*
Wuhan Mierdun Education Technology Limited	The PRC	May 17, 2019	79.20%	Complementary education services
Heze Qiqiaoban Education Technology Limited	The PRC	March 14, 2017	85%	Complementary education services
Heze Economic Development Zone Qiqiaoban-OCT Kindergarten	The PRC	October 17, 2014	85%	Kindergarten education services
Qiqiaoban Oscar Kindergarten	The PRC	October 8, 2015	85%	Kindergarten education services
Heze Economic Development Zone Electric Kindergarten	The PRC	August 3, 2013	85%	Kindergarten education services
Heze Qiqiaoban Juancheng Kindergarten	The PRC	April 27, 2016	85%	Kindergarten education services
Heze Mudan District Yihai Kindergarten	The PRC	September 20, 2017	85%	Kindergarten education services
Juye Phoenix Qiqiaoban Dongfang Xintiandi Kindergarten	The PRC	December 30, 2015	85%	Kindergarten education services
Caodian Qiqiaoban Kindergarten	The PRC	December 31, 2015	85%	Kindergarten education services
Juancheng Shuncheng International Kindergarten	The PRC	December 31, 2015	85%	Kindergarten education services
Shangdong Boshiyou Education Consulting Limited	The PRC	April 30, 2019	90%	Complementary education services
Chengdu Boxuele Education Management Consulting Co., Ltd.	The PRC	June 17, 2019	75%	Complementary education services

\*Formal education services includes primary, middle, high and international school services in the PRC.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### ***(a) Basis of presentation and combination and consolidation***

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

The Group has considered the Reorganization as a change in reporting entity for a reorganization of entities under common control of the Yang’s Family and hence reflect the Reorganization in a manner similar to the pooling of interests method of accounting and the combined revenues and expenses are all reflected under historical cost basis of the Yang’s Family. Accordingly, all financial information presented for the year ended August 31, 2017 (prior to the consummation of Reorganization and the incorporation of the Company) was prepared on a combined basis which represents the combined results of operations and cash flows of all the entities under common control of the Yang’s Family as if the Reorganization occurred on the earliest date during which all the entities were under common control of the Yang’s Family.

### ***(b) Principles of consolidation***

The accompanying combined and consolidated financial statements include the financial information of the Company, its subsidiaries and its consolidated VIEs (collectively the “Group”). All intercompany balances and transactions have been eliminated.

BGY Education Investment, its subsidiaries and schools, other affiliated entities and variable interest entities under common control of Yang’s Family are collectively referred to as the “Combined Entities”. The Group’s combined and consolidated financial statements include (i) the combined financial statements of each of the Combined Entities from their respective date of incorporation or date of combination through December 16, 2016 (date of the incorporation of the Company), and (ii) the consolidated financial statements of the Company, its wholly-owned subsidiaries and its consolidated VIEs for the period from December 16, 2016 to August 31, 2019. The combined and consolidated financial statements reflect the operations of the Combined Entities through December 16, 2016 and the Group’s consolidated operations thereafter.

#### Consolidation of VIEs

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

Accordingly, the Company, through its wholly owned subsidiary in China (the “WFOE”), Zhuhai Bright Scholar, have entered into the following contractual arrangements with BGY Education Investment, BGY Education Investment’s schools and subsidiaries and BGY Education Investment’s shareholders that enable the Company to (1) have power to direct the activities that most significantly affects the economic performance of the VIE, and (2) receive the economic benefits of the VIE that could be significant to the VIE.

Agreements that provide the Group with effective control over the VIEs include:

#### Voting Rights Proxy Agreement & Irrevocable Power of Attorney

Under voting right proxy agreement and irrevocable power of attorney, each of the shareholders of BGY Education Investment has executed a power of attorney to grant Zhuhai Bright Scholar the power of attorney to act on his or her behalf on all matters pertaining to the BGY Education Investment and to exercise all of his or her rights as a shareholder of BGY Education Investment, including but not limited to convene, attend and vote at shareholders’ meetings, designate and appoint directors and senior management members. The proxy agreement will remain in effect unless Zhuhai Bright Scholar terminates the agreement by giving a prior written notice or gives its consent to the termination by BGY Education Investment.

#### Exclusive Call Option Agreement

Under the exclusive call option agreement, each of the shareholders of BGY Education Investment granted Zhuhai Bright Scholar or its designated representative(s) an irrevocable and exclusive option to purchase their equity interests in BGY Education Investment when and to the extent permitted by PRC law. Zhuhai Bright Scholar or its designated representative(s) has sole discretion as to when to exercise such options, either in part or in full. Without Zhuhai Bright Scholar’s written consent, the shareholders of BGY Education Investment shall not transfer, donate, pledge, or otherwise dispose any equity interests of BGY Education Investment in any way. The acquisition price for the shares or assets will be the minimum amount of consideration permitted under the PRC law at the time when the option is exercised. The agreement cannot be terminated by BGY Education Investment or their shareholders.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

### *(b) Principles of consolidation* - continued

#### Equity Pledge Agreement

Under the equity pledge agreement, each of the shareholders pledged all of their equity interests in BGY Education Investment to Zhuhai Bright Scholar as collateral to secure their obligations under the equity pledge agreements. If the shareholders of BGY Education Investment breach their respective contractual obligations, Zhuhai Bright Scholar, as pledgee, will be entitled to certain rights, including the right to dispose the pledged equity interests. Pursuant to the agreement, the shareholders of BGY Education Investment shall not transfer, assign or otherwise create any new encumbrance on their respective equity interest in BGY Education Investment without prior written consent of Zhuhai Bright Scholar. The equity pledge right held by Zhuhai Bright Scholar will expire when the shareholders of BGY Education Investment and Zhuhai Bright Scholar have fully performed their respective obligations under the Consulting Services Agreement and Operating Agreement, or the shareholder is no longer a shareholder of BGY Education Investment or the satisfaction of all its obligations by BGY Education Investment under the VIE contractual arrangements.

The agreements that transfer economic benefits of BGY Education Investment to the Group include:

#### Exclusive Management Services and Business Cooperation Agreement

Under the exclusive management services and business cooperation agreement, BGY Education Investment engages Zhuhai Bright Scholar as its exclusive technical and operational consultant and under which Zhuhai Bright Scholar agrees to assist in business development and related services necessary to conduct BGY Education Investment's operational activities. BGY Education Investment shall not seek or accept similar services from other providers without the prior written approval of Zhuhai Bright Scholar. The agreements will be effective as long as BGY Education Investment exists. Zhuhai Bright Scholar may terminate this agreement at any time by giving a prior written notice to BGY Education Investment.

Under the above agreements, the shareholders of BGY Education Investment irrevocably granted Zhuhai Bright Scholar the power to exercise all voting rights to which they were entitled. In addition, Zhuhai Bright Scholar has the option to acquire all of the equity interests in BGY Education Investment, to the extent permitted by the then-effective PRC laws and regulations, for nominal consideration. Finally, Zhuhai Bright Scholar is entitled to receive service fees for certain services to be provided to BGY Education Investment.

The Call Option Agreement and Voting Rights Proxy Agreement provide the Group with effective control over the BGY Education Investment, while the Equity Pledge Agreements secure the obligations of the shareholders of BGY Education Investment under the relevant agreements. Because the Group, through Zhuhai Bright Scholar, has (i) the power to direct the activities of BGY Education Investment, that most significantly affect the entity's economic performance and (ii) the right to receive substantially all of the benefits from BGY Education Investment, the Group is deemed the primary beneficiary of BGY Education Investment. Accordingly, the Company consolidates and combines BGY Education Investment's financial results of operations, assets and liabilities in the Group's consolidated and combined financial statements.

The Group believes that the contractual arrangements with the VIEs are in compliance with the PRC law and are legally enforceable. However, the contractual arrangements are subject to risks and uncertainties, including:

- BGY Education Investment and their shareholders may have or develop interests that conflict with the Group's interests, which may lead them to pursue opportunities in violation of the aforementioned contractual arrangements. If the Group cannot resolve any conflicts of interest or disputes between the Group and the shareholders of BGY Education Investment, the Group would have to rely on legal proceedings, which could result in disruption of its business, and there may be substantial uncertainty as to the outcome of any such legal proceedings.
- BGY Education Investment and their shareholders could fail to obtain the proper operating licenses or fail to comply with other regulatory requirements. As a result, the PRC government could impose fines, new requirements or other penalties on the VIEs or the Group, mandate a change in ownership structure or operations for the VIEs or the Group, restrict the VIEs or the Group's use of financing sources or otherwise restrict the VIEs or the Group's ability to conduct business.
- The PRC government may declare the aforementioned contractual arrangements invalid. They may modify the relevant regulations, have a different interpretation of such regulations, or otherwise determine that the Group or the VIEs have failed to comply with the legal obligations required to effectuate such contractual arrangements.
- If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government may restrict or prohibit the Group's use of the proceeds of the additional public offering to finance the Group's business and operations in China.

The Group's ability to conduct its business may be negatively affected if the PRC government were to carry out any of the aforementioned actions. As a result, the Group may not be able to consolidate BGY Education Investment in its combined and consolidated financial statements as it may lose the ability to exert effective control over BGY Education Investment and their shareholders, and it may lose the ability to receive economic benefits from BGY Education Investment.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**
**(b) Principles of consolidation - continued**
**Exclusive Management Services and Business Cooperation Agreement - continued**

The following amounts and balances of BGY Education Investment were included in the Group's combined and consolidated financial statements after the elimination of intercompany balances and transactions.

	As of August 31	
	2018 RMB	2019 RMB
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	891,735	975,513
Restricted cash	10,229	17,670
Short term investments	—	19,600
Accounts receivable, net of allowance of nil and nil as of August 31, 2018 and 2019, respectively	671	802
Amounts due from related parties	10,522	5,479
Other receivables, deposits and other assets	35,643	42,551
Inventories	8,944	25,324
<b>Total current assets</b>	<b>957,744</b>	<b>1,086,939</b>
Property and equipment, net	380,483	538,683
Land use rights, net	33,721	88,204
Intangible assets, net	57,808	143,993
Goodwill	237,544	505,392
Long-term investments	—	11,401
Prepayments for construction contract	267	380
Deferred tax assets, net	16,799	16,797
Deposits for acquisition	—	5,137
Other non-current assets	6,249	8,843
<b>Total non-current assets</b>	<b>732,871</b>	<b>1,318,830</b>
<b>TOTAL ASSETS</b>	<b>1,690,615</b>	<b>2,405,769</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	37,271	32,842
Amounts due to related parties	142,068	76,117
Accrued expenses and other current liabilities	289,388	364,734
Income tax payable	23,886	50,968
Deferred revenue	936,615	—
Contract liabilities	—	1,157,774
Refund liabilities	—	19,132
<b>Total current liabilities</b>	<b>1,429,228</b>	<b>1,701,567</b>
Deferred tax liabilities, net	14,452	35,895
Other non-current liabilities due to related parties	—	21,736
Other non-current liabilities due to third parties	7,817	7,621
<b>Total non-current liabilities</b>	<b>22,269</b>	<b>65,252</b>
<b>TOTAL LIABILITIES</b>	<b>1,451,497</b>	<b>1,766,819</b>

	For the year ended August 31,		
	2017 RMB	2018 RMB	2019 RMB
Total revenues	1,320,421	1,621,872	2,102,396
Net income	34,447	67,224	47,898
Net cash provided by operating activities	466,704	192,745	730,145
Net cash used in investing activities	(38,909)	(82,407)	(519,082)
Net cash provided by/(used in) financing activities	1,568	—	(119,844)
Net increase in cash and cash equivalents and restricted cash	429,363	110,338	91,219
Cash and cash equivalents and restricted cash at beginning of year	362,263	791,626	901,964
Cash and cash equivalents and restricted cash at end of year	791,626	901,964	993,183

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

### **(b) Principles of consolidation** - continued

#### Exclusive Management Services and Business Cooperation Agreement - continued

BGY Education Investment contributed 99.4%, 94.4% and 82.0% of the Group's combined and consolidated revenue for the three years ended August 31, 2017, 2018 and 2019. As of August 31, 2018 and 2019, BGY Education Investment accounted for an aggregate of 36.2% and 30.9%, respectively, of the consolidated total assets, and 87.7% and 37.6%, respectively, of the consolidated total liabilities.

There are no terms in any arrangements, considering both explicit arrangements and implicit variable interests that require the Company or its subsidiaries to provide financial support to BGY Education Investment. However, if BGY Education Investment were ever to need financial support, the Group may, at its option and subject to statutory limits and restrictions, provide financial support to its VIEs through loans to the shareholders of BGY Education Investment or entrustment loans to BGY Education Investment.

The Group believes that there are no assets held in the BGY Education Investment that can be used only to settle obligations of BGY Education Investment, except for registered capital and the PRC statutory reserves. As the BGY Education Investment is incorporated as a limited liability company under the PRC Company Law, creditors of the BGY Education Investment do not have recourse to the general credit of the Company for any of the liabilities of the BGY Education Investment. Relevant PRC laws and regulations restrict BGY Education Investment from transferring a portion of their net assets, equivalent to the balance of its statutory reserve and its share capital, to the Company in the form of loans and advances or cash dividends. Please refer to Note 24 for disclosure of restricted net assets.

### **(c) Use of estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The Group bases its estimates on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Significant accounting estimates reflected in the Group's financial statements include purchase price allocation relating to business combination, assessment of realization of deferred tax assets, impairment assessment of goodwill and long-lived assets, and valuation of share-based compensation. Actual results may differ materially from those estimates.

### **(d) Fair value**

Fair value is considered to be the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data. The Group has short-term and long-term investments in USD fund-linked notes that are measured at fair value with a maturity date of May 28, 2020 and May 4, 2021 respectively and classified as level 2 fair value measurements (see Note 4 and Note 10). Various inputs for the investment valuation, including time value, volatility factors, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures, substantially are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The carrying values of financial instruments, which consist of cash and cash equivalents, restricted cash, accounts receivable, amounts due from related parties, other receivables, deposits, accounts payable, 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

### **(e) Foreign currency translation**

The Group's reporting currency is Renminbi ("RMB"). The functional currency of the affiliates incorporated outside of mainland China includes the United States dollar ("US dollar" or "US\$"), Great Britain Pound ("GBP"), Hong Kong dollar ("HKD" or "HK\$"), and Canadian dollar ("CAD"). The functional currency of all the other subsidiaries and the VIEs is RMB.

Monetary assets and liabilities denominated in currencies other than the applicable functional currencies are translated into the functional currencies at the prevailing rates of exchange at the balance sheet date. Nonmonetary assets and liabilities are remeasured into the applicable functional currencies at historical exchange rates. Exchange gains and losses are recognized in the combined and consolidated statement of operation. All assets and liabilities are translated at exchange rates at the balance sheet date and revenue and expenses are translated at the average yearly exchange rates and equity is translated at historical exchange rate. Any translation adjustments are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income.

### **(f) Foreign currency risk**

The RMB is not a freely convertible currency. The State Administration for Foreign Exchange, under the authority of the Peoples Bank of China, controls the conversion of RMB into other currencies. The value of the RMB is subject to changes in central government policies, international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. The Group's cash and cash equivalents, restricted cash, and term deposits denominated in RMB amounted to RMB 1,387,936 and RMB 1,418,745 as of August 31, 2018 and 2019, respectively.

### **(g) Convenience translation**

The Group's business is primarily conducted in China and majority of the revenues are denominated in RMB. However, periodic reports made to shareholders will include current period amounts translated into US dollars using the then current exchange rates, for the convenience of the readers. Translations of balances in the consolidated balance sheets, and the related combined and consolidated statements of operations, comprehensive income, shareholders' equity and cash flows from RMB into US dollars as of and for the year ended August 31, 2019 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB 7.1543, representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on August 30, 2019. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on August 31, 2019, or at any other rate.

### **(h) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and principal-secured floating rate financial instruments which are unrestricted as to withdrawal or use, and which have original maturities of three months or less when purchased.

### **(i) Restricted cash**

The Group's restricted cash mainly represents (a) deposit held in a designated bank account for the sole purpose of business operation including the establishment of new schools and subsidiaries; and (b) deposit restricted as to withdrawal or use under government regulations. Restricted cash is classified as current based on respective agreements with the banks and governing authorities, the term of which are 12 months or less.

### **(j) Investments**

Short-term investments primarily consist of wealth management products, which are certain deposits with different interest rates and fixed maturity dates ranging from three months to one year.

The Group reviews its short-term investments for other-than-temporary impairment ("OTTI") based on the specific identification method. The Group considers available quantitative and qualitative evidence in evaluating the potential impairment of its short-term investments. If the cost of an investment exceeds the investments fair value, the Group considers, among other factors, general market conditions, expected future performance of the investees, the duration and the extent to which the fair value of the investment is less than the cost, and the Groups intent and ability to hold the investments. OTTI is recognized as a loss in the combined and consolidated statements of operations.

Long-term investments include held-to-maturity investment with maturity date which is longer than one year, equity securities without readily determinable fair values and equity method investments.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****(j) Investments-** continued

· Equity securities without readily determinable fair values

Starting on September 1, 2018, with the adoption of ASU 2016-01 Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”), the Group elected a practicability exception to fair value measurement for the equity securities without readily determinable fair values, under which these investments are measured at cost, less impairment, plus or minus observable price changes of an identical or similar investment of the same issuer with fair value change recorded in the consolidated statements of operations.

The Group reviews its equity securities without readily determinable fair value for impairment at each reporting period. If a qualitative assessment indicates that the investment is impaired, the Group estimates the investment’s fair value in accordance with the principles of ASU 2011-4: Fair Value Measurement (ASC 820). If the fair value is less than the investment’s carrying value, the Group recognizes an impairment loss equal to the difference between the carrying value and fair value in the consolidated statements of operations.

· Equity method investments

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

Under the equity method, the Group initially records its investment at cost and subsequently recognizes the Group’s proportionate share of each equity investee’s net income or loss after the date of investment into the consolidated statements of operations and accordingly adjusts the carrying amount of the investment.

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

**(k) Inventories**

Inventories are stated at the lower of cost or net realizable value.

**(l) Property and equipment, net**

Property and equipment is generally stated at historical cost and depreciated on a straight-line basis over the estimated useful lives of the assets. Depreciation expense is included in either cost of revenue or selling, general and administrative expenses, as appropriate. Property and equipment consist of the following and depreciation is calculated on a straight-line basis over the following estimated useful lives:

Buildings	20 - 50 years
Leasehold improvement	3 - 20 years or the lesser of remaining life of lease
Motor vehicles	4 - 10 years
Electronic equipment	5 - 10 years
Office equipment	3 - 5 years
Other equipment	3 - 5 years
Others	3 years
Construction in progress	*

Note\*: The Group constructs certain of its property. In addition to cost under the construction contracts, external costs, including consulting fee directly related to the construction of such facilities, are capitalized. Depreciation is recorded at the time assets are ready for the intended use.

The Group assesses lands with indefinite life for impairment periodically.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued*****(m) Land use right, net***

Land use right is recorded at cost less accumulated amortization. Amortization is provided over the term of the land use right agreement on a straight-line basis over the term of the agreement, which is 40-50 years.

***(n) Impairment of long-lived assets***

The Group evaluates the recoverability of long-lived assets with determinable useful lives whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. The Group measures the carrying amount of long-lived asset against the estimated undiscounted future cash flows associated with it. Impairment exists when the sum of the expected future net cash flows is less than the carrying value of the asset being evaluated. Impairment loss is calculated as the amount by which the carrying value of the asset exceeds its fair value. Fair value is estimated based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Group to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require judgment and actual results may differ from assumed and estimated amounts. No impairment loss was recognized for the years ended August 31, 2017, 2018 and 2019.

***(o) Goodwill***

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired in a business combination. Goodwill is not amortized but is tested for impairment on an annual basis as of August 31, or more frequently if events or changes in circumstances indicate that it might be impaired. The Group has the option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. In the qualitative assessment, the Group considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. The Group will perform the quantitative impairment test if the Group bypasses the qualitative assessment, or based on the qualitative assessment, if it is more likely than not that the fair value of each reporting unit is less than the carrying amount.

In performing the two-step quantitative impairment test, the first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying amount of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for the purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities.

The Group did not incur any impairment loss on goodwill for the years ended August 31, 2017, 2018 and 2019, respectively.

***(p) Intangible assets***

Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to future cash flows. Intangible assets with indefinite lives consist of oversea schools' brand name and is tested for impairment annually, or whenever events are indicators of impairment occur between annual impairment tests. Management expects to use the brand name indefinitely.

Acquired intangible assets, other than goodwill, consist of trademarks and brand names, customer relationship, backlog and student base, non-compete agreements and core curriculum are carried at cost, less accumulated amortization and impairment. The amortization periods by major intangible asset classes are as follows:

Trademarks and brand names	10 years-indefinite
Core curriculum	10 years
Customer relationship, backlog and student base	0.6-5 years
Non-compete agreements	4-7.7 years
Software	5 years
License	3 years

The Group did not recognize any impairment loss on intangible assets during the years ended August 31, 2017, 2018 and 2019.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

### *(q) Revenue recognition*

As of September 1, 2018, the Group adopted ASU 2014-09, Revenue from Contracts with Customers (“Topic 606”) and all subsequent ASUs that modified ASC 606, using the modified retrospective method for all contracts not completed as of September 1, 2018. Results for reporting periods beginning on September 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior periods.

Revenue is recognized when control of promised goods or services is transferred to the Group’s customers in an amount of consideration to which Group expects to be entitled to in exchange for those goods or services. The Group follows the five steps approach for revenue recognition under Topic 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the group satisfies a performance obligation. The primary sources of the Group’s revenues are as follows:

#### Income from educational programs and services

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

#### Complementary training course and program fees

The Group offers various types of after-school tutoring services and art training services, which primarily consist of after-school group class courses, personalized tutoring courses and art training courses. The tutoring services and art training services are accounted for as a single performance obligation. Tutoring services and art training service fees is recognized proportionately as the tutoring sessions and art training courses are delivered. The course fees are generally collected in advance and are initially recorded as contract liability. Tuition refunds are provided to students if they decide within the trial period that they no longer want to take the course. For certain courses, the Group also offers refunds for any unutilized classes for students who withdraw from the course. The Group determines the transaction price to be earned based on the tutoring services and art training service fees and the estimated refund liability. The refund liability is determined based on historical refund ratio on a portfolio basis using the expected value method. The Group has not experienced significant refunds in the past or in the current year.

#### Commission income

The Group earns commission revenue by providing referral services to overseas education universities and institutions. Students’ referral service is accounted for as a single performance obligation. Commission income is recognized at the point in time when the referred students enrolled at the overseas education universities or institutions’ program, with the tuition fees are paid and upon the Group is entitled to the commission income.

#### Consulting service fees

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continue****(q) Revenue recognition - continued**

## Camp service income

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

## Practical expedients and exemptions

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

The Group has elected to record the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

The following table presents the impact of the adoption of Topic 606 on the consolidated balance sheet and statement of operations as of and for the year ended August 31, 2019:

	As of and for the year ended August 31, 2019		
	As reported	Balances without adoption of Topic 606	Effect change higher/(lower)
Revenue	2,563,005	2,553,238	9,767
Refund liabilities	20,259	—	20,259
Contract liabilities	1,529,137	1,549,396	(20,259)
Retained earnings at beginning	231,240	231,036	204

The Group adopted this ASU on September 1, 2018 and applied the modified retrospective method to all contracts that were not completed as of September 1, 2018. The adoption did not have a material impact on the Group's financial position or results of operations for all revenue streams. However, it has certain impact on the timing of revenue recognition of career consulting service from newly acquired business during fiscal year 2019. Under the accounting standards in effect in the prior year, the career consulting service income is recognized at point in time when the contingency of refund has been resolved. Under Topic 606, the transaction price is recognized proportionately over the contract period. The Group assessed variable consideration included in its complementary training course and program services and study-abroad consulting service over the expected service period. The cumulative effect of RMB 204 was recorded as an adjustment to the opening balance of retained earnings upon the initial adoption. In addition, reclassification was made from deferred revenue to refund liabilities for programs and services fee collected that is expected to be refunded to the customers in the future if students withdraw from a course before predetermined period.

**(r) Cost of revenues**

Cost of revenues consists of the following:

- staff costs, which primarily consist of salaries and other benefits for the teachers,
- education expenses, which primarily consist of expenses related to educational activities, including teaching material expenses and student activity expenses,
- utilities and maintenance costs for the schools,
- cost of goods sold for ancillary services, which primarily consist of cost of goods sold at the on-campus canteens,
- commission expenses to agents in relation to referral services and overseas school enrollment, and

**(s) Government Subsidies**

The Group recognizes government subsidies as other operating income when they are received because they are not subject to any past or future conditions, there are no performance conditions or conditions of use, and they are not subject to future refunds. Government subsidies received and recognized as other operating income totaled RMB 2,099, RMB 9,088 and RMB 9,419 for the years ended August 31, 2017, 2018 and 2019, respectively.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

### ***(t) Income Taxes***

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets for amounts more likely than not to be realized.

The determination of Group's provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items.

The Group record unrecognized tax benefit liabilities for known or anticipated tax issues based on the Group's analysis of whether, and the extent to which, additional taxes will be due. The Group accrues interest and penalties related to unrecognized tax benefits in other liabilities and recognizes the related expense in income tax expense.

### ***(u) Employee Benefits***

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the period during which services are rendered by employees. Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "Schemes") organized by the relevant local government authorities for its eligible employees whereby the Group is required to make contributions to the Schemes at certain percentages of the deemed salary rate announced annually by the local government authorities.

The Group provides housing subsidies benefit for certain employees of GCGS. In June 2018, the Group canceled the housing subsidies benefit program, however, the employees who were entitled to the subsidy prior to the cancellation are still eligible to claim the payments. The Group estimates the expenses and related costs on the basis of the probability of GCGS' entitled employees' claiming for payment taking into consideration of assumptions including the employees' turnover rate and historical rate of claiming for payments.

The Company also makes payments to other defined contribution plans for the benefit of employees employed by subsidiaries outside of the PRC (see Note 23).

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

### ***(v) Share-based compensation***

Share-based payment transactions with employees are measured based on the grant date fair value of the equity instrument issued and recognized as compensation expense net of a forfeiture rate on a straight-line basis, over the requisite service period, with a corresponding impact reflected in additional paid-in capital. The Group also recognizes the compensation cost of performance-based equity instrument, net of estimated forfeitures, if it is probable that the performance condition will be achieved at the end of each reporting period.

The estimate of forfeiture rate will be adjusted over the requisite service period to the extent that actual forfeiture rate differs, or is expected to differ, from such estimates. Changes in estimated forfeiture rate will be recognized through a cumulative catch-up adjustment in the period of change.

### ***(w) Comprehensive income***

Comprehensive income is defined to include all changes in equity from transactions and other events and circumstances from non-owner sources. For the years presented, the Group's comprehensive income includes net income and foreign currency translation adjustments and is presented in the combined and consolidated statements of comprehensive income.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

***(x) Segment***

In accordance with ASC 280-10-50, Segment Reporting, operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker (“CODM”) in making decisions regarding resource allocation and assessing performance. The Group operates in five reportable segments, including International Schools, Bilingual Schools, Kindergartens, Overseas Schools and Complementary Education Services.

***(y) Operating leases***

Leases where substantially all the rewards and risks of the ownership of the assets remain with the leasing companies are accounted for as operating leases. Payments made for the operating leases are charged to the combined and consolidated statements of operations on a straight-line basis over the lease term and have been included in the operating expenses in the combined and consolidated statements of operations.

***(z) Concentration of credit risk***

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents, restricted cash, short-term investments and long-term investments. As of August 31, 2019, substantially all of the Group’s cash and cash equivalents, term deposits, short-term investments and long-term investments were deposited with financial institutions with high-credit ratings.

***(aa) Earnings per Share***

Basic earnings per share are computed by dividing earning attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised into common shares. The Group had share options which could potentially dilute basic earnings per ordinary share in the future. To calculate the number of shares for diluted earnings per ordinary shares, the effect of the share options is computed using the treasury stock method.

***(ab) Recent Accounting Pronouncements***

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance supersedes existing guidance on accounting for leases with the main difference being that operating leases are to be recorded in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. For operating leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. For public companies, the guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the guidance is permitted. In July 2018, ASU 2016-02 was updated with ASU 2018-11, Targeted Improvements to ASC 842, which provides entities with relief from the costs of implementing certain aspects of the new leasing standard. Specifically, under the amendments in ASU 2018-11, (1) entities may elect not to recast the comparative periods presented when transitioning to ASC 842 and (2) lessors may elect not to separate lease and nonlease components when certain conditions are met. In addition, in March 2019, ASU 2016-02 was updated with ASU 2019-01, Codification Improvements to ASC 842. The amendments in this ASU address: (1) determining the fair value of the underlying asset by lessors that are not manufacturers or dealers; (2) presentation of sales types and direct financing leases on the statement of cash flows; and (3) transition disclosures related to Topic 250, Accounting Changes and Error Corrections. This latest ASU specifically provides an exception to the paragraph 250-10-50-3 that would otherwise have required interim disclosures in the period of an accounting change including the effect of that change on income from continuing operations, net income, any other financial statement line item, and any affected per share amounts. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and should be applied with a modified retrospective approach. Early adoption is permitted.

The Group expects to adopt ASU 2016-02 beginning September 1, 2019 using the modified retrospective method and will not restate comparative periods, as permitted by the standard. In addition, the Group will elect the transition practical referred to as the “package of three”, that must be taken together and allows entities to (1) not reassess whether existing contracts contain leases, (2) carry forward the existing lease classification, and (3) not reassess initial direct costs associated with existing leases. As an accounting policy election, the Group will exclude short-term leases (term of 12 months or less) from the balance sheet presentation and will account for non-lease and lease components in a contract as a single lease component for all asset classes. The Group is in the process of completing the assessment of the impact on its consolidated financial statements from the adoption of the new guidance.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

### *(ab) Recent Accounting Pronouncements* - continued

In June 2016, the FASB issued ASU 2016-13, Financial Instruments: Credit Losses (Topic 326) Measurement of Credit Losses on Financial Statements. This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard will replace today's incurred loss approach with an expected loss model for instruments measured at amortized cost. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. In April 2019, the FASB issued ASU 2019-04, Codification Improvements to Topic 326, which clarifies the scope of the credit losses standard and address issues related to accrued interest receivable balances, recoveries, variable interest rates and prepayments, among other things. In addition, in May 2019, the FASB issued ASU 2019-05, Financial Instruments: Credit Losses (Topic 326), Targeted Transition Relief. The ASU provides an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. The ASUs are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for all entities for annual periods beginning after December 15, 2018, and interim periods therein. The Group is in the process of assessing the impact on its consolidated financial statements from the adoption of the new guidance.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment. Under the new accounting guidance, an entity will no longer determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. Instead, an entity will perform its goodwill impairment tests by comparing the fair value of a reporting unit with its carrying amount. An entity will recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value but not to exceed the total amount of the goodwill of the reporting unit. In addition, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment, if applicable. The provisions of the new accounting guidance are required to be applied prospectively. The new accounting guidance is effective for the Company for goodwill impairment tests performed in fiscal years beginning after December 15, 2019. Early adoption is permitted for goodwill impairment tests performed after January 1, 2017. The Group is in the process of assessing the impact on its consolidated financial statements from the adoption of the new guidance.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this ASU improve the effectiveness of fair value measurement disclosures and modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in FASB Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements, including the consideration of costs and benefits. The amendments in this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted. The Group is in the process of assessing the impact on its consolidated financial statements from the adoption of the new guidance.

In October 2018, the FASB issued ASU 2018-17, Consolidation (Topic 810): Targeted Improvements to the Related Party Guidance for Variable Interest Entities. ASU 2018-17 changes how entities evaluate decision-making fees under the variable interest entity guidance. To determine whether decision-making fees represent a variable interest, an entity considers indirect interests held through related parties under common control on a proportional basis, rather than in their entirety. This guidance will be adopted using a retrospective approach and is effective for the Company on January 1, 2020. The Group is in the process of evaluating the impact of the adoption of this pronouncement on its consolidated financial statements.

### 3. BUSINESS COMBINATION

Business combinations in fiscal year 2018:

#### Acquisition of Can-achieve Group

On March 1, 2018, the Group acquired 70% equity interest of Can-achieve (Beijing) Education Consulting Co., Ltd. and its subsidiaries (“Can-achieve Group”) with a total cash consideration of RMB 264,338, all of which has been paid as of August 31, 2018. Can-achieve Group provides referral services to overseas education universities and institutions and study abroad consulting services to students.

The acquisition of 70% equity interest of Can-achieve Group has been accounted for using the acquisition method of accounting, and accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The Group engaged a third party valuation firm to assist with the valuation of assets acquired and liabilities assumed in this business combination. The excess of the total consideration over the fair value of the assets acquired was recorded as goodwill which is not tax deductible. The results of these acquired entities’ operations have been included in the consolidated financial statements since the date of acquisition. The purchase price was allocated as of March 1, 2018, the date of acquisition, as follows:

	RMB	Amortization period
Cash and cash equivalents	48,294	
Other current assets	8,492	
Property and equipment, net	1,422	3-5 years
Intangible asset		
Non-compete agreement	17,100	7 years
Other non-current assets	3,150	
Goodwill	345,501	
Account payables	(18,219)	
Other current liabilities	(17,478)	
Contract liabilities	(7,814)	
Deferred tax liabilities	(2,822)	
Non-controlling interests	(113,288)	
Total consideration and value to be allocated to net assets	264,338	

The identifiable tangible and intangible assets acquired and any non-controlling interests in the acquiree are required to be recognized and measured at fair value as of the acquisition date. An intangible asset is identified if it meets either the separability criterion or the contractual-legal criteria in accordance with ASC 805, Business Combination. Fair value of fixed assets acquired approximates the net book value of these assets. The goodwill was assigned to the complementary education services segment as a result of these acquisitions.

#### Acquisition of Xinqiao Group

On March 1, 2018, the Group acquired 75% equity interest of Wuhan Qiaosheng Education Investment Co., Ltd. and its subsidiaries (“Xinqiao Group”) with a total cash consideration of RMB 114,469, of which RMB 89,469 has not been paid as of August 31, 2018 and was recorded in amounts due to related parties (non-controlling shareholder of Xinqiao Group) in the consolidated balance sheets. The amount has been paid during the year ended August 31, 2019. Xinqiao Group operates five kindergartens under the brand name of “New Jordan” in Wuhan, the PRC.

The acquisition of 75% equity interest of Xinqiao Group has been accounted for using the acquisition method of accounting, and accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The Group engaged a third party valuation firm to assist with the valuation of assets acquired and liabilities assumed in this business combination. The excess of the total consideration over the fair value of the assets acquired was recorded as goodwill which is not tax deductible. The results of these acquired entities’ operations have been included in the consolidated financial statements since the date of acquisition. The purchase price was allocated as of March 1, 2018, the date of acquisition, as follows:

**3. BUSINESS COMBINATION - continued**

Business combinations in fiscal year 2018: - continued

Acquisition of Xinqiao Group - continued

	RMB	Amortization period
Cash and cash equivalents	3,790	
Other current assets	5,753	
Property and equipment, net	836	3-5 years
Intangible assets		
Brand name	24,000	20 years
Customer relationship	18,000	4 years
Goodwill	119,735	
Other current liabilities	(3,544)	
Deferred tax liabilities	(10,500)	
Contract liabilities	(5,445)	
Non-controlling interests	(38,156)	
Total consideration and value to be allocated to net assets	114,469	

The identifiable tangible and intangible assets acquired and any non-controlling interests in the acquiree are required to be recognized and measured at fair value as of the acquisition date. An intangible asset is identified if it meets either the separability criterion or the contractual-legal criteria in accordance with ASC 805, Business Combination. Fair value of fixed assets acquired approximates the net book value of these assets. The goodwill was assigned to the domestic kindergarten segment as a result of these acquisitions.

Other acquisitions

During the year ended August 31, 2018, the Group made two other business acquisitions.

The Group acquired 75% of ownership interest in FGE Holdings Limited and its subsidiaries (“FGE Group”) which is primarily engaged in providing study abroad consulting services to students, for which the consideration of approximately RMB 19,894 was paid in full as of August 31, 2018. The goodwill and non-controlling interests acquired from the acquisition were approximately RMB 26,466 and RMB 6,631, respectively.

The Group acquired 51.67% of ownership interest in Zangxing Network Technology Co., Ltd (“Zangxing”) which is primarily engaged in operating online platform to provide education promotion services to schools and training institutions, for which the consideration of RMB 9,242 was paid in full as of August 31, 2018. The goodwill and non-controlling interests acquired from the acquisition were RMB 13,774 and RMB 8,646, respectively.

Pro forma results of acquisitions (unaudited)

The following table summarizes unaudited pro forma results of operations for the years ended August 31, 2017 and 2018, assuming that acquisitions completed during fiscal year ended August 31, 2018 had occurred as of September 1, 2016. These pro forma results have been prepared for comparative purpose only based on management’s best estimate and do not purport to be indicative of the results of operations which actually would have resulted had the acquisitions occurred as of the beginning of period:

Pro forma for the year ended August 31, 2017 and 2018

	2017 Unaudited	2018 Unaudited
Pro forma revenue	1,439,952	1,780,129
Pro forma income from operations	246,561	303,968
Pro forma net income attributable to the Group	189,471	266,438

Business combinations in fiscal year 2019:

Acquisition of Chengdu Yinzhe

On December 1, 2018, the Group acquired 75% equity interest of Chengdu Yinzhe Education and Technology Co., Ltd. and its subsidiaries (“Chengdu Yinzhe”) with a total cash consideration of approximately RMB 188,299. As of August 31, 2019, the total unpaid discounted consideration was RMB 49,238, which will be paid in 2.5 years and recorded in amounts due to related parties and other non-current liability due to related parties (non-controlling shareholder of Chengdu Yinzhe) in the consolidated balance sheets. Chengdu Yinzhe is primarily engaged in offering online career and education counselling services to Chinese students overseas.



**3. BUSINESS COMBINATION** - continued

Business combinations in fiscal year 2019: - continued

Acquisition of Chengdu Yinzhe - continued

In addition, certain retained management team members of Chengdu Yinzhe have the right to receive up to an additional RMB 6,464 in cash, based upon continued employment and financial performance condition of Chengdu Yinzhe. Payouts under the agreements are contingent upon the future employment of these management team members with the Company and achievement of the financial performance condition, and therefore were not included as consideration in recording the business combination but will be recorded as compensation expense as earned. As of August 31, 2019, the Company has accrued RMB 1,616 as expenses based on the estimated probability of meeting such conditions. The unpaid amounts due to the retained management team members are recorded in other non-current liabilities in the consolidated balance sheets.

The acquisition of 75% equity interest of Chengdu Yinzhe has been accounted for using the acquisition method of accounting, and accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The Group engaged a third party valuation firm to assist with the valuation of assets acquired and liabilities assumed in this business combination. The excess of the total consideration over the fair value of the assets acquired and liabilities assumed was recorded as goodwill, which is not tax deductible. The results of these acquired entities' operations have been included in the consolidated financial statements since the date of acquisition. The purchase price was allocated as of December 1, 2018, the date of acquisition, as follows:

	<u>RMB</u>	<u>Amortization period</u>
Cash and cash equivalents	81,197	
Other current assets	920	
Property and equipment, net	551	3-5 years
Intangible assets		
Software	2,600	5 years
Non-compete agreement	4,000	6 years
Trademark	32,000	10 years
Goodwill	192,510	
Other investment	1,500	
Account payables	(2,766)	
Other current liabilities	(5,695)	
Deferred tax liabilities	(5,674)	
Contract liabilities	(50,078)	
Non-controlling interests	(62,766)	
Total consideration and value to be allocated to net assets	<u>188,299</u>	

The identifiable tangible and intangible assets acquired and any non-controlling interests in the acquiree are required to be recognized and measured at fair value as of the acquisition date. An intangible asset is identified if it meets either the separability criterion or the contractual-legal criteria in accordance with ASC 805, Business Combination. Fair value of fixed assets acquired approximates the net book value of these assets. The goodwill was assigned to the complementary education services segment as a result of these acquisitions. The goodwill was primarily attributable to the synergy from growth in the student base, program designing, developing and marketing and the optimization of IT system.

Acquisition of Hangzhou Impression

On December 1, 2018, the Group acquired 70% equity interest of Hangzhou Impression Arts Training Co., Ltd. ("Hangzhou Impression") with a total cash consideration of RMB 70,000, which has been fully paid as of August 31, 2019. Hangzhou Impression is a Zhejiang-based art training institution providing training services to art students.

The acquisition of 70% equity interest of Hangzhou Impression has been accounted for using the acquisition method of accounting, and accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The Group engaged a third party valuation firm to assist with the valuation of assets acquired and liabilities assumed in this business combination. The excess of the total consideration over the fair value of the assets acquired was recorded as goodwill which is not tax deductible. The results of these acquired entities' operations have been included in the consolidated financial statements since the date of acquisition. The purchase price was allocated as of December 1, 2018, the date of acquisition, as follows:

**3. BUSINESS COMBINATION - continued**

Business combinations in fiscal year 2019: - continued

Acquisition of Hangzhou Impression - continued

	<u>RMB</u>	<u>Amortization period</u>
Cash and cash equivalents	24,224	
Other current assets	533	
Property and equipment, net	1,059	3-5 years
Intangible assets		
Brand name	17,100	20 years
Backlog	1,800	0.6 year
Non-compete agreement	3,300	4 years
Goodwill	76,766	
Other current liabilities	(9,510)	
Contract liabilities	(9,722)	
Deferred tax liabilities	(5,550)	
Non-controlling interests	(30,000)	
Total consideration and value to be allocated to net assets	<u>70,000</u>	

The identifiable tangible and intangible assets acquired and any non-controlling interests in the acquiree are required to be recognized and measured at fair value as of the acquisition date. An intangible asset is identified if it meets either the separability criterion or the contractual-legal criteria in accordance with ASC 805, Business Combination. Fair value of fixed assets acquired approximates the net book value of these assets. The goodwill was assigned to the complementary education services segment as a result of these acquisitions. The goodwill was primarily attributable to the synergy from the joint students recruiting events and channel.

Acquisition of Shandong-based Qiqiaoban

On March 1, 2019, the Group acquired 85% equity interest of Heze Qiqiaoban Education Technology Co. Ltd. and its eight kindergartens (“Shandong-based Qiqiaoban”) with a total cash consideration of RMB 70,550, which has been paid in full as of August 31, 2019. Shandong-based Qiqiaoban operates eight kindergartens under the brand name of “Qiqiaoban” in Heze, the PRC.

The acquisition of 85% equity interest of Shandong-based Qiqiaoban has been accounted for using the acquisition method of accounting, and accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The Group engaged a third party valuation firm to assist with the valuation of assets acquired and liabilities assumed in this business combination. The excess of the total consideration over the fair value of the assets acquired was recorded as goodwill which is not tax deductible. The results of these acquired entities’ operations have been included in the consolidated financial statements since the date of acquisition. The purchase price was allocated as of March 1, 2019, the date of acquisition, as follows:

	<u>RMB</u>	<u>Amortization period</u>
Cash and cash equivalents	5,250	
Other current assets	2,010	
Property and equipment, net	12,817	3-50 years
Intangible assets		
Brand name	13,600	20 years
Customer relationship	6,200	3.5 years
Non-compete agreement	3,200	4.8 years
Goodwill	52,514	
Other current liabilities	(2,706)	
Contract liabilities	(4,135)	
Deferred tax liabilities	(5,750)	
Non-controlling interests	(12,450)	
Total consideration and value to be allocated to net assets	<u>70,550</u>	

The identifiable tangible and intangible assets and any non-controlling interests in the acquiree are required to be recognized and measured at fair value as of the acquisition date. An intangible asset is identified if it meets either the separability criterion or the contractual-legal criteria in accordance with ASC 805, Business Combination. Fair value of fixed assets acquired approximates the net book value of these assets. The goodwill was assigned to the domestic kindergarten segment as a result of these acquisitions.

**3. BUSINESS COMBINATION** - continued

Business combinations in fiscal year 2019: - continued

Acquisition of Wuhan Sannew

On May 1, 2019, the Group acquired 80% equity interest of Wuhan Sannew Education Development Co., Ltd. and its subsidiaries (“Wuhan Sannew”) with a total cash consideration of RMB 296,850, which has been fully paid as of August 31, 2019. Wuhan Sannew operates an American style private boarding school in Wuhan.

The acquisition of 80% equity interest of Wuhan Sannew has been accounted for using the acquisition method of accounting, and accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The Group engaged a third party valuation firm to assist with the valuation assets acquired and liabilities assumed in this business combination. The excess of the total consideration over the fair value of the assets acquired was recorded as goodwill which is not tax deductible. The results of these acquired entities’ operations have been included in the consolidated financial statements since the date of acquisition. The purchase price was allocated as of May 1, 2019, the date of acquisition, as follows:

	<u>RMB</u>	<u>Amortization period</u>
Cash and cash equivalents	5,559	
Other current assets	2,614	
Property and equipment, net	177,754	3-50 years
Land use rights	55,840	50 years
Intangible assets		
Brand name	25,700	20 years
Customer relationship	10,900	5 years
Non-compete agreement	18,100	7.7 years
Goodwill	125,155	
Other current liabilities	(16,001)	
Contract liabilities	(17,295)	
Deferred tax liabilities	(17,263)	
Non-controlling interests	(74,213)	
Total consideration and value to be allocated to net assets	<u>296,850</u>	

The identifiable tangible and intangible assets acquired and any non-controlling interests in the acquiree are required to be recognized and measured at fair value as of the acquisition date. An intangible asset is identified if it meets either the separability criterion or the contractual-legal criteria in accordance with ASC 805, Business Combination. The goodwill was assigned to the domestic international schools segment as a result of these acquisitions.

Acquisition of CATS

On July 12, 2019, the Group acquired 100% equity interest of CATS Colleges Holdings Limited and its subsidiaries (“CATS”), with a total consideration of GBP 150 million (with equivalent to RMB 1,299,365), including GBP 40 million cash consideration and GBP 110 million of debt settlement on behalf of CATS. Total consideration has been fully paid as of August 31, 2019. CATS provides education services to international students with global campuses located across the United Kingdom, the United States, and Canada.

The acquisition of 100% equity interest of CATS has been accounted for using the acquisition method of accounting, and accordingly, the acquired assets and liabilities were recorded at their fair value at the date of acquisition. The Group engaged a third party valuation firm to assist with the valuation of assets acquired and liabilities assumed in this business combination. The excess of the total consideration over the fair value of the assets acquired was recorded as goodwill which is not tax deductible. The results of these acquired entities’ operations have been included in the consolidated financial statements since the date of acquisition. The purchase price was allocated as of July 12, 2019, the date of acquisition, as follows:

**3. BUSINESS COMBINATION** - continued

Business combinations in fiscal year 2019: - continued

Acquisition of CATS - continued

	<u>RMB</u>	<u>Amortization Period</u>
Cash and cash equivalents	68,616	
Account receivable	22,044	
Other current assets	80,684	
Property and equipment, net	116,911	3 years-indefinite or the lesser of remaining of life of lease
Deferred tax assets	12,875	
Intangible assets		
Brand name	342,925	Indefinite
Student base	16,348	1 year
Goodwill	1,025,504	
Other current liabilities	(179,214)	
Contract liabilities	(200,098)	
Deferred tax liabilities	(7,230)	
Total consideration and value to be allocated to net assets	<u>1,299,365</u>	

The identifiable tangible and intangible assets and any non-controlling interests in the acquiree are required to be recognized and measured at fair value as of the acquisition date. An intangible asset is identified if it meets either the separability criterion or the contractual-legal criteria in accordance with ASC 805, Business Combination. The goodwill was assigned to the overseas schools segment as a result of these acquisitions. The goodwill was primarily attributable to the synergy from the joint students recruiting events and channel, program designing, developing and marketing, and teacher training and recruiting opportunities.

Other acquisitions

On December 1, 2018, the Group acquired 100% equity interest of Bournemouth Collegiate School (“BCS”) with a total cash consideration of approximately RMB 91,958, which has been fully paid as of August 31, 2019. BCS is an independent co-educational day and boarding school for pupils aged 2 to 18, located in Bournemouth, Dorset, England. The goodwill acquired from the acquisition was insignificant.

Pro forma results of acquisitions (unaudited)

The following table summarizes unaudited pro forma results of operations for the years ended August 31, 2018 and 2019, assuming that these acquisitions occurred as of the beginning of the comparable annual reporting period. These pro forma results have been prepared for comparative purpose only based on management’s best estimate and do not purport to be indicative of the results of operations which actually would have resulted had the acquisitions occurred as of the beginning of period:

Pro forma for the year ended August 31, 2018 and 2019

	<u>2018 Unaudited</u>	<u>2019 Unaudited</u>
Pro forma revenue	2,567,416	3,262,903
Pro forma income from operations	309,667	378,279
Pro forma net income attributable to the Group	263,314	299,833

**4. SHORT-TERM INVESTMENTS**

Short-term investments consist primarily of wealth management products, which are certain deposits with different interest rates and fixed maturity dates ranging from three months to one year. The Group has the positive intent and ability to hold the investments to maturity. There has been no impairment recognized and no sales of any short term investments before maturities during the periods presented. Due to the short term nature of investments, the carrying amount approximates its fair value.

For the year ended August 31, 2018, the Group purchased investments in a Limited Liability Partnership (“LLP”), which principally invests in the film and television venture capital fund of Beijing Pinjin Capital Management LLP in the PRC, and other short term investments products amounting to RMB 1,428,000, and redeemed RMB 1,445,368 with investment income of RMB 10,978. All of such investments matured during the year and the short-term investments balance as of August 31, 2018 is nil.

As of August 31, 2019, the balance of short-term investments amount to RMB 241,270, which consists of investment in a USD fund-linked note with a maturity date on May 28, 2020 (the “Notes”) an aggregate amount of approximately RMB 221,670 and a PRC bank wealth management product with an aggregate amount of RMB 19,600.

**5. OTHER RECEIVABLES, DEPOSITS AND OTHER ASSETS**

Other receivables, deposits and other assets consisted of the following:

	As of August 31,	
	2018	2019
	RMB	RMB
Other receivables from third parties*	1,253	69,857
Advances to employees	9,286	10,207
Deposits	5,722	11,914
Interest receivable	1,919	1,830
Prepaid tax and deductible value-added tax-in	9,912	8,929
Rental prepayment	6,199	20,108
Prepayment for suppliers	4,598	36,351
Others	13,568	17,954
<b>Total</b>	<b>52,457</b>	<b>177,150</b>

\* Other receivables from third parties includes USD 8,711 (approximately RMB 62,321) deposit paid for acquisition of equity interest of a US education group. As of August 31, 2019, due to the termination agreed by contract parties, the deposit is classified as current asset and expected to be refunded in the next fiscal year.

**6. PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, consisted of the following:

	As of August 31,	
	2018	2019
	RMB	RMB
Lands	—	60,142
Buildings	527,453	750,458
Leasehold improvement	192,423	342,860
Motor vehicles	14,216	13,449
Electronic equipment	44,865	49,744
Office equipment	56,519	101,401
Other equipment	63,739	68,646
Others	72,833	96,966
Less: accumulated depreciation	544,928	613,913
Construction in progress	33,365	29,757
<b>Property and equipment, net</b>	<b>460,485</b>	<b>899,510</b>

For the years ended August 31, 2017, 2018 and 2019, depreciation expenses were RMB 74,436, RMB 78,286 and RMB 106,107 respectively.

**7. LAND USE RIGHTS, NET**

Land use rights, net, consisted of the following:

	As of August 31,	
	2018	2019
	RMB	RMB
Cost	38,920	94,760
Less: accumulated amortization	5,199	6,556
<b>Land use rights, net</b>	<b>33,721</b>	<b>88,204</b>

The lease period of the land use rights in PRC is 40-50 years. For the years ended August 31, 2017, 2018 and 2019, amortization expenses were RMB 973, RMB 973, and RMB 1,357 respectively.

**8. INTANGIBLE ASSETS, NET**

Intangible assets, net, consisted of the following:

	As of August 31,	
	2018 RMB	2019 RMB
Brand names		
with indefinite lives	—	345,624
with definite lives	48,186	104,586
Trademarks	—	32,016
Customer relationship	18,000	35,100
Non-compete agreements	17,100	45,700
Student base	—	16,476
Others*	1,007	6,500
Total costs	84,293	586,002
Less: accumulated amortization	10,636	33,991
Intangible assets, net	73,657	552,011

\*Others include core curriculum, software, backlog and license.

Amortization expenses for the intangible assets for the years ended August 31, 2017, 2018 and 2019 were RMB 2,647, RMB 6,620 and RMB 23,355 respectively. As of August 31, 2019, the estimated amortization expenses related to intangible assets for each of the next five years is expected to be RMB 39,672, RMB 25,902, RMB 23,530, RMB 19,883, and RMB 17,026 respectively.

**9. DEPOSITS FOR ACQUISITION**

During the year ended August 31, 2018, the Group paid a deposit of 1,000 Great Britain Pound (“GBP”) (approximately RMB 8,854) to acquire the equity interests of BCS. The acquisition was completed during the year ended August 31, 2019 for total consideration of RMB 91,958 and the deposit was applied to the total purchase price (see Note 3 for details).

On May 20, 2019, The Group entered into an agreement to acquire the equity interests in Guangyuan Lizhou District Kasijia Kindergarten for a total consideration of RMB 5,500. As of August 31, 2019, the Group paid RMB 5,137 as the deposit for acquisition. Subsequent to August 31, 2019, the Group closed the transaction in September 2019 and the deposit paid was applied to the total purchase price.

During the year ended August 31, 2019, the Group made a deposit of GBP 38,310 (approximately RMB 333,448) relating to the acquisition of 100% equity interests of St Michael’s School (Bryn) Limited and Bosworth Independent College in the UK. Subsequent to August 31, 2019, the Group closed the transaction in September 2019 and the deposit paid was applied to the total purchase price.

**10. LONG-TERM INVESTMENTS**

Long-term investments, consisted of the following:

	As of August 31,	
	2018 RMB	2019 RMB
Equity method investments:		
Startcamp Education Technology Limited (“Startcamp”) (a)	—	9,901
BOTO Academic English Co., Ltd. (“BOTO”) (b)	1,504	1,483
Other investments (c)	809	777
Equity securities without readily determinable fair value (d)	83	1,583
Held-to-maturity investments (e)	204,968	14,711
Total	207,364	28,455

- (a) The Group acquired 25% equity interest in Startcamp for total cash consideration RMB 10,000 during the year ended August 31, 2019. The Group accounts for the investment under the equity method because the Group has the ability to exercise significant influence but does not have control over the investee. Loss of RMB 99 was recorded as loss from equity method investments for the year ended August 31, 2019.
- (b) The Group holds 30% equity interest in BOTO through acquisition of Can-achieve group. The Group accounts for the investment under the equity method because the Group has the ability to exercise significant influence but does not have control over the investee. Loss of RMB 25 and RMB 21 were recorded as loss from equity method investments for the years ended August 31, 2018 and 2019, respectively.

**10. LONG-TERM INVESTMENTS** - continued

- (c) The other investments include 46% equity interest in Beijing Cloud Apply Co., Ltd. through the acquisition of Can-achieve Group and 50% equity interest in Sanli Foundation Education Limited through the acquisition of FGE Group. The Group accounts for these investments under the equity method because the Group has the ability to exercise significant influence but does not have control over the investees. Loss of RMB 18 and RMB 32 were recorded as loss from these equity method investments for the years ended August 31, 2018 and 2019, respectively.
- (d) The Group holds several insignificant investments in third-party private companies and has no ability to exercise significant influence over the investees, which were accounted for using the cost method prior to the adoption of ASU 2016-01. After the adoption of ASU 2016-01, the Group accounted for these equity investments using the measurement alternative when equity method is not applicable and there is no readily determinable fair value for the investments. No impairment loss was recorded during the years ended August 31, 2018 and 2019, respectively.
- (e) Held-to-maturity investments primarily consist of wealth management products, which are certain deposits with different interest rates and fixed maturity dates with mature date of more than one year. As of August 31, 2018, the Group's long-term investments was the Notes with an aggregate notional amount of USD 30,000 (approximately RMB 204,968). By the end of August 31, 2019, as the contractual maturity date of the Notes is less than one year, the long-term investments are reclassified as short-term investments. During the year ended August 31, 2019, the Group's long-term investments pertains to investments in a USD Global Medium Term Note (the "GMT Note") with a maturity date of May 4, 2021 and an aggregate notional amount of USD 2,000 (approximately RMB 13,416). The GMT Note will be redeemed at the maturity date at an amount determined by reference to the performance of the underlying fund and such performance will therefore affect the nature and value of the investment return on the GMT Note. As of August 31, 2019, the carrying amount of the GMT Note was RMB 14,711.

**11. Goodwill**

Changes in the carrying amount of goodwill for the years ended August 31, 2018 and 2019 consist of the following:

	As of August 31,	
	2018 RMB	2019 RMB
Beginning balance	104,035	609,511
Additions*	505,476	1,472,449
Impairment	—	—
Exchange realignment	—	8,118
Closing balance	609,511	2,090,078

Note\*:

For the year ended August 31, 2018, the addition to goodwill reflects the excess of the consideration paid over the fair values of the identifiable net assets acquired of the Can-achieve Group, Xinqiao Group, FGE Group and Zangxing acquisitions.

For the year ended August 31, 2019, the addition to goodwill reflects the excess of the consideration paid over the fair values of the identifiable net assets acquired of Chengdu Yinzhe, Hangzhou Impression, Shandong-based Qiqiaoban, Wuhan Sannew and CATS acquisitions (Note 3).

The Group did not incur impairment loss on goodwill for the years ended August 31, 2018 and 2019.

**12. BOND PAYABLE**

On July 31, 2019, the Company issued USD 300,000 (approximately RMB 2,146,190) in aggregate principal amount of bond due on July 31, 2022 (the "Bond"), unless earlier redeemed by the company. The Bond bears interest at a rate of 7.45% per year, payable semi-annually in arrears on the business day on or nearest to January 31 and July 31 of each year, beginning on January 31, 2020.

The net proceeds from the Bond, after deducting the issuance costs, were USD 294,224 (approximately RMB 2,104,964). The Company has accounted for the Bond as a single instrument as bond payable. The value of the Bond is measured by the cash received. As of August 31, 2019, the carrying amount of the bond payable is USD 294,368 (approximately RMB 2,106,000). For the year ended August 31, 2019, the Group recognized interest expense of USD 2,007 (approximately RMB 14,361), at an effective interest rate of 8.35% per annum.

The Company may at its option redeem the Bond, in whole but not in part, at any time prior to July 31, 2022, at a redemption price equal to 100% of the principal amount of the Bond plus the premium defined in the Bond terms, and accrued and unpaid interest, if any, to (but not including), the redemption date. The premium is the greater of (1) 1.00% of the principal amount of the Bond or (2) the excess of (A) the present value at the redemption date of the redemption price of the Bond at July 31, 2022 plus all required remaining scheduled interest payments due on the Bond (but excluding accrued and unpaid interest to the redemption date) through July 31, 2022 computed using a discount rate defined in the Bond terms, over (B) the principal amount of such Bond on such redemption date.

At any time and from time to time prior to July 31, 2022, the Company may at its option redeem up to 35% of the aggregate principal amount of the Bond at a redemption price of 107.45% of the principal amount of the Bond, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

**13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities consisted of the following:

	As of August 31,	
	2018 RMB	2019 RMB
Payroll and related benefits	166,240	247,459
Temporary receipt from students	108,209	149,408
Deposits received	21,477	71,075
Education subsidy	4,478	6,540
Bond interest payables	—	13,325
Accrual rental expense	—	20,757
Professional fee	5,016	34,898
Commission fee	—	11,462
Other payable related to stock repurchase	5,616	—
Housing subsidies-current	3,006	4,818
Offering subsidies-current	1,551	1,733
Other tax payable	4,806	13,448
Others	15,458	40,159
Total	<u>335,857</u>	<u>615,082</u>

**14. SHARE CAPITAL**

Holders of Class A Ordinary Shares and Class B Ordinary Shares are entitled to the same rights except for voting and conversion rights. In respect of matters requiring a shareholder's vote, each Class A Ordinary Share is entitled to one vote and each Class B Ordinary Share is entitled to 20 votes. Class B Ordinary Shares are convertible at any time by the holder thereof into Class A Ordinary Shares on a one-for-one basis.

The Company was incorporated on December 16, 2016. As of the incorporation date, the total issued share capital of the Company is USD 0.0001 consisting of 10 ordinary shares with a par value of USD 0.00001 and total authorized share capital is USD 50 divided into 5,000,000,000 shares. In February 2017, the Company issued additional 99,999,990 shares to exchange 100% equity interest of Impetus. After the Company's share increment, the total outstanding share of the Company was 100,000,000 shares, among that, 72.6% 20% and 7.4% of its shares are held by Ms. M, Ms. H and Mr. He, and each shareholder maintains individual ownership interests in the Group prior to the Reorganization.

The Company has completed its share split on April 26, 2017 on a 10-for-1 basis, which resulted in an increase in the number of shares issued and outstanding from 500,000,000 to 5,000,000,000 shares and 10,000,000 to 100,000,000 shares, respectively, after the effect of share split. All references to shares and per share amounts in the accompanying financial statements have been retrospectively restated to reflect the aforementioned share split.

The shares information relating to a total of 92.6% of 100,000,000 Class B Ordinary Shares (i.e. 92,590,000 shares) issued by the Company to the Yang's Family in exchange for their ownership of the entities that had been under the control of the Yang's Family for the entire period presented, was presented as if the Reorganization occurred at the beginning of the first period presented. The total of 7.4% of 100,000,000 Class B Ordinary Shares issued by the Company to Mr. He was presented as addition of shares in January 2016 as part of the consideration of the acquisition of Impetus (i.e. 3,844,870 shares) and its compensation for acting as CEO of the Group after the acquisition (i.e. 3,565,130 shares) .

Upon the IPO in May 2017 and exercise of the green shoes options in June 2017, the Company issued 15,000,000 and 2,250,000 Class A Ordinary Shares, respectively.

The Company completed a follow-on public offering of ADSs priced at US\$19.00 per ADS on March 5, 2018. The Company issued and sold 10,000,000 ADSs, each representing one Class A Ordinary Share of the Company.

In April 2018, the Board of Directors approved a stock repurchase program (the "2018 Repurchase Program") which authorized the repurchase of up to US\$100,000 of the Company's common stock. Under the 2018 Repurchase Program, the Group repurchased 1,207,465 and 5,471,718 shares during the year ended August 31, 2018 and the year ended August 31, 2019, respectively with a cost of US\$16,822 (approximately RMB 114,554) and US\$60,539 (approximately RMB 417,149), respectively. For the year ended August 31, 2019, the Board of Directors approved to cancel and retire all these repurchased shares.



**15. REVENUE**

The Group provides domestic K-12 and international education program in PRC and overseas. Overseas business includes arts programs, language programs and university foundation programs. The Group's revenue includes tuition income from education programs, meal income, boarding income, commission income, study-abroad and career consulting service income, camp service and other education services related revenue. Revenue for the years ended August 31, 2017, 2018 and 2019 were primarily generated in the PRC, Hong Kong, Canada, the UK and US. Please refer to Note 22 for disaggregation of Revenue by geographical areas. The Group recognized majority of its revenue over time and have insignificant amount of revenue recognized at point in time.

**(a) Disaggregation of revenue**

	<b>For the year ended August 31,</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
Tuition income from education programs	1,007,509	1,254,390	1,689,952
Tuition income from complementary training institutes	71,268	85,098	123,895
Meal income	159,257	187,307	225,665
Boarding income	55,286	72,357	118,723
Commission income	—	50,236	138,587
Consulting service income	—	18,987	124,072
Other revenues	35,803	53,191	145,703
Less: sales tax	756	2,695	3,592
<b>Total</b>	<b>1,328,367</b>	<b>1,718,871</b>	<b>2,563,005</b>

**(b) Contract balances**

	<b>As of August 31,</b>	
	<b>2018</b>	<b>2019</b>
	<b>RMB</b>	<b>RMB</b>
Account receivable	809	21,528
Contract liabilities	—	1,529,137
Current portion of deferred revenue	965,152	—
Refund liabilities	—	20,259

Contract liabilities principally relate to customer advances received prior to performance. All contract liabilities at the beginning of the year ended August 31, 2019 were recognized as revenue during the year ended August 31, 2019.

Refund liabilities mainly related to the estimated refunds that are expected to be provided to students if they decide they no longer want to take the course. Refund liabilities estimates are based on historical refund ratio on a portfolio basis using the expected value method.

**16. SHARE-BASED COMPENSATION**Share incentive plan

On December 15, 2017, the Company adopted the Bright Scholar Education Holdings Limited 2017 Share Incentive Plan (the "2017 Plan"), which provide up to an aggregate of 845,000 Class A ordinary shares of the Company as stock based compensation to school principals and management team members with vesting period varying from 3 to 5 years.

On September 1, 2018, the Company granted 167,138 Class A ordinary shares to management of Can-achieve Group per ordinary share pursuant to the 2017 Plan. The expiration dates of the options were 3 years from grant date, vesting is subject to the performance indicator of the option holders. During any authorized leave of absence, the vesting of the option shall be suspended after the leave of absence exceeds a period of 90 days.

On January 18, 2019, the Company granted 2,545,000 Class A ordinary shares to a certain member of the Company's senior management team, pursuant to the Company's 2017 plan, in which, one tenth is vested and exercisable on grant date and the remaining options will vest after 1 to 6 years from grant date. Vesting is subject to the continuous services of the option holders to the Company and the financial and operating performance of the Group. During any authorized leave of absence, the vesting of the option shall be suspended after the leave of absence exceeds a period of 90 days. In the event of termination of the option holders' continuous service for cause, the option holders' right to exercise the option shall terminate concurrently, except otherwise determined by the plan administrator, and the Group shall have the rights to repurchase all vested options purchased by the option holders.

16. **SHARE-BASED COMPENSATION** - continued

Share incentive plan - continued

The Company uses the Binomial tree of lattice pricing model to determine the estimated fair value for each option granted below with the assistance of an independent valuation firm. The post-vesting forfeiture rate is estimated by the Group at the range of 0%-15% by different level of principals and management team members.

The assumptions used in determining the fair value of the share options on the grant date were as follows:

<u>Assumptions</u>	<u>2018</u>	<u>2019</u>
Expected dividend yield	0%	0%
Risk-free interest rate	1.84%-2.35%	2.75%-2.85%
Expected volatility	42%-51%	50%-51%
Expected life	2 or 10 years	8.90 or 9.29 years
Exercise multiples	2.20-2.80 times	2.20-2.80 times
Fair value of underlying ordinary shares (US\$/share)	9.29-12.25	6.28-6.83

Notes:

- (1) The expected dividend yield was estimated by the Company based on its dividend policy over the expected life of the options.
- (2) The risk-free interest rate was estimated based on the US Government Bond yield with the maturity commensurate with the expected life.
- (3) The expected volatility of the underlying ordinary shares was estimated based on historical volatility of the Company for the period before the valuation date with length commensurate to expected life of the options.
- (4) The expected life was the contractual life of the share options.
- (5) The Company estimated the exercise multiple based on a consideration of various research studies regarding exercise pattern from historical statistical data.
- (6) The fair values of ordinary shares were determined based on the closing price in the market.

For the year ended August 31, 2018 and 2019, the share options movement were as follows:

	<u>Number of share options</u>	<u>Weighted average exercise price US\$</u>	<u>Weighted average remaining contractual years</u>	<u>Weighted average fair value at grant date US\$</u>	<u>Aggregate intrinsic value US\$</u>
As of August 31, 2017	—	—	—		
Granted	845,000	8.74	8.63		
Exercised	—	—	—		
Forfeited	(47,896)	8.74	8.21		
As of August 31, 2018	797,104	8.74	8.66	11.4	2,630,442
Granted	2,712,138	8.74	8.29		
Exercised	(14,457)	8.74	—		
Forfeited	(421,471)	8.74	8.30		
Outstanding as of August 31, 2019	3,073,314	8.74	8.33	7.98	(1,407,301)
Vested and exercisable as of August 31, 2019	538,978	8.74	8.29	8.08	(246,803)

For the year ended August 31, 2017, 2018 and 2019, the Group recognized share-based payment expenses of nil, RMB 29,061 and RMB 51,664, respectively, in connection with the share options granted to employees. The total fair value of share options vested was nil, RMB 3,712 and RMB 32,276, respectively.

The total compensation expense is recognized on a straight-line basis over the respective vesting periods. As of August 31, 2017, 2018 and 2019, there was nil, RMB 31,586 and RMB 91,147 unrecognized compensation expense, respectively, related to un-vested share options granted to executive and employees of the Group. As of August 31, 2018 and 2019, the unvested share options expense relating to the share options of the Group is expected to be recognized over a weighted average vesting period of 3.31 years and 2.94 years, respectively.

**17. INCOME TAX EXPENSE**

Income tax expense consists of the following:

	<b>For the year ended August 31,</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
<b>Current income tax expense:</b>			
The PRC	39,995	60,278	73,142
Canada	—	170	—
Hong Kong	—	243	11,225
The US	—	—	379
The UK	—	—	411
<b>Deferred income tax expense:</b>			
PRC	975	6,599	(3,446)
Canada	—	92	(144)
The US	—	—	(514)
The UK	—	—	(473)
<b>Total income tax expense:</b>	<b>40,970</b>	<b>67,382</b>	<b>80,580</b>

***Cayman Islands***

The Company and Impetus are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, the Company and Impetus are not subject to income or capital gains taxes. In addition, dividend payments are not subject to withholdings tax in the Cayman Islands.

***The US***

Can-achieve Global Education, Inc. (Los Angeles), Cambridge Education Group Holding Inc.(US) and its subsidiaries are located in US and are subject to an income tax rate of 21% for taxable income earned in the US. No provision for US profits tax has been made in the combined and consolidated financial statements as it has no assessable income for the year ended August 31, 2019.

***The UK***

The Company's subsidiaries operating in UK are subjected to income tax rate at 19%.

***Canada***

Can-Achieve International Education Limited (Vancouver) operating in Vancouver, Can-Achieve Academy Limited and CEG Holdings Canada Inc. and its subsidiaries operating in Toronto are subject to income tax rate ranging from 26% to 26.5% according to the province tax rates.

***Hong Kong***

The provision for current income taxes of the Company's subsidiaries operating in Hong Kong has been calculated by applying the current rate of taxation of 16.5% for the years ended August 31, 2019.

***The PRC***

The subsidiaries and VIEs incorporated in the PRC were generally subject to a corporate income tax rate of 25%.

Effective from January 1, 2008, a new Enterprise Income Tax Law, or ("the New EIT Law"), consolidated the previous income tax laws for foreign invested and domestic invested enterprises in the PRC by the adoption a unified tax rate of 25% for most enterprises with the following exceptions.

Zhuhai Bright Scholar is a company registered in Hengqin New Area whose main business, providing outsourcing consulting services, falls within the preferential enterprise income tax ("EIT") catalogue of Hengqin New Area in Zhuhai and whose revenue derived from its main business accounts for more than 70% of its total revenues. Zhuhai Bright Scholar was classified as a domestically-owned enterprise in Hengqin New Area, Zhuhai in an encouraged industry sector, and was approved by the PRC tax authorities to enjoy a preferential EIT rate of 15% from January 24, 2017 (date of incorporation). If Zhuhai Bright Scholar continues to meet the relevant requirements, it may be eligible for the preferential EIT rate for the following years until December 31, 2020.

**17. INCOME TAX EXPENSE - continued**
**The PRC - continued**

Companies in the PRC qualified as “small-scaled minimal profit enterprise” under the EIT law were entitled to a preferential tax rate. Hubei Sannew Education Development Co., Ltd., Wuhan Mierdun Education Technology Co., Ltd., Zhengzhou Dahua Education Consulting Co., Ltd, Heze Qiqiaoban Education Technoly Limited and six kindergartens in Shandong-based Qiqiaoban Group was entitled to preferential rate of 5% or 10%.

Chengdu Yinzhe Education and Technology Co., Ltd. and Chengdu Laizhe Education and Technology Co., Ltd. established in the westward development area of the PRC were subject to preferential tax rate of 15% of taxable profit for the period from the acquisition date of Chengdu Yinzhe, December 1, 2018 to August 31, 2019.

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 August 31,	
	2018 RMB	2019 RMB
Deferred tax assets:		
Net operating loss carry-forward	36,293	54,697
Others	—	5,409
Less: valuation allowance	18,164	29,773
Total deferred tax assets	<u>18,129</u>	<u>30,333</u>
Deferred tax liabilities:		
Intangible assets	17,067	53,689
Total deferred tax liabilities	<u>17,067</u>	<u>53,689</u>

Movement in valuation allowance is as follows:

	For the year ended August 31,		
	2017 RMB	2018 RMB	2019 RMB
Beginning balance	11,250	12,283	18,164
Additions from acquisition	—	370	—
Additions	4,836	8,963	14,025
Reversal	(3,257)	(3,395)	(2,268)
Expired	(546)	(57)	(148)
Ending balance	<u>12,283</u>	<u>18,164</u>	<u>29,773</u>

As of August 31, 2017, 2018 and 2019, the tax loss carry-forward in the PRC amounted to RMB 150,480, RMB 143,424 and RMB 179,400, respectively which would expire by the end of calendar year 2022, 2023 and 2024. During the year ended August 31, 2019, the Group acquired an international education services provider with the accumulated tax loss carry-forward of approximately RMB 37,452 in the UK and the US, which can be carried forward indefinitely to offset future taxable income. The Group operates its business through its subsidiaries, its VIEs, and other affiliated companies under common control with BGY Education Investment. The Group does not file consolidated tax returns, therefore, losses from individual subsidiaries or the VIEs and other affiliated companies under common control with BGY Education Investment may not be used to offset other subsidiaries’ or VIEs’ earnings within the Group. Valuation allowance is considered on each individual subsidiary and VIE basis. A valuation allowance of RMB 12,283, RMB 18,164 and RMB 29,773 had been established as of August 31, 2017, 2018 and 2019, respectively, in respect of certain deferred tax assets as it is considered more likely than not that the relevant deferred tax assets will not be realized in the foreseeable future.

A deferred tax liability should be recorded for taxable temporary differences attributable to the excess of financial reporting amounts over tax basis amounts, including those differences attributable to a more than 50% interest in a domestic subsidiary. However, recognition is not required in situations where the tax law provides a means by which the reported amount of that investment can be recovered tax-free and the enterprise expects that it will ultimately use that means. The Company has not recorded any such deferred tax liability attributable to the undistributed earnings of its financial interest in VIEs because it believes such excess earnings can be distributed in a manner that considered to be indefinitely reinvested and thus would not be subject to income tax.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. The Group has concluded that there are no significant uncertain tax positions requiring recognition in combine and consolidated financial statements for the years ended August 31, 2017, 2018 and 2019. The Group did not incur any interest and penalties related to potential underpaid income tax expenses and also does not anticipate any significant increases or decreases in unrecognized tax benefits in the next 12 months. The Group has no material unrecognized tax benefits which would favorably affect the effective income tax rate in future periods.

**17. INCOME TAX EXPENSE** - continued**PRC** - continued

According to PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or withholding agent. The statute of limitations will be extended five years under special circumstances, which are not clearly defined (but an underpayment of tax liability exceeding RMB 0.1 million is specifically listed as a special circumstance). In the case of a related party transaction, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion. From inception to 2019, the Group is subject to examination of the PRC tax authorities.

Reconciliation between the provision for income taxes computed by applying the PRC EIT rates of 25% in year 2017, 2018 and 2019 to income before income taxes and the actual provision for income tax were as follows:

	For the year ended August 31,		
	2017 RMB	2018 RMB	2019 RMB
Net income before provision for income tax	232,779	316,325	333,577
PRC statutory tax rate	25%	25%	25%
Income tax at statutory tax rate	58,195	79,081	83,394
Effect of expenses that are not deductible in determining taxable profit	265	8,238	13,481
Unrecognized tax losses	4,836	8,963	14,025
Utilization of tax losses previously not recognized	(3,257)	(3,395)	(2,268)
Expiration of tax losses previously recognized	898	—	—
Utilization of tax losses against pre-acquisition profits	—	—	8,837
Effect of income tax rate difference in other jurisdiction	(19,967)	(25,497)	(36,889)
Others	—	(8)	—
Income tax expense recognized in profit or loss	<u>40,970</u>	<u>67,382</u>	<u>80,580</u>

If the tax holidays granted to certain schools and entities of the Group were not available, the Group's income tax expense would have increased by RMB 19,967, RMB 25,497 and RMB 33,127 for the years ended August 31, 2017, 2018 and 2019, respectively. The basic net earnings per share attributable to the Company would decrease by RMB 0.19, RMB 0.21 and RMB 0.27 for the years ended August 31, 2017, 2018 and 2019, respectively.

**18. EARNINGS PER SHARE**

	For the year ended August 31,		
	2017 RMB	2018 RMB	2019 RMB
Numerator used in basic and diluted earnings per share:			
Net earnings attributable to Bright Scholar Education Holdings Limited	172,050	246,969	241,099
Earnings available for future distribution	<u>172,050</u>	<u>246,969</u>	<u>241,099</u>
Shares (denominator):			
Weighted average common shares outstanding used in computing basic earnings per share	<u>104,839,041</u>	<u>122,088,201</u>	<u>122,322,894</u>
Weighted average common shares outstanding used in computing diluted earnings per share	<u>104,839,041</u>	<u>122,186,796</u>	<u>122,430,457</u>
Net earnings per share			
Basic	1.64	2.02	1.97
Diluted	<u>1.64</u>	<u>2.02</u>	<u>1.97</u>

As of August 31, 2017, 2018 and 2019, there are nil, 361,307 and 2,318,716 employee stock options or non-vested ordinary shares, were excluded from the computation of diluted net earnings per share in the periods presented, as their inclusion would have been anti-dilutive for the years presented.

## 19. RELATED PARTY TRANSACTIONS

The table below sets forth the major related parties and their relationships with the Group:

Name of related parties	Relationship with the group
Country Garden Intelligent Services Group Co., Ltd.	Entities controlled by the chairperson of the Group
Guangdong Phoenix Holiday International Travel Service Co., Ltd.	Entities controlled by the chairperson of the Group
Guangdong Shunde Chuang Xi Bang Sheng Furniture Co., Ltd.	Entities controlled by the chairperson of the Group
Foshan Shunde Country Garden Property Development Co., Ltd.	Entities controlled by the chairperson of the Group
Zengcheng Crystal Water Plant Co., Ltd.	Entities controlled by the chairperson of the Group
Guangdong Shunde Phoenix Optimal Commercial Co., Ltd.	Entities controlled by the chairperson of the Group
Huidong Country Garden Real Estate Development Co., Ltd.	Entities controlled by the chairperson of the Group
Zhaoqing Contemporary Zhumei Furnishing Co., Ltd.	Entities controlled by the chairperson of the Group
Guangdong Elite Architectural Co., Ltd.	Entities controlled by the chairperson of the Group
Guangdong Teng An Mechanics and Electrics Engineering Co., Ltd.	Entities controlled by the chairperson of the Group
Guangdong Giant Leap Construction Co., Ltd.	Entities controlled by the chairperson of the Group
Guangyuan Country Garden Investment Co., Ltd.	Entities controlled by the chairperson of the Group
Kaiping Country Garden Property Development Co., Ltd.	Entities controlled by the chairperson of the Group
Changsha Ningxiang Country Garden Property Development Co., Ltd.	Entities controlled by the chairperson of the Group
Guangdong Country Garden Vocational Education School	Entities controlled by the chairperson of the Group
Can-Achieve Global Edutour Co., Ltd.	Entities controlled by non-controlling interest shareholder
Zengcheng Country Garden Property Development Co., Ltd.	Entities controlled by the chairperson of the Group
Szeto, Kwok Kin Daniel	Non-controlling interests shareholder of a subsidiary of the Group
Foshan Shunde Bi Ri Security Engineering Co. Ltd.	Entities controlled by the chairperson of the Group
Laian Country Garden Property Development Co., Ltd.	Entities controlled by the chairperson of the Group
Chuzhou Country Garden Property Development Co., Ltd.	Entities controlled by the chairperson of the Group
Wuhan Country Garden Property Management Co., Ltd.	Entities controlled by the chairperson of the Group
Baoding Baigou New town Honghua Eaton commerce co. Ltd. (“Baoding Baigou”)	Non-controlling interests shareholder of a subsidiary of the Group
New Learning Management Co., Ltd.	Non-controlling interests shareholder of a subsidiary of the Group
Guangzhou Country Garden Shuttle Bus Services Limited	Entities controlled by the chairperson of the Group
Huaihua Zhiyi Network Technology Limited Partnership	Entities controlled by non-controlling interest shareholder
Huaihua Yimeng Network Technology Limited Partnership	Non-controlling interests shareholder of a subsidiary of the Group
Fine Nation Group Limited	Entities controlled by the immediate family of the chairperson of the Group

The Group entered into the following transactions with its related parties:

	For the year ended August 31,		
	2017 RMB	2018 RMB	2019 RMB
Purchases of services and materials provided by other entities controlled by the chairperson are as below			
Country Garden Intelligent Services Group Co., Ltd.	—	328	5,982
Guangdong Phoenix Holiday International Travel Service Co., Ltd.	67	2,446	3,209
Guangdong Shunde Chuang Xi Bang Sheng Furniture Co., Ltd.	1,186	2,069	2,063
Foshan Shunde Country Garden Property Development Co., Ltd.	—	1,532	1,543
Zengcheng Crystal Water Plant Co., Ltd.	951	1,296	1,386
Guangdong Shunde Phoenix Optimal Commercial Co., Ltd.	—	—	999
Guangzhou Country Garden Shuttle Bus Services Limited	1,232	760	727
Huidong Country Garden Real Estate Development Co., Ltd.	—	814	200
Zhaoqing Contemporary Zhumei Furnishing Co., Ltd.	152	—	47
Others	97	1,872	1,663
Total	3,685	11,117	17,819

**19. RELATED PARTY TRANSACTIONS - continued**

The Group entered into the following transactions with its related parties: - continued

	For the year ended August 31,		
	2017 RMB	2018 RMB	2019 RMB
Construction services provided by other entities controlled by the chairperson are as below			
Guangdong Elite Architectural Co., Ltd.	—	—	817
Guangdong Teng An Mechanics and Electrics Engineering Co., Ltd.	—	—	791
Guangyuan Country Garden Investment Co., Ltd.	12,000	—	—
Guangdong Giant Leap Construction Co., Ltd.	20	5,728	—
Total	<u>12,020</u>	<u>5,728</u>	<u>1,608</u>
	For the year ended August 31,		
	2017 RMB	2018 RMB	2019 RMB
Services provided to other entities controlled by the chairperson are as below			
Huidong Country Garden Real Estate Development Co., Ltd.	1,851	3,445	1,595
Kaiping Country Garden Property Development Co., Ltd.	1,500	1,500	—
Changsha Ningxiang Country Garden Property Development Co., Ltd.	—	2,186	848
Others	1,278	37	—
Total	<u>4,629</u>	<u>7,168</u>	<u>2,443</u>
	For the year ended August 31,		
	2017 RMB	2018 RMB	2019 RMB
Interest incurred from Promissory Note provided by other entity controlled by the immediate family of the chairperson is as below			
Fine Nation Group Limited*	—	—	4,547
Total	<u>—</u>	<u>—</u>	<u>4,547</u>

\*During 2019, Fine Nation Group Limited issued a promissory note (the “Promissory Note”) with a principal amount of USD100,000 to the Company, which has been fully paid as of August 31, 2019 with an interest expense of RMB 4,547.

The following table presents amounts owed from and to related parties as of August 31, 2018 and 2019:

	As of August 31,	
	2018 RMB	2019 RMB
Amounts due from related parties		
Foshan Shunde Country Garden Property Development Co., Ltd. (1)	4,172	3,576
Huidong Country Garden Real Estate Development Co., Ltd. (2)	3,445	—
Changsha Ningxiang Country Garden Property Development Co., Ltd. (2)	2,186	474
Kaiping Country Garden Property Development Co., Ltd. (6)	1,590	1,590
Zengcheng Country Garden Property Development Co., Ltd. (5)	948	—
Szeto, Kwok Kin Daniel (3)	999	2
Can-Achieve Global Edutour Co., Ltd. (4)	2,505	3,144
Others (1)	2,115	1,866
Total	<u>17,960</u>	<u>10,652</u>

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

- (1) The amounts mainly represent the advance payment for purchasing services and materials or construction services provided by the entities controlled by Ms. H.
- (2) The amounts mainly represent the receivables of the enrolment tuition discount provided to the owners of properties which were subsidized by real estate entities controlled by Ms. H.
- (3) The amounts mainly represent the receivable from a non-controlling interest shareholder acquired through the acquisition of FGE Group.
- (4) The amounts mainly represent the receivables from Can-Achieve Global Edutour Co., Ltd. which consist of expense paid on behalf of Can-Achieve Global Edutour Co., Ltd.

**19. RELATED PARTY TRANSACTIONS - continued**

- (5) The amounts due from related parties represent expenses paid on behalf of entities controlled by Ms. H.
- (6) The amounts mainly represent the receivables of providing consulting services on pre-opening schools to Kaiping Country Garden Property Development Co., Ltd..

	As of August 31,	
	2018	2019
	RMB	RMB
Amounts due to related parties		
Laian Country Garden Property Development Co., Ltd.(1)	11,550	11,550
Changsha Ningxiang Country Garden Property Development Co., Ltd. (1)	8,732	8,732
Chuzhou Country Garden Property Development Co., Ltd. (1)	12,000	30,769
Wuhan Country Garden Property Management Co., Ltd. (1)	3,154	3,154
Guangdong Teng An Mechanics and Electrics Engineering Co., Ltd. (2)	5,781	6,515
Guangdong Giant Leap Construction Co., Ltd. (2)	17,058	10,166
Guangyuan Country Garden Investment Co., Ltd. (2)	1,200	—
Baoding Baigou New Town Honghua Eaton Commerce Co., Ltd. (3)	3,000	3,000
New Learning Management Co., Ltd. (4)	89,469	—
Huaihua Zhiyi Network Technology Limited Partnership (5)	—	18,335
Huaihua Yimeng Network Technology Limited Partnership (5)	—	9,167
Huidong Country Garden Real Estate Development Co., Ltd. (6)	—	3,110
Others	5,351	5,540
<b>Total</b>	<b>157,295</b>	<b>110,038</b>

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

	As of August 31,	
	2018	2019
	RMB	RMB
Other non-current liability due to related parties		
Huaihua Zhiyi Network Technology Limited Partnership (5)	—	14,490
Huaihua Yimeng Network Technology Limited Partnership (5)	—	7,246
<b>Total</b>	<b>—</b>	<b>21,736</b>

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

- (1) The amounts mainly represent financing funds for maintaining daily operation of schools held by affiliated entities under common control from other entities controlled by Ms. H, Chairperson of the Group .
- (2) The amounts mainly represent construction services provided by other entities controlled by Ms. H, Chairperson of the Group.
- (3) The amounts represent the financing funds for maintaining daily operation from Baoding BaiGou, the non-controlling interest shareholder.
- (4) The amounts represent the acquisition payables to New Learning Management Co., Ltd. for the acquisition of Xinqiao Group in fiscal year 2018 which was settled during fiscal year 2019.
- (5) The amounts represent the acquisition payables to Huaihua Zhiyi Network Technology Limited Partnership and Huaihua Yimeng Network Technology Limited Partnership for the acquisition of Chengdu Yinzhe Group in fiscal year 2019.
- (6) The amount mainly represents the advance payment from Huidong Country Garden Real Estate Development Co., Ltd., the entities controlled by Ms. H, as the enrolment tuition discount to the owners of properties. The Group utilizes facilities and equipment provided by other real-estate subsidiaries controlled by Ms. H. In return, the Group gives enrolment priorities to the owners of properties with these affiliated companies when providing its educational services.

**20. COMMITMENTS AND CONTINGENCIES**Lease obligations

The Group leases certain schools and office premises under non-cancelable operating leases. The term of each lease agreement vary and may contain renewal options. Rental payments under operating leases are charged to expense on the straight-line basis over the period of the lease. Rental expenses under operating leases for the years ended August 31, 2017, 2018 and 2019 were RMB 20,195, RMB 28,134 and RMB 103,525, respectively.



## 20. COMMITMENTS AND CONTINGENCIES - continued

### Lease obligations - continued

Future rental commitments under non-cancelable operating leases as of August 31, 2019 were as follows:

	RMB
Year ending August 31:	
2020	194,285
2021	185,839
2022	179,723
2023	158,329
2024	158,339
Thereafter	2,030,659
	2,907,174

### Capital commitment

As of August 31, 2019, future minimum capital commitments under non-cancelable construction contracts were as follows:

	RMB
Capital commitment for construction of schools	63,967

## 21. NON-CONTROLLING INTERESTS

The following table summarizes the changes in non-controlling interests from August 31, 2016 through August 31, 2019.

	GCGS RMB	HCGS RMB	PCBS RMB	CGBS RMB	Can- achieve RMB	Xinqiao Group RMB	Chengdu Yinzhe RMB	Wuhan Sannew RMB	Hangzhou Impression RMB	Others RMB	Total RMB
Balance at August 31, 2016	(329)	(4,169)	8,383	17,081	—	—	—	—	—	23,866	44,832
Capital injection from non-controlling interest shareholders	—	—	—	—	—	—	—	—	—	3,600	3,600
Income attributable to non-controlling interests	9,638	1,613	2,249	100	—	—	—	—	—	6,159	19,759
Acquisition of additional interest in subsidiaries of non-controlling interests*	(9,309)	2,556	(10,632)	(17,181)	—	—	—	—	—	(30,300)	(64,866)
Balance at August 31, 2017	—	—	—	—	—	—	—	—	—	3,325	3,325
Income attributable to non-controlling interests	—	—	—	—	2,338	1,276	—	—	—	(1,680)	1,934
Disposal of a subsidiary**	—	—	—	—	—	—	—	—	—	(1,953)	(1,953)
Acquisition of subsidiaries	—	—	—	—	113,288	38,156	—	—	—	15,274	166,718
Balance at August 31, 2018	—	—	—	—	115,626	39,432	—	—	—	14,966	170,024
Capital injection from non-controlling interest shareholders	—	—	—	—	—	—	—	—	—	500	500
Income attributable to non-controlling interests	—	—	—	—	10,176	(1,518)	5,919	(1,135)	119	(1,902)	11,659
Effect of ASC606 new revenue standard	—	—	—	—	164	—	—	—	—	(6)	158
Foreign currency translation	—	—	—	—	(25)	—	—	—	—	87	62
Acquisition of subsidiaries	—	—	—	—	—	—	62,766	74,213	30,000	12,450	179,429
Balance at August 31, 2019	—	—	—	—	125,941	37,914	68,685	73,078	30,119	26,095	361,832

Note\*: During the year ended August 31, 2017, the Company acquired additional interests in certain subsidiaries of non-controlling interests with total consideration of RMB 15,712, the total amount of the non-controlling interests was RMB 64,866 as of the acquisition dates and the difference was charged to additional paid in capital accordingly.

Note\*\*: During the year ended August 31, 2018, the Company disposed interest in a subsidiary with a total consideration of RMB 7,000, and the carrying amount of the non-controlling interests of the disposed subsidiary as of the disposal date was RMB 1,953.

## 22. SEGMENT INFORMATION

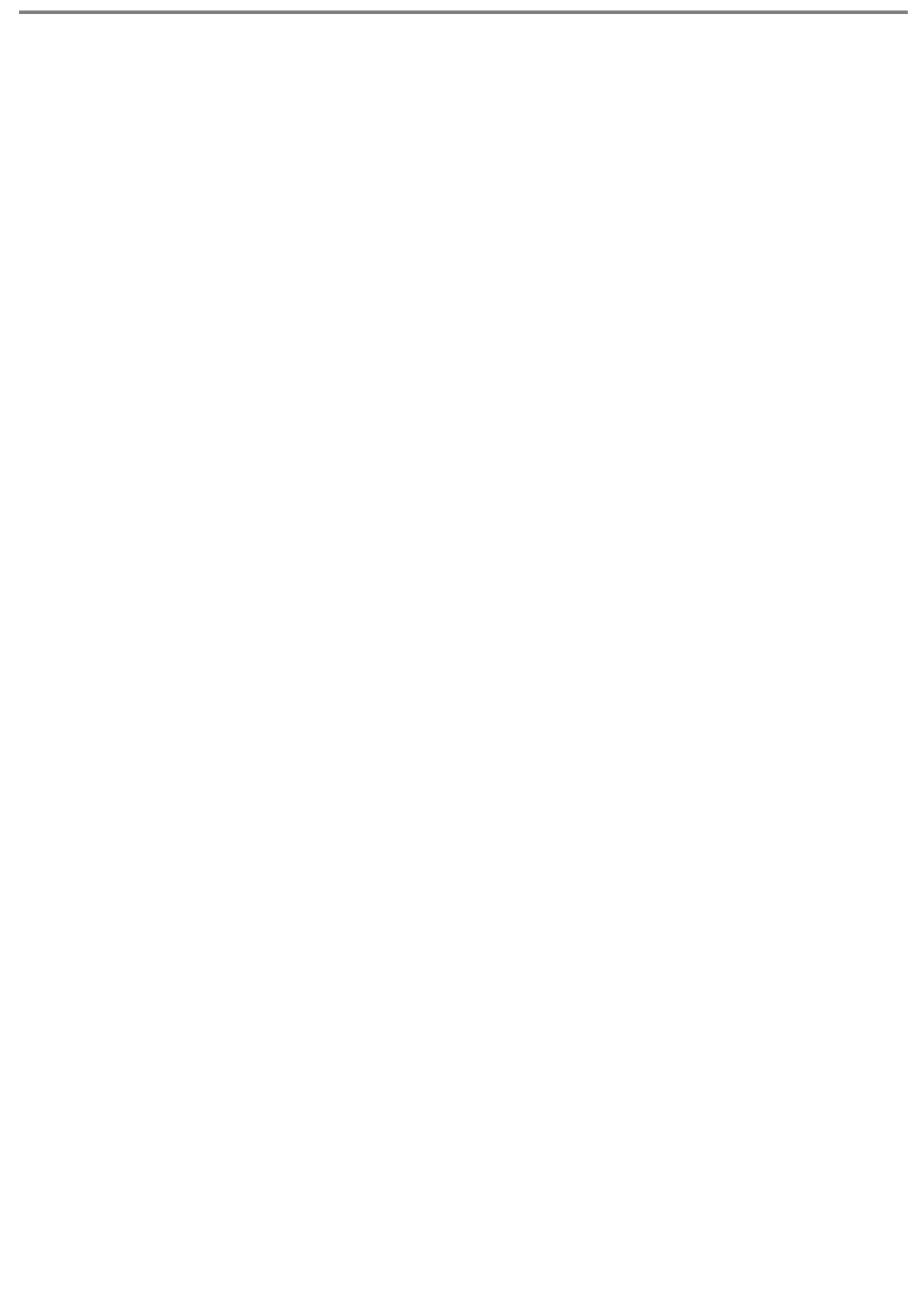
The CODM reviews financial information of operating segments based on internal management report amounts when making decisions about allocating resources and assessing the performance of the Group.

In the prior years, the Group identified four reportable segments, including International Schools, Bilingual Schools, Kindergartens and Complementary Education Services. During the year ended August 31, 2019, the Group acquired the overseas businesses and has assessed these businesses as one additional reportable segment. As of August 31, 2019, the Group identified five reportable segments, including International Schools, Bilingual Schools, Kindergartens, Overseas Schools and Complementary Education Services.

The Group's CODM evaluates performance based on the operating segment's revenue and their operating results. The revenue and operating results by segments were as follows:

For the year ended August 31, 2017

	Domestic K-12 Schools			Overseas Schools RMB	Complementary Education Service RMB	Consolidated RMB
	International Schools RMB	Bilingual Schools RMB	Kindergartens RMB			
Revenue	505,595	413,404	312,008	—	97,360	1,328,367
Costs of revenue	(360,044)	(262,283)	(178,758)	—	(59,245)	(860,330)
Gross profit	145,551	151,121	133,250	—	38,115	468,037



22. SEGMENT INFORMATION - continued

For the year ended August 31, 2018

	Domestic K-12 Schools			Overseas Schools	Complementary Education Service	Consolidated
	International Schools	Bilingual Schools	Kindergartens			
	RMB	RMB	RMB			
Revenue	589,599	534,008	399,249	—	196,015	1,718,871
Costs of revenue	(373,391)	(346,868)	(223,397)	—	(146,939)	(1,090,595)
Gross profit	216,208	187,140	175,852	—	49,076	628,276

For the year ended August 31, 2019

	Domestic K-12 Schools			Overseas Schools	Complementary Education Service	Consolidated
	International Schools	Bilingual Schools	Kindergartens			
	RMB	RMB	RMB			
Revenue	745,015	650,433	495,024	181,793	490,740	2,563,005
Costs of revenue	(456,003)	(400,043)	(279,315)	(145,625)	(305,028)	(1,586,014)
Gross profit	289,012	250,390	215,709	36,168	185,712	976,991

The Group's CODM does not review the financial position by operating segments, thus no total assets of each operating segment presented.

**GEOGRAPHIC INFORMATION**

The Group's revenues are attributed to geographic areas based on the selling location.

The following table presents total revenues for the years ended August 31, 2017, 2018 and 2019 from a geographical perspective:

	For the year ended August 31,		
	2017	2018	2019
Revenues from sales originated:			
China **	1,328,367	1,710,756	2,366,078
Canada	—	3,668	10,226
The US	—	4,447	24,977
The UK	—	—	161,724
Total	1,328,367	1,718,871	2,563,005

The following table presents long-lived assets including property and equipment, net and land use rights, net as of August 31, 2018 and 2019 from a geographical perspective:

	As of August 31,	
	2018	2019
China **	494,031	776,483
Canada	71	3,013
The US	105	52,184
The UK	—	133,789

\*\* Includes mainland China and Hong Kong.

**23. CONTRIBUTION PLAN**

In mainland China, full time employees of the Group in the PRC participate in a government-mandated defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. The PRC labor regulations require the Group to accrue for these benefits based on certain percentages of the employees' salaries. Total contributions for such employee benefits were RMB 99,013, RMB 118,864 and RMB 165,472 for the years ended August 31, 2017, 2018 and 2019, respectively.

The Company also provides other defined contribution plans for the benefit of overseas employees. Amounts contributed during the years ended August 31, 2017, 2018 and 2019 were insignificant.

**24. STATUTORY RESERVES AND RESTRICTED NET ASSETS**

As stipulated by the relevant PRC laws and regulations applicable to the Group's entities in the PRC, the Group is required to make appropriations from net income as determined in accordance with the PRC GAAP to non-distributable reserves, which include a statutory surplus reserve and a statutory welfare reserve. The PRC laws and regulations require that annual appropriations of 10% of after-tax income should be set aside prior to payments of dividends as reserve fund, and in private school sector, the PRC laws and regulations require that annual appropriations of 25% of after-tax income should be set aside prior to payments of dividend as development fund. The appropriations to statutory surplus reserve are required until the balance reaches 50% of the PRC entity registered capital.

The statutory reserve may be applied against prior year losses, if any, and may be used for general business expansion and production or increase in registered capital of the entities. For the years ended August 31, 2017, 2018 and 2019, the Group made apportionments of nil, nil and nil to the statutory surplus reserve fund, respectively, and RMB 17,132, RMB nil and nil to the development fund, respectively.

As a result of these PRC laws and regulations and the requirement that distributions by PRC entities can only be paid out of distributable profits computed in accordance with PRC GAAP, the PRC entities are restricted from transferring a portion of their net assets to the Group. Restricted net assets include paid-in capital, additional paid-in capital, the statutory reserves and the retained earnings of the Company's PRC subsidiaries and VIEs. As of August 31, 2018, paid in capital, additional paid in capital, statutory reserves and retained earnings were RMB 477,816, RMB 13,760, RMB 112 and RMB 471,703 respectively. As of August 31, 2019, paid in capital, additional paid in capital, statutory reserves and retained earnings were RMB 682,000, RMB 124,151, RMB 2,396 and RMB 853,039 respectively. As of August 31, 2018, and 2019, the total of restricted net assets was therefore RMB 963,391, and RMB 1,661,586, respectively.

**25. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

For the purpose of the combined and consolidated statement of cash flows, cash and cash equivalents, and restricted cash included cash on hand and in banks and restricted cash. Cash and cash equivalents, and restricted cash at the end of reporting year end as shown in the combined and consolidated statements of cash flows can be reconciled to the related items in the consolidated balance sheets as follow:

	<b>As of August 31</b>	
	<b>2018</b>	<b>2019</b>
	<b>RMB</b>	<b>RMB</b>
Cash and cash equivalents	3,153,852	3,246,995
Restricted cash	10,229	18,019
<b>Total</b>	<b>3,164,081</b>	<b>3,265,014</b>

## 26. SUBSEQUENT EVENTS

### Acquisition

In September 2019, the Company completed the acquisition of 100% equity interests in St. Michael's School and Bosworth Independent College in the UK for a total consideration of GBP 38,000. The Group is in the process of completing the purchase price allocation for the acquisitions as of the issuance of the financial statements.

### Others

On September 18, 2019, the Company announced that the board of directors (i) has approved a USD 30,000 share repurchase program, and (ii) has approved and declared a special cash dividend of USD 0.10 per ordinary share (USD 0.10 per ADS).

SCHEDULE 1-CONDENSED FINANCIAL STATEMENT OF BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED  
BALANCE SHEET  
(Amounts in thousands)

	<u>As of August 31,</u>	<u>As of August 31,</u>	
	<u>2018</u>	<u>2019</u>	
	<u>RMB</u>	<u>RMB</u>	<u>USD</u>
			(Note 2)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1,702,804	1,496,959	209,239
Amounts due from subsidiaries and VIEs	393,123	2,172,665	303,687
Amounts due from related parties	—	7	1
Other receivables, deposits and other assets	2,530	64,384	9,000
Short-term investments	—	221,670	30,984
<b>Total current assets</b>	<u>2,098,457</u>	<u>3,955,685</u>	<u>552,911</u>
<b>Total non-current assets</b>			
Investment in subsidiaries and VIEs	550,348	883,559	123,500
Long-term investments	204,968	14,711	2,056
<b>Total non-current assets</b>	<u>755,316</u>	<u>898,270</u>	<u>125,556</u>
<b>TOTAL ASSETS</b>	<u>2,853,773</u>	<u>4,853,955</u>	<u>678,467</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accrued expenses and other current liabilities	7,544	23,475	3,281
Amounts due to subsidiaries and VIEs	—	11	2
<b>Non-current liabilities</b>			
Other non-current liabilities	4,654	3,033	424
Bond payable	—	2,106,000	294,368
<b>TOTAL LIABILITIES</b>	<u>12,198</u>	<u>2,132,519</u>	<u>298,075</u>
<b>EQUITY</b>			
Share capital	9	8	1
Additional paid-in capital	2,469,815	2,105,189	294,255
Accumulated other comprehensive income	75,770	78,955	11,036
Retained earnings	295,981	537,284	75,100
<b>TOTAL EQUITY</b>	<u>2,841,575</u>	<u>2,721,436</u>	<u>380,392</u>

SCHEDULE 1-CONDENSED FINANCIAL STATEMENT OF BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED  
STATEMENTS OF OPERATIONS COMBINED AND COMPREHENSIVE INCOME  
FOR THE YEARS ENDED AUGUST 31, 2019  
(Amounts in thousands)

	2017	2018	2019	
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>USD</u> (Note 2)
Other operating income	399	1,590	1,670	233
Selling, general and administrative expenses	(6,734)	(34,753)	(58,025)	(8,111)
Other expenses	—	(49)	(60,612)	(8,472)
Interest income, net	1,822	21,249	17,482	2,444
Investment income	—	—	7,373	1,031
Equity in earnings of subsidiaries and VIEs	176,563	258,932	333,211	46,575
<b>Net income</b>	<u>172,050</u>	<u>246,969</u>	<u>241,099</u>	<u>33,700</u>
Other comprehensive (loss) income	(36,494)	112,264	3,185	445
<b>Comprehensive income</b>	<u>135,556</u>	<u>359,233</u>	<u>244,284</u>	<u>34,145</u>

SCHEDULE 1-CONDENSED FINANCIAL STATEMENT OF BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED  
STATEMENTS OF CASH FLOWS  
(Amounts in thousands)

	2017	2018	2019	
	RMB	RMB	RMB	USD (Note 2)
<i>Cash flows from operating activities</i>				
Net income for the year	172,050	246,969	241,099	33,700
Share-based compensation	—	29,061	51,664	7,221
Investment income	—	—	(7,373)	(1,031)
Finance costs	—	—	18,908	2,643
Equity in earnings of subsidiaries and VIEs	(176,563)	(258,932)	(333,211)	(46,575)
Other receivables, deposits and other assets	(399)	(2,131)	(60,380)	(8,440)
Accrued expenses and other current liabilities	—	903	(3,857)	(539)
Amounts due to subsidiaries and VIE	—	—	11	2
Other non-current assets and liabilities	—	4,654	(1,621)	(227)
Amounts due from subsidiaries and VIE	(14,727)	(378,388)	(1,727,903)	(241,519)
Amounts due from related parties	—	—	(7)	(1)
Net cash used in operating activities	(19,639)	(357,864)	(1,822,670)	(254,766)
<i>Cash flows from investing activities</i>				
Purchase of long-term investments	—	(190,920)	(13,416)	(1,875)
Net cash used in investing activities	—	(190,920)	(13,416)	(1,875)
<i>Cash flows from financing activities</i>				
Proceeds from initial public offering	1,151,112	—	—	—
Proceeds from follow-on offering	—	1,151,702	—	—
Repurchase of ordinary shares	—	(108,938)	(417,149)	(58,307)
Proceeds from issuance of the Bond	—	—	2,069,160	289,219
Issuance cost of the Bond offering	—	—	(32,971)	(4,609)
Proceeds on exercise of stock options	—	—	858	120
Net cash provided by financing activities	1,151,112	1,042,764	1,619,898	226,423
Net change in cash and cash equivalents	1,131,473	493,980	(216,188)	(30,218)
Cash and cash equivalents at beginning of the year	—	1,094,979	1,702,804	238,011
Effect of exchange rate changes on cash and cash equivalents	(36,494)	113,845	10,343	1,446
Cash and cash equivalents at end of the year	1,094,979	1,702,804	1,496,959	209,239



**Note to Schedule 1**  
**(In thousands)**

Schedule 1 has been provided pursuant to the requirements of Rule 12-04(a), 5-04(c) and 4-08(e)(3) of Regulation S-X, which require condensed financial statements as to the financial position, changes in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of the consolidated and unconsolidated subsidiaries (including variable interest entities) together exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. As of August 31, 2019, RMB 1,661,586 of the restricted capital and reserves are not available for distribution, and as such, the condensed financial statements of the Company have been presented for the years ended August 31, 2017, 2018 and 2019.

**Basis of preparation**

The condensed financial statements of the Company has been prepared using the same accounting policies as set out in its financial statements, except that the Company has used the equity method to account for its subsidiaries, other affiliated entities and its variable interest entities under common control with the Company. Accordingly, the condensed financial information presented herein represents the financial information of the Company.

Detailed footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. The footnote discloses certain supplemental information relating to the operations of the Company and, as such, the condensed financial statements of the Company should be read in conjunction with the notes to the accompanying financial statements of the Group.

**BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED**

and

**THE ENTITIES LISTED ON SCHEDULE I HERETO**

as Subsidiary Guarantors

and

**THE BANK OF NEW YORK MELLON, LONDON BRANCH**

as Trustee

---

**Indenture**

**Dated as of July 31, 2019**

---

**7.45% Senior Notes Due 2022**

---

TABLE OF CONTENTS

PAGE

RECITALS

ARTICLE 1  
DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01. <i>Definitions</i>	2
Section 1.02. <i>Rules of Construction</i>	32

ARTICLE 2  
ISSUE, EXECUTION, FORM AND REGISTRATION OF NOTES

Section 2.01. <i>Authentication and Delivery of Notes and Subsidiary Guarantees</i>	32
Section 2.02. <i>Execution of Notes and Subsidiary Guarantees</i>	33
Section 2.03. <i>Certificate of Authentication</i>	34
Section 2.04. <i>Form, Denomination and Date of Notes; Payments</i>	34
Section 2.05. <i>Registration, Transfer and Exchange</i>	36
Section 2.06. <i>Book-entry Provisions for Global Notes</i>	38
Section 2.07. <i>[Reserved]</i>	38
Section 2.08. <i>Mutilated, Defaced, Destroyed, Stolen and Lost Notes</i>	38
Section 2.09. <i>Further Issues</i>	39
Section 2.10. <i>Cancellation of Notes; Disposition Thereof</i>	39
Section 2.11. <i>ISIN or Common Code Numbers</i>	39

ARTICLE 3  
REDEMPTION

Section 3.01. <i>Redemption for Taxation Reasons</i>	40
Section 3.02. <i>Optional Redemption</i>	41
Section 3.03. <i>Method and Effect of Redemption</i>	42

ARTICLE 4  
COVENANTS

Section 4.01. <i>Payment of Notes</i>	43
Section 4.02. <i>Maintenance of Office or Agency</i>	46
Section 4.03. <i>Governmental Approvals and Licenses; Compliance with Law</i>	47
Section 4.04. <i>Payment of Taxes and other Claims</i>	47
Section 4.05. <i>Limitation on Indebtedness</i>	48
Section 4.06. <i>Limitation on Restricted Payments</i>	52
Section 4.07. <i>Limitation on Liens</i>	56
Section 4.08. <i>Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries</i>	57

Section 4.09. <i>Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries</i>	59
Section 4.10. <i>Limitation on Issuances of Guarantees by Restricted Subsidiaries</i>	60
Section 4.11. <i>Limitation on Sale and Leaseback Transactions</i>	61
Section 4.12. <i>Repurchase of Notes Upon a Change of Control Triggering Event</i>	61
Section 4.13. <i>Limitation on Asset Sales</i>	61
Section 4.14. <i>Limitation on Transactions with Shareholders and Affiliates</i>	63
Section 4.15. <i>Limitation on Business Activities</i>	65
Section 4.16. <i>Use of Proceeds</i>	66
Section 4.17. <i>Designation of Restricted and Unrestricted Subsidiaries</i>	66
Section 4.18. <i>Anti-Layering</i>	67
Section 4.19. <i>Provision of Financial Statements and Reports</i>	67
Section 4.20. <i>Additional Amounts</i>	68
Section 4.21. <i>No Payments for Consents</i>	71
Section 4.22. <i>Suspension of Certain Covenants</i>	71

ARTICLE 5  
CONSOLIDATION, MERGER AND SALE OF ASSETS

Section 5.01. <i>Consolidation, Merger and Sale of Assets</i>	72
---	----

ARTICLE 6  
DEFAULT AND REMEDIES

Section 6.01. <i>Events of Default</i>	74
Section 6.02. <i>Acceleration</i>	75
Section 6.03. <i>Other Remedies</i>	76
Section 6.04. <i>Waiver of Past Defaults</i>	76
Section 6.05. <i>Control by Majority</i>	76
Section 6.06. <i>Limitation on Suits</i>	77
Section 6.07. <i>Rights of Holders to Receive Payment</i>	77
Section 6.08. <i>Compliance Certificate</i>	77
Section 6.09. <i>Collection Suit by Trustee</i>	77
Section 6.10. <i>Trustee May File Proofs of Claim</i>	78
Section 6.11. <i>Priorities</i>	78
Section 6.12. <i>Restoration of Rights and Remedies</i>	78
Section 6.13. <i>Undertaking for Costs</i>	79
Section 6.14. <i>Rights and Remedies Cumulative</i>	79
Section 6.15. <i>Delay or Omission Not Waiver</i>	79
Section 6.16. <i>Waiver of Stay, Extension or Usury Laws</i>	79
Section 6.17. <i>No Duty of Agents to Ascertain Default</i>	79

ARTICLE 7  
THE TRUSTEE

Section 7.01. <i>General</i>	80
Section 7.02. <i>Certain Rights of Trustee and Other Agents</i>	81
Section 7.03. <i>Individual Rights of Trustee</i>	83

Section 7.04. <i>Trustee’s Disclaimer</i>	84
Section 7.05. <i>Notice of Default</i>	84
Section 7.06. <i>Compensation and Indemnity</i>	84
Section 7.07. <i>Replacement of Trustee</i>	85
Section 7.08. <i>Successor Trustee by Consolidation, Merger, Conversion or Transfer</i>	86
Section 7.09. <i>Money Held in Trust</i>	86
Section 7.10. <i>Appointment of Paying Agent</i>	87

ARTICLE 8  
DEFEASANCE AND DISCHARGE

Section 8.01. <i>Defeasance and Discharge of Indenture</i>	87
Section 8.02. <i>Covenant Defeasance</i>	88
Section 8.03. <i>Application of Trust Money</i>	88
Section 8.04. <i>Repayment to Company</i>	89
Section 8.05. <i>Reinstatement</i>	89

ARTICLE 9  
SATISFACTION AND DISCHARGE

Section 9.01. <i>Satisfaction and Discharge of Indenture</i>	89
Section 9.02. <i>Application of Trust Money</i>	90
Section 9.03. <i>Repayment to Company</i>	90
Section 9.04. <i>Reinstatement</i>	91

ARTICLE 10  
AMENDMENTS, SUPPLEMENTS AND WAIVERS

Section 10.01. <i>Amendments without Consent of Holders</i>	91
Section 10.02. <i>Amendments with Consent of Holders</i>	92
Section 10.03. <i>Effect of Consent</i>	93
Section 10.04. <i>Trustee’s and Agent’s Rights and Obligations</i>	94

ARTICLE 11  
SUBSIDIARY GUARANTEES

Section 11.01. <i>The Subsidiary Guarantees</i>	94
Section 11.02. <i>Guarantee Unconditional</i>	94
Section 11.03. <i>Discharge; Reinstatement</i>	95
Section 11.04. <i>Waiver by Each Subsidiary Guarantor</i>	95
Section 11.05. <i>Subrogation and Contribution</i>	95
Section 11.06. <i>Stay of Acceleration</i>	95
Section 11.07. <i>Limitation on Amount of Subsidiary Guarantee</i>	96
Section 11.08. <i>Ranking of Subsidiary Guarantees</i>	96
Section 11.09. <i>Further Subsidiary Guarantors</i>	96
Section 11.10. <i>Execution and Delivery of Subsidiary Guarantee</i>	97
Section 11.11. <i>Release of the Subsidiary Guarantees</i>	97

ARTICLE 12  
MISCELLANEOUS

Section 12.01. <i>Ranking</i>	98
Section 12.02. <i>Notices</i>	98
Section 12.03. <i>Certificate and Opinion as to Conditions Precedent</i>	99
Section 12.04. <i>Statements Required in Certificate or Opinion</i>	100
Section 12.05. <i>Payment Date Other Than a Business Day</i>	100
Section 12.06. <i>Governing Law, Consent to Jurisdiction; Waiver of Immunities</i>	101
Section 12.07. <i>No Adverse Interpretation of Other Agreements</i>	102
Section 12.08. <i>Successors</i>	102
Section 12.09. <i>Duplicate Originals</i>	102
Section 12.10. <i>Separability</i>	102
Section 12.11. <i>Table of Contents and Headings</i>	102
Section 12.12. <i>No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees</i>	102
Section 12.13. <i>Force Majeure</i>	102
Section 12.14. <i>Waiver of Jury Trial</i>	103

**EXHIBITS**

SCHEDULE I	List of Initial Subsidiary Guarantors
EXHIBIT A	<i>Form of Certificated Note</i>
EXHIBIT B	<i>Form of Transfer Notice</i>
EXHIBIT C	<i>Form of Global Note</i>
EXHIBIT D-1	<i>Form of Company Authorization Certificate</i>
EXHIBIT D-2	<i>Form of Subsidiary Guarantor Authorization Certificate</i>
EXHIBIT E	<i>Form of Paying Agent, Registrar and Transfer Agent Appointment Letter</i>
EXHIBIT F	<i>Supplemental Indenture</i>
EXHIBIT G	<i>Form of Compliance Certificate</i>
EXHIBIT H	<i>Trustee, Paying Agent, Registrar and Transfer Agent</i>

INDENTURE, dated as of July 31, 2019, among Bright Scholar Education Holdings Limited, an exempted company incorporated under the laws of Cayman Islands with limited liability (the “**Company**” or the “**Issuer**”), the entities listed in Schedule I hereto collectively as the initial Subsidiary Guarantors and The Bank of New York Mellon, London Branch, a banking corporation organized and existing under the laws of the State of New York and operating through its branch in London at One Canada Square, London E14 5AL, United Kingdom, as the Trustee.

### **RECITALS**

WHEREAS, the Company has duly authorized the execution and delivery of this Indenture to provide for the issuance of up to US\$300,000,000 in aggregate principal amount of the Company’s 7.45% Senior Notes Due 2022 and, if and when issued, any Additional Notes as provided herein (collectively, the “**Notes**”). All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done, and the Company has done all things necessary to make the Notes (in the case of the Additional Notes, when duly authorized), when executed by the Company and authenticated and delivered by or on behalf of the Trustee and duly issued by the Company, the valid obligations of the Company as hereinafter provided.

WHEREAS, each initial Subsidiary Guarantor has duly authorized the execution and delivery of this Indenture as Subsidiary Guarantor of the Notes. All things necessary to make this Indenture a valid agreement of each initial Subsidiary Guarantor, in accordance with its terms, have been done, and each initial Subsidiary Guarantor has done all things necessary to make the Subsidiary Guarantees, when the Notes are executed by the Company and authenticated and delivered by or on behalf of the Trustee and duly issued by the Company, the valid obligations of such initial Subsidiary Guarantor as hereinafter provided.

### **THIS INDENTURE WITNESSETH**

For and in consideration of the premises and the purchase of the Notes by the Holders thereof, the parties hereto covenant and agree, for the equal and proportionate benefit of all Holders, as follows:

---

ARTICLE 1  
DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01. *Definitions.*

“**2018 Partnership Agreement**” refers to the partnership agreement that the Company entered into with independent third parties in September 2018 to establish an investment fund under which the Company agreed to invest a total of RMB998 million in promoting the establishment and operation of K-12 education centers, bilingual schools and international schools.

“**Acquired Indebtedness**” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“**Additional Amounts**” has the meaning assigned to such term in Section 4.20.

“**Additional Note**” has the meaning assigned to such term in Section 2.09.

“**Adjusted Treasury Rate**” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under “Treasury Constant Maturities”, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after July 31, 2022, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“**Affiliate**” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, whether now or in the future; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child, parent, brother, sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of



the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“**Affiliate Transaction**” has the meaning assigned to such term in Section 4.14.

“**Agent**” means any Registrar, Paying Agent, Transfer Agent or Authenticating Agent.

“**Agent Members**” has the meaning assigned to such term in Section 2.06.

“**Applicable Premium**” means, with respect to a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of the redemption price of such Note at July 31, 2022 (such redemption price being described in Section 3.02(a) exclusive of any accrued interest), plus all required remaining scheduled interest payments due on such Note (but excluding accrued and unpaid interest to the redemption date) through July 31, 2022, computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“**Asset Acquisition**” means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

“**Asset Disposition**” means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

“**Asset Sale**” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock of a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person other than the Company or any Restricted Subsidiary of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock of a Restricted Subsidiary and any sale, assignment or transfer of the VIE Contracts or any sale, assignment, transfer or dilution of the Company’s or a Restricted Subsidiary’s economic interest in a Variable Interest Entity); *provided that* “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under Section 4.06;

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or the Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered under Section 5.01; and

(7) a sale, transfer or other disposition to the Company or a Restricted Subsidiary, including, without limitation, an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary.

**“Attributable Indebtedness”** means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

**“Authenticating Agent”** refers to a Person engaged to authenticate the Notes in the stead of the Trustee.

**“Authorization Certificate”** has the meaning assigned to such term in Section 2.02(a).

**“Authorized Officer”** means, with respect to the Company or a Subsidiary Guarantor, as applicable, any one person, officer or director, who, in each case, is authorized to represent the Company or a Subsidiary Guarantor, as the case may be, as designated in the Authorization Certificate furnished to the Trustee.

**“Average Life”** means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

**“Bank Deposit Secured Indebtedness”** means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by a pledge of one or more bank accounts, cash deposits or other assets of the Company or a Restricted Subsidiary or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange currencies or remit money into or outside the PRC.

**“Board of Directors”** means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

**“Board Resolution”** means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

**“Business Day”** means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or the place of business of the Paying Agent or in any other place in which payments on the Notes are to be made) are authorized or required by law or governmental regulation to close.

**“Capitalized Lease”** means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

**“Capitalized Lease Obligations”** means the discounted present value of the rental obligations under a Capitalized Lease.

**“Capital Stock”** means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

**“Certificated Notes”** means the Notes (with the Subsidiary Guarantees endorsed thereon), in certificated, registered form, executed and delivered by the Company (and each Subsidiary Guarantor) and authenticated by or on behalf of the Trustee in exchange for the Global Notes, upon the occurrence of the events set forth in the second sentence of Section 2.04(e).

**“Change of Control”** means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the direct or indirect sale of all or substantially all the consolidated assets of the Company to another Person (other than one or more Permitted Holders);
- (2) the Permitted Holders are collectively the beneficial owners (as such term is used in Rule 13d-3 of the Exchange Act) of less than 60% of the total voting power of the Voting Stock of the Company;

(3) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election or nomination to the Board of Directors was approved by a vote of at least a majority of the directors then still in office who were either directors on the Original Issue Date or whose election or nomination was previously so approved, cease for any reason to constitute a majority of the Board of Directors then in office; or

(4) the adoption of a plan relating to the liquidation or dissolution of the Company.

“**Change of Control Offer**” has the meaning assigned to such term in Section 4.12(a).

“**Change of Control Triggering Event**” means the occurrence of both a Change of Control and, *provided* that the Notes are rated by at least one Rating Agency, a Rating Decline.

“**Clearstream**” means Clearstream Banking S.A.

“**Commodity Hedging Agreement**” means any commodities swap agreement, commodities cap agreement, commodities floor agreement, commodities futures agreement, commodities option agreement or any other similar agreement or arrangement which may consist of one or more of the foregoing agreements, designed to manage commodities prices and commodities price risk.

“**Common Stock**” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of this Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

“**Company**” means the party named as such in the first paragraph of this Indenture or any successor obligor under this Indenture and the Notes pursuant to this Indenture.

“**Comparable Treasury Issue**” means the U.S. Treasury security having a maturity comparable to July 31, 2022 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity comparable to July 31, 2022.

“**Comparable Treasury Price**” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is available) Reference Treasury Dealer Quotations for such redemption date.

“**Consolidated Assets**” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of such Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent two semi-annual period for which consolidated financial statements of the Company and its

Restricted Subsidiaries (which the Company shall use its reasonable best efforts to compile on a timely basis and which may be internal consolidated financial statements) are available.

“**Consolidated EBITDA**” means, with respect to any Person for any period, Consolidated Net Income of such Person for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense;
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets); and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income;

all as determined on a consolidated basis for such Person and its Subsidiaries (excluding Unrestricted Subsidiaries) in conformity with GAAP; provided that (i) if any Restricted Subsidiary (other than a Variable Interest Entity) is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of the Restricted Subsidiaries; (ii) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV and (iii) if any Restricted Subsidiary is a Variable Interest Entity, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage interest in all service fees or related payments made by such Restricted Subsidiary under its VIE Contract to Persons other than the Company or a Restricted Subsidiary.

“**Consolidated Fixed Charges**” means, with respect to any Person for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of such Person or any of its Restricted Subsidiaries held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly-Owned Restricted Subsidiary.

**“Consolidated Interest Expense”** means, with respect to any Person for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of such Person and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by such Person and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by, or secured by a Lien on any asset of, such Person or any of its Restricted Subsidiaries, only to the extent that such interest has become payable by such Person or its Restricted Subsidiaries, and (7) any capitalized interest; *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

**“Consolidated Net Income”** means, with respect to any Person (the “Subject Person”) for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
  - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or as service fee or related payments under a VIE Contract (subject, in the case of a dividend or other distribution or service fee or related payments paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
  - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of the Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of the Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions or service fee or

related payments under a VIE Contract made by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other constitutive document or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or asset of the Company or any Restricted Subsidiary that is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company or a Restricted Subsidiary realized on sales of Capital Stock of the Company or of any Restricted Subsidiary);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains.

**“Consolidated Net Worth”** means, at any date of determination, stockholders’ equity as set forth on the most recently available quarterly, semiannual or annual consolidated balance sheet of the Company and the Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of the Restricted Subsidiaries, each item to be determined in conformity with GAAP.

**“Corporate Trust Office”** means the office of the Trustee at which the corporate trust business of the Trustee is principally administered, which at the date of this Indenture is located at One Canada Square, London E14 5AL, United Kingdom, Attn: Global Corporate Trust — Bright Scholar Education Holdings Limited; facsimile number: +44 207 964 2509.

**“Country Garden”** refers to Country Garden Holdings Company Limited, a company incorporated with limited liability under the laws of the Cayman Islands whose shares are listed on the Hong Kong Stock Exchange under stock code 2007.

**“Credit Facilities”** means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions or to issue securities arranged by such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions or in connection with securitization or similar transactions involving such assets), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued

pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder (provided that such increase is permitted under the covenant described under Section 4.05 or (4) otherwise altering the terms and conditions thereof.

“**Currency Hedging Agreement**” means any currency swap agreement, currency cap agreement, currency floor agreement, currency futures agreement, commodity option agreement or any other similar agreement or arrangement which may consist of one or more of the foregoing agreements, designed to manage currencies and currency risk.

“**Default**” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“**Disqualified Stock**” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the date that is 183 days after the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in Section 4.12 and Section 4.13 and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to Section 4.12 and Section 4.13.

“**Dollar Equivalent**” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the noon buying rate for U.S. dollars in New York City for cable transfers



as certified for customs purposes by the Federal Reserve Bank of New York on the date of determination.

**“Equity Offering”** means (i) any bona fide public or private offering of Capital Stock (other than Disqualified Stock) of the Company other than to Affiliates of the Company after the Original Issue Date or (ii) any bona fide underwritten secondary public offering or secondary private placement of Capital Stock (other than Disqualified Stock) of the Company beneficially owned by the Permitted Holders, after the Original Issue Date, to the extent that the Permitted Holders or a company controlled by such Person concurrently with such public offering or private placement purchases in cash an equal amount of Capital Stock (other than Disqualified Stock) from the Company at the same price as the public offering or private placing price; *provided* that (i) the aggregate gross cash proceeds received by the Company as a result of such offering described in clause (i) or (ii) or a combination thereof (excluding gross cash proceeds received from the Company or any of its Subsidiaries) shall be no less than US\$25.0 million (or the Dollar Equivalent thereof) and (ii) any such offering shall result in such Capital Stock being listed and eligible for dealing on the New York Stock Exchange.

**“Excess Proceeds”** has the meaning assigned to such term in Section 4.13(a).

**“Exchange Act”** means the United States Securities Exchange Act of 1934, as amended.

**“Exempted Subsidiary”** means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation or rule to provide a Subsidiary Guarantee *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

**“Euroclear”** means Euroclear Bank SA/NV.

**“Event of Default”** has the meaning assigned to such term in Section 6.01.

**“Fair Market Value”** means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

**“Final Maturity Date”** means July 31, 2022.

**“Fitch”** means Fitch Inc., a subsidiary of Fimalac, S.A., and its successors.

**“Fixed Charge Coverage Ratio”** means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two fiscal

semi-annual prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “**Two Semi-annual Period**”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(A) *pro forma* effect shall be given to any Indebtedness Incurred, repaid or redeemed during the period (the “**Reference Period**”) commencing on and including the first day of the Two Semi-annual Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Two Semi-annual Period), in each case as if such Indebtedness had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness;

(B) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate will be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Hedging Agreement applicable to such Indebtedness if such Interest Rate Hedging Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(C) *pro forma* effect will be given to the creation, designation or redesignation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(D) *pro forma* effect will be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(E) *pro forma* effect will be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

*provided* that to the extent that clause (D) or (E) of this definition requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation will be based upon the four full fiscal quarters

immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“**Further Issue**” has the meaning assigned to such term in Section 2.09.

“**Future Subsidiary Guarantor**” has the meaning assigned to such term in Section 11.09.

“**GAAP**” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“**Global Notes**” has the meaning assigned to such term in Section 2.04.

“**Guarantee**” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“**Guaranteed Indebtedness**” has the meaning assigned to such term in Section 4.10.

“**Hedging Obligation**” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement.

“**Holder**” means the Person in whose name a Note is registered in the Note register.

“**Incur**” means, with respect to any Indebtedness, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness; *provided* that (1) any Indebtedness and Disqualified Stock of a Person existing at the time such Person becomes a Restricted Subsidiary will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original

issue discount, the accrual of interest or dividend, the payment of interest in the form of additional indebtedness or the payment of dividend in the form of additional shares or Preferred Stock or Disqualified Stock shall not be considered an Incurrence of Indebtedness. The terms “Incurrence”, “Incurred” and “Incurring” have meanings correlative with the foregoing.

“**Indebtedness**” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations;
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends; and
- (10) any Preferred Stock issued by (a) such Person, if such Person is a Restricted Subsidiary or (b) any Restricted Subsidiary of such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligation, receipt in advance from students or any contingent obligations to refund payments (including any type of deposits received by such Person) to students (or guarantee thereof) Incurred in the ordinary course of a Permitted Business; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company and the Restricted Subsidiaries (contingent obligations and commitments referred to in a footnote to financial statements and not

otherwise reflected on the balance sheet as borrowings will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

(1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest; and

(3) that the amount of Indebtedness with respect to any Hedging Obligation shall be (i) zero if Incurred pursuant to Section 4.05(b)(v) or (ii) equal to the net amount payable by such Person if the Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement giving rise to such Hedging Obligation were terminated at that time due to default by such Person if not Incurred pursuant to Section 4.05(b)(v).

“**Indenture**” means this indenture (including all Exhibits hereto) as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

“**Independent Third Party**” means any Person that is not an Affiliate of the Company.

“**Initial Non-Guarantor Subsidiary**” means any Restricted Subsidiary of the Company on the Original Issue Date other than (i) the initial Subsidiary Guarantors named in Schedule I hereto, (ii) the PRC Non-Guarantor Subsidiaries and (iii) the Exempted Subsidiaries.

“**Interest Payment Date**” means January 31 and July 31 of each year, commencing January 31, 2020.

“**Interest Rate Hedging Agreement**” means any interest rate swap agreement, interest rate cap agreement, interest rate floor agreement, interest rate future contract, interest rate option agreement or any other similar agreement or arrangement which may consist of one or more of any of the foregoing agreements, designed to manage interest rates and interest rate risk.

“**Interest Record Date**” means the date specified as the interest record date in the forms of the Notes attached hereto as Exhibits A and C.

**“Investment”** means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock (or options, warrants or other rights to acquire such Capital Stock), Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of Sections 4.06 and 4.18, (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company’s proportionate interest in the assets (net of the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary calculated as of the time of such designation, (2) if the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Investment of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Company, the Company will be deemed to have made an investment on the date of any such sale or disposition equal to the Fair Market Value of the Company’s Investments in such Subsidiary that were not sold or disposed of; (3) the acquisition by the Company or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person; and (4) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

**“Investment Grade”** means a rating of “AAA”, “AA”, “A” or “BBB”, as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, a rating of “Aaa”, “Aa”, “A” or “Baa”, as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s or any of its successors or assigns, or a rating of “AAA”, “AA”, “A” or “BBB”, as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody’s or Fitch or two or three of them, as the case may be.

**“Jointly Controlled Entity”** means any corporation, association or other business entity primarily engaged in a Permitted Business, of which at least 20% of the

voting power of the outstanding Capital Stock is owned, directly or indirectly, by the Company or any Restricted Subsidiary and which is treated as a “jointly controlled entity” in accordance with GAAP, and such Jointly Controlled Entity’s Subsidiaries.

“**Lien**” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“**Moody’s**” means Moody’s Investors Service, Inc. and its successors.

“**Net Cash Proceeds**” means:

(1) with respect to any Asset Sale (other than the issuance or sale of Capital Stock), the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

(a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

(b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and the Restricted Subsidiaries, taken as a whole;

(c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and

(d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP and reflected in an Officers’ Certificate delivered to the Trustee; and

(2) with respect to any Asset Sale consisting of the issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“**Non-Guarantor Subsidiary**” means any Restricted Subsidiary that is not a Subsidiary Guarantor.

“**Notes**” has the meaning assigned to such term in the Recitals of this Indenture.

“**Offer to Purchase**” means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

- (1) the provision in this Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or any amount in excess thereof which is an integral multiple of US\$1,000.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Company for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or



portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and upon receipt of written order of the Company signed by an Officer, the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or any amount in excess thereof which is an integral multiple of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of this Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in this Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

**"Officer"** means one of the executive officers of the Company or, in the case of a Restricted Subsidiary, one of the directors or officers of such Restricted Subsidiary.

**"Officers' Certificate"** means a certificate signed by two Officers; *provided, however*, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor under this Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

**"Opinion of Counsel"** means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or any Restricted Subsidiary.

**"Original Issue Date"** means the date on which the Notes are originally issued under this Indenture.

“**outstanding**” when used with respect to the Notes means, as of the date of determination, all Notes theretofore authenticated and delivered under this Indenture, except:

- (1) Notes theretofore cancelled by the Paying Agent or accepted by the Paying Agent for cancellation;
- (2) Notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee (in trust) or any Paying Agent for the Holders of such Notes; *provided* that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor has been made; and
- (3) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture.

A Note does not cease to be outstanding because the Company or any Affiliate of the Company holds the Note; *provided* that in determining whether the Holders of the requisite amount of outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver under this Indenture, Notes owned by the Company or any Affiliate of the Company or beneficially held for the Company or an Affiliate of the Company shall be disregarded and deemed not to be outstanding, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such request, demand, authorization, direction, notice, consent or waiver, only Notes for which the Trustee has received an Officers’ Certificate from the Company or an Affiliate of the Company evidencing such ownership or beneficial holding shall be so disregarded. Notes so owned or beneficially held that have been pledged in good faith may be regarded as outstanding if the pledgee establishes its right to act with respect to such Notes and that the pledgee is not the Company or an Affiliate of the Company.

“**Pari Passu Guarantee**” means a Guarantee by the Company or any Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor, as the case may be; *provided* that (1) the Company and such Subsidiary Guarantor were permitted to Incur such Indebtedness under Section 4.05 and (2) such Guarantee ranks *pari passu* with the Notes or any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, as the case may be.

“**Paying Agent**” means the paying agent with respect to the Notes appointed pursuant to Section 7.10 or a Paying Agent Appointment Letter in the form of Exhibit E.

“**Payment Date**” has the meaning assigned to such term in Section 4.01(a).

“**Permitted Businesses**” means any business which is the same as or ancillary or complementary to any of the businesses of the Company and the Restricted Subsidiaries on the Original Issue Date.

“**Permitted Holders**” means any or all of the following:

- (1) Ms. Meirong Yang;

- (2) Ms. Huiyan Yang;
- (3) any Affiliate (other than an Affiliate as defined in clause (2) of the definition of Affiliate) of the Person specified in clauses (1) and (2); and
- (4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1), (2) and (3).

“**Permitted Indebtedness**” has the meaning assigned to such term in Section 4.05(b).

“**Permitted Investment**” means:

- (1) any Investment in the Company or a Restricted Subsidiary that is, directly or indirectly, primarily engaged in a Permitted Business (including the purchase or acquisition of Capital Stock of such Restricted Subsidiary) or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or will be merged or consolidated with or into, or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is, directly or indirectly, primarily engaged in a Permitted Business;
- (2) cash or Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed to reduce or manage the exposure of the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables, trade credits or other current assets owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments consisting of consideration received in connection with an Asset Sale under Section 4.13(a)(iv)(2), and made in compliance with Section 4.13;
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens”;
- (10) loans or advances to vendors, contractors, suppliers or distributors, including advance payments for equipment and machinery made to the manufacturer

thereof, of the Company or any Restricted Subsidiary in the ordinary course of business and dischargeable in accordance with customary trade terms;

(11) Investments in existence on the Original Issue Date;

(12) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers' compensation claims, welfares and social benefits and other purposes specified by statute or regulation from time to time in the ordinary course of business of the Company or any Restricted Subsidiary;

(13) any Investments (or deemed Investments) having an aggregate Fair Market Value (measured on the date each such Investment is made and without giving effect to subsequent changes in value), taken together with all other Investments made pursuant to this clause (13) that are at the time outstanding, not to exceed an amount equal to 20.0% of Total Assets;

(14) Investments made pursuant to the 2018 Partnership Agreement;

(15) Investments in securities of trade creditors or trade debtors received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor or trade debtor;

(16) payments made pursuant to any Staged Acquisition Agreement;

(17) Guarantees permitted under Section 4.05;

(18) repurchases or redemption of the Notes;

(19) Investments made by the Company or any Restricted Subsidiary to the extent that the portion of such Investment consists solely of the Capital Stock of the Company in connection with acquisition of assets, Capital Stock or other securities by the Company or such Restricted Subsidiary; and

(20) Investments in existence on the Original Issue Date.

**"Permitted Liens"** means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens (including retention of title) arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds, warranty, product liability and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and the Restricted Subsidiaries, taken as a whole;

(5) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person (i) becomes a Restricted Subsidiary or (ii) is merged with or into or consolidated with the Company or any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets of such Person (if such Person becomes a Restricted Subsidiary) or the property or assets acquired by the Company or such Restricted Subsidiary (if such Person is merged with or into or consolidated with the Company or such Restricted Subsidiary); *provided* further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(6) Liens in favor of the Company or any Restricted Subsidiary;

(7) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that do not give rise to an Event of Default;

(8) Liens securing reimbursement obligations with respect to letters of credit, trade guarantees, performance and surety bonds and completion guarantees and similar instruments that encumber documents and other property relating to such letters of credit and the products and proceeds thereof or liens in favor of any bank or financial institution having a right of setoff, revocation, refund or chargeback or similar rights or remedies with respect to money or instruments of the Company or any Restricted Subsidiary on deposit with or in possession of such bank or financial institution;

(9) Liens existing on the Original Issue Date;

(10) Liens securing Indebtedness which is Incurred to refinance Indebtedness which is permitted to be Incurred under Section 4.05(b)(iv), *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(11) Liens securing Hedging Obligations permitted to be Incurred under Section 4.05(b)(v), *provided* that (i) Indebtedness relating to any such Hedging Obligation is, and is permitted under the covenant described under Section 4.07 to be, secured by a Lien on the same property securing such Hedging Obligation or (ii) such Liens are encumbering customary initial deposits or margin deposits or are otherwise within the general parameters customary in the industry and incurred in the ordinary

course of business or (iii) such Liens secure obligations set forth under Interest Rate Hedging Agreements designed to reduce or manage interest expenses;

(12) Liens securing Attributable Indebtedness that is permitted to be Incurred under this Indenture;

(13) any interest or title of a lessor under any Capitalized Lease Obligation permitted to be Incurred under this Indenture; *provided*, however, that the Liens do not extend to any property or assets which is not leased property subject to such Capitalized Lease Obligation;

(14) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(15) any interest or title of a lessor in the property subject to any operating lease;

(16) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers' compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(17) Liens on deposits securing trade letters of credit (and reimbursement obligations relating thereto) incurred in the ordinary course;

(18) Liens securing Indebtedness of the type described under Section 4.05(b)(xi); *provided* that such Lien (i) covers only the equipment, property or assets acquired, developed, constructed or improved with such Indebtedness and (ii) is created prior to, at the same time of or within 180 days after the latest of (A) the completion of such acquisition, (B) the completion of development, construction or improvement of such equipment, property or asset and (C) the due date of the respective payments in connection with such acquisition, development, construction or improvement; *provided further* that, in the case of clause (i) such Lien may cover other property or assets (instead of or in addition to such item of equipment, property or asset) if the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount or aggregate committed amount of Indebtedness secured by such Liens;

(19) Liens securing Indebtedness permitted to be incurred under clause 2(l) of the covenant described under Section 4.05(b)(xiii);

(20) Liens securing Indebtedness permitted under Section 4.05(b)(xiv);

(21) Liens to secure Bank Deposit Secured Indebtedness Incurred pursuant to Section 4.05(b)(xvi);

(22) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under Section 4.05(b)(xvii);

(23) Liens arising solely by virtue of any statutory or common law provisions relating to banks' Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository institution;

(24) Liens securing Indebtedness permitted to be Incurred under Section 4.05(b)(xv) or Section 4.05(b)(xviii) or Section 4.05(b)(xx);

(25) other Liens incurred on property or assets the aggregate book value of which (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements), or, if acquired subsequent to the date of such consolidated financial statements as reflected in the Company's accounting system) does not exceed US\$10.0 million; and

(26) Liens on the Capital Stock of any (x) any Person that is not a Restricted Subsidiary solely to secure Indebtedness of such Person; or (y) non-Wholly Owned Subsidiary or joint venture in the form of a transfer restriction, purchase option, call or similar right of a third party joint venture partner.

**"Permitted Refinancing Indebtedness"** has the meaning assigned to such term in Section 4.05(b)(iv).

**"Permitted Subsidiary Indebtedness"** means Indebtedness of any Non-Guarantor Subsidiary; *provided* that, on the date of Incurrence of such Indebtedness, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding any Indebtedness of any Restricted Subsidiary permitted under Section 4.05(b)(i), Section 4.05(b)(iii), Section 4.05(b)(v), Section 4.05(b)(vi) or Section 4.05(b)(xii) does not exceed an amount equal to 15% of Total Assets (or the Dollar Equivalent thereof).

**"Person"** means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

**"PRC"** means the People's Republic of China, excluding Hong Kong Special Administrative Region, Macau and Taiwan.

**"PRC CJV"** means any future Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on September 3, 2016 and effective on October 1, 2016) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on

**“PRC CJV Partner”** means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

**“Preferred Stock”** as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

**“Principal Office”** means the office of the Paying Agent and Transfer Agent at which the business of the Paying Agent and Transfer Agent is principally administered, which at the date of this Indenture is located at One Canada Square, London E14 5AL, United Kingdom and Vertigo Building-Polaris, 2-4 rue Eugène Ruppert, L-2453, Luxembourg, respectively.

**“principal”** of any Indebtedness means the principal amount of such Indebtedness (or if such Indebtedness was issued with original issue discount, the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness), together with, unless the context otherwise indicates, any premium then payable on such Indebtedness.

**“Rating Agencies”** means (1) S&P, (2) Moody’s and (3) Fitch; *provided* that if S&P, Moody’s, Fitch, two of any of the three or all three of them shall not make a rating of the Notes publicly available, one or more nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody’s, Fitch, two of any of the three or all three of them, as the case may be.

**“Rating Category”** means (1) with respect to S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody’s or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for S&P; “1,” “2” and “3” for Moody’s and “+” and “-” for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB,” as well as from “BB-” to “B+,” will constitute a decrease of one gradation).

**“Rating Date”** means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the



Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under Article 5, that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

**“Rating Decline”** means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under Article 5, the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such two Rating Agencies shall be below Investment Grade;

(c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(d) in the event the Notes are (i) rated by less than three Rating Agencies or (ii) rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

**“Reference Treasury Dealer”** means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

**“Reference Treasury Dealer Quotations”** means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company in good faith, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. (New York City Time) on the third Business Day preceding such redemption date.

**“Register”** has the meaning assigned to such term in Section 2.05.

**“Registrar”** has the meaning assigned to such term in Section 2.05.

**“Regulation S”** means Regulation S under the Securities Act.

“**Relevant Jurisdiction**” has the meaning assigned to such term in Section 4.20(a).

“**Relevant Taxing Jurisdiction**” has the meaning assigned to such term in Section 4.20(a).

“**Replacement Assets**” has the meaning assigned to such term in Section 4.13(b)(ii).

“**Restricted Payments**” has the meaning assigned to such term in Section 4.06.

“**Restricted Subsidiary**” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“**S&P**” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

“**Sale and Leaseback Transaction**” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended.

“**Significant Restricted Subsidiary**” means any Restricted Subsidiary or any group of Restricted Subsidiaries that, taken together, would be a “significant subsidiary” using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of this Indenture, if any of the conditions exceeds 5 percent.

“**Staged Acquisition Agreement**” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire 50% or more of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time; *provided* that such Person is either a Restricted Subsidiary or will become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement and that such completion shall occur within one year of the date of such agreement.

“**Stated Maturity**” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“**Subordinated Indebtedness**” means any Indebtedness of the Company or any Subsidiary Guarantor that is contractually subordinated or junior in right of payment to the Notes or to any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“**Subsidiary**” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is “controlled” and consolidated by such Person in accordance with GAAP; *provided, however*, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under Section 4.17(a). Each Variable Interest Entity and each VIE Subsidiary will be considered a Subsidiary of the Company.

“**Subsidiary Guarantee**” means any Guarantee of the obligations of the Company under this Indenture and the Notes by any Subsidiary Guarantor.

“**Subsidiary Guarantor**” means the initial Subsidiary Guarantors named in Schedule I hereto and any other Restricted Subsidiary that Guarantees the obligations of the Company under this Indenture and the Notes; *provided* that “Subsidiary Guarantor” does not include any Person whose Subsidiary Guarantee has been released in accordance with this Indenture and the Notes.

“**Surviving Person**” has the meaning assigned to such term in Section 5.01(a).

“**Tax Redemption Date**” has the meaning assigned to such term in Section 3.01.

“**Temporary Cash Investment**” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the United Kingdom, Hong Kong, the PRC or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the United Kingdom, Hong Kong, the PRC or any agency of any of the foregoing, in each case maturing within one year;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company that is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area, the United Kingdom, Hong Kong or the PRC and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such

similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act);

- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P or Fitch;
- (5) securities maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P, Moody’s or Fitch;
- (6) any money market fund that has at least 95.0% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with (i) any bank, trust company or other financial institution organized under the laws of the PRC, Hong Kong, the United Kingdom, Canada or the United States; (ii) any other bank, trust company or other financial institutions organized under the laws of any other jurisdictions whose long-term debt is rated as high or higher than any of those banks listed in clause (i) of this paragraph; or (iii) any other bank or other financial institutions organized under the laws of any other jurisdictions; *provided* that, in the case of clause (iii), such deposits do not exceed US\$30.0 million (or the Dollar Equivalent thereof) with any single bank or US\$50.0 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination thereafter; and
- (8) structured deposit products with any bank or financial institution organized under the laws of the PRC if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months’ notice.

“**Total Assets**” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last date of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) *provided* that

- (1) only with respect to Section 4.05(b)(xi)(B) and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving *pro forma* effect to include the cumulative value of all the equipment, property or assets the acquisition, construction or improvement of which requires or required the Incurrence of

Indebtedness and calculation of Total Assets thereunder in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness; and

(2) only with respect to Section 4.05(b)(xvii), with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary.

“**Trade Payables**” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“**Transaction Date**” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“**Transfer Agent**” means the transfer agent with respect to the Notes appointed pursuant to Section 7.10 or a Paying Agent Appointment Letter in the form of Exhibit E.

“**Trustee**” means the party named as such in the first paragraph of this Indenture or any successor trustee under this Indenture pursuant to Article 7.

“**Unrestricted Subsidiary**” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in this Indenture and (2) any Subsidiary of an Unrestricted Subsidiary.

“**U.S. Government Obligations**” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“**U.S. Person**” has the meaning assigned to such term in Regulation S.

“**Variable Interest Entity**” means any variable interest entity that the Company is required to consolidate at any time pursuant to the GAAP. Such term shall not include any VIE Subsidiary.

“**VIE Contract**” means, with respect to any Variable Interest Entity, contractual arrangements that requires the Company to consolidate such Variable Interest Entity for financial reporting purposes pursuant to the GAAP by virtue of enabling the Company to (1) have power to direct the activities that most significantly affect the economic performance of the Variable Interest Entity, and (2) receive the economic benefits of the Variable Interest Entity that could be significant to the Variable Interest Entity.

“**VIE Subsidiary**” means any Subsidiary of a Variable Interest Entity.

“**Voting Stock**” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“**Wholly Owned**” means, with respect to any Restricted Subsidiary, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by the Company or one or more Wholly Owned Subsidiaries of the Company; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries.

Section 1.02. *Rules of Construction.* Unless the context otherwise requires or except as otherwise expressly provided,

(a) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(b) “herein,” “hereof” and other words of similar import refer to this Indenture as a whole and not to any particular Section, Article or other subdivision;

(c) all references to any Person include the successors and permitted assigns of that Person;

(d) all references to Sections or Articles or Exhibits refer to Sections or Articles or Exhibits of or to this Indenture unless otherwise indicated; and

(e) references to agreements or instruments, or to statutes or regulations, are to such agreements or instruments, or statutes or regulations, as amended, modified or supplemented from time to time (or to successor statutes and regulations).

## ARTICLE 2 ISSUE, EXECUTION, FORM AND REGISTRATION OF NOTES

Section 2.01. *Authentication and Delivery of Notes and Subsidiary Guarantees.* Upon the execution and delivery of this Indenture, or from time to time thereafter, Notes

may be executed and delivered by the Company, with the Subsidiary Guarantees endorsed thereon by the Subsidiary Guarantors, in an aggregate principal amount outstanding of not more than US\$300,000,000 (other than Notes issued pursuant to Section 2.09) to the Trustee or an Authenticating Agent for authentication, accompanied by an Officers' Certificate of the Company directing such authentication and specifying the amount of Notes (with the Subsidiary Guarantees endorsed thereon) to be authenticated, the applicable rate at which interest will accrue on such Notes, the date on which the original issuance of such Notes (with the Subsidiary Guarantees endorsed thereon) is to be authenticated, the date from which interest will begin to accrue, the date or dates on which interest on such Notes will be payable and the date on which the principal of such Notes will be payable and other terms relating to such Notes and the Subsidiary Guarantees. The Trustee or an Authenticating Agent shall thereupon authenticate and deliver such Notes (with the Subsidiary Guarantees endorsed thereon) to or upon the written order of the Company (as set forth in such Officers' Certificate) signed by two Authorized Officers.

The Trustee and the Authenticating Agent shall have the right to decline to authenticate and deliver any Notes under this Section if such action may not lawfully be taken or if such action would expose the Trustee or the Authenticating Agent to personal liability, unless indemnity and/or security and/or pre-funding satisfactory to the Trustee or the Authenticating Agent, as applicable, against such liability is provided to the Trustee or the Authenticating Agent, as applicable.

Section 2.02. *Execution of Notes and Subsidiary Guarantees.* (a) The Notes shall be executed by or on behalf of the Company by the signature of an Authorized Officer of the Company. Each of the Subsidiary Guarantors shall execute the Subsidiary Guarantees by the signature of an Authorized Officer of such Subsidiary Guarantor. Such signatures may be the manual or facsimile signature of the present or any future Authorized Officers. With the delivery of this Indenture, the Company and each initial Subsidiary Guarantor is furnishing, and from time to time thereafter, the Company and each Subsidiary Guarantor may furnish to both the Trustee and the Authenticating Agent, a certificate substantially in the form of Exhibits D-1 and D-2 (an "**Authorization Certificate**") identifying and certifying the incumbency and specimen (or facsimile) signatures of the Authorized Officers. Until the Trustee and the Authenticating Agent receive a subsequent Authorization Certificate, the Trustee and the Authenticating Agent shall be entitled to conclusively rely on the last Authorization Certificate delivered to them for purposes of determining the Authorized Officers. Typographical and other minor errors or defects in any signature shall not affect the validity or enforceability of any Note which has been duly authenticated and delivered by or on behalf of the Trustee or the Authenticating Agent.

(b) In case the Authorized Officers who shall have signed any of the Notes or any of the Subsidiary Guarantees thereon, as applicable, shall cease to be such Authorized Officers before the Note (with the Subsidiary Guarantees endorsed thereon) shall be authenticated and delivered by or on behalf of the Trustee or disposed of by or on behalf of the Company, such Note (with the Subsidiary Guarantees endorsed thereon) nevertheless may be authenticated and delivered or disposed of as though the Persons who signed such Note and the Subsidiary Guarantees had not ceased to be such

Authorized Officers; and any Note may be signed on behalf of the Company and any Subsidiary Guarantee may be signed on behalf of the Subsidiary Guarantors by such Persons as, at the actual date of the execution of such Note and Subsidiary Guarantee, shall be Authorized Officers, although at the date of the execution and delivery of this Indenture any such Persons were not Authorized Officers.

Section 2.03. *Certificate of Authentication.* Only such Notes (with the Subsidiary Guarantees endorsed thereon) as shall bear thereon a certification of authentication substantially as set forth in the forms of the Notes in Exhibits A and C hereto, executed by the Trustee or an Authenticating Agent by manual signature of one of its authorized signatories, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certification by the Trustee or an Authenticating Agent upon any Note executed by or on behalf of the Company (with the Subsidiary Guarantees endorsed thereon) shall be conclusive evidence that the Note (with the Subsidiary Guarantees endorsed thereon) so authenticated has been duly authenticated and delivered hereunder and that the Holder thereof is entitled to the benefits of this Indenture.

Section 2.04. *Form, Denomination and Date of Notes; Payments.* (a) The Notes, the Subsidiary Guarantees and the certificates of authentication shall be substantially in the form set forth in Exhibits A and C hereof. On the Original Issue Date, the Notes shall be issued in the form provided in Section 2.04(c). The Notes (with the Subsidiary Guarantees endorsed thereon) shall be numbered, lettered, or otherwise distinguished in such manner or in accordance with the instructions set forth in the applicable Officers' Certificate and delivered by the Authorized Officers of the Company executing the same with the approval of the Trustee.

The Notes (with the Subsidiary Guarantees endorsed thereon) may be issued with appropriate insertions, omissions, substitutions and variations, and may have imprinted or otherwise reproduced thereon such legend or legends, not inconsistent with the provisions of this Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto, with the rules of any securities market in which the Notes are admitted to trading, or to conform to general usage.

(b) Each Note (with the Subsidiary Guarantees endorsed thereon) shall be dated the date of its authentication. Each Note shall bear interest from the date of issuance thereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for and shall be payable on the dates specified on the face of the form of Note set forth as Exhibits A and C hereto. Interest on the Notes shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

(c) On the Original Issue Date, an appropriate Authorized Officer will execute and deliver to the Trustee or the Authenticating Agent for the Notes (together with any other global notes for the Notes issued after the Original Issue Date, the "**Global Notes**"), with the Subsidiary Guarantees endorsed thereon, in definitive, fully registered form without interest coupons, in a denomination of US\$200,000 or any amount in excess thereof which is an integral multiple of US\$1,000, substantially in the form of Exhibit C hereto; all such Notes (with the Subsidiary Guarantees endorsed thereon) so executed and delivered to the Trustee or the Authenticating Agent pursuant to this subsection (c) on the



Original Issue Date shall be in an aggregate principal amount that shall equal the aggregate principal amount of the Notes that are to be issued on the Original Issue Date. The aggregate principal amount of the Global Notes may from time to time be increased or decreased by adjustments made on the records of The Bank of New York Mellon, London Branch (the “**Common Depositary**”).

(d) Each Global Note shall be delivered by or on behalf of the Trustee to, and registered in the name of, the Common Depositary or its nominee for the accounts of Euroclear and Clearstream, and each Global Note and Certificated Note shall bear a legend substantially to the following effect:

“THIS NOTE AND THE SUBSIDIARY GUARANTEES RELATED TO THIS NOTE (COLLECTIVELY, THE “**SECURITY**”) HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.”

Each Global Note shall in addition bear a legend substantially to the following effect:

“UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE BANK OF NEW YORK MELLON, LONDON BRANCH, AS COMMON DEPOSITARY (“**COMMON DEPOSITARY**”) FOR EUROCLEAR BANK SA/NV (“**EUROCLEAR**”) AND CLEARSTREAM BANKING, S.A. (“**CLEARSTREAM**”) TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF THE COMMON DEPOSITARY OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITARY (AND ANY PAYMENT IS MADE TO THE COMMON DEPOSITARY OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, THE COMMON DEPOSITARY, HAS AN INTEREST HEREIN.”

Global Notes may be deposited with such other Common Depositary as the Company may from time to time designate in writing to the Trustee, and shall bear such legend as may be appropriate.

(e) If (1) the Common Depositary or any successor to the Common Depositary is at any time unwilling or unable to continue as a depositary for the reasons described in this Indenture and a successor depositary is not appointed by the Company

within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with Section 6.01 and Section 6.02 and the Company has received a written request from a Holder, the Company will issue Certificated Notes in registered form in exchange for the Global Note. Upon receipt of such notice from the Common Depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the Common Depositary for the exchange of interests in the Global Note for Certificated Notes and cause the requested Certificated Notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the Registrar for delivery to Holders. Persons exchanging interests in a Global Note for Certificated Notes will be required to provide to the Registrar, through the relevant clearing system, written instructions and other information required by the Company and the Registrar to complete, execute and deliver such Certificated Notes. In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

(f) Global Notes shall in all respects be entitled to the same benefits under this Indenture as Certificated Notes authenticated and delivered hereunder.

(g) The Person in whose name any Note is registered at the close of business on any Interest Record Date with respect to any Interest Payment Date shall be entitled to receive the interest, if any, payable on such Interest Payment Date notwithstanding any transfer or exchange of such Note subsequent to the Interest Record Date and prior to such Interest Payment Date.

Section 2.05. *Registration, Transfer and Exchange.* The Notes are issuable only in registered form. The Company will keep at the office or agency to be maintained for the purpose as provided in Section 4.02 (the “**Registrar**”), a register (the “**Register**”) in which, subject to such reasonable regulations as it may prescribe, it will register, and will register the transfers of, Notes as provided in this Article 2. The name and address of the registered holder of each Note and the amount of each Note will be recorded in the Register. Such Register shall be in written form in the English language or in any other form capable of being converted into such form within a reasonable time. Such Register shall be open for inspection by or on behalf of the Trustee during normal business hours upon prior written request.

Upon due presentation for registration of transfer of any Note, the Company shall execute and the Trustee or an Authenticating Agent shall authenticate and deliver in the name of the transferee or transferees a new Note or Notes in authorized denominations for a like aggregate principal amount.

A Holder may register the transfer of a Note only by written application to the Registrar stating the name of the proposed transferee and otherwise complying with the terms of this Indenture. No such registration of transfer shall be effected until, and such transferee shall succeed to the rights of a Holder only upon, final acceptance and

registration of the transfer by the Registrar in the Register. Prior to the registration of any transfer by a Holder as provided herein, the Company, the Trustee and any agent of any of them shall treat the Person in whose name the Note is registered as the owner and Holder thereof for all purposes (whether or not the Note shall be overdue), and neither the Company, the Trustee, nor any such agent shall be affected by notice to the contrary. Furthermore, any Holder of a Global Note shall, by acceptance of such Global Note, agree that transfers of beneficial interests in such Global Note may be effected only through a book-entry system maintained by the Common Depositary, Euroclear and Clearstream and that ownership of a beneficial interest in the Note shall be required to be reflected in a book entry. At the option of such Holder, Notes may be exchanged for other Notes of any authorized denomination and of a like aggregate principal amount, upon surrender of the Notes to be exchanged to the Registrar. When Notes are presented to the Registrar with a request to register the transfer or to exchange them for an equal principal amount of Notes of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested if the requirements for such transactions set forth herein are met. To permit registrations of transfers and exchanges, the Company and each Subsidiary Guarantor shall execute and the Trustee or an Authenticating Agent shall authenticate Notes at the Company's request.

Every Note presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Registrar) be duly endorsed, or be accompanied by a written instrument of transfer duly executed, by the Holder thereof or his attorney duly authorized in writing in a form satisfactory to the Company and the Registrar.

The Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of Notes (other than any such transfer taxes or other similar governmental charge payable upon exchanges). No service charge to any Holder shall be made for any such transaction.

The Company shall not be required (i) to issue, register the transfer of or exchange any Note for a period of 15 days preceding the first giving of notice of redemption of Notes to be redeemed or, pursuant to an Offer to Purchase, purchased, (ii) to register the transfer of or exchange any Note so selected for redemption or purchase in whole or in part, except, in the case of a partial redemption or purchase, that portion of any Note not being redeemed or purchased, or (iii) if a redemption or a purchase pursuant to an Offer to Purchase is to occur after an Interest Record Date but on or before the corresponding Interest Payment Date, to register the transfer of or exchange any Note on or after the Interest Record Date and before the date of redemption or purchase.

All Notes issued upon any transfer or exchange of Notes shall be valid obligations of the Company, evidencing the same debt and entitled to the same benefits under this Indenture, as the Notes surrendered upon such transfer or exchange.

Claims against the Company for the payment of principal of, premium, if any, or interest on the Notes will become void unless presentation for payment is made as required in this Indenture within a period of six years.

Section 2.06. *Book-entry Provisions for Global Notes.* Ownership of beneficial interests in the Global Notes (the “**book-entry interests**”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as provided in Section 2.04(e), the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests

Section 2.07. *[Reserved]*.

Section 2.08. *Mutilated, Defaced, Destroyed, Stolen and Lost Notes.* (a) The Company shall execute and deliver to the Trustee Certificated Notes in such amounts and at such times as to enable the Trustee to fulfill its responsibilities under this Indenture and the Notes.

(b) In case any Note shall become mutilated, defaced or be apparently destroyed, lost or stolen, upon the request of the registered holder thereof, the Company in its discretion may execute, and, upon the written request of Authorized Officers of the Company, the Trustee or an Authenticating Agent shall authenticate and deliver, a new Note (with each Subsidiary Guarantee endorsed thereon), bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated or defaced Note, or in lieu of and substitution for the Note so apparently destroyed, lost or stolen. In every case the applicant for a substitute Note shall furnish to the Company, the Subsidiary Guarantors and the Trustee, and any agent of the Company, the Subsidiary Guarantors or the Trustee such security and/or indemnity as may be required by each of them to indemnify and defend and to save each of them harmless and, in every case of destruction, loss or theft, evidence to their satisfaction of the apparent destruction, loss or theft of such Note and of the ownership thereof. Upon the issuance of any substitute Note, such Holder, if so requested by the Company, the Subsidiary Guarantors or the Trustee, or any agent thereof, will pay a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee or its agent(s)) connected with the preparation and issuance of the substitute Note. The Trustee is hereby authorized, in accordance with and subject to the foregoing conditions in this clause (b), to authenticate and deliver, or cause the authentication and delivery of, from time to time, Notes (with each Subsidiary Guarantee endorsed thereon) in exchange for or in lieu of Notes (with each Subsidiary Guarantee endorsed thereon), respectively, which become mutilated, defaced, destroyed, stolen or lost. Each Note delivered in exchange for or in lieu of any Note shall carry all the rights to principal, premium (if any), interest (including rights to accrued and unpaid interest and Additional Amounts) which were carried by such Note.

(c) Mutilated or defaced Certificated Notes must be surrendered before replacements will be issued. In the event any such mutilated, defaced, destroyed, lost or stolen certificate has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new certificate, pay such Notes.

Section 2.09. *Further Issues.* Subject to the covenants described in Article 4 and in accordance with the terms of this Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (such Notes, the “**Additional Notes**”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under Section 4.05. In connection with any such issuance of Additional Notes, the Company shall deliver an Officers’ Certificate to the Trustee directing the Trustee or an Authenticating Agent to authenticate and deliver Additional Notes in an aggregate principal amount specified therein and the Trustee or an Authenticating Agent, in accordance with such Officers’ Certificate, shall authenticate and deliver such Additional Notes. The aggregate principal amount of Notes which may be authenticated and delivered under this Indenture is unlimited.

Section 2.10. *Cancellation of Notes; Disposition Thereof.* All Notes surrendered for payment, redemption, registration of transfer or exchange, if surrendered to the Company or any agent of the Company or the Trustee, shall be delivered to the Paying Agent and Transfer Agent for cancellation or, if surrendered to the Paying Agent and Transfer Agent, shall be canceled by it; and no Notes shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. The Paying Agent and Transfer Agent shall dispose of canceled Notes held by it in accordance with its customary procedures, and (upon the written request of the Company) deliver a certificate of disposition to the Company. If the Company shall acquire any of the Notes, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Notes unless and until the same are delivered to the Paying Agent and Transfer Agent for cancellation.

Section 2.11. *ISIN or Common Code Numbers.* The Company in issuing the Notes may use “ISIN or Common Code” numbers (if then generally in use), and, if so, the Trustee and the Paying Agent shall use for the Notes “ISIN or Common Code” numbers in notices of redemption as a convenience to Holders; *provided* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee and the Paying Agent of any change in the “ISIN or Common Code” numbers.

ARTICLE 3  
REDEMPTION

Section 3.01. *Redemption for Taxation Reasons.* (a) The Notes may be redeemed at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and the Trustee (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "**Tax Redemption Date**") if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations, or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (or in the case of an official position, is announced) (i) except provided in (ii) immediately below, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor or Surviving Person that is organized or tax resident in a jurisdiction that has not already been a Relevant Taxing Jurisdiction prior to the date on which such person became a Subsidiary Guarantor or a Surviving Person, on or after the date such Future Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor or a Surviving Person, with respect to any payment due or to become due under the Notes, the Subsidiary Guarantee or this Indenture, the Company, a Subsidiary Guarantor or a Surviving Person, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Subsidiary Guarantor or a Surviving Person, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Subsidiary Guarantor or a Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

(b) Prior to the giving of any notice of redemption of the Notes pursuant to Section 3.01(a), the Company, a Subsidiary Guarantor or a Surviving Person, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before Tax Redemption Date:

- (1) an Officers' Certificate stating that such change or amendment or statement of an official position referred to in Section 3.01(a) has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Subsidiary

Guarantor or a Surviving Person, as the case may be, taking reasonable measures available to it; and

- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment in statement of an official position referred to above.

The Trustee shall be entitled to accept and conclusively rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders. The Trustee will not be responsible for any loss occasioned by acting in reliance on such certificate and opinion, and is not obligated to investigate or verify any information in such certificate and opinion.

- (c) Any Notes that are redeemed for tax reasons will be cancelled.

Section 3.02. *Optional Redemption.*

(a) The Company may at its option redeem the Notes, in whole but not in part, at any time prior to July 31, 2022, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents is responsible for calculating or verifying the Applicable Premium.

(b) At any time and from time to time prior to July 31, 2022, the Company may at its option redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 107.45% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

(c) The Company will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee in accordance with this Indenture. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (i) if the Notes are listed on any securities exchange or are held through a clearing system, in compliance with the requirements of the principal securities exchange on which the Notes are listed (if any) or the requirements of the clearing system; or
- (ii) if the Notes are not listed on any securities exchange on a pro rata basis, by lot or by such other method as the Trustee in its sole and absolute

discretion deems fair and appropriate unless otherwise required by law or by applicable clearing system requirements.

(d) A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption.

(e) If the Company elects to redeem the Notes pursuant to the optional redemption provisions of Section 3.02 hereof, it must furnish to the Trustee, at least 30 days but not more than 60 days before a redemption date, an Officers' Certificate setting forth:

- (i) the clause of this Indenture pursuant to which the redemption shall occur;
- (ii) the redemption date;
- (iii) the principal amount of the Notes to be redeemed; and
- (iv) the redemption price.

(f) The Company shall, at least 5 Business Days (or such shorter period as agreed between the Company and the Trustee) prior to the date when the notice of redemption is sent to the Holders, notify the Trustee of such proposed redemption date and of the principal amount of the Notes to be redeemed; *provided*, however, that (1) such notification will be in writing and may be sent to the Trustee via electronic mail; (2) such notification shall not be irrevocable; and (3) the proposed redemption date and the principal amount of the Notes to be redeemed are subject to further amendment by the Company before notice of redemption is sent to the Holders in accordance with this Indenture.

Section 3.03. *Method and Effect of Redemption.* (a) The notice of redemption will identify the Notes to be redeemed and will include or state the following:

- (i) the clause of this Indenture pursuant to which the redemption shall occur;
- (ii) the redemption date;
- (iii) the redemption price, including the portion thereof representing any accrued interest;
- (iv) the place or places where Notes are to be surrendered for redemption;



(v) Notes called for redemption must be so surrendered in order to collect the redemption price;

(vi) on the redemption date the redemption price will become due and payable on Notes called for redemption, and interest on Notes called for redemption will cease to accrue on and after the redemption date; and

(vii) if any Note contains a ISIN or Common Code number, no representation is being made as to the correctness of the ISIN or Common Code number either as printed on the Notes or as contained in the notice of redemption and that the Holder should rely only on the other identification numbers printed on the Notes.

(b) Once notice of redemption is sent to the Holders, Notes called for redemption become due and payable at the redemption price on the redemption date, and upon surrender of the Notes called for redemption, the Company shall redeem such Notes at the redemption price. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption. Failure to give notice or any defect in the notice to any Holder shall not affect the validity of the notice to any other Holder.

#### ARTICLE 4 COVENANTS

Section 4.01. *Payment of Notes.* (a) The Company will pay the principal of, any premium on (if any) and interest, and Additional Amounts, if any, on the Notes on the dates and in the manner provided in the Notes and this Indenture. Not later than 10:00 a.m. (London time) one Business Day prior to the Interest Payment Date, the due date of any principal on any Notes, the Tax Redemption Date pursuant to Section 3.01 or the redemption date pursuant to Section 3.02(a) (each a “**Payment Date**”), the Company will pay or cause to be paid to the account of the Paying Agent at the Principal Office, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, in immediately available funds, an amount which shall be sufficient to pay the aggregate amount of principal, interest or premium or all of such amounts, as the case may be, becoming due in respect of the Notes on such Payment Date; *provided* that if the Company or any Affiliate of the Company is acting as Paying Agent, it shall, on or before each due date, segregate and hold in a separate trust fund for the benefit of the Holders a sum of money sufficient to pay such amounts until paid to such Holders or otherwise disposed of as provided in this Indenture. In each case the Company shall promptly notify the Trustee and the Paying Agent of its compliance with this Section 4.01. The Company shall procure that, before 9:00 a.m. (London time) on the third Business Day before each Payment Date, the bank effecting payment for it has confirmed by electronic mail and PDF instructions attached to the Paying Agent the payment instructions relating to such payment. The Trustee (or the Paying Agent) shall not be liable to account for interest on money paid to it by the Company. Monies held by the Trustee or the Paying Agent need not be segregated from other funds held by them, except as required by law.

(b) An installment of principal, premium or interest will be considered paid on the date due if the Paying Agent, other than the Company or any Affiliate of the Company, holds on that date money designated for and sufficient to pay the installment. If the Company or any Affiliate of the Company acts as Paying Agent, an installment of principal or interest will be considered paid on the due date only if paid to the Holders.

(c) The Paying Agent, which will include the Company or any Affiliate of the Company if it is acting as Paying Agent will make payments in respect of the Notes represented by the Global Notes by wire transfer of immediately available funds to the accounts specified by the Holders of the Global Notes. With respect to Certificated Notes, the Paying Agent will make all payments by wire transfer of immediately available funds to the accounts specified by the Holders thereof or, if no such account is specified, by mailing (at the expense of the Company) a check to each Holder's registered address; *provided* that if the Company or any Affiliate of the Company is acting as Paying Agent, it shall make such payment to the Holders as specified above. The Trustee (or the Paying Agent), may, but shall not be required to make any payments in respect of the Notes pursuant to this Indenture until it has received full payment of the relevant amounts from the Company.

(d) At least three Business Days prior to the first Payment Date and, if there has been any change with respect to the matters set forth in the below-mentioned certificate, at least 14 Business Days (or such shorter period as may be agreed by the Trustee and the Company) prior to each Payment Date thereafter, the Company shall furnish the Paying Agent with an Officers' Certificate instructing the Paying Agent as to any circumstances in which payments of principal of, or interest or premium on, the Notes due on such date shall be subject to deduction or withholding for, or on account of, any Taxes described in Section 4.20 and the rate of any such deduction or withholding. If any such deduction or withholding shall be required and if the Company therefore becomes liable to pay Additional Amounts, if any, pursuant to Section 4.20 then at least 14 Business Days (or such shorter period as may be agreed by the Trustee and the Company) prior to each Payment Date, the Company shall furnish the Paying Agent with a certificate which specifies the amount required to be withheld on such payment to Holders of the Notes, and the Additional Amounts, if any, due to the Holders of the Notes, and at least one Business Day prior to such Payment Date, will pay to the Paying Agent such Additional Amounts, if any, as shall be required to be paid to such Holders.

(e) Whenever the Company appoints a Paying Agent other than the Trustee for the purpose of paying amounts due in respect of the Notes, it will cause such Paying Agent to execute and deliver to the Trustee an instrument substantially in the form of Exhibit E hereof in which such agent shall agree with the Company, among other things, to be bound by and observe the provisions of this Indenture (including the Notes). The Company shall cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee,

(i) that it will hold all sums received by it as such Paying Agent for the payment of the principal of, or premium or interest on, the Notes (whether such sums have been paid to it by or on behalf of the Company or by any other

obligor on the Notes or the Subsidiary Guarantee) for the benefit of the Holders or of the Trustee;

(ii) that it will as soon as possible give the Trustee written notice of any failure by the Company (or by any other obligor on the Notes or the Subsidiary Guarantee) to make any payment of the principal of, or premium or interest on, the Notes and any other payments to be made by or on behalf of the Company under this Indenture, when the same shall be due and payable; and

(iii) that it will pay any such sums so held by it to the Trustee upon the Trustee's written request at any time during the continuance of a failure referred to in clause (ii) above.

Anything in this Section 4.01 to the contrary notwithstanding, the Company may at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture or for any other reason, pay or cause to be paid to the Trustee all sums held by the Company or any Paying Agent hereunder, as required by this Section 4.01 and such sums shall be held by the Trustee upon the trusts herein contained. If the Paying Agent shall pay all sums held to the Trustee as required under this Section 4.01, the Paying Agent shall have no further liability for the money so paid over to the Trustee.

Anything in this Section 4.01 to the contrary notwithstanding, the agreements to hold sums in trust as provided in this Section 4.01 are subject to the provisions of Section 8.04.

(f) Definitions. For purposes of Sections 4.01(g) to (j) below:

(i) "**Applicable Law**" means any law or regulation including, but not limited to: (i) any statute or regulation; (ii) any rule or practice of any Authority by which any Party is bound or with which it is accustomed to comply; (iii) any agreement between any Authorities; and (iv) any customary agreement between any Authority and any Party.

(ii) "**Authority**" means any competent regulatory, prosecuting, Tax or governmental authority in any jurisdiction.

(iii) "**Code**" means the U.S. Internal Revenue Code of 1986, as amended.

(iv) "**FATCA Withholding**" means any withholding or deduction required pursuant to an agreement described in section 1471(b) of the Code, or otherwise imposed pursuant to sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

(v) "**Party**" means a party to this Indenture or the Paying Agent, Transfer Agent.

(vi) “**Tax**” means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Authority having power to tax.

(g) Each Party shall, within ten business days of a written request by another Party, supply to that other Party such forms, documentation and other information relating to it, its operations or the Notes as that other Party reasonably requests for the purposes of that other Party’s compliance with Applicable Law and shall notify the relevant other Party reasonably promptly in the event that it becomes aware that any of the forms, documentation or other information provided by such Party is (or becomes) inaccurate in any material respect; provided, however, that no Party shall be required to provide any forms, documentation or other information pursuant to this subsection (b) to the extent that: (i) any such form, documentation or other information (or the information required to be provided on such form or documentation) is not reasonably available to such Party and cannot be obtained by such Party using reasonable efforts; or (ii) doing so would or might in the reasonable opinion of such Party constitute a breach of any: (a) Applicable Law; (b) fiduciary duty; or (c) duty of confidentiality.

(h) The Company shall notify the Trustee and each Agent in the event that it determines that any payment to be made by the Trustee and an Agent under the Notes is a payment which could be subject to FATCA Withholding if such payment were made to a recipient that is generally unable to receive payments free from FATCA Withholding, and the extent to which the relevant payment is so treated, provided, however, that the Company’s obligation under this subsection (h) shall apply only to the extent that such payments are so treated by virtue of characteristics of the Company, the Notes, or both.

(i) Notwithstanding any other provision of this Indenture, each Agent shall be entitled to make a deduction or withholding from any payment which it makes under the Notes for or on account of any Tax, if and only to the extent so required by Applicable Law, in which event the Agent shall make such payment after such deduction or withholding has been made and shall account to the relevant Authority within the time allowed for the amount so deducted or withheld or, at its option, shall reasonably promptly after making such payment return to the Company the amount so deducted or withheld, in which case, the Company shall so account to the relevant Authority for such amount.

(j) In the event that the Company determines in its sole discretion that withholding for or on account of any Tax will be required by Applicable Law in connection with any payment due to any of the Agents on any Notes, then the Company will be entitled to redirect or reorganize any such payment in any way that it sees fit in order that the payment may be made without such deductions or withholding provided that, any such redirected or reorganized payment is made through a recognized institution of international standing and otherwise made in accordance with this Indenture and the Paying Agent, Registrar and Transfer Agent Appointment Letter. The Company will promptly notify the Agents and the Trustee of any such redirection or reorganization.

Section 4.02. *Maintenance of Office or Agency.* (a) The Company will maintain an office or agency where Notes may be surrendered for registration of transfer or

exchange or for presentation for payment and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company hereby initially designates the Principal Office as such office of the Company. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company fails to maintain any such required office or agency or fails to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served to the Trustee.

(b) The Company may also from time to time designate one or more other offices or agencies where the Notes may be surrendered or presented for any of such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each place where principal of, and interest or premium on, any Notes are payable. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

(c) The Company has initially appointed the Paying Agent, Registrar and Transfer Agent listed in Exhibit H.

(d) So long as any of the Notes remain outstanding, each of the Subsidiary Guarantors will maintain an office or agency where notices and demands to or upon each of the Subsidiary Guarantors in respect of the Notes and the Subsidiary Guarantee or this Indenture may be served. Each of the Subsidiary Guarantors hereby initially designates the Principal Office as the office or agency for each such purpose. In case any of the Subsidiary Guarantors shall fail to maintain any such office or agency or shall fail to give notice of the location or of any change in the location thereof, presentations and demands may be made and notices may be served at the Trustee's office.

Section 4.03. *Governmental Approvals and Licenses; Compliance with Law.* The Company will, and will cause each Restricted Subsidiary to, (a) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses, (b) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (c) comply with all laws, regulations, orders, judgments and decrees of any governmental body; except to the extent that failure so to obtain, maintain, preserve and comply with would not reasonably be expected to have a material adverse effect on (A) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (B) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, this Indenture or the relevant Subsidiary Guarantee.

Section 4.04. *Payment of Taxes and other Claims.* The Company will pay or discharge, and cause each of its Subsidiaries to pay or discharge before the same become delinquent (a) all material taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or its income or profits or property and (b) all material lawful claims for labor, materials and supplies that, if unpaid, might by law

become a Lien upon the property of the Company or any Subsidiary, other than any such tax, assessment, charge or claim the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves have been established in the financial statements of the Company and the Subsidiaries.

Section 4.05. *Limitation on Indebtedness.* (a) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness); *provided* that the Company and any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness or Permitted Subsidiary Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would not be less than 2.75 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

(b) Notwithstanding the foregoing, the Company and any Restricted Subsidiary may Incur, to the extent provided below, each and all of the following (“**Permitted Indebtedness**”), *provided* that, on the date of the Incurrence of any Indebtedness Incurred pursuant to clauses (xi), (xiii), (xv), (xvii), (xviii), (xix) and (xx), and after giving effect thereto, the sum of the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to clauses (xi), (xiii), (xv), (xvii), (xviii), (xix) and (xx) (together with any refinancings thereof, but excluding any Guarantee Incurred under such clauses, to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25.0% of Total Assets:

(i) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee;

(ii) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under Section 4.05(b)(iii); *provided* that such Indebtedness of Restricted Subsidiaries (other than Subsidiary Guarantors) shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness excluded from the definition of Permitted Subsidiary Indebtedness by the terms thereof);

(iii) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that, (1) any event which results in any such Restricted Subsidiary to which such Indebtedness is owed ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this Section 4.05(b)(iii) and (2) if the Company is the obligor on such Indebtedness and none of the Subsidiary Guarantors are the obligee on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor is

the obligor on such Indebtedness and none of the Company and the Subsidiary Guarantors are the obligee on such Indebtedness), such Indebtedness must be unsecured and expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor; *provided further* that, any Preferred Stock issued by a Subsidiary Guarantor and held by the Company or another Restricted Subsidiary must by the terms thereof or by operation of law be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor;

(iv) Indebtedness (“**Permitted Refinancing Indebtedness**”) of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the proviso in Section 4.05(a), Section 4.05(b)(i), Section 4.05(b)(ii), Section 4.05(b)(vi), Section 4.05(b)(xi), Section 4.05(b)(xiv), Section 4.05(b)(xvi), Section 4.05(b)(xvii), Section 4.05(b)(xviii) or Section 4.05(b)(xix), and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (1) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or any Subsidiary Guarantee shall only be permitted under this Section 4.05(b)(iv) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or any Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or any Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee, as the case may be, (2) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the earlier of the final maturity date of the Notes and the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, and (3) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor;

(v) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations designed to reduce or manage the

exposure of the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;

(vi) any Pari Passu Guarantee;

(vii) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, that, this Indebtedness is extinguished within five Business Days;

(viii) Indebtedness of the Company or any Restricted Subsidiary in respect of workers' compensation claims and claims arising under similar legislation, regulation or rule, or in connection with self-insurance or similar requirements, in each case in the ordinary course of business;

(ix) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price, earn-out or other similar obligations, in each case Incurred or assumed in connection with the disposition of any business, assets of the Company or of a Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of any of the Company's or a Restricted Subsidiary's business or assets for the purpose of financing an acquisition; *provided*, that, the maximum assumable liability in respect of all this Indebtedness shall at no time exceed the gross proceeds actually received by the Company and/or the relevant Restricted Subsidiary in connection with the disposition;

(x) obligations with respect to trade letters of credit, performance and surety bonds and completion guarantees provided by the Company or any of its Restricted Subsidiaries securing obligations, entered into in the ordinary course of business, to the extent the letters of credit, bonds or guarantees are not drawn upon or, if and to the extent drawn upon is honored in accordance with its terms and, if to be reimbursed, is reimbursed no later than 30 days following receipt of a demand for reimbursement following payment on the letter of credit, bond or guarantee;

(xi) Indebtedness of the Company or any Restricted Subsidiary incurred in the ordinary course of business:

(A) representing Capitalized Lease Obligations; or

(B) constituting purchase money Indebtedness incurred to finance all or any part of the purchase price of equipment, property or assets of the Company or any Restricted Subsidiary (including the purchase of Capital Stock of any Person directly or indirectly holding such equipment, property or assets that is, or will upon such purchase become, a Restricted Subsidiary) or the cost of development, construction or improvement of equipment,



property or assets to be used in the ordinary course of a Permitted Business by the Company or a Restricted Subsidiary;

*provided* that, (1) such purchase money Indebtedness shall not exceed the purchase price or cost of such equipment, property or assets so acquired, developed, constructed or improved, and (2) such purchase money Indebtedness shall be Incurred no later than 180 days after the acquisition of such equipment, property or assets or the completion of such development, construction or improvement;

(xii) Guarantees by the Company and any Restricted Subsidiary of any Indebtedness of the Company or any other Restricted Subsidiary; *provided* that, the Indebtedness guaranteed is permitted to be Incurred under this Indenture, subject to Section 4.10;

(xiii) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less for working capital;

(xiv) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with any refinancings thereof) not to exceed US\$30.0 million (or the Dollar Equivalent thereof);

(xv) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries;

(xvi) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement; *provided* that such Person is either a Restricted Subsidiary or would become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement;

(xvii) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date when such Restricted Subsidiary became a Restricted Subsidiary;

(xviii) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock in a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement;

(xix) Indebtedness Incurred by the Company and any Restricted Subsidiary under Credit Facilities; and

(xx) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of any Indebtedness of any Person.

(c) For purposes of determining compliance with this Section 4.05, in the event that an item of Indebtedness meets the criteria of more than one of the types of Permitted Indebtedness, or of Indebtedness described in the proviso in Section 4.05 (a) and one or more types of Permitted Indebtedness, the Company, in its sole discretion, shall classify, and from time to time may reclassify, all or any portion of such item of Indebtedness in one or more types of Indebtedness described above.

(d) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies, *provided* that such Indebtedness was permitted to be Incurred at the time of such Incurrence.

Section 4.06. *Limitation on Restricted Payments.* (a) The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (i) through (iv) below being collectively referred to as “**Restricted Payments**”):

(i) declare or pay any dividend or make any distribution on or with respect to the Company’s or any Restricted Subsidiary’s Capital Stock (other than dividends or distributions payable or paid solely in shares of the Company’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary or make any service fee or related payments under a VIE Contract to a Person other than the Company or any Restricted Subsidiary;

(ii) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary or any direct or indirect parent of the Company (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Persons other than the Company or any Restricted Subsidiary;

(iii) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Subordinated Indebtedness (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or

(iv) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(A) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(B) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in Section 4.05(a); or

(C) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and the Restricted Subsidiaries after the Original Issue Date, shall exceed the sum (without duplication) of:

(1) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on September 1, 2018 and ending on the last day of the Company's most recently ended semi-annual financial period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner and which may be internal financial statements) are available; *plus*

(2) 100% of the aggregate Net Cash Proceeds received by the Company after the Original Issue Date as a capital contribution to its common equity by, or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion by a Person who is not a Subsidiary of the Company of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company or any Restricted Subsidiary; *plus*

(3) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Original Issue Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); *provided*, however, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Company or any of its Restricted Subsidiaries from the Incurrence of such Indebtedness; *plus*

(4) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after

the Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after the Original Issue Date is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person; or

(5) any Person becoming a Restricted Subsidiary but only to the extent such Investments by the Company or any Restricted Subsidiary in such Person was a Restricted Payment made to the extent permitted under this paragraph (C).

(b) The foregoing provision shall not be violated by reason of:

(i) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with Section 4.06(a);

(ii) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(iii) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Restricted Subsidiary (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Restricted Subsidiary (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from Section 4.06(a)(C)(2), *provided however* that any item that has been excluded pursuant to Section 4.06(a)(C)(2) will not be excluded again as a result of the proviso in this clause (iii);

(iv) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any

Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from Section 4.06(a)(C)(2), *provided however* that any item that has been excluded pursuant to Section 4.06(a)(C)(2) will not be excluded again as a result of the proviso in this clause (iv);

(v) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary (other than a Variable Interest Entity) payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;

(vi) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company; *provided* that, any such cash payment shall not be for the purpose of evading the limitation of this Section 4.06 (as determined in good faith by the Board of Directors of the Company);

(vii) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan or share option scheme, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan or share option scheme of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing), provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed US\$5.0 million (or the Dollar Equivalent thereof);

(viii) the purchase and payments made under a Minority Interest Staged Acquisition Agreement to acquire the Capital Stock of a Person if, on the date that such Minority Interest Stage Acquisition Agreement was entered into, such payments would have complied with the preceding paragraph;

(ix) other Restricted Payments in an aggregate amount not to exceed US\$30.0 million since the Original Issue Date;

(x) the declaration and payment of dividends by the Company with respect to any financial year, provided that such declaration and payment of

dividends by the Company pursuant to this clause (x) shall not in the aggregate exceed US\$50.0 million;

(xi) any purchase, redemption, retirement or acquisition of any shares of Capital Stock of any Restricted Subsidiary in an arm's length transaction, provided that any such purchase, redemption, retirement or acquisition shall be deemed to be an arm's length transaction if the consideration paid by the Company or the relevant Restricted Subsidiary, as the case may be, is not more than the Fair Market Value of the shares of Capital Stock so purchased, redeemed, retired or acquired; or

(xii) the purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement to acquire the Capital Stock of such Person;

provided that, in the case of Section 4.06(b)(ii), Section 4.06(b)(iii), Section 4.06(b)(iv), Section 4.06(b)(vii), Section 4.06(b)(x), Section 4.06(b)(xi) and Section 4.06(b)(xii), no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein. Each Restricted Payment made pursuant to Section 4.06(b)(i), Section 4.06(b)(viii) and Section 4.06(b)(x) shall be included in calculating whether the conditions of Section 4.06(a)(C) have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this Section 4.06 will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities (other than those made pursuant to Section 4.06(b)(v) through Section 4.06(b)(xii)) must be based upon an opinion or an appraisal issued by an accounting, appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment (other than those made pursuant to Section 4.06(b)(v) through Section 4.06(b)(xii)) in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this Section 4.06 were computed, together with a copy of any fairness opinion or appraisal required by this Indenture.

For purposes of determining compliance with this Section 4.06, in the event that an item of Investment meets the criteria of more than one of the following: (i) Section 4.06(a) and (ii) any clause of the definition of "Permitted Investment", at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in any or all of them.

Section 4.07. *Limitation on Liens.* (a) The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether

owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are (or, in respect of any Lien on any Subsidiary Guarantor's property or assets, any Subsidiary Guarantee of such Restricted Subsidiary is) secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) the obligation or liability secured by such Lien, for so long as such obligation or liability is secured by such Lien.

(b) In the event that one or more Liens (and documents relating thereto) are to be established or maintained to effect equal and ratable security arrangements in respect of the Notes (as contemplated under the preceding paragraph) with regards to Indebtedness proposed to be or previously Incurred by the Company in compliance with the terms of this Indenture, the Company may instruct the Trustee to directly, or through its Affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require and subject to such terms as it may agree) and without the consent of any Holders, enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements contemplated by this paragraph among holders of such Indebtedness. The Company shall complete or facilitate the completion by itself or other parties of filings, registrations or other actions necessary to effect or perfect the relevant Liens or related arrangements.

Section 4.08. *Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries.* (a) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (i) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary or make any service fee or related payments under a VIE Contract to the Company or any other Restricted Subsidiary;
- (ii) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
- (iii) make loans or advances to the Company or any other Restricted Subsidiary; or
- (iv) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary;

*provided* that it being understood that (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable

terms or on an arm's length basis, in each case, shall not be deemed to constitute such an encumbrance or restriction.

(b) The provisions of Section 4.08(a) do not apply to any encumbrances or restrictions:

(i) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, this Indenture or Pari Passu Guarantee of the Company or any Subsidiary Guarantor, or any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that, the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(ii) existing under or by reason of applicable law, rule, regulation or order;

(iii) with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(iv) that otherwise would be prohibited under Section 4.08(a)(iv) if they arise, or are agreed to, in the ordinary course of business, and (A) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (B) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by this Indenture or (C) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(v) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by Section 4.05, Section 4.09 and Section 4.13;

(vi) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness of the type under Section 4.05(b)(iv), Section 4.05(b)(xi), Section 4.05(b)(xiii),



Section 4.05(b)(xv), Section 4.05(b)(xvi), Section 4.05(b)(xvii), Section 4.05(b)(xviii) or Section 4.05(b)(xix) if, as determined by the Board of Directors, the encumbrances or restrictions are (A) customary for such type of agreement and (B) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company or any Subsidiary Guarantor to make required payment on the Notes or its Subsidiary Guarantee, as the case may be, and any extensions, refinancing, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(vii) existing in customary provisions in leases, shareholders' agreements, joint venture agreements and other similar agreements permitted under this Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a lease, shareholders' agreement, joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor to make required payments under its Subsidiary Guarantee; or

(viii) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of this Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Section 4.09. *Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries.* The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including in each case options, warrants or other rights to purchase shares of such Capital Stock) or to sell, assign or transfer any VIE Contract or sell, assign, transfer or dilute the Company's or a Restricted Subsidiary's economic interest in a Variable Interest Entity except:

(a) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, *pro rata* to

its shareholders or incorporators or on a basis more favorable to the Company or any such Restricted Subsidiary, as the case may be;

(b) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;

(c) the issuance or sale of Capital Stock of a Restricted Subsidiary, or the sale, assignment or transfer of a VIE Contract or the sale, assignment, transfer or dilution of the Company's or a Restricted Subsidiary's economic interest in a Variable Interest Entity (in each case, which remains a Restricted Subsidiary after any such issuance, sale, assignment, transfer or dilution); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance, sale, assignment, transfer or dilution in accordance with Section 4.13 to the extent required thereunder; and

(d) the issuance or sale of Capital Stock of a Restricted Subsidiary, or the sale, assignment or transfer of a VIE Contract or the sale, assignment, transfer or the dilution of the Company's or a Restricted Subsidiary's economic interest in a Variable Interest Entity, if, immediately after giving effect to such issuance, sale, assignment, transfer or dilution, such Restricted Subsidiary would no longer be a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under Section 4.06 if made on the date of such issuance or sale and *provided* that, the Company complies with Section 4.13 to the extent required thereunder.

Section 4.10. *Limitation on Issuances of Guarantees by Restricted Subsidiaries.* (a) The Company will not permit any Restricted Subsidiary that is not a Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("**Guaranteed Indebtedness**") of the Company or any Subsidiary Guarantor, unless (1)(x) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to this Indenture providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary and (y) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full or (2) such Guarantee and such Guaranteed Indebtedness are permitted by Section 4.05(b)(ii), Section 4.05(b)(iii) or Section 4.05(b)(xv) (in the case of Section 4.05(b)(xv), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the creation of any Liens over one or more bank accounts or deposits to secure (or the use of any Guarantee or letter of credit or similar instruments to Guarantee), directly or indirectly, any Bank Deposit Secured Indebtedness).

(b) If the Guaranteed Indebtedness (i) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness will rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or (ii) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness will be

subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Section 4.11. *Limitation on Sale and Leaseback Transactions.* The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(a) the Company or such Restricted Subsidiary, as the case may be, could have (i) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under Section 4.05 and (ii) incurred a Lien to secure such Indebtedness pursuant to Section 4.07, in which case, the corresponding Indebtedness shall be deemed Incurred and the corresponding Lien will be deemed incurred pursuant to those provisions;

(b) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(c) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary, as the case may be, applies the proceeds of such transaction in compliance with Section 4.13.

Section 4.12. *Repurchase of Notes Upon a Change of Control Triggering Event.* (a) Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a “**Change of Control Offer**”) at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

(b) The Company will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to this Section 4.12.

(c) Neither the Trustee nor any of the Agents will be required to take any steps to monitor or ascertain whether a Change of Control Triggering Event or any event which could lead to the occurrence of a Change of Control Triggering Event has occurred and none of them shall be responsible to the Holders or any other person for any loss arising from any failure to do so.

(d) Notwithstanding the foregoing, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner, at the same time and otherwise in compliance with the requirements set forth in this Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Section 4.13. *Limitation on Asset Sales.* (a) The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(i) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(ii) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

(iii) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets (as defined below); *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:

(1) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary, as the case may be, from further liability; and

(2) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary, as the case may be, into cash, to the extent of the cash received in that conversion; and

(iv) within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company or any Restricted Subsidiary may apply such Net Cash Proceeds to:

(1) permanently repay unsubordinated Indebtedness of the Company or any Restricted Subsidiary (and, if such unsubordinated Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(2) acquire properties and assets (other than current assets), including any shares of Capital Stock in a

Person holding such properties or assets that is primarily engaged in a Permitted Business which becomes a Restricted Subsidiary after such acquisition, that will be used in the Permitted Businesses (“**Replacement Assets**”);

*provided* that, pending the application of Net Cash Proceeds in accordance with Section 4.13(iv)(1) or (2) above, such Net Cash Proceeds may be temporarily invested only in cash or Temporary Cash Investments; and

(v) any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in Section 4.13(iv) shall constitute “**Excess Proceeds.**” Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) shall be carried forward and accumulated. When accumulated Excess Proceeds exceed US\$10.0 million (or the Dollar Equivalent thereof), within ten days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, *multiplied by*

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1,000.

(b) The offer price in any Offer to Purchase shall be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and shall be payable in cash.

(c) If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes will be purchased on a *pro rata* basis based on the principal amount of the Notes and such other *pari passu* Indebtedness tendered. Upon completion of each Offer to Purchase, the amount of Excess Proceeds shall be reset at zero.

Section 4.14. *Limitation on Transactions with Shareholders and Affiliates.* (a) The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “**Affiliate Transaction**”), unless:

(i) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary, as the case may be, than those that would have been obtained in a comparable arm's length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and

(ii) the Company delivers to the Trustee:

(A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$20.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (ii)(A) above, an opinion as to the fairness to the Company or such Restricted Subsidiary, as the case may be, of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

(b) The limitation set forth in Section 4.14(a) above, does not limit, and shall not apply to:

(i) the payment of reasonable and customary regular fees and other compensation to directors of the Company or any Restricted Subsidiary who are not employees of the Company or such Restricted Subsidiary;

(ii) transactions between or among the Company and any Wholly Owned Restricted Subsidiary or between or among Wholly Owned Restricted Subsidiaries;

(iii) any Restricted Payment of the type described in Section 4.06(a)(i), (ii) or (iii) if permitted by Section 4.06;

(iv) any sale of Capital Stock (other than Disqualified Stock) of the Company;

(v) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee benefit plan or share option scheme;

(vi) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company or any of its Restricted Subsidiaries with directors, officers, employees

and consultants in the ordinary course of business and the payment of compensation pursuant thereto;

- (vii) any lease of premises and facilities from Country Garden for the operation of schools of the Company or any Restricted Subsidiary (only with respect to the requirements of Section 4.14(a)(ii)(B));
- (viii) non-interest bearing advances to or guarantees for the benefit of the Company or any Restricted Subsidiaries;
- (ix) the entry into and performance of new VIE Contracts (only with respect to the requirements of Section 4.14(a)(ii)(B)); and
- (x) the repayment of a promissory note dated July 4, 2019 entered into by the Company with Fine Nation Group Limited in an aggregate amount of US\$100,000,000 at an interest rate of 7.25% per annum due to be matured by August 31, 2019 with an extension to December 31, 2019 (only with respect to the requirements of Section 4.14(a)(ii)(B)).

In addition, the requirements of Section 4.14(a)(ii) above shall not apply to (A) Investments (including Permitted Investments that are permitted under clause (13) and (14) of the definition of “Permitted Investment” but excluding other Permitted Investments) not prohibited by Section 4.06, (B) transactions pursuant to agreements in effect on the Original Issue Date and described in the offering memorandum of the Company relating to the Notes dated July 24, 2019, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, and (C) any transaction between or among (1) the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or (2) the Company or a Restricted Subsidiary on the one hand and any Jointly Controlled Entity or Unrestricted Subsidiaries on the other hand; *provided* that in the case of clause (C), (a) such transaction is entered into in the ordinary course of business and (b) none of the other shareholders or other partners of or in such Restricted Subsidiary or Jointly Controlled Entity, as the case may be, is a Person described in clauses (x) or (y) of the first paragraph of Section 4.14(a) (other than by reason of such other shareholder or other partner being an officer or director of such Restricted Subsidiary, Jointly Controlled Entity or Unrestricted Subsidiaries, as the case may be, or by reason of being a Restricted Subsidiary, a Jointly Controlled Entity or an Unrestricted Subsidiary, as the case may be).

Section 4.15. *Limitation on Business Activities.* The Company shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided* that, the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited under Section 4.06.

Section 4.16. *Use of Proceeds*. The Company shall not, and shall not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes issued and sold on the Original Issue Date, in any amount, for any purpose other than (a) as specified under the caption “Use of Proceeds” in the offering memorandum of the Company relating to the Notes dated July 24, 2019 (or, in the case of any Additional Notes, the offering document relating to the sale of such Additional Notes) and (b) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in cash or Temporary Cash Investments.

Section 4.17. *Designation of Restricted and Unrestricted Subsidiaries*. (a) The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided that*:

(i) no Default shall have occurred and be continuing at the time of or after giving effect to such designation;

(ii) such Restricted Subsidiary does not own any Disqualified Stock of the Company or any Subsidiary Guarantor or Disqualified or Preferred Stock of a Restricted Subsidiary that is not a Subsidiary Guarantor or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under Section 4.05 or such Lien would violate Section 4.07;

(iii) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary or have any economic interest in a Variable Interest Entity, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this Section 4.17(a);

(iv) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company or any other Restricted Subsidiary and none of the Company or any Restricted Subsidiary Guarantees or provides credit support for the Indebtedness of such Restricted Subsidiary; and

(v) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made under Section 4.06.

(b) The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that*:

(i) no Default shall have occurred and be continuing at the time of or after giving effect to such designation;

(ii) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which shall be deemed to have been Incurred by



such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred under Section 4.05;

(iii) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which shall be deemed to have been incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be incurred under Section 4.07;

(iv) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and

(v) if such Restricted Subsidiary is not a Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to this Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor.

(c) Any designation by the Board of Directors of a Subsidiary as a Restricted Subsidiary or Unrestricted Subsidiary shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the Board Resolution giving effect to the designation and an Officers' Certificate certifying that the designation complied with the foregoing provisions.

Section 4.18. *Anti-Layering.* The Company shall not Incur, and shall not permit any Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or any Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the Subsidiary Guarantees, on substantially identical terms; *provided* that this requirement does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Section 4.19. *Provision of Financial Statements and Reports.* (a) So long as any of the Notes remain outstanding, the Company shall file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with the New York Stock Exchange or any other recognized exchange on which the Company's Common Stock are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company shall file with the Trustee and furnish to the Holders upon request:

(i) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such financial year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and

audited by a member firm of an internationally recognized firm of independent accountants;

(ii) as soon as they are available, but in any event within 90 calendar days after the end of the second financial quarter of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and reviewed by a member firm of an internationally recognized firm of independent accountants; and

(iii) as soon as they are available, but in any event within 60 calendar days after the end of each of the first and third financial quarters of the Company, copies of the unaudited financial statements (on a consolidated basis and in the English language) of the Company, including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company, together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(b) For so long as any Note remains outstanding, the Company shall provide to the Trustee (i) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarters and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided* that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (ii) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

(c) Delivery of these reports and information to the Trustee is for informational purposes only and the Trustee's receipt of them will not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 4.20. *Additional Amounts.* (a) All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or

within any jurisdiction in which the Company, a Surviving Person or the applicable Subsidiary Guarantor is organized or resident for tax purposes or any political subdivision or taxing authority thereof or therein (each, as applicable, a “**Relevant Taxing Jurisdiction**”) or any jurisdiction through which payment is made by or on behalf of the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, or any political subdivision or taxing authority thereof or therein (together with the Relevant Taxing Jurisdictions, the “**Relevant Jurisdictions**”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, shall pay such additional amounts (“**Additional Amounts**”) as will result in receipt by the Holder of each Note, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(i) for or on account of:

(A) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(1) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(2) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period; or

(3) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor addressed to the Holder, to provide information concerning such Holder’s or beneficial owner’s nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or

eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;

(B) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(C) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (“**FATCA**”), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(D) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (A) through (C); or

(ii) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

The Company shall (i) make such withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Company shall make reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from the Relevant Jurisdiction imposing such taxes. The Company shall furnish to the Holders and the Trustee, within 90 days after the date the payment of any taxes so deducted or withheld is due pursuant to applicable law, either certified copies of tax receipts evidencing such payment or, if such receipts are not obtainable, other evidence of such payments.

In addition, the Company shall pay any stamp, issue, registration, documentary, value added or other similar taxes and other duties (including interest and penalties) payable in any Relevant Jurisdiction in respect of the creation, issue, offering, execution or enforcement of the Notes, or any documentation with respect thereto.

(b) Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in this Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Section 4.21. *No Payments for Consents.* The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture, the Notes or any Subsidiary Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, subject to applicable law, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Restricted Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

Section 4.22. *Suspension of Certain Covenants.* (a) If on any date following the date of this Indenture, the Notes have a rating of Investment Grade from two of the three Rating Agencies and no Default has occurred and is continuing (a “**Suspension Event**”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the following provisions of this Indenture shall be suspended:

- (1) Section 4.05,
- (2) Section 4.06,
- (3) Section 4.08,
- (4) Section 4.09,
- (5) Section 4.10,
- (6) Section 4.15,
- (7) Section 4.11,
- (8) Section 4.14,
- (9) Section 4.13, and
- (10) Section 5.01(a)(iii) and (iv) and Section 5.01(b)(iii) and (iv).

(b) During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to Section 4.17 or the definition of “Unrestricted Subsidiary.”

(c) All covenants suspended pursuant to Section 4.23(a) above shall be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants shall not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of this Indenture during the continuance of the Suspension Event, and following the reinstatement of the covenants the calculations under Section 4.06 shall be made as if the covenant thereunder had been in effect since the date of this Indenture except that no Default shall be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

ARTICLE 5  
CONSOLIDATION, MERGER AND SALE OF ASSETS

Section 5.01. *Consolidation, Merger and Sale of Assets.* (a) The Company shall not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Company and the Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) unless each of the following conditions is satisfied:

- (i) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the “**Surviving Person**”) shall be a corporation organized and validly existing under the laws of the British Virgin Islands, the Cayman Islands or Hong Kong and shall expressly assume, by a supplemental indenture to this Indenture, executed and delivered to the Trustee, all the obligations of the Company under this Indenture, the Notes, including the obligation to pay Additional Amounts with respect to any Relevant Jurisdiction, and this Indenture and the Notes shall remain in full force and effect;
- (ii) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (iii) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (iv) immediately after giving effect to such transaction on a *pro forma* basis the Company or the Surviving Person, as the case may be, could incur at least US\$1.00 of Indebtedness under the proviso in Section 4.05(a);

(v) the Company shall deliver to the Trustee (A) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with Section 5.01(a)(iii) and Section 5.01(a)(iv)) and (B) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this Section 5.01(a) and that all conditions precedent provided for in this Indenture relating to such transaction have been complied with;

(vi) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this Article 5, shall execute and deliver a supplemental indenture to this Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person, as the case may be, in accordance with the Notes and this Indenture; and

(vii) no Rating Decline shall have occurred.

(b) No Subsidiary Guarantor shall consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Subsidiary Guarantor and its Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor) unless each of the following conditions is met:

(i) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction in accordance with this Indenture;

(ii) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(iii) immediately after giving effect to such transaction on a *pro forma* basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(iv) immediately after giving effect to such transaction on a *pro forma* basis, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in Section 4.05(a);

(v) the Company shall deliver to the Trustee (A) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with Section 5.01(b)(iii) and Section 5.01(b)(iv)) and (B) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant

supplemental indenture complies with this provision and that all conditions precedent provided for in this Indenture relating to such transaction have been complied with; and

(vi) no Rating Decline shall have occurred;

*provided* that this Section 5.01(b) shall not apply to any sale or other disposition that complies with Section 4.13 or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with Section 11.11.

(c) Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

(d) The foregoing requirements in this Section 5.01 shall not apply to a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor survives such consolidation or merger.

## ARTICLE 6 DEFAULT AND REMEDIES

Section 6.01. *Events of Default.* Each of the following events is an “**Event of Default**”:

(a) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(b) default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(c) default in the performance or breach of the provisions of Article 5, the failure by the Company to make or consummate an Offer to Purchase in the manner described under Section 4.12 or Section 4.13;

(d) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in this Indenture or under the Notes (other than a default specified in Section 6.01(a), (b) or (c)) and such default or breach continues for a period of 30 consecutive days after written notice by the Holders of 25% or more in aggregate principal amount of the Notes or by the Trustee at the direction of such Holders;

(e) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$15.0 million (or the



Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (i) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (ii) a failure to make a principal payment when due;

(f) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$15.0 million (or the Dollar Equivalent thereof) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(g) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(h) the Company or any Significant Restricted Subsidiary, (i) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (ii) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary or (iii) effects any general assignment for the benefit of creditors (other than, in each case under (ii), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Restricted Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Restricted Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Company); or

(i) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by this Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

Section 6.02. *Acceleration.* If an Event of Default (other than an Event of Default specified in Section 6.01(g) or 6.01(h) above) occurs and is continuing under this Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such

notice is given by the Holders), may, and the Trustee at the written direction of such Holders shall, subject to receiving indemnity and/or security and/or pre-funding to its satisfaction, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest on the Notes shall be immediately due and payable. If an Event of Default specified in Section 6.01(g) or 6.01(h) above occurs with respect to the Company or any Significant Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

Section 6.03. *Other Remedies.* If an Event of Default occurs and is continuing, the Trustee may and shall, upon request of Holders of at least 25% in aggregate principal amount of Notes then outstanding (subject to receiving indemnity, and/or security and/or pre-funding to its satisfaction), pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or, to enforce the performance of any provision of the Notes or this Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

Section 6.04. *Waiver of Past Defaults.* The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of all the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if: (a) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and (b) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction. Upon such waiver, the Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.05. *Control by Majority.* The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured and/or pre-funded in advance of the proceedings. However, the Trustee may refuse to follow any direction that is unclear, conflicting or unequivocal, conflicts with law or this Indenture, that may involve the Trustee in personal liability, or that may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnity and/or security and/or pre-funding is assured to it. Prior to taking any action under this Indenture, the Trustee will be entitled to security and/or indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

Section 6.06. *Limitation on Suits.* A Holder may not institute any proceeding, judicial or otherwise, with respect to this Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under this Indenture or the Notes unless:

- (a) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (b) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (c) such Holder or Holders offer the Trustee indemnity and/or security and/or pre-funding satisfactory to the Trustee against any costs, liability or expense, to be incurred in compliance with such written request;
- (d) the Trustee does not comply with the request within (x) 60 days after receipt of the written request pursuant to Section 6.06(b) or (y) 60 days after the receipt of the offer of indemnity and/or security and/or pre-funding pursuant to Section 6.06(c), whichever occurs later; and
- (e) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the written request.

Section 6.07. *Rights of Holders to Receive Payment.* Notwithstanding anything to the contrary in this Article 6, the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note or any payment under any Subsidiary Guarantee, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of such Holder.

Section 6.08. *Compliance Certificate.* The Company shall submit an Officers' Certificate to the Trustee, in substantially the form attached hereto as Exhibit G, on or before a date not more than 120 days after the end of each fiscal year ending after the Original Issue Date and within 14 days after written request from the Trustee, that a review has been conducted of the activities of the Company and the Restricted Subsidiaries and the Company's and the Restricted Subsidiaries' performance under this Indenture and that the Company and each Restricted Subsidiary have fulfilled all of their respective obligations hereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company shall also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under this Indenture.

Section 6.09. *Collection Suit by Trustee.* If an Event of Default in payment specified in Section 6.01(a) or Section 6.01(b) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust for the whole amount remaining unpaid, together with interest on overdue principal or premium and, to the extent lawful, overdue installments of interest, in each case at the rate specified in the Notes, and such further amount as is sufficient to cover the costs and expenses of

collection, including the properly incurred compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and any other amounts due the Trustee hereunder.

Section 6.10. *Trustee May File Proofs of Claim.* The Trustee may file proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee hereunder) and the Holders allowed in any judicial proceedings relating to the Company or any Subsidiary Guarantor or their respective creditors or property, and is entitled and empowered to collect, receive and distribute any money, securities or other property payable or deliverable upon conversion or exchange of the Notes or upon any such claims. Any custodian, receiver, assignee, trustee, liquidator, sequesteror or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, if the Trustee consents to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the compensation, expenses, disbursements and advances of the Trustee, its agent and counsel, and any other amounts due the Trustee hereunder. Nothing in this Indenture shall be deemed to empower the Trustee to authorize or consent to, or accept or adopt on behalf of any Holder, any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.11. *Priorities.* If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

(a) *First*, to the Trustee and the Agents to the extent necessary to reimburse each of the Trustee and the Agents for any unpaid fees and expenses (including legal fees and expenses) incurred by any of them in connection with the collection or distribution of such amounts and in connection with the performance of its obligations under this Indenture and the Notes and all amounts for which each of the Trustee and the Agents is entitled to indemnification under this Indenture and the Notes;

(b) *Second*, to Holders for amounts then due and unpaid for principal of, or premium, if any, or interest on, the Notes, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium (if any) and interest; and

(c) *Third*, any surplus remaining after such payments will be paid to the Company, the Subsidiary Guarantors (if any) or to whomever may be lawfully entitled thereto.

The Trustee, upon written notice to the Company, may fix a record date and payment date for any payment to Holders pursuant to this Section 6.11.

Section 6.12. *Restoration of Rights and Remedies.* If the Trustee or any Holder has instituted a proceeding to enforce any right or remedy under this Indenture and the proceeding has been discontinued or abandoned for any reason, or has been determined

adversely to the Trustee or to the Holder, then, subject to any determination in the proceeding, the Company, any Subsidiary Guarantors, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Company, any Subsidiary Guarantors, the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 6.13. *Undertaking for Costs.* In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court may require any party litigant in such suit (other than the Trustee) to file an undertaking to pay the costs of the suit, and the court may assess reasonable costs, including reasonable attorneys' fees, against any party litigant (other than the Trustee) in the suit having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.12 does not apply to a suit by a Holder to enforce payment of principal of or interest on any Note on the respective due dates, or a suit by Holders of more than 10% in principal amount of the outstanding Notes.

Section 6.14. *Rights and Remedies Cumulative.* No right or remedy conferred or reserved to the Trustee or to the Holders under this Indenture is intended to be exclusive of any other right or remedy, and all such rights and remedies are, to the extent permitted by law, cumulative and in addition to every other right and remedy hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or exercise of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or exercise of any other right or remedy.

Section 6.15. *Delay or Omission Not Waiver.* No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article 6 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Section 6.16. *Waiver of Stay, Extension or Usury Laws.* Each of the Company and Subsidiary Guarantors covenants, to the extent that it may lawfully do so, that it shall not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive the Company or such Subsidiary Guarantor, as the case may be, from paying all or any portion of the principal of, or premium or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of this Indenture. Each of the Company and Subsidiary Guarantors hereby expressly waives, to the extent that it may lawfully do so, all benefit or advantage of any such law and covenants that it shall not hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

Section 6.17. *No Duty of Agents to Ascertain Default.* None of the Trustee or any Agent is obligated to do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other

person for any loss arising from any failure by it to do so, and each of the Trustee and the Agents may assume that no such event has occurred and that the Company and the Subsidiary Guarantors are performing all of their obligations under this Indenture and the Notes unless the Trustee or the Agent, as the case may be, has received written notice of the occurrence of such event or facts establishing that a Default or an Event of Default has occurred or that the Company and the Subsidiary Guarantors are not performing all of their obligations under this Indenture and/or the Notes.

ARTICLE 7  
THE TRUSTEE

Section 7.01. *General.* (a) The duties and responsibilities of the Trustee are as set forth herein. Whether or not expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to this Article 7.

(b) Except during the continuance of an Event of Default, the Trustee shall perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise those rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. During the continuance of an Event of Default, the Trustee shall act only upon the written direction of the Holders of at least 25% of the aggregate principal amount of the Notes then outstanding, subject to its receiving indemnity and/or security and/or pre-funding to its satisfaction.

(c) Should the Trustee become a creditor of the Company or any of the Subsidiary Guarantors, rights of the Trustee to obtain payment of claims in certain cases or to realize on certain property received by the Trustee in respect of any such claims as security or otherwise shall be limited. The Trustee is permitted to engage in other transactions with the Company and its Affiliates and profit therefrom, without being obliged to account for such profit; *provided, however,* that if it acquires any conflict of interest, it must eliminate such conflict or resign.

(d) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act or its own willful misconduct or fraud, except that the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.02 or 6.05.

(e) The Trustee shall not be responsible for the recitals, statements, warranties or representations of any party contained in this Indenture or any other agreement or other document entered into in connection herewith or therewith and shall assume the accuracy and correctness thereof and shall not be responsible for the execution, legality, effectiveness, adequacy, genuineness, validity or enforceability or admissibility in evidence of any such agreement or other document or any trust or security thereby constituted or evidenced. Each Holder shall be solely responsible for making its own

independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Company and any Subsidiary Guarantor, and the Trustee shall not at any time have any responsibility for the same and each Holder shall not rely on the Trustee in respect thereof.

(f) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any of the provisions in this Indenture or the financial performance of the Company and the Subsidiary Guarantors, and shall be entitled to assume that the Company and the Subsidiary Guarantors are in compliance with all the provisions of this Indenture, including each of the exhibits attached hereto, unless notified to the contrary in writing.

Section 7.02. *Certain Rights of Trustee and Other Agents.* Subject to Section 7.01:

(a) In the absence of gross negligence, wilful misconduct or fraud on its part, the Trustee may conclusively rely, and shall be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document (whether in original or facsimile form) believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document, but, in the case of any document which is specifically required to be furnished to the Trustee pursuant to any provision hereof, the Trustee shall examine the document to determine whether it conforms to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein). The Trustee, in its sole and absolute discretion, may make further inquiry or investigation into such facts or matters as it sees fit.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel conforming to Sections 12.03 and 12.04 and the Trustee shall not be liable for any action it takes or omits to take in reliance on such certificate or opinion.

(c) The Trustee may appoint and act through its delegates, attorneys and agents and shall not be responsible for their acts, omissions, misconduct or negligence or for the supervision of any delegate, attorney or agent appointed with due care by it hereunder. To the extent an agent has been named by the Trustee in connection with this Indenture, the parties hereto shall cooperate to ensure that such agent can perform the duties for which it was appointed. Upon an Event of Default, the Trustee shall be entitled to require all agents to act solely in accordance with its directions.

(d) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the written request or direction of any of the Holders, unless such Holders have offered to the Trustee security and/or indemnity satisfactory to it against any loss, liability or expenses that might be suffered or incurred by it in compliance with such request or direction.

(e) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within its rights or powers or for any action it takes or omits to take in accordance with the direction of the Holders in accordance with Section 6.02 or 6.05 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(f) The Trustee may consult with counsel or other professional advisors of its selection, and the written advice of such counsel or advisors or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(g) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of its rights or powers, unless it receives security and/or indemnity and/or pre-funding satisfactory to it against any loss, liability or expense.

(h) If any Subsidiary Guarantor makes payments pursuant to Article 11, the Company shall promptly notify the Trustee, the Common Depository and the Agent Members through which the Notes are traded of such payments.

(i) The Trustee may request that the Company deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate.

(j) In connection with the exercise by it of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorization or determination), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and in particular, but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers, authorities or discretions for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any country, state or territory and a Holder shall not be entitled to require, nor shall any Holder be entitled to claim, from the Company, the Trustee or any other Person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided in Section 4.20 and/or any undertaking given in addition to, or in substitution for, Section 4.20 pursuant to this Indenture.

(k) Subject to Section 6.02, in the event the Trustee receives inconsistent or conflicting requests and indemnity and/or security and/or pre-funding from two or more groups of Holders, each representing less than a majority in aggregate principal amount of the Notes then outstanding, the Trustee is entitled to (x) follow instructions from Holders representing the larger aggregate principal amount of Notes then outstanding or (y) in the event the aggregate principal amount of Notes then outstanding represented by each of the two or more groups of Holders is equal, the Trustee is entitled to seek and



follow instructions from the Holders of a majority in aggregate principal amount of all Notes then outstanding, and, in each such case, the Trustee, in its sole discretion, may determine what action, if any, will be taken.

(l) Under no circumstance will the Trustee be liable for any special, indirect punitive consequential loss or damage of any kind whatsoever (inter alia, being loss of business, goodwill, opportunity or profit), whether or not foreseeable, even if the Trustee has been advised of such loss or damage and regardless of the form of action.

(m) The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction.

(n) Each of the Company and the Subsidiary Guarantors acknowledges that the Trustee and the Agents and their respective affiliates (together, the “**Agent Parties**”) may have interests in, or may be providing or may in the future provide financial or other services to, other parties with interests which each of the Company and the Subsidiary Guarantors may regard as conflicting with its interests, and may possess information (whether or not material to the Company and the Subsidiary Guarantors) other than as a result of the Trustee and/or the Agents acting as the Trustee and/or the Agents hereunder that the Trustee and/or the Agents may not be entitled to share with the Company and/or the Subsidiary Guarantors. The Agent Parties will not disclose confidential information obtained from the Company and the Subsidiary Guarantors (without their written consent) to any of the Trustee and/or the Agent’s such other customers or affiliates nor will they use on the Company and/or any Subsidiary Guarantor’s behalf any confidential information obtained from any such other customer. Without prejudice to the foregoing, each of the Company and the Subsidiary Guarantors agrees that the Agent Parties may deal (whether their own or their customers’ account) in, or advise on, securities of such other customers and that such dealing or giving of advice will not constitute a conflict of interest for the purposes of the Notes, the Subsidiary Guarantees or this Indenture.

(o) Each of the Company and the Subsidiary Guarantors hereby consent (unless such consent is prohibited by law) to the transfer and disclosure by the Trustee of any information relating to it provided hereunder to and between branches, subsidiaries, representative offices, affiliates and agents of the Trustee only to the extent necessary for the discharge of the Trustee’s trusts, powers, authorities, duties and obligations under this Indenture. The Trustee and any such branch, subsidiary, representative office, affiliate, or agent may, with prior written notice to the Company, transfer and disclose any such information if and only to the extent required by any applicable law, regulatory authority or legal process.

Section 7.03. *Individual Rights of Trustee.* The Trustee, in its individual or any other capacity, may become the owner or pledgee of the Notes and may engage in business or contractual relationships with or otherwise deal with the Company or its Affiliates with the same rights it would have if it were not the Trustee and nothing herein shall obligate the Trustee to account for any profits earned from any business or transactional relationship. Any Agent may do the same with like rights.

Section 7.04. *Trustee's Disclaimer.* The Trustee (a) makes no representation as to the validity or adequacy of this Indenture, the Notes or the Subsidiary Guarantee of any Subsidiary Guarantor, (b) is not accountable for the Company's use or application of the proceeds from the Notes, (c) is not responsible for any statement in the Notes other than its certificate of authentication and (d) shall not have any responsibility for the Company's or any Holder's compliance with any state or U.S. federal securities law in connection with the Notes.

Section 7.05. *Notice of Default.* If any Default occurs and is continuing and is known to the Trustee, the Trustee shall send notice of the Default to each Holder within 90 days after it occurs, or, if later, within 15 days after it is notified in writing to the Trustee unless the Default has been cured. The Trustee shall not be deemed to have knowledge of a Default or Event of Default unless and until it obtains written notification of such Default or Event of Default from the Company or as otherwise contemplated herein describing the circumstances of such, and identifying the circumstances constituting such Default or Event of Default. The Trustee shall not be bound to enforce any provision of this Indenture unless it is directed in writing by the Holders to do so and unless it has received security and/or indemnity and/or pre-funding satisfactory to it.

Section 7.06. *Compensation and Indemnity.* (a) Each of the Company and the Subsidiary Guarantors agrees to be jointly and severally responsible for and shall pay the Trustee compensation as agreed upon in writing for its services which sum shall be paid free and clear of deduction and withholding on account of taxation, set off and counterclaim. The compensation of the Trustee is not limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all properly incurred out-of-pocket expenses, disbursements and advances (including costs of collection) made by the Trustee, including the properly incurred compensation, expenses and disbursements of the Trustee's agents, attorneys and counsel and other Persons not regularly within its employ.

(b) Each of the Company and the Subsidiary Guarantors agrees to be jointly and severally responsible for and shall indemnify the Trustee or any predecessor Trustee and their agents, employees, officers and directors for, and hold it harmless against, any loss, liability or expense incurred by it without gross negligence or willful misconduct or fraud on its part arising out of or in connection with the acceptance or administration of this Indenture and its duties under this Indenture, the Notes and the Subsidiary Guarantees, as the case may be, including (i) the costs and expenses of defending itself against any claim or liability and of complying with any process served upon it or any of its officers in connection with the exercise or performance of any of its powers or duties under this Indenture and the Notes and (ii) the compensation, expenses and disbursements of the Trustee's agents and counsel and other Persons not regularly within the Trustee's employ.

(c) If a default or an Event of Default shall have occurred, the Company and the Subsidiary Guarantors (if any) shall pay to the Trustee additional remuneration calculated in accordance with time cost spent by the Trustee in undertaking its duties at the Trustee's standard charge-out rate or in the event of an amendment, consent or waiver in connection with the Notes or this Indenture at the request of the Company, or an event

where the Trustee finds it expedient or necessary, or is requested by the Company to undertake duties which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties under this Indenture, the Company will pay such additional remuneration as it may agree or, failing such agreement, as determined by an independent international merchant or investment bank (acting as an expert) selected by the Trustee and, prior to the occurrence of an Event of Default that is continuing, also approved by the Company. The expenses involved in such nomination and such merchant or investment bank's fee will be paid by the Company and the Subsidiary Guarantors (if any). The determination of such merchant or investment bank will be conclusive and binding on the Company, the Subsidiary Guarantors (if any) and the Trustee.

(d) To secure the Company's payment obligations in this Section 7.06, the Trustee will have a lien prior to the Notes on all money or property held or collected by the Trustee, in its capacity as Trustee, except money or property held in trust to pay principal of, and interest on particular Notes. Such lien shall survive the satisfaction and discharge of this Indenture.

(e) All compensation and indemnity payments made by the Company and/or the Subsidiary Guarantors to the Trustee for the sole account of the Trustee under this Indenture shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature (including related penalties, interest and other liabilities) (hereinafter, "Taxes") imposed or levied by or on behalf of the government of the Relevant Jurisdiction or any political subdivision or any authority or agency therein or thereof having power to tax, or any other jurisdiction in which the Company or each Subsidiary Guarantor is organized or is otherwise resident for tax purposes, or any jurisdiction from or through which payment is made. If the Company or any Subsidiary Guarantor is so required by law or by regulation or governmental policy having the force of law to withhold or deduct any amount for or on account of Taxes imposed by a Relevant Taxing Jurisdiction from any payment made under or with respect to such payments to the Trustee, the Company shall pay such additional amounts as may be necessary so that the net amount received by the Trustee (including such additional amounts) after such withholding or deduction will not be less than the amount the Trustee would have received if such Taxes had not been withheld or deducted.

(f) This Section 7.06 shall survive the redemption or maturity of the Notes, the termination of this Indenture, and the termination of the appointment of the Trustee.

Section 7.07. *Replacement of Trustee.* (a) (i) The Trustee may resign at any time by providing 60 days' prior written notice to the Company.

(ii) The Holders of a majority in principal amount of the outstanding Notes may remove the Trustee by providing 60 days' prior written notice to the Trustee.

(iii) The Company may remove the Trustee if: (A) the Trustee (or holding company thereof) is adjudged a bankrupt or an insolvent; (B) a receiver or other public officer takes charge of the Trustee (or holding company thereof)

or its property; or (C) the Trustee (or holding company thereof) becomes incapable of acting.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.07.

(b) If the Trustee has been removed by the Holders, Holders of a majority in principal amount of the Notes may appoint a successor Trustee with the consent of the Company. Otherwise, if the Trustee resigns or is removed, or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. If the successor Trustee does not deliver its written acceptance within 30 days after the retiring Trustee resigns or is removed, (i) the retiring Trustee (at the expense of the Company) may appoint a successor Trustee, or (ii) the retiring Trustee, the Company or the Holders of a majority in the aggregate principal amount of the outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) Upon delivery by the successor Trustee of a written acceptance of its appointment to the retiring Trustee and to the Company, (i) the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.06, (ii) the resignation or removal of the retiring Trustee shall become effective, and (iii) the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. Upon request of any successor Trustee, the Company shall execute any and all instruments for fully vesting in and confirming to the successor Trustee all such rights, powers and trusts. The Company shall give notice of any resignation and any removal of the Trustee and each appointment of a successor Trustee to all Holders, and include in the notice the name of the successor Trustee and the address of its Corporate Trust Office.

(d) Notwithstanding replacement of the Trustee pursuant to this Section 7.07, the Company's obligations under Section 7.06 shall continue for the benefit of the retiring Trustee.

Section 7.08. *Successor Trustee by Consolidation, Merger, Conversion or Transfer.* If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business or assets (including the administration of the trust created by this Indenture) to, another corporation or national banking association, the resulting, surviving or transferee corporation or national banking association without any further act shall be the successor Trustee with the same effect as if the successor Trustee had been named as the Trustee in this Indenture.

Section 7.09. *Money Held in Trust.* The Trustee will not be liable for interest on any money received by it except as it may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law and except for money held in trust under Article 8 and Article 9.

Section 7.10. *Appointment of Paying Agent.* The Company hereby appoints The Bank of New York Mellon, London Branch, as the Paying Agent and The Bank of New York Mellon SA/NV, Luxembourg Branch as Registrar and Transfer Agent with respect to the Notes, and The Bank of New York Mellon, London Branch and The Bank of New York Mellon SA/NV, Luxembourg Branch each hereby accepts such appointment. By accepting such appointment, The Bank of New York Mellon, London Branch and The Bank of New York Mellon SA/NV, Luxembourg Branch agree to be bound by and to perform the services with respect to themselves set forth in the terms and conditions set forth in this Indenture and the Notes.

ARTICLE 8  
DEFEASANCE AND DISCHARGE

Section 8.01. *Defeasance and Discharge of Indenture.* (a) The Company shall be deemed to have paid, and shall be discharged from any and all obligations in respect of the Notes, on the 183<sup>rd</sup> day after the deposit referred to in Section 8.01(a)(i) has been made, and the provisions of this Indenture shall no longer be in effect with respect to the Notes (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), except as to (1) rights of registration of transfer and exchange; (2) substitution of apparently mutilated, defaced, destroyed, lost or stolen Notes; (3) obligations to maintain paying agencies; (4) to pay Additional Amounts; and (5) the rights of the Holders as beneficiaries hereof with respect to the monies so deposited with the Trustee payable to all or any of them; *provided* that the following conditions shall have been satisfied:

(i) the Company (A) has deposited with the Trustee, in trust, cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of this Indenture and the Notes and (B) has delivered to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of this Indenture;

(ii) the Company has delivered to the Trustee an Opinion of Counsel of recognized standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(iii) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183<sup>rd</sup>

day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of the Restricted Subsidiaries is a party or by which the Company or any of the Restricted Subsidiaries is bound.

(b) In the case of either discharge or defeasance of the Notes, each of the Subsidiary Guarantees shall terminate.

Section 8.02. *Covenant Defeasance.* (i) The Company may omit to comply with any term, provision or condition set forth in, and this Indenture shall no longer be in effect with respect to, Section 4.05, Section 4.06, Section 4.07, Section 4.08, Section 4.09, Section 4.10, Section 4.11, Section 4.13, Section 4.14, Section 4.15, Section 4.16, Section 4.17, Section 5.01(a)(iii), Section 5.01(a)(iv), Section 5.01(b)(iii), Section 5.01(b)(iv), and (ii) Section 6.01(c) with respect to Section 5.01(a)(iii), Section 5.01(a)(iv), Section 5.01(b)(iii) and Section 5.01(b)(iv) and with respect to such other events set forth in clause (i) above, Section 6.01(d) with respect to such other covenants set forth in clause (i) above and Section 6.01(e), Section 6.01(f), Section 6.01(g) and Section 6.01(h) shall be deemed not to be Events of Default; *provided* the following conditions have been satisfied:

(a) The Company has deposited with the Trustee, in trust, of cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of this Indenture and the Notes;

(b) The Company has delivered to the Trustee an Opinion of Counsel of recognized standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(c) The Company has delivered to the Trustee an Opinion of Counsel of recognized standing with respect to U.S. federal income tax matters, to the effect that the beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit and defeasance had not occurred.

Section 8.03. *Application of Trust Money.* Subject to Section 8.04, the Trustee shall hold in trust, the money or, U.S. Government Obligations deposited with it pursuant to Section 8.01 or 8.02, and apply the deposited money and the proceeds from deposited U.S. Government Obligations to the payment of principal of and premium or interest on the Notes in accordance with the Notes and this Indenture. Such money and U.S. Government Obligations shall be segregated from other funds.

Section 8.04. *Repayment to Company.* Subject to Sections 7.06, 8.01 and 8.02, the Trustee shall promptly pay to the Company upon written request by the Company in the form of an Officers' Certificate any excess money held by the Trustee at any time and thereupon be relieved from all liability with respect to such money. The Trustee shall pay to the Company upon written request by the Company in the form of an Officers' Certificate any money held for payment with respect to the Notes that remains unclaimed for two years, *provided* that before making such payment the Trustee may at the expense of the Company publish once in a newspaper of general circulation in New York City, or send to each Holder entitled to such money, notice that the money remains unclaimed and that after a date specified in the notice (at least 30 days after the date of the publication or notice) any remaining unclaimed balance of money shall be repaid to the Company. After payment to the Company, Holders entitled to such money must look solely to the Company for payment, unless applicable law designates another Person, and all liability of the Trustee with respect to such money shall cease.

Section 8.05. *Reinstatement.* If and for so long as the Trustee is unable to apply any money or U.S. Government Obligations held in trust pursuant to Sections 8.01 or 8.02 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Notes shall be reinstated as though no such deposit in trust had been made. If the Company makes any payment of principal of or interest on any Notes because of the reinstatement of its obligations, it shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Obligations held in trust. In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in Section 8.02 and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of cash in U.S. dollars and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company and the Subsidiary Guarantors shall remain liable for such payments.

#### ARTICLE 9 SATISFACTION AND DISCHARGE

Section 9.01. *Satisfaction and Discharge of Indenture.* This Indenture shall be discharged and shall cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes, as expressly provided for in this Indenture) as to all outstanding Notes when:

(a) either:

(i) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or

(ii) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year, and the Company has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable U.S. Government Obligations, or a combination of cash in U.S. dollars and non-callable U.S. Government Obligations, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;

(b) no Default or Event of Default will have occurred and be continuing on the date of such deposit and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Subsidiary Guarantor is a party or by which the Company or any Subsidiary Guarantor is bound;

(c) the Company has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be; and

(d) the Company and any Subsidiary Guarantor has paid or caused to be paid all sums payable by it under the Indenture.

In addition, the Company must deliver an Officers' Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Section 9.02. *Application of Trust Money.* Subject to Section 9.03, the Trustee shall hold in trust, the money, or U.S. Government Obligations deposited with it pursuant to Section 9.01, and apply the deposited money and the proceeds from deposited U.S. Government Obligations to the payment of principal of and premium or interest on the Notes in accordance with the Notes and this Indenture. Such money and U.S. Government Obligations will be segregated from other funds.

Section 9.03. *Repayment to Company.* Subject to Sections 7.06 and 9.01, the Trustee shall promptly pay to the Company upon written request by the Company in the form of an Officers' Certificate any excess money held by the Trustee at any time and thereupon be relieved from all liability with respect to such money. The Trustee shall pay to the Company upon written request by the Company in the form of an Officers' Certificate any money held for payment with respect to the Notes that remains unclaimed for two years, *provided* that before making such payment the Trustee may at the expense of the Company publish once in a newspaper of general circulation in New York City, or send to each Holder entitled to such money, notice that the money remains unclaimed and that after a date specified in the notice (at least 30 days after the date of the publication or notice) any remaining unclaimed balance of money will be repaid to the Company. After payment to the Company, Holders entitled to such money must look solely to the



Company for payment, unless applicable law designates another Person, and all liability of the Trustee with respect to such money will cease.

Section 9.04. *Reinstatement.* If and for so long as the Trustee is unable to apply any money or U.S. Government Obligations held in trust pursuant to Section 9.01 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Notes will be reinstated as though no such deposit in trust had been made. If the Company makes any payment of principal of or interest on any Notes because of the reinstatement of its obligations, it shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Obligations held in trust.

ARTICLE 10  
AMENDMENTS, SUPPLEMENTS AND WAIVERS

Section 10.01. *Amendments without Consent of Holders.* (a) The Company, the Subsidiary Guarantors and the Trustee may amend or supplement this Indenture or the Notes without the consent of any Holder, to:

- (i) cure any ambiguity, defect, omission or inconsistency in this Indenture, the Notes or the Subsidiary Guarantees;
- (ii) comply with Article 5;
- (iii) evidence and provide for the acceptance of appointment by a successor Trustee;
- (iv) provide for the issuance of Additional Notes in accordance with the limitations set forth in this Indenture;
- (v) effect any change to this Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;
- (vi) in any other case where a supplemental indenture to this Indenture is required or permitted to be entered into pursuant to the provisions of this Indenture without the consent of any Holder;
- (vii) effect any changes to this Indenture in a manner necessary to comply with the procedures of the relevant clearing system;
- (viii) add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of this Indenture;
- (ix) add any Liens to secure the Notes or a Subsidiary Guarantee or to enter into any intercreditor agreement or amendments or supplements thereto;

(x) conform the text of this Indenture, the Notes or the Subsidiary Guarantees to any provision of the “Description of the Notes” section of the offering memorandum of the Company relating to the Notes dated July 24, 2019 to the extent that such provision in the “Description of the Notes” was intended to be a verbatim recitation of a provision of this Indenture, the Notes or the Subsidiary Guarantees; or

(xi) make any other change that does not materially and adversely affect the rights of any Holder.

Section 10.02. *Amendments with Consent of Holders.* (a) The Company, the Subsidiary Guarantors and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes may amend this Indenture, the Notes or the Subsidiary Guarantees, and the Holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company and the Subsidiary Guarantors with any provision of this Indenture or the Notes; *provided*, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(i) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(ii) reduce the principal amount of, or premium, if any, or interest on, any Note;

(iii) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;

(iv) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;

(v) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend this Indenture;

(vi) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(vii) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of this Indenture or for waiver of certain defaults;

(viii) release any Subsidiary Guarantor from its Subsidiary Guarantee, except as provided in this Indenture;

(ix) amend, change or modify any Subsidiary Guarantee in a manner that adversely affects the Holders;

(x) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale or change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale, whether through an amendment or waiver of provision in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control or the event giving rise to the repurchase of the Notes under Section 4.13;

(xi) change the redemption date or the redemption price of the Notes from that stated in Section 3.01 or Section 3.02;

(xii) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or

(xiii) amend, change or modify any provision of this Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee in a manner which adversely affects the Holders.

(b) It is not necessary for Holders to approve the particular form of any proposed amendment, supplement or waiver, but is sufficient if their consent approves the substance thereof.

(c) An amendment, supplement or waiver under this Section 10.02 shall become effective on receipt by the Trustee of written consents from the Holders of the requisite percentage in principal amount of the outstanding Notes. After an amendment, supplement or waiver under this Section 10.02 becomes effective, the Company shall send to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. The Company shall send supplemental indentures to Holders upon request. Any failure of the Company to send such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture or waiver.

Section 10.03. *Effect of Consent.* (a) After an amendment, supplement or waiver becomes effective, it shall bind every Holder unless it is of the type requiring the consent of each Holder affected. If the amendment, supplement or waiver is of the type requiring the consent of each Holder affected, the amendment, supplement or waiver shall bind each Holder that has consented to it and every subsequent Holder of a Note that evidences the same debt as the Note of the consenting Holder.

(b) If an amendment, supplement or waiver changes the terms of a Note, the Trustee may require the Holder to deliver it to the Trustee so that the Trustee may place an appropriate notation of the changed terms on the Note and return it to the Holder, or exchange it for a new Note that reflects the changed terms. The Trustee may also place an appropriate notation on any Note thereafter authenticated. However, the effectiveness

of the amendment, supplement or waiver is not affected by any failure to annotate or exchange Notes in this fashion.

Section 10.04. *Trustee's and Agent's Rights and Obligations.* Each of the Trustee and the Agents is entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of any amendment, supplement or waiver authorized pursuant to this Article is authorized or permitted by this Indenture and that such amendment, supplement or waiver constitutes the legal, valid and binding obligations of the party or parties executing such amendment, supplement or waiver, and an Officers' Certificate stating that all conditions precedent have been complied with. If the Trustee or the Agents, as the case may be, has received such an Opinion of Counsel, it shall sign the amendment, supplement or waiver so long as the same does not adversely affect the rights, duties, liabilities or immunities of the Trustee or the Agents, as the case may be. Each of the Trustee and the Agents may, but is not obligated to, execute any amendment, supplement or waiver that affects the Trustee's or the Agents' own rights, duties or immunities under this Indenture. The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be compensated and indemnified are extended to, and shall be enforceable by, the Agent in each of its capacities under this Indenture.

#### ARTICLE 11 SUBSIDIARY GUARANTEES

Section 11.01. *The Subsidiary Guarantees.* Subject to the provisions of this Article 11, each of the Subsidiary Guarantors (whether originally a signatory hereto or added pursuant to a supplemental indenture) hereby, jointly and severally, Guarantees as principal obligor to each Holder of a Note authenticated by the Trustee or the Authenticating Agent and to the Trustee and its successors and assigns the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes and this Indenture.

Section 11.02. *Guarantee Unconditional.* The obligations of each Subsidiary Guarantor hereunder are unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

- (a) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of the Company under this Indenture or any Note, by operation of law or otherwise;
- (b) any modification or amendment of or supplement to this Indenture or any Note;
- (c) any change in the corporate existence, structure or ownership of the Company, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Company or its assets or any resulting release or discharge of any obligation of the Company contained in this Indenture or any Note;

(d) the existence of any claim, set-off or other rights which the Subsidiary Guarantor may have at any time against the Company, the Trustee or any other Person, whether in connection with this Indenture or any unrelated transactions; *provided* that nothing herein prevents the assertion of any such claim by separate suit or compulsory counterclaim;

(e) any invalidity, irregularity, or unenforceability relating to or against the Company or any other Subsidiary Guarantor for any reason of this Indenture or any Note;

(f) any other act or omission to act or delay of any kind by the Company, the Trustee or any other Person or any other circumstance whatsoever which might, but for the provisions of this Section 10.02, constitute a legal or equitable discharge of or defense to such Subsidiary Guarantor's obligations hereunder.

Section 11.03. *Discharge; Reinstatement.* Each Subsidiary Guarantor's obligations hereunder shall remain in full force and effect until the principal of, premium, if any, and interest on the Notes and all other amounts payable by the Company under this Indenture have been paid in full. If at any time any payment of the principal of, premium, if any, or interest on any Note or any other amount payable by the Company under this Indenture is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of the Company or otherwise, each Subsidiary Guarantor's obligations hereunder with respect to such payment shall be reinstated as though such payment had been due but not made at such time. All payments under the Subsidiary Guarantees shall be made in U.S. dollars.

Section 11.04. *Waiver by Each Subsidiary Guarantor.* Each Subsidiary Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against the Company or any other Person. In particular, each Subsidiary Guarantor irrevocably waives its right to require the Trustee to pursue or exhaust the Trustee's legal or equitable remedies against the Company prior to exercising the Trustee's rights under the Subsidiary Guarantee.

Section 11.05. *Subrogation and Contribution.* Upon making any payment with respect to any obligation of the Company under this Article 10, the Subsidiary Guarantor making such payment shall be subrogated to the rights of the payee against the Company with respect to such obligation; *provided* that the Subsidiary Guarantor may not enforce either any right of subrogation, or any right to receive payment in the nature of contribution, or otherwise, from any other Subsidiary Guarantor, with respect to such payment so long as any amount payable by the Company hereunder or under the Notes remains unpaid.

Section 11.06. *Stay of Acceleration.* If acceleration of the time for payment of any amount payable by the Company under this Indenture or the Notes is stayed upon the insolvency, bankruptcy or reorganization of the Company, all such amounts otherwise

subject to acceleration under the terms of this Indenture are nonetheless payable by the Subsidiary Guarantors hereunder forthwith on demand by the Trustee or the Holders.

Section 11.07. *Limitation on Amount of Subsidiary Guarantee.* Notwithstanding anything to the contrary in this Article, each Subsidiary Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Subsidiary Guarantee of such Subsidiary Guarantor not constitute a fraudulent conveyance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable law of any other jurisdiction. To effectuate that intention, the Trustee, the Holders and the Subsidiary Guarantors hereby irrevocably agree that the obligations of each Subsidiary Guarantor under its Subsidiary Guarantee are limited in an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

Section 11.08. *Ranking of Subsidiary Guarantees.* The Subsidiary Guarantee of each Subsidiary Guarantor: (a) is a general obligation of such Subsidiary Guarantor; (b) is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to the Subsidiary Guarantee; (c) ranks and will rank at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); (d) is effectively subordinated to secured obligations (if any) of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor; and (e) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Section 11.09. *Further Subsidiary Guarantors.* (a) The Company shall, for the benefit of the Holders of the Notes, cause each of its future Restricted Subsidiaries (other than the Restricted Subsidiaries organized under the laws of the PRC (the “**PRC Non-Guarantor Subsidiaries**”)) after the Original Issue Date, as soon as practicable and in any event within 30 days after it becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to this Indenture pursuant to which such future Restricted Subsidiary shall Guarantee the payment of the Notes. Notwithstanding the foregoing, the Company may elect to have any Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or at any time thereafter or ceases to be an Exempted Subsidiary (each such Restricted Subsidiary, a “**New Non-Guarantor Subsidiary**,” and together with Exempted Subsidiaries, the PRC Non-Guarantor Subsidiaries and the Initial Non-Guarantor Subsidiaries, for as long as they are not Subsidiary Guarantors, the “**Non-Guarantor Subsidiaries**”); *provided* that, after giving effect to the amount of Consolidated Assets of such Restricted Subsidiary, (i) the Consolidated Assets of all Non-Guarantor Subsidiaries (other than Exempted Subsidiaries and the PRC Non-Guarantor Subsidiaries) do not exceed 30.0% of the Total Assets and (ii) no Event of Default shall have occurred and be continuing, as of the date of such designation.

(b) If, at any time, the Consolidated Assets of all Initial Non-Guarantor Subsidiaries (other than Exempted Subsidiaries and PRC Non-Guarantor Subsidiaries) exceed 30.0% of the Total Assets, the Company must cause one or more such Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture to this Indenture pursuant to which such Restricted Subsidiaries will become Subsidiary Guarantors such that the 30.0% limitation is complied with. Such supplemental indenture shall be executed and delivered as soon as practicable and in any event within 30 Business Days from the date of the most recent fiscal quarter for which the consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile on a timely basis and which may be internal consolidated financial statements) become available.

(c) Each Restricted Subsidiary that Guarantees the Notes after the Original Issue Date is referred to as a “**Future Subsidiary Guarantor**” and, upon execution of the applicable supplemental indenture to this Indenture, shall be a “**Subsidiary Guarantor**.”

Section 11.10. *Execution and Delivery of Subsidiary Guarantee.* The execution by each Subsidiary Guarantor of this Indenture (or a supplemental indenture in the form of Exhibit F) evidences the Subsidiary Guarantee of such Subsidiary Guarantor, whether or not the person signing as an officer of the Subsidiary Guarantor still holds that office at the time of authentication of any Note. The delivery of any Note by the Trustee after authentication constitutes due delivery of the Subsidiary Guarantee set forth in this Indenture on behalf of each Subsidiary Guarantor.

Section 11.11. *Release of the Subsidiary Guarantees.* (a) A Subsidiary Guarantee given by a Subsidiary Guarantor shall be released upon:

(i) repayment in full of the Notes;

(ii) a defeasance or discharge as provided in Section 8.01 or a satisfaction as described under Section 9.01;

(iii) the designation by the Company of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of this Indenture;

(iv) the sale, disposition or merger of a Subsidiary Guarantor in compliance with the terms of this Indenture (including Sections 4.09, 4.13 and 5.01) resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as (A) such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company’s other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (B) the proceeds from such sale, disposition or merger are used for the purposes permitted or required by this Indenture;

(v) in the case of a Subsidiary Guarantor that becomes a Non-Guarantor Subsidiary or an Unrestricted Subsidiary, in compliance with the terms of the Indenture; or

(vi) in whole or in part, with the requisite consent of the Holders in accordance with the provisions described under Article 10.

(b) No release and discharge of the Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee, any Agent or the Holders of Notes (i) if a Default or Event of Default shall have occurred and be continuing under this Indenture as of the time of such proposed release and discharge until such time as such Default or Event of Default is cured or waived and (ii) until the Company shall have delivered to the Trustee an Officers' Certificate stating that all conditions precedent provided for in this Indenture relating to such release and discharge have been complied with and that such release and discharge is authorized and permitted under this Indenture. At the request of the Company, the Trustee shall execute and deliver an instrument evidencing such release and discharge and do all such other acts and things necessary to release the Subsidiary Guarantor from its obligations hereunder.

ARTICLE 12  
MISCELLANEOUS

Section 12.01. *Ranking.* The Notes are (a) general obligations of the Company, (b) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (c) at least pari passu in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); (d) guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations set forth in Article 11; (e) effectively subordinated to the secured obligations (if any) of the Company and the Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and (f) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Section 12.02. *Notices.* (a) All notices or demands required or permitted by the terms of the Notes or this Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails, if intended for the Company or any Subsidiary Guarantor, mailed, delivered to Bright Scholar Education Holdings Limited, No. 1, Country Garden Road, Beijiao Town, Shunde District, Foshan, Guangdong 528300, People's Republic of China to the attention of Chief Executive Officer, or if intended for the Trustee, addressed to the Trustee at the Corporate Trust Office; and, if intended for any Holder, addressed to such Holder at such Holder's last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with applicable Euroclear or Clearstream procedures). Copies of any notice or communication to a Holder, if given by the Company, will be mailed to the Trustee at the same time. Defect in mailing a notice or communication to any particular Holder shall not affect its sufficiency with respect to other Holders.

(b) Any notice or demand shall be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of the Common Depositary. Any such notice shall be deemed to have been delivered on the day such notice is delivered to the



Common Depositary or if by mail, when so sent or deposited. Any notice to the Trustee shall be effective only upon receipt.

(c) Where this Indenture provides for notice, the notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and the waiver shall be the equivalent of the notice. Waivers of notice by Holders must be filed with the Trustee, but such filing is not a condition precedent to the validity of any action taken in reliance upon such waivers.

(d) Each of the Company and the Subsidiary Guarantors hereby acknowledges that it is fully aware of the risk associated with transmitting instructions via facsimile, and being aware of these risks authorizes any Trustee to accept and act upon any instruction sent to the Trustee in the Company's or Subsidiary Guarantor's name or in the name of one or more appropriate authorized signers of the Company or the Subsidiary Guarantor via facsimile. Any Trustee shall be entitled to the benefit of Section 7.06 of this Indenture when accepting or acting upon any instructions, communications or documents transmitted by facsimile, and shall not be liable in the event any facsimile transmission is not received, or is mutilated, illegible, interrupted, duplicated, incomplete, unauthorized or delayed for any reason, including (but not limited to) electronic or telecommunications failure. Furthermore, notwithstanding the above, if the Trustee receives information or instructions delivered by electronic mail, other electronic method or other unsecured method of communication believed by it to be genuine and to have been sent by the proper person or persons, the Trustee shall have (vii) no duty or obligation to verify or confirm that the person who sent such instructions is in fact a person authorized to give instructions or directions on behalf of the Company or the Subsidiary Guarantor and (viii) no liability for any losses, liabilities, costs or expenses incurred or sustained by any holder, the Company or the Subsidiary Guarantor or any other person as a result of such reliance on or compliance with such information or instructions.

Section 12.03. *Certificate and Opinion as to Conditions Precedent.* (a) Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee at the Trustee's request:

(i) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, *provided* for in this Indenture relating to the proposed action have been complied with;

(ii) an Opinion of Counsel stating that all such conditions precedent have been complied with; and

(iii) an incumbency certificate giving the names and specimen signatures of Authorized Officers for any such Authorized Officers who have not previously provided specimen signatures to the Trustee.

(b) In any case where several matters are required to be certified by, or covered by an Opinion of Counsel of, any specified Person, it is not necessary that all such matters be certified by, or covered by the Opinion of Counsel of, only one such

Person, or that they be so certified or covered by only one document, but one such Person may certify or give an Opinion of Counsel with respect to some matters and one or more such Persons as to other matters, and any such Person may certify or give an Opinion of Counsel as to such matters in one or several documents.

(c) Any certificate of an Officer of the Company or any Subsidiary Guarantor may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, unless such Officer knows, or in the exercise of reasonable care should know, that such Opinion of Counsel with respect to the matters upon which his certificate is based are erroneous. Any Opinion of Counsel may be based, and may state that it is so based, insofar as it relates to factual matters, upon a certificate of, or representations by, an officer or officers of the Company or a Subsidiary Guarantor stating that the information with respect to such factual matters is in the possession of the Company or such Subsidiary Guarantor, as the case may be, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or representations with respect to such matters are erroneous.

(d) Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 12.04. *Statements Required in Certificate or Opinion.* Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture must include:

(a) a statement that each person signing the certificate or opinion has read the covenant or condition and the related definitions;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion contained in the certificate or opinion is based;

(c) a statement that, in the opinion of each such person, that person has made such examination or investigation as is necessary to enable the person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of each such person, such condition or covenant has been complied with, *provided* that an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials with respect to matters of fact.

Section 12.05. *Payment Date Other Than a Business Day.* If any payment with respect to a payment of any principal of, premium, if any, or interest on any Note (including any payment to be made on any date fixed for redemption or purchase of any Note) is due on a day which is not a Business Day, then the payment need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect as if made on such date, and no interest will accrue for the intervening period.

Section 12.06. *Governing Law, Consent to Jurisdiction; Waiver of Immunities.* (a) Each of the Notes, the Subsidiary Guarantees and this Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) The Company and each of the Subsidiary Guarantors hereby irrevocably and unconditionally submits to the non-exclusive jurisdiction of any New York state or United States federal court located in the Borough of Manhattan, The City of New York, New York, in connection with any suit, action or proceeding arising out of or relating to this Indenture, any Note or any Subsidiary Guarantee or any transaction contemplated hereby or thereby. The Company and each of the Subsidiary Guarantors irrevocably and unconditionally waive, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. To the extent that the Company or any Subsidiary Guarantor, as the case may be, has or hereafter may acquire any sovereign or other immunity from jurisdiction of any court or from any legal process with respect to itself or its property, the Company or such Subsidiary Guarantor, as the case may be, irrevocably waives such immunity in respect of its obligations hereunder or under any Note or any Subsidiary Guarantee, as applicable. The Company and each of the Subsidiary Guarantors agree that final judgment in any such suit, action or proceeding, brought in such a court shall be conclusive and binding upon the Company or the Subsidiary Guarantor, as the case may be, and, to the extent permitted by applicable law, may be enforced in any court to the jurisdiction of which the Company or any of the Subsidiary Guarantors, as the case may be, is subject by a suit upon such judgment or in any manner provided by law, *provided* that service of process is effected upon the Company or any of the Subsidiary Guarantors, as the case may be, in the manner specified in the following subsection or as otherwise permitted by applicable law.

(c) As long as any of the Notes remain outstanding, the Company and each of the Subsidiary Guarantors shall at all times have an authorized agent in the City of New York, upon whom process may be served in any legal action or proceeding arising out of or relating to this Indenture, any Note or any Subsidiary Guarantee. Service of process upon such agent and written notice of such service mailed or delivered to the Company or any Subsidiary Guarantor, as the case may be, shall to the fullest extent permitted by applicable law be deemed in every respect effective service of process upon the Company or such Subsidiary Guarantor, as the case may be, in any such legal action or proceeding. The Company and each of the Subsidiary Guarantors hereby appoints Law Debenture Corporate Services Inc. as its agent for such purpose, and covenants and agrees that service of process in any suit, action or proceeding may be made upon it at the office of such agent at 801 2nd Avenue, Suite 403, New York, New York 10017, as its authorized agent in the Borough of Manhattan in The City of New York. Notwithstanding the foregoing, the Company or any Subsidiary Guarantor may, with prior written notice to the Trustee, terminate the appointment of Law Debenture and appoint another agent for the above purposes so that the Company and the Subsidiary Guarantors shall at all times have an agent for the above purposes in the City of New York. The Company and each of the Subsidiary Guarantors hereby agree to take any and all action as may be necessary to maintain the designation and appointment of an agent in full force and effect until the Final Maturity Date (or earlier, if the Notes are prepaid in full).

(d) The Company and each of the Subsidiary Guarantors hereby irrevocably waives, to the fullest extent permitted by applicable law, any requirement or other provision of law, rule, regulation or practice which requires or otherwise establishes as a condition to the institution, prosecution or completion of any suit, action or proceeding (including appeals) arising out of or relating to this Indenture or any Note or any Subsidiary Guarantee, the posting of any bond or the furnishing, directly or indirectly, of any other security.

Section 12.07. *No Adverse Interpretation of Other Agreements.* This Indenture may not be used to interpret another indenture or loan or debt agreement of the Company or any Subsidiary of the Company, and no such indenture or loan or debt agreement may be used to interpret this Indenture. In addition, no other agreement or document may be used to interpret this Indenture with regard to any rights, duties or obligations of the Trustee created hereunder.

Section 12.08. *Successors.* All agreements of the Company and any Subsidiary Guarantor in this Indenture and the Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successor.

Section 12.09. *Duplicate Originals.* The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 12.10. *Separability.* In case any provision in this Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 12.11. *Table of Contents and Headings.* The Table of Contents and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and in no way modify or restrict any of the terms and provisions of this Indenture.

Section 12.12. *No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees.* No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any Subsidiary Guarantor in this Indenture, or in any of the Notes or the Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any Subsidiary Guarantor or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Subsidiary Guarantees.

Section 12.13. *Force Majeure.* Notwithstanding anything to the contrary in this Indenture or in any other transaction document, neither the Trustee nor any Agent shall be liable for any loss or damage, or any failure or delay in the performance of its obligations hereunder if it is prevented from so performing its obligations by any reason

which is beyond the control of the Trustee, including, but not limited to, any existing or future law or regulation, any existing or future act of governmental authority, "Act of God," flood, war whether declared or undeclared, terrorism, riot, rebellion, civil commotion, strike, lockout, other industrial action, general failure of electricity or other supply, aircraft collision, technical failure, accidental or mechanical or electrical breakdown, computer failure or failure of any money transmission system or any event where performance of any duty or obligation under or pursuant to this Indenture would or may be illegal or would result in the Trustee or any Agent being in breach of any law, rule, regulation, or any decree, order or judgment of any court, or practice, request, direction, notice, announcement or similar action (whether or not having the force of law) of any relevant government, government agency, regulatory authority, stock exchange or self-regulatory organization to which the Trustee or Agent is subject.

Section 12.14. *Waiver of Jury Trial.* Each of the Company, the Subsidiary Guarantors and the Trustee (solely in its capacity as trustee, which, for the avoidance of doubt, shall not in any way affect any right of any Holder) hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Indenture, the notes or the transaction contemplated hereby.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the date first written above.

**Bright Scholar Education Holdings Limited**

□□□□□□□□□□

(as Issuer)

By: /s/ Junli He

Name:

Title:

[Indenture]

---

**Impetus Investment Ltd**  
(as Subsidiary Guarantor)

By: /s/ Junli He

Name:

Title:

[Indenture]

---

**Time Education China Holdings Limited**

时间教育中国控股有限公司

(as Subsidiary Guarantor)

By: /s/ Junli He

Name:

Title:

[Indenture]

---



**Bright Scholar (UK) Holdings Limited**  
(as Subsidiary Guarantor)

By: /s/ Junli He

Name:

Title:

[Indenture]

---

THE BANK OF NEW YORK MELLON, LONDON BRANCH,  
as Trustee

By: /s/ Vivian Hui

Name: Vivian Hui

Title: Vice President

[Indenture]

---

List of Initial Subsidiary Guarantors

Name of Subsidiary Guarantor	Jurisdiction of Incorporation
Impetus Investment Ltd.	Cayman Islands
Bright Scholar (UK) Holdings Limited	United Kingdom
Time Education China Holdings Limited	Hong Kong

## FORM OF FACE OF CERTIFICATED NOTE

## BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED

THIS NOTE AND THE SUBSIDIARY GUARANTEES RELATED TO THIS NOTE (COLLECTIVELY, THE "SECURITY") HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

No.

US\$[ ]

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED

7.45% SENIOR NOTES DUE 2022

Certificated Note

Unconditionally Guaranteed by

the Signatories listed on the Subsidiary Guarantee hereto

Bright Scholar Education Holdings Limited, an exempted company incorporated under the laws of Cayman Islands with limited liability (the “**Company**”), for value received, hereby promises to pay to \_\_\_\_\_ or registered assigns, upon surrender hereof the principal sum of \_\_\_\_\_ (US\$\_\_\_\_\_) as set forth on the books and records of the Trustee, on July 31, 2022, or on such earlier date as the principal hereof may become due in accordance with the provisions hereof.

Interest Rate: 7.45% per annum.

Interest Payment Dates: January 31 and July 31 of each year, commencing January 31, 2020.

Interest Record Dates: January 16 and July 16.

Reference is hereby made to the further provisions set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note shall not be valid or obligatory until the certificate of authentication hereon shall have been duly signed by the Trustee or an Authenticating Agent acting under the Indenture.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed.

Date:

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED

By: \_\_\_\_\_  
Name:  
Title:

A-3

---

Certificate of Authentication

This is one of the 7.45% Senior Notes Due 2022 described in the Indenture referred to in this Note.

THE BANK OF NEW YORK MELLON SA/NV, LUXEMBOURG BRANCH  
As Authenticating Agent

---

Authorized Signatory

A-4

---

## SUBSIDIARY GUARANTEE

Each of the undersigned (the “**Subsidiary Guarantors**”) hereby, jointly and severally, guarantees as principal obligor to each Holder of a Note authenticated by the Trustee or the Authenticating Agent and to the Trustee and its successors and assigns the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes and the Indenture. The obligations of each Subsidiary Guarantor are unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by: (1) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of the Company under the Indenture or any Note, by operation of law or otherwise; (2) any modification or amendment of or supplement to the Indenture or any Note; (3) any change in the corporate existence, structure or ownership of the Company, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Company or its assets or any resulting release or discharge of any obligation of the Company contained in the Indenture or any Note; (4) the existence of any claim, set-off or other rights which the Subsidiary Guarantor may have at any time against the Company, the Trustee or any other Person, whether in connection with the Indenture or any unrelated transactions; *provided* that nothing herein prevents the assertion of any such claim by separate suit or compulsory counterclaim; (5) any invalidity, irregularity, or unenforceability relating to or against the Company for any reason of the Indenture or any Note; or (6) any other act or omission to act or delay of any kind by the Company, the Trustee or any other Person or any other circumstance whatsoever which might, but for the provisions of this paragraph, constitute a legal or equitable discharge of or defense to such Subsidiary Guarantor’s obligations hereunder.

This Subsidiary Guarantee shall not be discharged with respect to any Note except by payment in full of the principal of, premium, if any, and interest on the Notes and all other amounts payable, in respect of any Subsidiary Guarantor, or as otherwise contemplated in the Indenture. In case of the failure of the Company punctually to pay any such principal of, premium, if any, and interest on the Notes and all other amounts payable, each of the Subsidiary Guarantors hereby agrees to cause any such payment to be made punctually when and as the same shall become due and payable, whether at the stated maturity, by acceleration, call for redemption or otherwise, and as if such payment were made by the Company.

Each of the Subsidiary Guarantors hereby further agrees that all payments of, or in respect of, principal of, and premium (if any) and interest in respect of this Subsidiary Guarantee shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined in the Indenture) or the applicable Subsidiary Guarantor is organized or resident for tax purposes or any jurisdiction through which payment is made by or on behalf of the Company, a Surviving Person or the applicable Subsidiary Guarantor (or any political subdivision or taxing authority thereof or therein), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, each Subsidiary Guarantor severally agrees to pay such additional amounts as will result in receipt by the holder of this Subsidiary Guarantee of such amounts as would have been received by such holder had no such withholding or deduction been required, subject to the exceptions in Section 4.20 of the Indenture.

The obligations of the Subsidiary Guarantors to the holder of this Note and to the Trustee pursuant to this Subsidiary Guarantee and the Indenture are expressly set forth in Article 11 of the Indenture, and reference is hereby made to such Article and Indenture for the precise terms of the Subsidiary Guarantee.



This Subsidiary Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Note upon which this Subsidiary Guarantee is endorsed shall have been executed by the Trustee or an Authenticating Agent under the Indenture by manual or facsimile signature of one of its authorized officers.

IMPETUS INVESTMENT LTD.  
BRIGHT SCHOLAR (UK) HOLDINGS LIMITED  
TIME EDUCATION CHINA HOLDINGS LIMITED

(each as a Subsidiary Guarantor)

By: \_\_\_\_\_

Name:

Title: Authorized Signatory

A-6

---

FORM OF REVERSE OF CERTIFICATED NOTE  
BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED

7.45% Senior Notes Due 2022

1. Principal and Interest.

The Company promises to pay the principal of this Note on July 31, 2022.

The Company promises to pay interest on the principal amount of this Note on each Interest Payment Date, as set forth on the face of this Note, at the rate of 7.45% per annum.

Interest will be payable semiannually (to the Holders of record of the Notes at the close of business on January 31 or July 31 immediately preceding the Interest Payment Date) on each Interest Payment Date, commencing January 31, 2020.

Interest on this Note will accrue from the most recent date to which interest has been paid on this Note (or, if there is no existing default in the payment of interest and if this Note is authenticated between a regular record date and the next interest payment date, from such interest payment date) or, if no interest has been paid, from the Original Issue Date. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Interest not paid when due and any interest on principal, premium or interest not paid when due will be paid to the Persons that are Holders on a special record date, which will be the 15th day preceding the date fixed by the Company for the payment of such interest, whether or not such day is a Business Day. At least 15 days before a special record date, the Company will send to each Holder and to the Trustee a notice that sets forth the special record date, the payment date and the amount of interest to be paid. In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date.

2. Indenture; Subsidiary Guarantees.

This is one of the Notes issued under an Indenture, dated as of July 31, 2019 (as amended from time to time, the "Indenture"), among Bright Scholar Education Holdings Limited, an exempted company incorporated under the laws of Cayman Islands with limited liability (the "Company"), the Subsidiary Guarantors listed in Schedule I thereto and The Bank of New York Mellon, London Branch, as Trustee. Capitalized terms used herein are used as defined in the Indenture unless otherwise indicated. The terms of the Notes include those stated in the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture for a statement of all such terms. To the extent permitted by applicable law, in the event of any inconsistency between the terms of this Note and the terms of the Indenture, the terms of the Indenture will control.

The Notes are general obligations of the Company. The Indenture provides for the issuance from time to time of up to such principal amount or amounts as may from time to time be authorized of the Notes, and the originally issued Notes and any Additional Notes vote together for all purposes as a single class. This Note is guaranteed by the initial Subsidiary Guarantors, as set forth in the Indenture.

The Indenture limits, among other things, the ability of the Company to incur or guarantee additional Indebtedness and issue disqualified or preferred stock, declare dividends on its Capital Stock or purchase or redeem Capital Stock, make investments or other specified Restricted Payments, issue or sell Capital Stock of Restricted Subsidiaries, guarantee Indebtedness, sell assets, create any Liens, enter into certain Sale and Leaseback Transactions, enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans, enter into transactions with equity holders or affiliates or effect a consolidation or merger.

### 3. Optional Redemption.

The Company may at its option redeem the Notes, in whole but not in part, at any time prior to July 31, 2022, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents is responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to July 31, 2022, the Company may at its option redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 107.45% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee in accordance with the Indenture. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (1) if the Notes are listed on any securities exchange or are held through a clearing system, in compliance with the requirements of the principal securities exchange on which the Notes are listed (if any) or the requirements of the clearing system; or
- (2) if the Notes are not listed on any securities exchange, on a *pro rata* basis, by lot or by such other method as the Trustee in its sole discretion deems fair and appropriate unless otherwise required by law or by applicable clearing system requirements.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

### 4. Registered Form; Denominations; Transfer; Exchange.

The Notes are in registered form without coupons in denominations of US\$200,000 and any multiple of \$1,000 in excess thereof. A Holder may register the transfer or exchange of Notes in accordance with the Indenture. The Trustee may require a Holder to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Pursuant to the Indenture, there are certain periods during which the Trustee will not be required to issue, register the transfer of or exchange any Note or certain portions of a Note.

5. Defaults and Remedies.

If an Event of Default as defined in the Indenture (other than an Event of Default specified in Section 6.01(g) or 6.01(h) of the Indenture) occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders shall, subject to receiving indemnity and/or security and/or pre-funding to its satisfaction, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. If a bankruptcy or insolvency default with respect to the Company or any Restricted Subsidiary occurs and is continuing, the Notes automatically become immediately due and payable. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require security and/or indemnity and/or pre-funding satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of at least a majority in aggregate principal amount of the Notes then outstanding may direct the Trustee in its exercise of remedies.

6. Amendment and Waiver.

Subject to certain exceptions, the Indenture and the Notes may be amended, or default may be waived, with the consent of the Holders of a majority in aggregate principal amount of the outstanding Notes. Without notice to or the consent of any Holder, the Company and the Trustee may amend or supplement the Indenture or the Notes to, among other things, cure any ambiguity, defect or inconsistency, or make any other change that does not adversely affect the rights of any Holder.

7. Authentication.

This Note is not valid until the Trustee (or Authenticating Agent) signs the certificate of authentication on the other side of this Note.

8. Governing Law.

This Note shall be governed by, and construed in accordance with, the laws of the State of New York.

9. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian) and U/G/M/A/ (= Uniform Gifts to Minors Act).

**The Company will furnish a copy of the Indenture to any Holder upon written request and without charge.**



OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have all of this Note purchased by the Company pursuant to Section 4.12 or 4.13 of the Indenture, check the box:

If you wish to have a portion of this Note purchased by the Company pursuant to Section 4.12 or 4.13 of the Indenture, state the amount (in original principal amount) below:

US\$ \_\_\_\_\_.

Wire transfer instructions for delivery of proceeds from the purchase of the Note are as follows:

[ \_\_\_\_\_ ]

Date: \_\_\_\_\_

Your Signature: \_\_\_\_\_

(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee\*: \_\_\_\_\_

\_\_\_\_\_

\*Signatures must be guaranteed by an “**eligible guarantor institution**” meeting the requirements of the Trustee, which requirements include membership or participation in the Securities Transfer Association Medallion Program (“**STAMP**”) or such other “**signature guarantee program**” as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the United States Securities Exchange Act of 1934, as amended.

TRUSTEE AND PAYING AGENT

The Bank of New York Mellon, London Branch  
One Canada Square  
London E14 5AL  
United Kingdom

TRANSFER AGENT AND REGISTRAR

The Bank of New York Mellon SA/NV, Luxembourg Branch  
Vertigo Building—Polaris  
2-4 rue Eugène Ruppert  
L-2453 Luxembourg

FORM OF TRANSFER NOTICE

FOR VALUE RECEIVED, the undersigned hereby transfers to

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(PRINT NAME AND ADDRESS OF TRANSFEREE)

US\$ \_\_\_\_\_ principal amount of this Note, and all rights with respect thereto, and irrevocably constitutes and appoints \_\_\_\_\_ as attorney to transfer this Note on the books kept for registration thereof, with full power of substitution.

Dated \_\_\_\_\_

\_\_\_\_\_  
Certifying Signature

Signed \_\_\_\_\_

Note:

- (i) The signature on this transfer form must correspond to the name as it appears on the face of this Note in every particular.
- (ii) A representative of the Holder of the Note should state the capacity in which he or she signs (*e.g.*, executor).
- (iii) The signature of the person effecting the transfer shall conform to any list of duly authorized specimen signatures supplied by the registered holder or shall be certified by a bank which is a member of the Medallion Program or in such other manner as any Paying Agent, the Registrar or Transfer Agent may require.



## FORM OF GLOBAL NOTE

## BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED

THIS NOTE AND THE SUBSIDIARY GUARANTEES RELATED TO THIS NOTE (COLLECTIVELY, THIS “**SECURITY**”) HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE BANK OF NEW YORK MELLON, LONDON BRANCH, AS COMMON DEPOSITARY (“**COMMON DEPOSITARY**”) FOR EUROCLEAR BANK SA/NV (“**EUROCLEAR**”) AND CLEARSTREAM BANKING S.A. (“**CLEARSTREAM**”) TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN EXCHANGE FOR THIS CERTIFICATE OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF THE COMMON DEPOSITARY OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITARY (AND ANY PAYMENT IS MADE TO THE COMMON DEPOSITARY OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, THE COMMON DEPOSITARY, HAS AN INTEREST HEREIN.

THIS SECURITY IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE COMMON DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGEABLE IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH COMMON DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

**BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED****GLOBAL NOTE**

Principal amount US\$300,000,000, as revised by the Schedule of Exchanges of Notes attached hereto

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED

7.45% SENIOR NOTES DUE 2022

Global Note

Unconditionally Guaranteed by

the Signatories listed on the Subsidiary Guarantee hereto

Bright Scholar Education Holdings Limited, an exempted company incorporated under the laws of Cayman Islands with limited liability (the “**Company**”), for value received, hereby promises to pay to The Bank of New York Depository (Nominees) Limited as nominee of The Bank of New York Mellon, London Branch, as common depository, or registered assigns for Euroclear Bank SA/NV and Clearstream Banking S.A., upon surrender hereof the principal sum of THREE HUNDRED MILLION UNITED STATES DOLLARS (US\$300,000,000), as revised by the Schedule of Exchanges of Notes attached hereto, on July 31, 2022, or on such earlier date as the principal hereof may become due in accordance with the provisions hereof.

Interest Rate: 7.45% per annum.

Interest Payment Dates: January 31 and July 31 of each year, commencing January 31, 2020.

Interest Record Dates: January 16 and July 16.

Reference is hereby made to the further provisions set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note shall not be valid or obligatory until the certificate of authentication hereon shall have been duly signed by the Trustee or an Authenticating Agent acting under the Indenture.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Date: \_\_\_\_\_, 20\_\_

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED

By: \_\_\_\_\_  
Name:  
Title:

[*Global Note*]

---

CERTIFICATE OF AUTHENTICATION

This is one of the 7.45% Senior Notes Due 2022 described in the Indenture referred to in this Note.

THE BANK OF NEW YORK MELLON SA/NV, LUXEMBOURG  
BRANCH  
as Authenticating Agent

---

Authorized Signatory

*[Global Note – Certificate of Authentication]*

---

## SUBSIDIARY GUARANTEE

Each of the undersigned (the “**Subsidiary Guarantors**”) hereby, jointly and severally, Guarantees as principal obligor to each Holder of a Note authenticated by the Trustee or the Authenticating Agent and to the Trustee and its successors and assigns the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes and the Indenture. The obligations of each Subsidiary Guarantor are unconditional and absolute and, without limiting the generality of the foregoing, will not be released, discharged or otherwise affected by: (1) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of the Company under the Indenture or any Note, by operation of law or otherwise; (2) any modification or amendment of or supplement to the Indenture or any Note; (3) any change in the corporate existence, structure or ownership of the Company, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Company or its assets or any resulting release or discharge of any obligation of the Company contained in the Indenture or any Note; (4) the existence of any claim, set off or other rights which the Subsidiary Guarantor may have at any time against the Company, the Trustee or any other Person, whether in connection with the Indenture or any unrelated transactions; *provided* that nothing herein prevents the assertion of any such claim by separate suit or compulsory counterclaim; (5) any invalidity, irregularity, or unenforceability relating to or against the Company for any reason of the Indenture or any Note; or (6) any other act or omission to act or delay of any kind by the Company, the Trustee or any other Person or any other circumstance whatsoever which might, but for the provisions of this paragraph, constitute a legal or equitable discharge of or defense to such Subsidiary Guarantor’s obligations hereunder.

This Subsidiary Guarantee will not be discharged with respect to any Note except by payment in full of the principal of, premium, if any, and interest on the Notes and all other amounts payable, in respect of any Subsidiary Guarantor, or as otherwise contemplated in the Indenture. In case of the failure of the Company punctually to pay any such principal of, premium, if any, and interest on the Notes and all other amounts payable, each of the Subsidiary Guarantors hereby agrees to cause any such payment to be made punctually when and as the same shall become due and payable, whether at the stated maturity, by acceleration, call for redemption or otherwise, and as if such payment were made by the Company.

Each of the Subsidiary Guarantors hereby further agrees that all payments of, or in respect of, principal of, and premium (if any) and interest in respect of this Subsidiary Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined in the Indenture) or the applicable Subsidiary Guarantor is organized or resident for tax purposes or any jurisdiction through which payment is made by or on behalf of the Company, a Surviving Person or the applicable Subsidiary Guarantor (or any political subdivision or taxing authority thereof or therein), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, each Subsidiary Guarantor severally agrees to pay such additional amounts as will result in receipt by the holder of this Subsidiary Guarantee of such amounts as would have been received by such holder had no such withholding or deduction been required, subject to the exceptions in Section 4.20 of the Indenture.

The obligations of the Subsidiary Guarantors to the holder of this Note and to the Trustee pursuant to this Subsidiary Guarantee and the Indenture are expressly set forth in Article 11 of the Indenture, and reference is hereby made to such Article and Indenture for the precise terms of the Subsidiary Guarantee.

*[Global Note – Certificate of Authentication]*

---

This Subsidiary Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Note upon which this Subsidiary Guarantee is endorsed shall have been executed by the Trustee or an Authenticating Agent under the Indenture by manual or facsimile signature of one of its authorized officers.

IMPETUS INVESTMENT LTD.  
BRIGHT SCHOLAR (UK) HOLDINGS LIMITED  
TIME EDUCATION CHINA HOLDINGS LIMITED

(each as a Subsidiary Guarantor)

By:

\_\_\_\_\_  
Name:

Title: Authorized Signatory

[Global Note – Subsidiary Guarantee]

---

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED  
7.45% Senior Notes Due 2022

1. Principal and Interest.

The Company promises to pay the principal of this Note on July 31, 2022.

The Company promises to pay interest on the principal amount of this Note on each Interest Payment Date, as set forth on the face of this Note, at the rate of 7.45% per annum.

Interest will be payable semiannually in arrears (to the Holders of record of the Notes at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except December 25 and January 1) on each Interest Payment Date, commencing January 31, 2020.

Interest on this Note will accrue from the most recent date to which interest has been paid on this Note (or, if there is no existing default in the payment of interest and if this Note is authenticated between a regular record date and the next interest payment date, from such interest payment date) or, if no interest has been paid, from the Original Issue Date. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Interest not paid when due and any interest on principal, premium or interest not paid when due will be paid to the Persons that are Holders on a special record date, which will be the 15th day preceding the date fixed by the Company for the payment of such interest, whether or not such day is a Business Day. At least 15 days before a special record date, the Company will send to each Holder and to the Trustee a notice that sets forth the special record date, the payment date and the amount of interest to be paid. In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date.

2. Indenture; Subsidiary Guarantee.

This is one of the Notes issued under an Indenture, dated as of July 31, 2019 (as amended from time to time, the “Indenture”), among Bright Scholar Education Holdings Limited, an exempted company incorporated under the laws of Cayman Islands with limited liability (the “Company”), the Subsidiary Guarantors listed in Schedule I thereto and The Bank of New York Mellon, London Branch, as Trustee. Capitalized terms used herein are used as defined in the Indenture unless otherwise indicated. The terms of the Notes include those stated in the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture for a statement of all such terms. To the extent permitted by applicable law, in the event of any inconsistency between the terms of this Note and the terms of the Indenture, the terms of the Indenture will control.

The Notes are general obligations of the Company. The Indenture provides for the issuance from time to time of up to such principal amount or amounts as may from time to time be authorized of the

Notes, and the originally issued Notes and any Additional Notes vote together for all purposes as a single class. This Note is guaranteed by the initial Subsidiary Guarantors, as set forth in the Indenture.

The Indenture limits, among other things, the ability of the Company to Incur or guarantee additional Indebtedness and issue disqualified or preferred stock, declare dividends on its Capital Stock or purchase or redeem Capital Stock, make investments or other specified Restricted Payments, issue or sell Capital Stock of Restricted Subsidiaries, guarantee Indebtedness, sell assets, create any Liens, enter into certain Sale and Leaseback Transactions, enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans, enter into transactions with equity holders or affiliates or effect a consolidation or merger.

### 3. Optional Redemption.

The Company may at its option redeem the Notes, in whole but not in part, at any time prior to July 31, 2022, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents is responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to July 31, 2022, the Company may at its option redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 107.45% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee in accordance with the Indenture. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

(1) if the Notes are listed on any securities exchange or are held through a clearing system, in compliance with the requirements of the principal securities exchange on which the Notes are listed (if any) or the requirements of the clearing system; or

(2) if the Notes are not listed on any securities exchange, on a *pro rata* basis, by lot or by such other method as the Trustee in its sole discretion deems fair and appropriate unless otherwise required by law or by applicable clearing system requirements.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

### 4. Registered Form; Denominations; Transfer; Exchange.

The Notes are in registered form without coupons in denominations of US\$200,000 and any multiple of \$1,000 in excess thereof. A Holder may register the transfer or exchange of Notes in accordance with the Indenture. The Trustee may require a Holder to furnish appropriate endorsements



and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Pursuant to the Indenture, there are certain periods during which the Trustee will not be required to issue, register the transfer of or exchange any Note or certain portions of a Note.

5. Defaults and Remedies.

If an Event of Default as defined in the Indenture (other than an Event of Default specified in Section 6.01(g) or 6.01(h) of the Indenture) occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders shall, subject to receiving indemnity and/or security and/or pre-funding to its satisfaction, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. If a bankruptcy or insolvency default with respect to the Company or any Restricted Subsidiary occurs and is continuing, the Notes automatically become immediately due and payable. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require security and/or indemnity and/or pre-funding satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of at least a majority in aggregate principal amount of the Notes then outstanding may direct the Trustee in its exercise of remedies.

6. Amendment and Waiver.

Subject to certain exceptions, the Indenture and the Notes may be amended, or default may be waived, with the consent of the Holders of a majority in aggregate principal amount of the outstanding Notes. Without notice to or the consent of any Holder, the Company and the Trustee may amend or supplement the Indenture or the Notes to, among other things, cure any ambiguity, defect or inconsistency, or make any other change that does not adversely affect the rights of any Holder.

7. Authentication.

This Note is not valid until the Trustee (or Authenticating Agent) signs the certificate of authentication on the other side of this Note.

8. Governing Law.

This Note shall be governed by, and construed in accordance with, the laws of the State of New York.

9. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian) and U/G/M/A/ (= Uniform Gifts to Minors Act).

**The Company will furnish a copy of the Indenture to any Holder upon written request and without charge.**

TRANSFER NOTICE

FOR VALUE RECEIVED, the undersigned hereby transfers to

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(PRINT NAME AND ADDRESS OF TRANSFEREE)

US\$ \_\_\_\_\_ principal amount of this Note, and all rights with respect thereto, and irrevocably constitutes and appoints \_\_\_\_\_ as attorney to transfer this Note on the books kept for registration thereof, with full power of substitution.

Dated \_\_\_\_\_  
\_\_\_\_\_ Certifying Signature

Signed \_\_\_\_\_

Note:

- (i) The signature on this transfer form must correspond to the name as it appears on the face of this Note in every particular.
- (ii) A representative of the Holder of the Note should state the capacity in which he or she signs (*e.g.*, executor).

(iii) The signature of the person effecting the transfer shall conform to any list of duly authorized specimen signatures supplied by the registered holder or shall be certified by a bank which is a member of the Medallion Program or in such other manner as any Paying Agent, the Registrar or Transfer Agent may require.

OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have all of this Note purchased by the Company pursuant to Section 4.12 or 4.13 of the Indenture, check the box:

If you wish to have a portion of this Note purchased by the Company pursuant to Section 4.12 or 4.13 of the Indenture, state the amount (in original principal amount) below:

US\$ \_\_\_\_\_.

Wire transfer instructions for delivery of proceeds from the purchase of the Note are as follows:

[ \_\_\_\_\_ ]

Date: \_\_\_\_\_

Your Signature: \_\_\_\_\_

(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee\*: \_\_\_\_\_

\_\_\_\_\_  
\*Signatures must be guaranteed by an “**eligible guarantor institution**” meeting the requirements of the Trustee, which requirements include membership or participation in the Securities Transfer Association Medallion Program (“**STAMP**”) or such other “**signature guarantee program**” as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the United States Securities Exchange Act of 1934, as amended.

SCHEDULE OF EXCHANGES OF NOTES

The following changes in the aggregate principal amount of Notes represented by this Global Note have been made:

Date of Decrease/ Increase	Amount of decrease in aggregate principal amount of Notes	Amount of increase in aggregate principal amount of Notes	Outstanding Balance	Signature

TRUSTEE AND PAYING AGENT

The Bank of New York Mellon, London Branch  
One Canada Square  
London E14 5AL  
United Kingdom

TRANSFER AGENT AND REGISTRAR

The Bank of New York Mellon SA/NV, Luxembourg Branch  
Vertigo Building—Polaris  
2-4 rue Eugène Ruppert  
L-2453 Luxembourg

FORM OF COMPANY AUTHORIZATION CERTIFICATE

I, [Name], [Title], acting on behalf of Bright Scholar Education Holdings Limited, hereby certify that:

(A) the persons listed below are (i) Authorized Officers of the Company for purposes of the Indenture dated as of July 31, 2019 (as amended, modified or supplemented from time to time, the "Indenture") among Bright Scholar Education Holdings Limited, an exempted company incorporated under the laws of Cayman Islands with limited liability (the "Company"), certain entities listed on Schedule I thereto (the "Subsidiary Guarantors") and The Bank of New York Mellon, London Branch, as trustee (the "Trustee"); and (ii) the duly authorized person who executed or will execute the Indenture and the Notes (as defined in the Indenture) by his manual or facsimile signature or signature in scanned format delivered through e-mail was at the time of such execution, duly elected or appointed, qualified and acting as the holder of the office set forth opposite his name;

(B) each signature appearing on Schedule 1 attached hereto is the person's genuine signature; and

(C) attached hereto as Schedule II is a true, correct and complete specimen of the certificates representing the Notes (with the Subsidiary Guarantees endorsed thereon).

Authorized Officers:

Name	Title	Signature
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

IN WITNESS WHEREOF, I have hereunto signed my name.

Date:

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED

By: \_\_\_\_\_  
Name:  
Title:

[FORM OF SUBSIDIARY GUARANTOR AUTHORIZATION CERTIFICATE]

I, [Name], [Title], of \_\_\_\_\_, acting on behalf of [Name of Subsidiary Guarantor], a Subsidiary Guarantor listed in Schedule I to the Indenture (as defined below) (the “**Subsidiary Guarantor**”), hereby certify that:

(A) the persons listed below are (i) Authorized Officers of the Subsidiary Guarantor for purposes of the Indenture dated as of July 31, 2019 (as amended, modified or supplemented from time to time, the “**Indenture**”) among Bright Scholar Education Holdings Limited, an exempted company incorporated under the laws of Cayman Islands with limited liability (the “**Company**”), the entities listed on Schedule I thereto (the “**Subsidiary Guarantors**”) and The Bank of New York Mellon, London Branch, as trustee (the “**Trustee**”); and (ii) the duly authorized person who executed or will execute the Indenture and the Subsidiary Guarantee (as defined under the Indenture) endorsed on the Notes (as defined under the Indenture) by his manual or facsimile signature or signature in scanned format delivered through e-mail was at the time of such execution, duly elected or appointed, qualified and acting as the holder of the office set forth opposite his name;

(B) each signature appearing below is the person’s genuine signature; and

(C) attached hereto as Schedule II is a true, correct and complete specimen of the certificates representing the Notes (with the Subsidiary Guarantees endorsed thereon).

Authorized Officers:

Name	Company	Title	Signature
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

IN WITNESS WHEREOF, I have hereunto signed my name.

Dated:

[Name of Subsidiary Guarantor]

By: \_\_\_\_\_  
 Name:  
 Title:

## FORM OF PAYING AGENT, REGISTRAR AND TRANSFER AGENT APPOINTMENT LETTER

July 31, 2019

The Bank of New York Mellon, London Branch  
One Canada Square  
London E14 5AL  
United Kingdom  
(as Paying Agent)

The Bank of New York Mellon SA/NV, Luxembourg Branch  
Vertigo Building-Polaris  
2-4 rue Eugène Ruppert  
L-2453 Luxembourg  
(as Registrar and Transfer Agent)

Re: 7.45% Senior Notes Due 2022 of Bright Scholar Education Holdings Limited

Reference is hereby made to the Indenture dated as of July 31, 2019 (as amended, modified or supplemented from time to time, the “**Indenture**”) among Bright Scholar Education Holdings Limited, an exempted company incorporated under the laws of Cayman Islands with limited liability (the “**Company**”), the entities listed on Schedule I thereto (the “**Subsidiary Guarantors**”) and The Bank of New York Mellon, London Branch (the “**Trustee**”). Terms used herein are used as defined in the Indenture.

The Company hereby appoints The Bank of New York Mellon, London Branch, a banking corporation organized and existing under the laws of the State of New York with limited liability and operating through its branch in London at One Canada Square, London E14 5AL, United Kingdom, as the paying agent (the “**Paying Agent**”), and The Bank of New York Mellon SA/NV, Luxembourg Branch as the registrar (the “**Registrar**”) and transfer agent (the “**Transfer Agent**”, and together with the Paying Agent and Registrar, the “**Agents**” and each an “**Agent**”) with respect to the Notes and each Agent hereby accepts such appointment. By accepting such appointment, each Agent agrees to be bound by and to perform the services with respect to itself set forth in the terms and conditions set forth in the Indenture and the Notes, as well as the following terms and conditions to all of which the Company agrees and to all of which the rights of the holders from time to time of the Notes shall be subject:

(a) Each Agent shall be entitled to the compensation to be agreed upon in writing with the Company and the Subsidiary Guarantors, jointly and severally, for all services rendered by it under the Indenture, and the Company and the Subsidiary Guarantors, jointly and severally, agree promptly to pay such compensation and to reimburse each Agent for its out-of-pocket expenses (including fees and expenses of counsel) properly incurred by it in connection with the services rendered by it under the Indenture and this letter, which sum shall be paid free and clear of deduction and withholding on account of taxation, set off and counterclaim. The Company and the Subsidiary Guarantors jointly and severally hereby agree to indemnify each Agent and its officers, directors, agents and employees and any successors thereto for, and to hold it harmless against, any loss, liability or expense (including fees and expenses of counsel) properly incurred without gross negligence or willful misconduct on its part arising out of or in connection with its acting as an Agent hereunder. Under no circumstance will any Agent be liable to any party for any special, indirect, punitive or consequential loss or damage of any kind whatsoever (being loss of business, goodwill or opportunity of profit) whether or not foreseeable, even if



it has been advised of such loss or damage and regardless of the form of action. This provision shall remain in full force and effect notwithstanding the discharge of the Notes and or the resignation or replacement or removal of the Agents. The obligations of the Company and the Subsidiary Guarantors under this paragraph (a) shall survive the payment of the Notes, the termination or expiry of the Indenture or this letter and the resignation or removal of the Agents.

(b) In acting under the Indenture and in connection with the Notes, the Agents are acting solely as agents of the Company and do not assume any fiduciary duty or other obligation towards or relationship of agency or trust for or with any of the owners or holders of the Notes, except that all funds held by the Agents for the payment of principal interest or other amounts (including Additional Amounts) on, the Notes shall, subject to the provisions of the Indenture, be held by the Agents and applied as set forth in the Indenture and in the Notes, but need not be segregated from other funds held by the Agents, except as required by law.

(c) Each Agent may consult with counsel satisfactory to it and any advice or written opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it under the Indenture in good faith and in accordance with such advice or opinion.

(d) Each Agent shall be fully protected and shall incur no liability for or in respect of any action taken or omitted to be taken or thing suffered by it in reliance upon any Note, notice, direction, consent, certificate, affidavit, statement or other paper or document reasonably believed by it to be genuine and to have been presented or signed by the proper party or parties.

(e) Each Agent and any of its Affiliates, in its individual capacity or any other capacity, may become the owner of, or acquire any interest in, any Notes or other obligations of the Company with the same rights that it would have if it were not an Agent, and may engage or be interested in any financial or other transaction with the Company, and may act on, or as depository, Trustee or agent for, any committee or body of holders of Notes or other obligations of the Company, as freely as if it were not an Agent.

(f) Each Agent shall give the Trustee written notice of any failure by the Company (or by any other obligor on the Notes or the Subsidiary Guarantees) to make any payment of the principal, or premium or interest on, the Notes and any other payments to be made on behalf of the Company under the Indenture, when the same shall be due and payable and at any time during the continuance of any such failure the Agents will pay any such sums so held by it to the Trustee upon the Trustee's written request.

(g) None of the Agents shall be under any liability for interest on any monies received by it pursuant to any of the provisions of the Indenture or the Notes.

(h) Each Agent shall be obligated to perform such duties and only such duties as are in the Indenture and the Notes specifically set forth, and no implied duties or obligation shall be read into the Indenture or the Notes against such Agent. None of the Agents shall be under any obligation to take any action under the Indenture which may tend to involve it in any expense or liability, the payment of which within a reasonable time is not, in its reasonable opinion, assured to it. None of the Agents shall have any obligation to expend its own funds or otherwise incur any financial liability in the performance of its obligations hereunder or under the Indenture. Notwithstanding anything contained herein to the contrary, the obligations of the Agents under this letter are several and not, and shall under no circumstances be deemed to be, joint.

(i) The Agents may at any time resign by giving written notice of its resignation to the Company and the Trustee and specifying the date on which its resignation shall become effective; *provided* that such date shall be at least 60 days after the date on which such notice is given unless the Company agrees to accept shorter notice. Upon receiving such notice of resignation, if required by the Indenture the Company shall promptly appoint a successor agent by written instrument substantially in the form hereof in triplicate signed on behalf of the Company, one copy of which shall be delivered to the resigning Agent, one copy to the successor agent and one copy to the Trustee. Upon the effectiveness of the appointment of a successor agent, the resigning Agent shall have no further obligations under this letter or the Indenture.

Such resignation shall become effective upon the earlier of (i) the effective date of such resignation and (ii) the acceptance of appointment by the successor agent, as provided below. The Company may, at any time and for any reason, remove an Agent and appoint a successor agent, by written instrument in triplicate signed on behalf of the Company, one copy of which shall be delivered to such Agent being removed, one copy to the successor agent and one copy to the Trustee. Any removal of the Agent and any appointment of a successor agent shall become effective upon acceptance of appointment by the successor agent as provided below. Upon its resignation or removal, such Agent shall be entitled to the payment by the Company of its compensation for the services rendered hereunder and to the reimbursement of all properly incurred out-of-pocket expenses in connection with the services rendered by it hereunder.

The Company shall remove an Agent and appoint a successor agent if an Agent (i) shall become incapable of acting, (ii) shall be adjudged bankrupt or insolvent, (iii) shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, (iv) shall consent to, or shall have had entered against it a court order for, any such relief or to the appointment of or taking possession by any such official in any involuntary case or other proceedings commenced against it, (v) shall make a general assignment for the benefit of creditors or (vi) shall fail generally to pay its debts as they become due.

Any successor agent appointed as provided herein shall execute and deliver to its predecessor and to the Company and the Trustee an instrument accepting such appointment (which may be in the form of an acceptance signature to the letter of the Company appointing such agent) and thereupon such successor agent, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as an Agent and such predecessor shall pay over to such successor agent all monies or other property at the time held by it hereunder.

If no successor is appointed by the Company within 30 days of the resignation or removal of any Agent, (i) the retiring Agent may (at the expense of the Company) appoint a successor (ii) the retiring Agent (at the expense of the Company) or the Company may petition any court of competent jurisdiction for the appointment of a successor agent.

(j) Notwithstanding anything contained herein to the contrary, each of the Company and the Subsidiary Guarantors hereby irrevocably agrees that any and all of the rights and obligations of any Agent (except the Trustee) and, to the extent applicable, the obligations of the Company and the Subsidiary Guarantors toward any Agent (except the Trustee) set forth in the Indenture shall be deemed to have been included in this letter.

(k) Notwithstanding anything contained herein to the contrary, the obligations of the each Agent under this letter are several and not joint and should be independently construed and each Agent shall not be liable for each other's acts or omissions to act.

(l) Each of the Agents may act through its attorneys, delegates and agents and will not be responsible for the misconduct or negligence of, or for monitoring or supervising, any attorney, delegate or agent appointed with due care by it hereunder.

(m) Each Agent shall at all times be a responsible financial institution which is authorized by law to exercise its respective powers and duties hereunder and under the Indenture and the Notes.

(n) Any notice or communication to the Agents will be deemed given when sent by facsimile transmission, with transmission confirmed. Any notice to the Agents will be effective only upon receipt. The notice or communication should be addressed to the Paying Agent at:

The Bank of New York Mellon, London Branch  
One Canada Square  
London E14 5AL  
United Kingdom  
Facsimile:  
Attention:

With a copy to:

The Bank of New York Mellon, Hong Kong Branch  
Level 24, Three Pacific Place  
1 Queen's Road East  
Hong Kong

Fax:  
Attention:

Any notice or communication should be addressed to the Registrar and Transfer Agent at:

The Bank of New York Mellon SA/NV, Luxembourg Branch  
Vertigo Building — Polaris  
2-4 rue Eugène Ruppert  
L-2453 Luxembourg

Fax:  
Attention:

With a copy to:

The Bank of New York Mellon, Hong Kong Branch  
Level 24, Three Pacific Place  
1 Queen's Road East  
Hong Kong

Fax:  
Attention:

Any notice to the Company or the Trustee shall be given as set forth in the Indenture. Each of the Company and the Subsidiary Guarantors hereby acknowledges that it is fully aware of the risk associated with transmitting instructions via facsimile, and being aware of these risks authorizes any Agent to accept and act upon any instruction sent to the Agent in the Company's or Subsidiary Guarantor's name or in the name of one or more appropriate authorized signers of the Company or the Subsidiary Guarantors via facsimile. Any Agent shall be entitled to the benefit of paragraph (a) of this letter when accepting or acting upon any instructions, communications or documents transmitted by facsimile, and shall not be liable in the event any facsimile transmission is not received, or is mutilated, illegible, interrupted, duplicated, incomplete, unauthorized or delayed for any reason, including (but not limited to) electronic or telecommunications failure. Furthermore, notwithstanding the above, if any Agent receives information or instructions delivered by electronic mail, other electronic method or other unsecured method of communication believed by it to be genuine and to have been sent by the proper person or persons, such Agent shall have (i) no duty or obligation to verify or confirm that the person who sent such instructions is in fact a person authorized to give instructions or directions on behalf of the Company or the Subsidiary Guarantors and (ii) no liability for any losses, liabilities, costs or expenses incurred or sustained by any holder, the Company or the Subsidiary Guarantors any other person as a result of such reliance on or compliance with such information or instructions.

(o) Any corporation into which any Agent may be merged or converted or any corporation with which such Agent may be consolidated or any corporation resulting from any merger, conversion or consolidation to which such Agent shall be a party or any corporation succeeding to the business of such Agent shall be the successor to such Agent hereunder (*provided* that such corporation shall be qualified as aforesaid) without the execution or filing of any document or any further act on the part of any of the parties hereto.

(p) Any amendment, supplement or waiver under Sections 10.01 and 10.02 of the Indenture that adversely affects the Agent shall not affect the Agents' rights, powers, obligations, duties or immunities, unless the Agents have consented thereto.

(q) The Company and the Subsidiary Guarantors agree that the provisions of Section 12.06 of the Indenture shall apply hereto, *mutatis mutandis*.

(r) Notwithstanding anything herein to the contrary, the Agents shall have all of the rights, protections, indemnities, immunities and privileges set forth in the Indenture and the Indenture shall govern in the event of any inconsistency between this letter and the Indenture.

(s) Any funds held by the Agents are not subject to the relevant United Kingdom Financial Conduct Authority's Client Money Rules.

(t) This agreement set forth in this letter and the Indenture contains the whole agreement between the parties relating to the subject matter of this agreement to the exclusion of any terms implied by law which may be excluded by contract and supersedes any previous written or oral agreement between the parties in relation to the matters dealt with in this letter.

(u) The Agents shall be entitled to refrain from taking any action if it receives conflicting, unclear or equivocal instructions.

(v) The Agents will not be obliged to do or omit to do anything if, in its reasonable opinion, such act or omission (as the case may be) would constitute a breach of any applicable law or regulation.

(x) The Agents shall be entitled to make payments net of any taxes or other sums required by any Applicable Law to be withheld or deducted by the Company. If such a withholding or deduction is so required, the Agents will not be required to pay any additional amount in respect of such withholding or deduction.

(y) Notwithstanding anything else herein contained, the Agents may refrain without liability from doing anything that would or might be contrary to any law of any state or jurisdiction (including but not limited to Hong Kong, the United States of America or any jurisdiction forming a part of it and England & Wales) or any directive or regulation of any agency of any such state or jurisdiction and may without liability do anything which is necessary to comply with any such law, directive or regulation.

(z) Notwithstanding and to the exclusion of any other term of this letter or the Indenture or any other agreements, arrangements, or understanding between The Bank of New York Mellon SA/NV, Luxembourg Branch and each counterparty, each counterparty acknowledges and accepts that a BRRD Liability arising under this letter or the Indenture may be subject to the exercise of Bail-in Powers by the Relevant Resolution Authority, and acknowledges, accepts, and agrees to be bound by:

(aa) the effect of the exercise of Bail-in Powers by the Relevant Resolution Authority in relation to any BRRD Liability of The Bank of New York Mellon SA/NV, Luxembourg Branch to each counterparty under this agreement, that (without limitation) may include and result in any of the following, or some combination thereof:

(i) the reduction of all, or a portion, of the BRRD Liability or outstanding amounts due thereon;

(ii) the conversion of all, or a portion, of the BRRD Liability into shares, other securities or other obligations of The Bank of New York Mellon SA/NV, Luxembourg Branch or another person, and the issue to or conferral on each counterparty of such shares, securities or obligations;

(iii) the cancellation of the BRRD Liability;

(iv) the amendment or alteration of any interest, if applicable, thereon, the maturity or the dates on which any payments are due, including by suspending payment for a temporary period;

(bb) the variation of the terms of this letter or the Indenture, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of Bail-in Powers by the Relevant Resolution Authority.

For the purposes of this paragraph (z):

**“Bail-in Legislation”** means in relation to a Member State of the European Economic Area which has implemented, or which at any time implements, the BRRD, the relevant implementing law, regulation, rule or requirement as described in the EU Bail-in Legislation Schedule from time to time.

“**Bail-in Powers**” means any Write-down and Conversion Powers as defined in relation to the relevant Bail-in Legislation.

“**BRRD**” means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms.

“**BRRD Liability**” has the same meaning as in such laws, regulations, rules or requirements implementing the BRRD under the applicable Bail-in Legislation.

“**EU Bail-in Legislation Schedule**” means the document described as such, then in effect, and published by the Loan Market Association (or any successor person) from time to time at <http://www.lma.eu.com/>.

“**Relevant Resolution Authority**” means the resolution authority with the ability to exercise any Bail-in Powers in relation to The Bank of New York Mellon SA/NV, Luxembourg Branch.

The agreement set forth in this letter shall be construed in accordance with and governed by the laws of the State of New York.

**Bright Scholar Education Holdings Limited**

□□□□□□□□□□

(as Issuer)

By: \_\_\_\_\_

Name:

Title:

**Impetus Investment Ltd**

□□□□□□□□

(as Subsidiary Guarantor)

By: \_\_\_\_\_

Name:

Title:

**Time Education China Holdings Limited**

□□□□□□□□

(as Subsidiary Guarantor)

By: \_\_\_\_\_

Name:

Title:

**Bright Scholar (UK) Holdings Limited**

(as Subsidiary Guarantor)

By: \_\_\_\_\_

Name:

Title:

[Paying Agent, Registrar and Transfer Agent Appointment Letter]

---

Agreed and accepted:

**THE BANK OF NEW YORK MELLON, LONDON BRANCH**  
as Paying Agent

By: \_\_\_\_\_  
Name:  
Title:

Agreed and accepted:

**THE BANK OF NEW YORK MELLON SA/NV, LUXEMBOURG  
BRANCH**  
as Transfer Agent and Registrar

By: \_\_\_\_\_  
Name:  
Title:

Acknowledged:

**THE BANK OF NEW YORK MELLON, LONDON BRANCH**  
as Trustee

By: \_\_\_\_\_  
Name:  
Title:

*[Paying Agent, Registrar and Transfer Agent Appointment Letter]*

---



**SUPPLEMENTAL INDENTURE**

dated as of \_\_\_\_\_, \_\_\_\_

among

**BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED**  
as the Company

and

**The entities listed on Schedule I hereto**  
as the Subsidiary Guarantors

and

**THE BANK OF NEW YORK MELLON, LONDON BRANCH**  
as Trustee

**7.45% Senior Notes Due 2022**

F-1

---

THIS SUPPLEMENTAL INDENTURE (this “**Supplemental Indenture**”), entered into as of \_\_\_\_\_, \_\_\_\_\_, among Bright Scholar Education Holdings Limited, an exempted company incorporated under the laws of Cayman Islands with limited liability (the “**Company**”), the Subsidiary Guarantors listed on Schedule I hereto (the “**Subsidiary Guarantors**”) and [insert each new Guarantor executing this Supplemental Indenture and its jurisdiction of incorporation] (each an “**Undersigned**”) and The Bank of New York Mellon, London Branch, as trustee (the “**Trustee**”). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture (as defined below).

#### RECITALS

WHEREAS, the Company, the Subsidiary Guarantors party thereto and the Trustee entered into the Indenture, dated as of July 31, 2019 (as amended or supplemented to the date hereof, the “**Indenture**”), relating to the Company’s 7.45% Senior Notes Due 2022 (the “**Notes**”).

WHEREAS, pursuant to Sections 11.09 and 11.10 of the Indenture each new Subsidiary Guarantor is required to enter into a supplemental indenture which supplemental indenture may be entered into without the consent of the Holders pursuant to Section 10.01(a)(vii).

WHEREAS, as a condition to the Trustee entering into the Indenture and the purchase of the Notes by the Holders, the Company agreed pursuant to the Indenture to cause any future Restricted Subsidiaries (other than those organized under the laws of the PRC) to provide Subsidiary Guarantees.

WHEREAS, as a condition to the Trustee entering into the Indenture and the purchase of the Notes by the Holders, the Company agreed, pursuant to and subject to the limitations contained in Section 11.08(b) of the Indenture, if, at any time, the Consolidated Assets of the Initial Non-Guarantor Subsidiaries exceed 30.0% of the Total Assets, to cause one or more Initial Non-Guarantor Subsidiaries to provide Subsidiary Guarantees.

#### AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and intending to be legally bound, the parties to this Supplemental Indenture hereby agree as follows:

Section 1. Capitalized terms used herein and not otherwise defined herein are used as defined in the Indenture.

Section 2. Each Undersigned, by its execution of this Supplemental Indenture, agrees to be a Subsidiary Guarantor under the Indenture and to be bound by all the terms of the Indenture applicable to Subsidiary Guarantors, including, but not limited to, Article 11 thereof.

Section 3. This Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

Section 4. This Supplemental Indenture may be signed in various counterparts which together will constitute one and the same instrument.

Section 5. This Supplemental Indenture is an amendment supplemental to the Indenture and the Indenture and this Supplemental Indenture will henceforth be read together.

Section 6. The recitals contained herein shall be taken as the statements of the Company, the Subsidiary Guarantors and the Undersigned, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Supplemental Indenture.

Section 7. Notwithstanding anything contained herein, nothing in this Supplemental Indenture shall relieve the Company, the Subsidiary Guarantors or the Trustee of any of their obligations under the Indenture, as amended and supplemented by this Supplemental Indenture, and the Notes. The Trustee shall not be responsible and shall have no liability for the validity or efficiency of this Supplemental Indenture. The Company and the Subsidiary Guarantors acknowledge and agree that the indemnification and other provisions of Section 7.06 of the Indenture shall apply to this Supplemental Indenture and the transactions contemplated therein as if set forth herein.

Section 8. All of the provisions of the Indenture shall remain in full force and effect as set forth therein.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED

By: \_\_\_\_\_  
Name:  
Title:

IMPETUS INVESTMENT LTD.  
BRIGHT SCHOLAR (UK) HOLDINGS LIMITED  
TIME EDUCATION CHINA HOLDINGS LIMITED

(each as a Subsidiary Guarantor)

By: \_\_\_\_\_  
Name:  
Title: Authorized Signatory

[*New Guarantor*]

By: \_\_\_\_\_  
Name:  
Title:

Very Truly Yours,

THE BANK OF NEW YORK MELLON, LONDON BRANCH,  
as Trustee

Name: \_\_\_\_\_

Title:

**LIST OF SUBSIDIARY GUARANTORS\***

1. IMPETUS INVESTMENT LTD.
2. BRIGHT SCHOLAR (UK) HOLDINGS LIMITED
3. TIME EDUCATION CHINA HOLDINGS LIMITED

---

\*To be updated as of the date of any Supplemental Indenture.

## FORM OF COMPLIANCE CERTIFICATE

This Compliance Certificate is delivered pursuant to Section 6.08 of the Indenture, dated as of July 31, 2019, as amended, supplemented or modified from time to time (the “**Indenture**”), among Bright Scholar Education Holdings Limited, an exempted company incorporated under the laws of Cayman Islands with limited liability (the “**Company**”), the entities listed on Schedule I thereto (the “**Subsidiary Guarantors**”) and The Bank of New York Mellon, London Branch, as trustee (the “**Trustee**”). Terms defined in the Indenture are used herein as therein defined.

Each of the undersigned hereby certifies to the Trustee as follows:

1. I am the duly elected, qualified and acting [title] or [title], as the case may be, of the Company.
2. I have reviewed and am familiar with the contents of this Compliance Certificate.
3. I have reviewed the terms of the Indenture.
4. Since the [Original Issue Date/[insert date of previous compliance certificate]]:
5. That a review has been conducted of the activities of the Company and the Restricted Subsidiaries and the Company’s and the Restricted Subsidiaries’ performance under the Indenture, in each case since the Original Issue Date, [and that the Company and each Restricted Subsidiary have been since the Original Issue Date and are in compliance with of their respective all obligations under the Indenture]/[if there has been a default in the fulfillment of any obligation under the Indenture, specifying each such default and the nature and status thereof.]

*[Signature page follows]*

IN WITNESS WHEREOF, the undersigned has executed this Compliance Certificate as of the date set forth below.

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED

By: \_\_\_\_\_  
Name:  
Title:

Date: \_\_\_\_\_, 20\_\_



TRUSTEE AND PAYING AGENT

The Bank of New York Mellon, London Branch  
One Canada Square  
London E14 5AL  
United Kingdom

TRANSFER AGENT AND REGISTRAR

The Bank of New York Mellon SA/NV, Luxembourg Branch  
Vertigo Building-Polaris  
2-4 rue Eugène Ruppert  
L-2453 Luxembourg

**Rights and Obligations Assumption Letter**

This entity, Hubei Sannew Education Development Limited, is the subsidiary of BGY Education Investment Management Co., Ltd. (“Investor”) registered in Wuhan City at Development Zone branch office of the Administration for Market Regulation on February 16, 2015. The Investor holds 80% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“Agreement”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

**Hubei Sannew Education Development Limited**

*(Seal) Hubei Sannew Education Development Limited Affixed*

By: /s/Jinsheng Cheng

Name: Jinsheng Cheng

Title: Legal Representative

Date: December 15, 2019

---

**Rights and Obligations Assumption Letter**

This entity, Sannew American Middle School, is the subsidiary established by Hubei Sannew Education Development Limited, which is controlled by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Wuhan City at Development Zone branch office of the Ministry of Civil Affairs on May 26, 2016. The Investor holds 80% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement (except for any inconsistency with the Equity Acquisition Agreement where provisions of the Equity Acquisition Agreement shall prevail). This Assumption Letter came into effect upon the date of execution.

**Sannew American Middle School**

*(Seal) Sannew American Middle School Affixed*

By: /s/Ben Fan  
Name: Ben Fan  
Title: Legal Representative  
Date: December 20, 2019

---

**Rights and Obligations Assumption Letter**

This entity, Wuhan Mierdun Education Technology Limited, is the subsidiary established by Hubei Sannew Education Development Limited, which is controlled by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered in Wuhan City at the Qiaokou District branch office of the Administration for Market Regulation on May 17, 2019. The Investor holds 80% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

**Wuhan Mierdun Education Technology Limited**

*(Seal) Wuhan Mierdun Education Technology Limited Affixed*

By: /s/Jiaqian Tao

Name: Jiaqian Tao

Title: Legal Representative

Date: December 10, 2019

---

**Rights and Obligations Assumption Letter**

This entity, Heze Qiqiaoban Education Technology Limited, is the subsidiary of BGY Education Investment Management Co., Ltd. (“**Investor**”) registered in Heze City at Economic Development Zone branch office of the Administration for Market Regulation on March 14, 2017. The Investor holds 85% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

**Heze Qiqiaoban Education Technology Limited**

*(Seal) Heze Qiqiaoban Education Technology Limited Affixed*

By: /s/Qiuxia Guo  
Name: Qiuxia Guo  
Title: Legal Representative  
Date: December 10, 2019

---

**Rights and Obligations Assumption Letter**

This entity, Heze Economic Development Zone Electric Kindergarten, is the subsidiary established by Heze Qiqiaoban Education Technology Limited, which is controlled by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered at Heze City’s branch office of the Ministry of Civil Affairs on August 13, 2013. The Investor holds 85% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

**Heze Economic Development Zone Electric Kindergarten**

*(Seal) Heze Economic Development Zone Electric Kindergarten Affixed*

By: /s/Hongling Huo

Name: Hongling Huo

Title: Legal Representative

Date: December 9, 2019

---

**Rights and Obligations Assumption Letter**

This entity, HeZe Qiqiaoban Juancheng Kindergarten, is the subsidiary established by Heze Qiqiaoban Education Technology Limited, which is controlled by BGY Education Investment Management Co., Ltd. (“**Investor**”) and registered at Heze City’s branch office of the Ministry of Civil Affairs on April 27, 2016. The Investor holds 85% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

**HeZe Qiqiaoban Juancheng Kindergarten**

*(Seal) HeZe Qiqiaoban Juancheng Kindergarten Affixed*

By: /s/Yuxia Li  
Name: Yuxia Li  
Title: Legal Representative  
Date: December 10, 2019

---

**Rights and Obligations Assumption Letter**

This entity, Beijing Huanxue International Travel Limited, is the subsidiary of BGY Education Investment Management Co., Ltd. (“**Investor**”) registered in Beijing City at Chaoyang District branch office of the Administration for Industry and Commerce on September 14, 2016. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

**Beijing Huanxue International Travel Limited**

*(Seal) Beijing Huanxue International Travel Limited Affixed*

By: /s/Huanyu Li  
Name: Huanyu Li  
Title: Legal Representative  
Date: December 12, 2019

---



**Rights and Obligations Assumption Letter**

This entity, Guangzhou Huihua Education Consulting Co., Ltd., is the subsidiary of BGY Education Investment Management Co., Ltd. (“**Investor**”) registered in Guangzhou City at Panyu District branch office of the Administration for Market Regulation on July 4, 2019. The Investor holds 100% of the interests in this entity.

In accordance with the Exclusive Management Service and Business Cooperation Agreement (“**Agreement**”) entered into by and between Investor, Zhuhai Hengqin Bright Scholar Management Consulting Co., Ltd. and other relevant parties on January 25, 2017, this entity shall join the Agreement according to Article 10.1 of the Agreement as a “New Subsidiary of Party B” under the Agreement.

This entity hereby agrees to join the Agreement as a new Subsidiary of Party B of the Investor, enjoy the rights under the Agreement, and perform the obligations according to the Agreement. This Assumption Letter came into effect upon the date of execution.

**Guangzhou Huihua Education Consulting Co., Ltd.**

*(Seal) Guangzhou Huihua Education Consulting Co., Ltd. Affixed*

By: /s/Feihu Song

Name: Feihu Song

Title: Legal Representative

Date: December 12, 2019

---

**Bright Scholar Education Holdings Limited**

US\$300,000,000 7.45% Senior Notes due 2022

**Purchase Agreement**

July 24, 2019

J.P. Morgan Securities plc (“**J.P. Morgan**”)  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

Ladies and Gentlemen:

Bright Scholar Education Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability (the “**Company**”), proposes to issue and sell to J.P. Morgan (the “**Initial Purchaser**”), US\$300,000,000 principal amount of its 7.45% Senior Notes due 2022 (the “**Notes**”). The Notes will be issued pursuant to an Indenture to be dated as of July 31, 2019 (the “**Indenture**”), among the Company, the subsidiary guarantors listed in Schedule 1 hereto (the “**Guarantors**”) and The Bank of New York Mellon, London Branch, as trustee (the “**Trustee**”), and will be guaranteed on a senior basis by each of the Subsidiary Guarantors (the “**Subsidiary Guarantees**”, together with the Notes, the “**Securities**”).

The Company and the Subsidiary Guarantors hereby confirm their agreement with the Initial Purchaser concerning the purchase and resale of the Securities, as follows:

1. Offering Memorandum and Transaction Information.

The Securities will be sold to the Initial Purchaser without being registered under the Securities Act of 1933, as amended (the “**Securities Act**”), in offshore transactions in reliance on Regulation S under the Securities Act. The Company and the Subsidiary Guarantors have prepared a preliminary offering memorandum dated July 21, 2019 (the “**Preliminary Offering Memorandum**”) and will prepare an offering memorandum dated the date hereof (the “**Offering Memorandum**”) setting forth information concerning the Company, the Subsidiary Guarantors and the Securities. Copies of the Preliminary Offering Memorandum have been, and copies of the Offering Memorandum will be, delivered by the Company to the Initial Purchaser pursuant to the terms of this purchase agreement (the “**Agreement**”). The Company hereby confirms that it has authorized the use of the Preliminary Offering Memorandum, the Pricing Disclosure Package (as defined below) and the Offering Memorandum in connection with the offering and resale of the Securities by the Initial Purchaser in the manner contemplated by this Agreement. References herein to “amend,” “amendment” or “supplement” with respect to the Preliminary Offering Memorandum or the Offering Memorandum shall be deemed to refer to and include any documents filed after such date.

“**Pricing Disclosure Package**” means the Preliminary Offering Memorandum, as supplemented and amended by the Pricing Term Sheet set forth in Annex A hereto that have been prepared and delivered by the Company to the Initial Purchaser in connection with the offering of the Securities. The “**Applicable Time**” means 9:45 pm Hong Kong time on the date hereof.

## 2. Purchase and Resale of the Securities.

(a) The Company agrees to issue and sell the Securities to the Initial Purchaser as provided in this Agreement, and the Initial Purchaser, on the basis of the representations, warranties and agreements set forth herein and subject to the conditions set forth herein, agrees to purchase from the Company the principal amount of Securities at a price equal to 98.675% of the principal amount (being the issue price of 100% net of an aggregate combined underwriting, management, selling commission and incentive fee of 1.325%), plus accrued interest, if any, from July 31, 2019 to the Closing Date (the “**Purchase Price**”). The Company will not be obligated to deliver any of the Securities except upon payment for all the Securities to be purchased as provided herein. In addition, the Company agrees to pay a placement fee (the “**Placement Fee**”) of 0.25% of the aggregate principal amount of the Securities placed by private banks with private banking investors of such private banks. The Placement Fee shall be deducted by the Initial Purchaser from the proceeds of the issue of the Securities on the Closing Date.

(b) The Company understands that the Initial Purchaser proposes to make an offering of the Securities on the terms and in the manner set forth herein, all or a portion of the Securities to purchasers at any time after this Agreement has been executed and delivered. The Securities are to be offered and sold through the Initial Purchaser, in reliance on Regulation S under the Securities Act. The Company acknowledges and agrees that the Initial Purchaser may offer and sell Securities to or through any affiliate of the Initial Purchaser and that any such affiliate may offer and sell Securities purchased by it to or through the Initial Purchaser.

(c) Closing shall be on a delivery versus payment basis. On the Closing Date, the Company shall issue the Notes and procure the entry in the applicable register of the noteholders of the names of the persons designated by the Initial Purchaser to the holders of the Notes and will deliver to the Initial Purchaser or its order, in such place as the Initial Purchaser may require, the duly executed and authenticated global note representing the aggregate principal amount of the Notes (the “**Global Note**”). Delivery of the global note to which the Notes relates and completion of the applicable register of noteholders shall constitute the issue and delivery of the Notes. The “**Closing Date**” shall mean July 31, 2019 or such other date as shall be agreed between the Issuer and the Initial Purchaser. Against such delivery, the Initial Purchaser will pay or cause to be paid to the Issuer the Purchase Price for the Notes. The Initial Purchaser shall be entitled to deduct from the Purchase Price an amount representing the expenses payable by the Company pursuant to Section 11 (*Expenses*) of this Agreement and the Placement Fee. Such payment shall be made by a depository (the “**Common Depository**”) common to Euroclear Bank SA/NV, as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”) on behalf of the Initial Purchaser, in United States dollars in same day settlement funds for value on the Closing Date to such United States dollar account as shall have been notified by the Company to the Initial Purchaser not later than three days prior to the Closing Date, or such other time as shall be agreed between the Company and the Initial Purchaser, evidence of such payment taking the form of a confirmation from the Common Depository that it has made such payment.

(d) The Company and the Subsidiary Guarantors acknowledge and agree that the Initial Purchaser is acting solely in the capacity of an arm’s length contractual counterparty to the Company and the Subsidiary Guarantors with respect to the offering of Securities contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Company, the Subsidiary Guarantors or any other person. Additionally, the Initial Purchaser is not advising the Company, the Subsidiary Guarantors or any other person as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Company and the Subsidiary Guarantors shall consult with their own advisors concerning such matters and shall be responsible for making their own independent investigation and appraisal of the transactions contemplated hereby, and the Initial Purchaser shall have no responsibility or liability to the Company or the Subsidiary Guarantors with respect thereto. Any review by the Initial Purchaser of the Company, the Subsidiary Guarantors, and the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Initial Purchaser and shall not be on behalf of the Company, the Subsidiary Guarantors or any other person.

3. Representations and Warranties of the Company and the Subsidiary Guarantors. The Company and the Subsidiary Guarantors jointly and severally represent and warrant to the Initial Purchaser that:

(a) *Pricing Disclosure Package and Offering Memorandum*. The Pricing Disclosure Package at the Applicable Time, did not, and the Offering Memorandum, as of its date and as of the Closing Date, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company and the Subsidiary Guarantors make no representation or warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to the Initial Purchaser furnished to the Company in writing by the Initial Purchaser expressly for use in the Pricing Disclosure Package or the Offering Memorandum as described in Section 7(a) of this Agreement.

(b) *Additional Written Communications*. The Company and the Subsidiary Guarantors (including their agents and representatives, other than the Initial Purchaser in its capacity as such) have not prepared, made, used, authorized, approved or referred to and will not prepare, make, use, authorize, approve or refer to any “written communication” (with the meaning of the Securities Act) that constitutes an offer to sell or solicitation of an offer to buy the Securities (each such communication by the Company and the Subsidiary Guarantors or their agents and representatives (other than a communication referred to in clauses (i) and (ii) below) an “**Issuer Written Communication**”) other than (i) the Preliminary Offering Memorandum, (ii) the Offering Memorandum, (iii) the Pricing Term Sheet set forth in Annex A hereto, which constitute part of the Pricing Disclosure Package, and (iv) any electronic road show materials or written communications, in each case constituting a “written communication” within the meaning of the Securities Act and used in accordance with Section 4(c). Each such Issuer Written Communication, when taken together with the Pricing Disclosure Package at the Applicable Time, did not, and at the Closing Date will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company and the Subsidiary Guarantors make no representation or warranty with respect to any statements or omissions made in each such Issuer Written Communication in reliance upon and in conformity with the Initial Purchaser Information (as defined in Section 7 herein).

(c) *Financial Statements*. The financial statements included in the Pricing Disclosure Package and the Offering Memorandum together with the related notes and schedules thereto, present fairly the combined financial position of the Company and the Subsidiaries (as defined below) and Affiliated Entities (as defined below) (together with the Company and the Subsidiaries, the “**Group**”) as of the dates indicated and the combined and consolidated results of operations, cash flows and changes in shareholders’ equity of the Group for the periods specified and have been prepared in conformity with United States generally accepted accounting principles (“**GAAP**”) applied on a consistent basis during the periods involved; the other financial data contained in the Pricing Disclosure Package and the Offering Memorandum are accurately and fairly presented and prepared on a basis consistent with the financial statements and books and records of the Group; there are no financial statements (historical or pro forma) that are required to be included in the Pricing Disclosure Package and the Offering Memorandum that are not included as required; and the Company and the Subsidiaries and Affiliated Entities do not have any material liabilities or obligations, direct or contingent (including any off-balance sheet obligations), not described in the Pricing Disclosure Package and the Offering Memorandum.

(d) *No Material Adverse Change.* Since the end of the period covered by the latest audited financial statements included in the Pricing Disclosure Package and the Offering Memorandum (i) there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the condition (financial or otherwise), results of operations, business, properties or prospects of the Company and its Subsidiaries and Affiliated Entities, taken as a whole; (ii) there has been no purchase of its own outstanding share capital by the Company, no dividend or distribution of any kind declared, paid or made by the Company on any class of its share capital; (iii) there has been no material adverse change in the share capital, short-term indebtedness, long-term indebtedness, net current assets or net assets of the Company and its Subsidiaries and Affiliated Entities; (iv) except as described in the Pricing Disclosure Package and the Offering Memorandum, neither the Company nor any of its Subsidiaries and Affiliated Entities has (A) entered into or assumed any material transaction or agreement, (B) incurred, assumed or acquired any material liability or obligation, direct or contingent, (C) acquired or disposed of or agreed to acquire or dispose of any business or any other material assets, or (D) agreed to take any of the foregoing actions, that would, in the case of any of clauses (i) through (iv) above, have a Material Adverse Effect (as defined below); and (v) neither the Company nor any of its Subsidiaries and Affiliated Entities has sustained any material loss or interference with its business from fire, explosion, flood, typhoon, or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree.

(e) *Organization and Good Standing.* The Company has been duly incorporated, is validly existing as an exempted company with limited liability in good standing under the laws of the Cayman Islands, has the corporate power and authority to own its property and to conduct its business as described in the Pricing Disclosure Package and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification. The currently effective memorandum and articles of association or other constitutive or organizational documents of the Company comply with the requirements of applicable Cayman Islands law and are in full force and effect. Complete and correct copies of all constitutive documents of the Company and all amendments thereto have been delivered to the Initial Purchaser. No change will be made to any such constitutive documents on or after the date of this Agreement through and including the Closing Date.

All of the Company's direct and indirect subsidiaries (each a "**Subsidiary**" and collectively, the "**Subsidiaries**") have been identified on Schedule 2 hereto, and all of the entities through which the Company conducts its operations in the People's Republic of China ("**PRC**") by way of contractual arrangements (each an "**Affiliated Entity**" and collectively, the "**Affiliated Entities**") have been identified on Schedule 3 hereto. Each of the Subsidiaries and Affiliated Entities has been duly incorporated, is validly existing as a corporation with limited liability or a school, as the case may be, and in good standing under the laws of the jurisdiction of its incorporation, has full corporate or other requisite power and authority to own its property and to conduct its business as described in the Pricing Disclosure Package and the Offering Memorandum, and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except as described in the Pricing Disclosure Package and the Offering Memorandum for such qualification that would not have a Material Adverse Effect. All of the constitutive or organizational documents of each of the Subsidiaries and Affiliated Entities comply with the requirements of applicable laws of its jurisdiction of incorporation or organization and are in full force and effect. Apart from the Subsidiaries and Affiliated Entities, the Company has no direct or indirect subsidiaries. A "**Material Adverse Effect**" means a material adverse effect on the condition (financial or otherwise), earnings, results of operations, business, properties, assets, management or prospects of the Company and its Subsidiaries and Affiliated Entities, taken as a whole, or on the ability of the Company and its Subsidiaries and Affiliated Entities to carry out their obligations under the Transaction Documents (defined below).

(f) *Contractual Arrangement.* The description of the corporate structure of the Company and each of the contracts among its Subsidiaries, the shareholders, the sponsors of the Affiliated Entities and the Affiliated Entities, as the case may be (each a "**VIE Agreement**" and collectively the "**VIE Agreements**") as set forth in each of the Pricing Disclosure Package and the Offering Memorandum under the captions "Corporate History and Structure" and "Related Party Transaction" is true and accurate in all material respects and nothing has been omitted from such description which would make it misleading. There is no other material agreement, contract or other document relating to the corporate structure or the operation of the Company together with its Subsidiaries and Affiliated Entities taken as a whole, which has not been previously disclosed or made available to the Initial Purchaser and disclosed in the Pricing Disclosure Package and the Offering Memorandum.

Each VIE Agreement has been duly authorized, executed and delivered by the parties thereto and constitutes a valid and legally binding obligation of the parties thereto, enforceable in accordance with its terms, subject, as to enforceability, to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles. Each VIE Agreement is in full force and effect and none of the parties thereto is in breach or default in the performance of any of the terms or provisions of such VIE Agreement. No consent, approval, authorization, or order of, or filing or registration with, any person (including any governmental agency or body or any court) is required for the performance of the obligations under any VIE Agreement by the parties thereto other than those as described in the Pricing Disclosure Package and the Offering memorandum; and no consent, approval, authorization, order, filing or registration that has been obtained is being withdrawn or revoked or is subject to any condition precedent which has not been fulfilled or performed. Except as described in the Pricing Disclosure Package and the Offering Memorandum, the corporate structure of the Group complies with all applicable laws and regulations of the PRC, and neither the corporate structure nor the VIE Agreements violate, breach, contravene or otherwise conflict with any applicable laws of the PRC. There is no legal or governmental proceeding, inquiry or investigation pending against the Company, the Subsidiaries and the Affiliated Entities or shareholders or sponsors of the Affiliated Entities in any jurisdiction challenging the validity of any of the VIE Agreements, and to the knowledge of the Company and each of the Subsidiary Guarantors (to the extent the Subsidiary Guarantor is a party to such VIE Agreements), no such proceeding, inquiry or investigation is threatened in any jurisdiction.

The execution, delivery and performance of each VIE Agreement by the parties thereto do not and will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, or, except as described in the Pricing Disclosure Package and the Offering Memorandum, result in the imposition of any lien, encumbrance, equity or claim upon any property or assets of the Company or any of the Subsidiaries and Affiliated Entities pursuant to (A) the constitutive or organizational documents of the Company or any of the Subsidiaries and Affiliated Entities, (B) any statute, rule, regulation or order of any governmental agency or body or any court, domestic or foreign, having jurisdiction over the Company or any of the Subsidiaries and Affiliated Entities or any of their properties, or any arbitration award, or (C) any indenture, mortgage, deed of trust, loan agreement or other material agreement or instrument to which the Company or any of the Subsidiaries and Affiliated Entities is a party or by which the Company or any of the Subsidiaries and Affiliated Entities is bound or to which any of the properties of the Company or any of the Subsidiaries and Affiliated Entities is subject. None of the parties to any of the VIE Agreement has sent or received any communication regarding termination of, or intention not to renew, any of the VIE Agreement, and no such termination or non-renewal has been threatened by any of the parties thereto.

The Company possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the Affiliated Entities, through its rights to authorize the shareholders or sponsors, as the case may be, of the Affiliated Entities to exercise their voting rights.

(g) *Termination of Contracts.* Except as described in the Pricing Disclosure Package and the Offering Memorandum, neither the Company nor any of its Subsidiaries or Affiliated Entities has sent or received any communication regarding the termination of, or intent not to renew, any of the contracts or agreements referred to or described in each of the Pricing Disclosure Package and the Offering Memorandum, and no such termination or non-renewal has been threatened by the Company or any of its Subsidiaries or Affiliated Entities, or to the knowledge of the Company and each of the Subsidiary Guarantors (to the extent the Subsidiary Guarantor is a party to such contract or agreement), any other party to any such contract or agreement.

(h) *Capitalization.* The Company has the capitalization as set forth in each of the Pricing Disclosure Package and the Offering Memorandum under the heading “Capitalization”; and all the issued and outstanding shares of capital stock or other equity interests of each of the Company, the Subsidiaries and the Affiliated Entities have been duly and validly authorized and issued, are fully paid and non-assessable and, except as disclosed in the Pricing Disclosure Package and the Offering Memorandum, are free and clear of any lien, charge, encumbrance, security interest, restriction on voting or transfer or any other claim of any third party (collectively, “**Liens**”), and in the case of each Subsidiary, none of the outstanding share capital or equity interest in any Subsidiary was issued in violation of preemptive or similar rights of any security holder of such Subsidiary; all outstanding shares of capital stock or other equity interests of each Subsidiary are owned directly or indirectly by the Company.

(i) *Due Authorization.* The Company and each of the Subsidiary Guarantors have full right, power and authority to execute and deliver this Agreement, the Securities, the Indenture (including each Subsidiary Guarantee set forth therein) (collectively, the “**Transaction Documents**”) and to perform their respective obligations hereunder and thereunder; and all action required to be taken for the due and proper authorization, execution and delivery of each of the Transaction Documents and the consummation of the transactions contemplated thereby has been duly and validly taken.

(j) *The Indenture.* The Indenture has been duly authorized by the Company and each of the Subsidiary Guarantors and, when duly executed and delivered in accordance with its terms by each of the parties thereto, will constitute a valid and legally binding agreement of the Company and each of the Subsidiary Guarantors enforceable against the Company and each of the Subsidiary Guarantors in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors’ rights generally or by equitable principles relating to enforceability (collectively, the “**Enforceability Exceptions**”); and the Indenture will conform in all material respects to the applicable requirements of the Trust Indenture Act of 1939, as amended (the “**Trust Indenture Act**”).

(k) *The Notes and the Subsidiary Guarantees.* The Notes have been duly and validly authorized by the Company and, when duly executed, authenticated, issued and delivered as provided in the Indenture and paid for as provided herein, will be duly and validly issued and outstanding and will constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms, subject to the Enforceability Exceptions, and will be entitled to the benefits of the Indenture. The Notes, when issued, authenticated and delivered, will conform in all material respects to the description thereof in each of the Pricing Disclosure Package and the Offering Memorandum.

The Subsidiary Guarantees have been duly and validly authorized by each of the Subsidiary Guarantors and, when the Notes are issued, authenticated by the Trustee and delivered by the Company against payment by the Initial Purchaser in accordance with the terms of this Agreement and the Indenture will be legally binding and valid obligations of the Subsidiary Guarantors, enforceable against each of them in accordance with their terms, except that the enforcement thereof may be limited by the Enforceability Exceptions. The Subsidiary Guarantees, when issued, authenticated and delivered, will conform in all material respects to the descriptions thereof in each of the Pricing Disclosure Package and the Offering Memorandum.

(l) *Purchase Agreement.* This Agreement has been duly authorized, executed and delivered by the Company and each of the Subsidiary Guarantors, and when duly executed and delivered in accordance with its terms by each of the parties thereto, will constitute a valid and legally binding agreement of the Company and each of the Subsidiary Guarantors enforceable against the Company and each Subsidiary Guarantor in accordance with its terms, subject to the Enforceability Exceptions, and except that rights to indemnity and contribution thereunder may be limited by applicable law and public policy.

(m) *Descriptions of the Transaction Documents.* Each Transaction Document conforms in all material respects to the description thereof contained in each of the Pricing Disclosure Package and the Offering Memorandum.

(n) *Accurate Disclosure.* The statements in each of the Pricing Disclosure Package and the Offering Memorandum (i) under the headings “Summary,” “Enforcement of Civil Liabilities,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Corporate History and Structure,” “Business,” “Regulations,” “Management,” “Principal Shareholders and Directors’ Interests,” “Related Party Transactions,” “Description of Other Material Indebtedness,” “Taxation,” “Plan of Distribution,” and “Ratings” insofar as such statements summarize legal matters, agreements and documents referred to therein, and (ii) under the heading “Description of the Notes” insofar as they purport to constitute a summary of the terms of the Securities and the Transaction Documents, fairly summarize the matters described therein in all material respects.

(o) *No Violation or Default.* Neither the Company nor any of its Subsidiaries or Affiliated Entities is (i) in breach or violation of (A) its charter or by-laws or similar organizational documents or (B) any provision of applicable law (including, but not limited to, any applicable law concerning private education, intellectual property rights and foreign investment in the education sector in the PRC); (ii) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its Subsidiaries or Affiliated Entities is a party or by which the Company or any of its Subsidiaries or Affiliated Entities is bound or to which any property or assets of the Company or any of its Subsidiaries or Affiliated Entities is subject; or (iii) in breach or violation of any law or statute or any judgment, order or decree, rule or regulation of any domestic or foreign court or arbitrator or other governmental or regulatory authority, agency or other body or any arbitrator with jurisdiction over any of them or any of their assets or properties (each a “**Governmental Authority**”), except, in the case of (i)(A) above, the delay in payment of registered capital of Can-achieve (Beijing) Education Consulting Co., Ltd. and in the case of (i)(B), (ii) and (iii) above, for any such breach, default or violation that would not, individually or in the aggregate, result in a Material Adverse Effect.

(p) *No Conflicts.* The execution, delivery and performance by the Company and each of the Subsidiary Guarantors of each of the Transaction Documents to which it is a party, the issuance and sale of the Securities and the issuance of the Subsidiary Guarantees and compliance by the Company and each of the Subsidiary Guarantors with the terms thereof and the consummation of the transactions contemplated by the Transaction Documents will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, result in the termination, modification or acceleration of, or result in the creation or imposition of any lien, charge or encumbrance upon any property, right or assets of the Company or any of its Subsidiaries or Affiliated Entities pursuant to, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its Subsidiaries or Affiliated Entities is a party or by which the Company or any of its Subsidiaries or Affiliated Entities is bound or to which any property, right or assets of the Company or any of its Subsidiaries or Affiliated Entities is subject, (ii) result in any violation of any provision of applicable law or the provisions of the charter or by-laws or similar organizational documents of the Company or any of its Subsidiaries or Affiliated Entities or (iii) result in the violation of any law or statute or any judgment, order, rule or regulation of any Governmental Authority.



(q) *No Consents Required.* No consent, approval, authorization, order, registration or qualification of any Governmental Authority is required for the execution, delivery and performance by the Company and each of the Subsidiary Guarantors of each of the Transaction Documents to which each is a party, the issuance and sale of the Securities and the issuance of the Subsidiary Guarantees and compliance by the Company and each of the Subsidiary Guarantors with the terms thereof and the consummation of the transactions contemplated by the Transaction Documents, except for (i) such consents, approvals, authorizations, orders and registrations or qualifications as may be required under applicable state securities or Blue Sky laws in connection with the purchase and resale of the Securities by the Initial Purchaser; (ii) the certificate of registration with respect to the Securities issued by the PRC National Development and Reform Commission (the “**NDRC**”) in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (《公司债券发行与交易管理办法》) (Fa Gai Wai Zi [2015] No 2044) (the “**NDRC Notice**”) which remains in full force and effect on the Closing Date; (iii) the post-issuance filing and reporting of the information relating to the issue of the Securities with the NDRC within the time period prescribed by the NDRC Notice and any implementation rules as issued by the NDRC from time to time; and (iv) approval of listing of the Securities on the Exchange.

(r) *Legal Proceedings.* There are no legal or governmental proceedings pending or threatened (including any inquiries or investigations by any court or governmental agency or body, domestic or foreign) to which the Company, any of its Subsidiaries and Affiliated Entities or any of their respective executive officers, directors and key employees is a party or to which any of the properties of the Company or any of its Subsidiaries and Affiliated Entities is subject (i) other than proceedings that would not have a Material Adverse Effect, or proceedings that would not have any adverse effect on the power or ability of the Company to perform its obligations under this Agreement or to consummate the transactions contemplated by the Pricing Disclosure Package or (ii) that are required to be described in the Pricing Disclosure Package or the Offering Memorandum and are not so described; and there are no statutes, regulations, contracts or other documents that are required to be described in the Pricing Disclosure Package or the Offering Memorandum that are not described.

(s) *Independent Accountants.* Deloitte Touche Tohmatsu Certified Public Accountants LLP, who have certified certain financial statements of the Company and its Subsidiaries or Affiliated Entities as set forth in each of the Pricing Disclosure Package and the Offering Memorandum, are independent public accountants with respect to the Group within the applicable rules and regulations adopted by the Commission and the Public Company Accounting Oversight Board (United States) and as required by the Securities Act.

(t) *Title to Real and Personal Property.* Each of the Company and its Subsidiaries and Affiliated Entities has good and marketable title (valid land use rights and building ownership certificates in the case of real property located in the PRC) to all real property and good and marketable title to all personal property, in each case, owned by them which is material to the business of the Company and its Subsidiaries and Affiliated Entities, in each case free and clear of all liens, encumbrances and defects except such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and its Subsidiaries and Affiliated Entities; and any real property and buildings held under lease by the Company and its Subsidiaries and Affiliated Entities are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its Subsidiaries and Affiliated Entities, in each case except as described in the Pricing Disclosure Package and the Offering Memorandum.

(u) *Intellectual Property.* Except as described in the Pricing Disclosure Package and the Offering Memorandum, the Company and its Subsidiaries and Affiliated Entities own, possess or can acquire on reasonable terms sufficient trademarks, trade names, patent rights, copyrights, domain names, licenses, approvals, trade secrets, inventions, technology, know-how and other intellectual property and similar rights, including registrations and applications for registration thereof (collectively, “**Intellectual Property Rights**”) necessary to the conduct of the business now conducted, and the expected expiration of any such Intellectual Property Rights would not, individually or in the aggregate, have a Material Adverse Effect. Except as disclosed in the Pricing Disclosure Package and the Offering Memorandum, (i) there are no rights of third parties to any of the Intellectual Property Rights owned by the Company or its Subsidiaries and Affiliated Entities; (ii) there is no material infringement, misappropriation, breach, default or other violation, or the occurrence of any event that with notice or the passage of time would constitute any of the foregoing, by the Company or its Subsidiaries and Affiliated Entities or third parties of any of the Intellectual Property Rights of the Company or its Subsidiaries and Affiliated Entities; (iii) there is no pending or threatened action, suit, proceeding or claim by others challenging the Company’s or the Subsidiaries’ and Affiliated Entities’ rights in or to, or the violation of any of the terms of, any of their Intellectual Property Rights, and the Company is unaware of any facts which would form a reasonable basis for any such claim; (iv) there is no pending or threatened action, suit, proceeding or claim by others challenging the validity, enforceability or scope of any such Intellectual Property Rights, and the Company is unaware of any facts which would form a reasonable basis for any such claim; (v) there is no pending or threatened action, suit, proceeding or claim by others that the Company, any Subsidiary or any Affiliated Entity infringes, misappropriates or otherwise violates or conflicts with any Intellectual Property Rights or other proprietary rights of others and the Company is unaware of any other fact which would form a reasonable basis for any such claim; and (vi) none of the Intellectual Property Rights used by the Company or its Subsidiaries and Affiliated Entities in their businesses has been obtained or is being used by the Company or its Subsidiaries and Affiliated Entities in violation of any contractual obligation binding on the Company or its Subsidiaries and Affiliated Entities in violation of the rights of any persons, except in each case covered by clauses (i) — (vi) such as would not, if determined adversely to the Company or its Subsidiaries and Affiliated Entities, individually or in the aggregate, have a Material Adverse Effect.

(v) *Related Party Transactions.* No material relationships or material transactions, direct or indirect, exist between or among the Company or any of its Subsidiaries or Affiliated Entities, on the one hand, and their respective shareholders, sponsors, affiliates, directors, officers or any affiliates or family members of such persons on the other hand, except as described in each of the Pricing Disclosure Package and the Offering Memorandum.

(w) *Taxes.* (i) The Company and each of its Subsidiaries and the Affiliated Entities have filed all national, local and foreign tax returns required to be filed through the date of this Agreement or have requested extensions thereof and have paid all taxes required to be paid thereon (except for cases where failure to file or pay would not have a Material Adverse Effect, or except for taxes currently being contested in good faith and for which adequate reservations have been made in the financial statements of the Company), and no tax deficiency has been determined adversely to the Company or any of its Subsidiaries and the Affiliated Entities which has had (nor does the Company nor any of its Subsidiaries and the Affiliated Entities have any notice or knowledge of any tax deficiency which could reasonably be expected to be determined adversely to the Company or its Subsidiaries and the Affiliated Entities and which could reasonably be expected to have) a Material Adverse Effect. (ii) Any unpaid material income and corporation tax liability of the Company for any years not finally determined have been accrued on the Company’s financial statements in accordance with the GAAP. (iii) All local and national PRC governmental tax holidays, exemptions, waivers, financial subsidies, and other local and national PRC tax relief, concessions and preferential treatment enjoyed by the Company or any of the Subsidiaries and Affiliated Entities as described in the Pricing Disclosure Package and the Prospectus are valid, binding and enforceable and do not violate any laws, regulations, rules, orders, decrees, guidelines, judicial interpretations, notices or other legislation of the PRC.

(x) *No Stamp or Transaction Taxes.* Except as described in each of the Pricing Disclosure Package and the Offering Memorandum, no transaction, stamp, capital, issuance, registration, documentary, value-added or duties are payable by or on behalf of the Company or the Initial Purchaser to the government of the PRC, the Cayman Islands, the British Virgin Islands, Hong Kong or any political subdivision or taxing authority thereof or therein in connection with (i) the issuance of the Securities, (ii) the sale and delivery by the Company of the Securities to or for the account of the Initial Purchaser, or (iii) the execution, delivery, performance or enforcement of this Agreement and other Transaction Documents.

(y) *Licenses and Permits.* Except as disclosed in the Pricing Disclosure Package and the Offering Memorandum, (i) each of the Company and its Subsidiaries and Affiliated Entities possesses all licenses, certificates, authorizations, declarations and permits issued by, and has made all reports to and filings with, the appropriate Governmental Authorities, for the Company and each of its Subsidiaries and Affiliated Entities that are necessary to conduct their respective businesses and for the lease of their respective properties; (ii) each of the Company and its Subsidiaries and Affiliated Entities is in compliance with the terms and conditions of all such licenses, certificates, authorizations and permits in all material respects; (iii) such licenses, certificates, authorizations and permits are valid and in full force and effect and contain no materially burdensome restrictions or conditions not described in the Pricing Disclosure Package and the Offering Memorandum; (iv) neither the Company nor any of its Subsidiaries and Affiliated Entities has received any notice of proceedings relating to the revocation or modification of any such license, certificate, authorization or permit; (v) neither the Company nor any of its Subsidiaries has any reason to believe that any such license, certificate, authorization or permit will not be renewed in the ordinary course; except in each of the case of (i) and (v) above, where such failure to possess, file or renew would not have a Material Adverse Effect.

(z) *No Labor Disputes.* No material labor dispute with the employees or third-party contractors of the Company or any of its Subsidiaries and Affiliated Entities exists, or to the best knowledge of the Company and each of the Subsidiary Guarantors after due enquiry, is imminent; and neither the Company nor any of its Subsidiaries or Affiliated Entities is aware of any existing, threatened or imminent labor disturbance by the employees of any of the principal suppliers, service providers or business partners of the Company and its Subsidiaries and Affiliated Entities that could have a Material Adverse Effect. Except as described in the Pricing Disclosure Package and the Offering Memorandum, the Company and its Subsidiaries and Affiliated Entities are and have been at all times in compliance with all applicable labor laws and regulations in all material respects, and no governmental investigation or proceedings with respect to labor law compliance exists, or to the best knowledge of the Company or each of the Subsidiary Guarantors after due enquiry, is imminent.

(aa) *Certain Environmental Matters.* (i) The Company and its Subsidiaries and Affiliated Entities, (A) are in compliance with any and all applicable national, local and foreign laws and regulations (including, for the avoidance of doubt, all applicable laws and regulations of the PRC) relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (“**Environmental Laws**”), (B) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (C) are in compliance with all terms and conditions of any such permit, license or approval, except as described in the Pricing Disclosure Package and the Offering Memorandum or where such non-compliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not have a Material Adverse Effect. (ii) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties), except for those that would not have a Material Adverse Effect.

(bb) *Disclosure Controls.* The Company and its Subsidiaries and Affiliated Entities maintain an effective system of “disclosure controls and procedures” (as defined in Rule 13a-15(e) of the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder (collectively, the “**Exchange Act**”) Exchange Act) that is designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms, including controls and procedures designed to ensure that such information is accumulated and communicated to the Company’s management as appropriate to allow timely decisions regarding required disclosure. The Company and its Subsidiaries and Affiliated Entities have carried out evaluations of the effectiveness of their disclosure controls and procedures as required by Rule 13a-15 of the Exchange Act.

(cc) *Compliance with Accounting Controls and Sarbanes-Oxley Act.* Except as disclosed in the Pricing Disclosure Package and the Offering Memorandum, the Company maintains a system of internal controls over accounting matters sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management’s general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with the GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management’s general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as described in the Pricing Disclosure Package and the Offering Memorandum, since the end of the Company’s most recent audited fiscal year, there has been (i) no material weakness or significant deficiencies in the Company’s internal control over financial reporting (whether or not remediated) and (ii) no change in the Company’s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

(dd) *Critical Accounting Policies.* The section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in each of the Pricing Disclosure Package and Offering Memorandum, accurately and fairly describes (i) accounting policies that the Company believes are the most important in the portrayal of the Company’s financial condition and results of operations and that require management’s most difficult, subjective and complex judgment (“**critical accounting policies**”); (ii) material judgments and uncertainties affecting the application of critical accounting policies and estimates; (iii) the likelihood that materially different amounts would be reported under different conditions or using different assumptions and an explanation thereof; (iv) all material trends, demands, commitments and events known to the Company, and uncertainties, and the potential effects thereof, that the Company believes would materially affect its liquidity and are reasonably likely to occur; and (v) all off-balance sheet commitments and arrangements of the Company and its Subsidiaries and Affiliated Entities, if any. The Company’s directors and management have reviewed and agreed with the selection, application and disclosure of the Company’s critical accounting policies as described in the Pricing Disclosure Package and the Offering Memorandum and have consulted with its independent accountants with regard to such disclosure in each of the Pricing Disclosure Package and the Offering Memorandum..

(ee) *Operating and Other Company Data.* All operating and other Company data disclosed in the Pricing Disclosure Package and the Offering Memorandum, including the number of students, average student enrollment, the number of teachers, the number of foreign teachers, average number of teachers, average tuition and fees per student, the number of employees and school capacity, are true and accurate in all material respects.

(ff) *Insurance.* Each of the Company and its Subsidiaries and Affiliated Entities are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged, except where the absence thereof would not have a Material Adverse Effect; neither the Company nor any of its Subsidiaries and Affiliated Entities has been refused any insurance coverage sought or applied for; and neither the Company nor any of its Subsidiaries and Affiliated Entities has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage at similar cost from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

(gg) *No Unlawful Payments.* Neither the Company nor any of its Subsidiaries or Affiliated Entities, nor any director, officer or employee of the Company or any of its Subsidiaries or Affiliated Entities nor, to the best knowledge of the Company and each of the Subsidiary Guarantors after due inquiry, any agent, affiliate or other person associated with or acting on behalf of the Company or any of its Subsidiaries or Affiliated Entities has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made or taken an act in furtherance of an offer, promise or authorization of any direct or indirect unlawful payment or benefit to any foreign or domestic government official or employee, including of any government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, or any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or committed an offence under the Bribery Act 2010 of the United Kingdom, or any other applicable anti-bribery or anti-corruption law; or (iv) made, offered, agreed, requested or taken an act in furtherance of any unlawful bribe or other unlawful benefit, including, without limitation, any rebate, payoff, influence payment, kickback or other unlawful or improper payment or benefit. The Company and its Subsidiaries and Affiliated Entities have instituted, maintain and enforce, and will continue to maintain and enforce, policies and procedures designed to promote and provide assurance of compliance with all applicable anti-bribery and anti-corruption laws.

(hh) *Compliance with Anti-Money Laundering and Anti-Terrorism Financing Laws.* The operations of the Company and its Subsidiaries and Affiliated Entities are and have been conducted at all times in compliance with, to the extent applicable, financial recordkeeping and reporting requirements, including those of the Currency and Foreign Transactions Reporting Act of 1970, as amended, and in compliance with all applicable anti-money laundering and anti-terrorism financing statutes of all jurisdictions where the Company or any of its Subsidiaries or Affiliated Entities conducts business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the “**Anti-Money Laundering and Anti-Terrorism Financing Laws**”), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its Subsidiaries or Affiliated Entities with respect to the Anti-Money Laundering and Anti-Terrorism Financing Laws is pending or, to the best knowledge of the Company or each of the Subsidiary Guarantors after due inquiry, threatened.

(ii) *No Conflicts with Sanctions Laws.* Neither the Company nor any of its Subsidiaries or Affiliated Entities, directors, officers or employees, nor, to the best knowledge of the Company or each of the Subsidiary Guarantors after due inquiry, any agent, affiliate or other person associated with or acting on behalf of the Company or any of its Subsidiaries or Affiliated Entities is currently the subject or the target of any sanctions administered or enforced by the U.S. government, (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury (“**OFAC**”) or the U.S. Department of State and including, without limitation, the designation as a “specially designated national” or “blocked person”), the United Nations Security Council (“**UNSC**”), the European Union, the United Kingdom (including, without limitation, Her Majesty’s Treasury (“**HMT**”)), the Monetary Authority of Singapore (“**MAS**”), the Hong Kong Monetary Authority (“**HKMAS**”) or other relevant sanctions authority or other relevant sanctions authority (collectively, “**Sanctions**”), nor is the Company or any member of the Group located, organized or resident or listed, or owned, controlled (directly or indirectly) or acting on behalf of a person, located or organized in a country, region or territory that is the subject or target of Sanctions, including, without limitation, Cuba, Iran, North Korea, Sudan, Syria and Crimea (each, a “**Sanctioned Country**”). For the past five years, the Company and its Subsidiaries and Affiliated Entities have not knowingly engaged in, are not now knowingly engaged in any dealings or transactions with any person that at the time of the dealing or transaction is or was the subject or the target of Sanctions or with any Sanctioned Country and the Company and such Subsidiaries and Affiliated Entities have not received notice of, and are not aware of, any claim, action, proceeding, or investigation against it with respect to Sanctions. The Company and its Subsidiaries and Affiliated Entities will not directly or indirectly use the proceeds of the offering of the Securities hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (i) to fund or facilitate any activities of or business with any person that, at the time of such funding or facilitation, is the subject or target of Sanctions, (ii) to fund or facilitate any activities of or business in any Sanctioned Country or (iii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, initial purchaser, advisor, investor or otherwise) of Sanctions, *provided* that the foregoing sentence shall not apply if and to the extent that the expression of, or compliance with, or receipt or acceptance of, such undertaking would breach any provision of Council Regulation EC No. 2271/96, as amended from time to time, or breach any applicable implementing legislation.

(jj) *Solvency.* On and immediately after the Closing Date, the Company, each Subsidiary and each Affiliated Entity (after giving effect to the issuance and sale of the Securities, the issuance of the Subsidiary Guarantees and the other transactions related thereto as described in each of the Pricing Disclosure Package and the Offering Memorandum) will be Solvent. As used in this paragraph, the term “Solvent” means, with respect to a particular date and entity, that on such date (i) the present fair value (and present fair saleable value) of the assets of such entity is not less than the total amount required to pay the probable liability of such entity on its total existing debts and liabilities (including contingent liabilities) as they become absolute and matured; (ii) such entity is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and commitments as they mature and become due in the normal course of business; (iii) assuming consummation of the issuance and sale of the Securities and the issuance of the Subsidiary Guarantees as contemplated by this Agreement, the Pricing Disclosure Package and the Offering Memorandum, such entity does not have, intend to incur or believe that it will incur debts or liabilities beyond its ability to pay as such debts and liabilities mature; (iv) such entity is not engaged in any business or transaction, and does not propose to engage in any business or transaction, for which its property would constitute unreasonably small capital; and (v) such entity is not a defendant in any civil action that would result in a judgment that such entity is or would become unable to satisfy.

(kk) *No Restrictions on Subsidiaries; No Restrictions on Payments of Dividends in Foreign Currency.* Except as disclosed in the Pricing Disclosure Package and the Offering Memorandum, (i) none of the Company nor any of its Subsidiaries and Affiliated Entities is prohibited, directly or indirectly, under any agreement or other instrument to which it is a party or is subject, from (A) paying any dividends or making any other distributions on its share capital, (B) making or repaying any loans or advances to the Company or any such other Subsidiary or Affiliated Entity; or (C) transferring any of its properties or assets to the Company or any other Subsidiary or Affiliated Entity; and (ii) all dividends and other distributions declared and payable upon the share capital of the Company or any of its Subsidiaries and Affiliated Entities (A) may be converted into foreign currency that may be freely transferred out of such Person’s jurisdiction of incorporation, without the consent, approval, authorization or order of, or qualification with, any court or governmental agency or body in such Person’s jurisdiction of incorporation or tax residence; and (B) are not and will not be required to obtain any consents, approvals, authorizations, orders, registrations, clearances or qualifications of or with any court or governmental agency or body having jurisdiction over such Person, provided however, that (1) such distribution has been duly approved by the shareholder and/or board meeting of the Company or any other Subsidiary or Affiliated Entity pursuant to their respective constitutional documents; (2) any enterprise income tax, if applicable, to the Company or any other Subsidiary or Affiliated Entity, has been fully paid; (3) any withholding tax has been duly withheld; (4) the Company or any other Subsidiary or Affiliated Entity has duly obtained, and maintain effective, their respective foreign exchange registration; (5) the allocations to statutory reserves by the Company or any other Subsidiary or Affiliated Entity have been duly made; and (6) the remittance of such dividends outside of the PRC complies with the procedures required under the PRC laws relating to foreign exchange. For the avoidance of doubt, solely for purposes of this paragraph, the transactions with respect to any Affiliated Entity described in this paragraph shall be limited to such transactions between a non-school Affiliated Entity and another non-school Affiliated Entity that is a direct or indirect subsidiary thereof.

(ll) *Holders.* No holder of the Securities after the consummation of the transactions contemplated by this Agreement or any other Transaction Documents is or will be subject to any personal liability in respect of any liability of the Company by virtue only of its holding of any Securities; and except as set forth in the Pricing Disclosure Package and the Offering Memorandum, there are no limitations on the rights of holders of the Securities to hold or transfer their Securities.

(mm) *No Broker's Fees.* None of the Company, the Subsidiaries or the Affiliated Entities is a party to any contract, agreement or understanding with any person (other than this Agreement) that would give rise to a valid claim against any of them or any Initial Purchaser for a brokerage commission, finder's fee or like payment in connection with the offering and sale of the Securities.

(nn) *Foreign Issuer.* The Company is a "foreign private issuer" within the meaning of Rule 405 under the Securities Act. There is no "substantial U.S. market interest" as defined in Rule 902(j) of Regulation S in either the Company's or any of the Subsidiary Guarantors' "debt securities" as such terms are defined in Rule 902(a) under the Securities Act.

(oo) *No Integration.* Neither the Company, the Subsidiary Guarantors nor any of their respective affiliates (as defined in Rule 501(b) of Regulation D) has, directly or through any agent, sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any security (as defined in the Securities Act), that is or will be integrated with the sale of the Securities in a manner that would require registration of the Securities under the Securities Act.

(pp) *No General Solicitation or Directed Selling Efforts.* Neither the Company, the Subsidiary Guarantors nor any of their respective affiliates or any other person acting on its or their behalf (other than the Initial Purchaser, as to which no representation is made) has (i) solicited offers for, or offered or sold, the Securities by means of any form of general solicitation or general advertising within the meaning of Rule 502(c) of Regulation D or in any manner involving a public offering within the meaning of Section 4(a)(2) of the Securities Act or (ii) engaged in any directed selling efforts within the meaning of Regulation S under the Securities Act ("**Regulation S**"), and all such persons have complied with the offering restrictions requirement of Regulation S.

(qq) *Securities Law Exemptions.* Assuming the accuracy of the representations and warranties of the Initial Purchaser contained in Section 2(b) and their compliance with their agreements set forth therein, it is not necessary, in connection with the issuance and sale of the Securities to the Initial Purchaser and the offer, resale and delivery of the Securities by the Initial Purchaser in the manner contemplated by this Agreement, the Pricing Disclosure Package and the Offering Memorandum, to register the Securities under the Securities Act or to qualify the Indenture under the Trust Indenture Act.

(rr) *No Stabilization.* None of the Company, the Subsidiaries, the Affiliated Entities or any of their Affiliates or persons acting on their behalf (other than the Initial Purchaser as to whom the Company makes no representation) has taken, nor will any of them take, directly or indirectly, any action designed to or that could reasonably be expected to cause or result in any stabilization or manipulation of the price of the Securities or to facilitate the sale or resale of the Securities.

(ss) *Forward-Looking Statements.* No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) included in any of the Pricing Disclosure Package or the Offering Memorandum has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

(tt) *Third-party Data.* Any statistical, industry-related and market-related data included in the Pricing Disclosure Package and the Offering Memorandum are based on or derived from sources that the Company reasonably and in good faith believes to be reliable and accurate, and such data agree with the sources from which they are derived, and the Company has obtained the written consent for the use of such data from such sources to the extent required.

(uu) *Compliance with PRC Overseas Investment Regulations.* Except as described in each of the Pricing Disclosure Package and the Offering Memorandum, each of the Company and its Subsidiaries has complied, and has taken all steps to ensure compliance by each of its shareholders, directors and officers that is, or is directly or indirectly owned or controlled by, a PRC resident or citizen with any applicable rules and regulations of the relevant PRC government agencies (including but not limited to the Ministry of Commerce, the National Development and Reform Commission, the China Securities Regulatory Commission (the “CSRC”) and the State Administration of Foreign Exchange (the “SAFE”)) relating to overseas investment by PRC residents and citizens (the “**PRC Overseas Investment Regulations**”), in all material respects, including, without limitation, requesting each such Person that is, or is directly or indirectly owned or controlled by, a PRC resident or citizen, to complete any registration and other procedures required under applicable PRC Overseas Investment Regulations (including any applicable rules and regulations of SAFE).

(vv) *M&A Rules.* The Company is aware of and has been advised as to the content of the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors and any official clarifications, guidance, interpretations or implementation rules in connection with or related thereto (the “**PRC Mergers and Acquisitions Rules**”) jointly promulgated by the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Tax Administration, the State Administration of Industry and Commerce, the CSRC and the SAFE on August 8, 2006 and amended by the Ministry of Commerce on June 22, 2009, including the provisions thereof which purport to require offshore special purpose entities formed for listing purposes and controlled directly or indirectly by PRC companies or individuals to obtain the approval of the CSRC prior to the listing and trading of their securities on an overseas stock exchange. The Company has received legal advice specifically with respect to the PRC Mergers and Acquisitions Rules from its PRC counsel, and the Company understands such legal advice. In addition, the Company has communicated such legal advice in full to each of its directors and each such director has confirmed that he or she understands such legal advice. The issuance and sale of the Securities and the consummation of the transactions contemplated by this Agreement (i) are not and will not be, as of the date hereof or at the Closing Date, adversely affected by the PRC Mergers and Acquisitions Rules and (ii) do not require the prior approval of the CSRC.

(ww) *No Immunity.* None of the Company, the Subsidiaries and Affiliated Entities nor any of their respective properties, assets or revenues has any right of immunity under the Cayman Islands, the British Virgin Islands, Hong Kong, the United Kingdom, PRC, New York state or United States federal law, from any legal action, suit or proceeding, the giving of any relief in any such legal action, suit or proceeding, set-off or counterclaim, the jurisdiction of any Cayman Islands, British Virgin Islands, Hong Kong, the United Kingdom, PRC, New York state or U.S. federal court, service of process, attachment upon or prior to judgment, or attachment in aid of execution of judgment, or execution of a judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of a judgment, in any such court, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with this Agreement and the Securities; and, to the extent that the Company, or any Subsidiary or Affiliated Entities or any of their respective properties, assets, or revenues may have or may hereafter become entitled to any such right of immunity in any such court in which proceedings may at any time be commenced, each of the Company and its Subsidiaries and Affiliated Entities waives or will waive such right to the extent permitted by law and has consented to such relief and enforcement as provided in Section 16 hereof.



(xx) *Validity of Choice of Law.* The choice of laws of the State of New York as the governing law of this Agreement, the Indenture and any other Transaction Documents, if applicable, is a valid choice of law under the laws of the Cayman Islands, the British Virgin Islands, Hong Kong, the United Kingdom and the PRC and will be honored by courts in the Cayman Islands, the British Virgin Islands, Hong Kong, the United Kingdom and the PRC. The Company has the power to submit, and pursuant to Section 16 hereof, has legally, validly, effectively and irrevocably submitted, to the personal jurisdiction of each United States federal court and New York state court located in the Borough of Manhattan, in The City of New York (each, a “**New York Court**”, and together, the “**New York Courts**”) and has validly and irrevocably waived any objection to the laying of venue of any suit, action or proceeding brought in such court, and the Company has the power to designate, appoint and empower, and pursuant to Section 16 hereof, has legally, validly, effectively and irrevocably designated, appointed and empowered, an authorized agent for service of process in any action arising out of or relating to this Agreement or the Securities in any New York Court, and service of process effected on such authorized agent will be effective to confer valid personal jurisdiction over the Company as provided in Section 16 hereof.

(yy) *Enforceability of Judgment.* Any final and conclusive judgment for a fixed or readily calculable sum of money (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) rendered by a New York Court having jurisdiction under its own domestic laws in respect of any suit, action or proceeding against the Company based upon this Agreement or the Securities would be recognized and enforced against the Company by the courts of the Cayman Islands, the British Virgin Islands, Hong Kong, the United Kingdom and the PRC and would give judgment based thereon in the Cayman Islands, the British Virgin Islands, Hong Kong, the United Kingdom and the PRC, *provided that* (i) with respect to the courts of the Cayman Islands, the British Virgin Islands, Hong Kong, the United Kingdom, (A) such courts had proper jurisdiction over the parties subject to such judgment, (B) such courts did not contravene the rules of natural justice of the Cayman Islands, the British Virgin Islands, Hong Kong, the United Kingdom, (C) such judgment was not obtained by fraud, (D) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands, the British Virgin Islands, Hong Kong, the United Kingdom, (E) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands, the British Virgin Islands, Hong Kong, the United Kingdom, and (F) there is due compliance with the correct procedures under the laws of the Cayman Islands, the laws of the British Virgin Islands, the laws of Hong Kong or the laws of the United Kingdom, and (ii) with respect to courts of the PRC, any application or request for recognition and execution of such judgement is subject to compliance with relevant civil procedural requirements in the PRC. The Company is not aware of any reason why the enforcement in the Cayman Islands, the British Virgin Islands, Hong Kong, the United Kingdom or the PRC of such a New York Court judgment would be, as of the date hereof, contrary to public policy of the Cayman Islands, the British Virgin Islands, Hong Kong, the United Kingdom or the PRC.

(zz) *Representation of Officers.* Any certificate signed by any officer of the Company and delivered to the Initial Purchaser or counsel to the Initial Purchaser in connection with the offering shall be deemed a representation and warranty by the Company, as to matters covered thereby, to the Initial Purchaser.

(aaa) *Merger or Consolidation.* Except as disclosed in each of the Time of Sale Information and the Offering Memorandum, neither the Company nor any of its Subsidiaries or Affiliated Entities is a party to any effective memorandum of understanding, letter of intent, definitive agreement or any similar agreements with respect to a merger or consolidation or an acquisition or disposition of assets, technologies, business units or businesses which is required to be described in each of the Pricing Disclosure Package or the Offering Memorandum and which is not so described, or which would have a Material Adverse Effect.

4. Further Agreements of the Company and the Subsidiary Guarantors. The Company and the Subsidiary Guarantors jointly and severally covenant and agree with the Initial Purchaser that:

(a) *Delivery of Copies.* The Company will deliver, without charge, to the Initial Purchaser as many copies of the Preliminary Offering Memorandum, any other Pricing Disclosure Package, any Issuer Written Communication and the Offering Memorandum (including all amendments and supplements thereto) as the Initial Purchaser may reasonably request.

(b) *Offering Memorandum, Amendments or Supplements.* Before finalizing the Offering Memorandum or making or distributing any amendment or supplement to any of the Pricing Disclosure Package or the Offering Memorandum or filing with the Commission at any time prior to the Closing Date, the Company will furnish to the Initial Purchaser and counsel for the Initial Purchaser a copy of the proposed Offering Memorandum or such amendment or supplement for review, and will not distribute any such proposed Offering Memorandum, amendment or supplement or file any such document with the Commission to which the Initial Purchaser reasonably objects (save as may be required by law, regulation or the rules of any securities exchange, in which case, the Company shall notify the Initial Purchaser and furnish to the Initial Purchaser and counsel for the Initial Purchaser a copy of the proposed Offering Memorandum or such amendment or supplement for review promptly).

(c) *Additional Written Communications.* Before making, preparing, using, authorizing, approving or referring to any Issuer Written Communication, the Company and the Subsidiary Guarantors will furnish to the Initial Purchaser and counsel for the Initial Purchaser a copy of such written communication for review and will not make, prepare, use, authorize, approve or refer to any such written communication to which the Initial Purchaser reasonably objects.

(d) *Notice to the Initial Purchaser.* The Company will advise the Initial Purchaser promptly, and confirm such advice in writing, (i) of the issuance by any Governmental Authority of any order preventing or suspending the use of any of the Pricing Disclosure Package, any Issuer Written Communication or the Offering Memorandum or the initiation or threatening of any proceeding for that purpose; (ii) of the occurrence of any event at any time prior to the completion of the initial offering of the Securities as a result of which any of the Pricing Disclosure Package, any Issuer Written Communication or the Offering Memorandum as then amended or supplemented would include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing when such Pricing Disclosure Package, Issuer Written Communication or the Offering Memorandum is delivered to a purchaser, not misleading; and (iii) of the receipt by the Company of any notice with respect to any suspension of the qualification of the Securities for offer and sale in any jurisdiction or the initiation or the threatening of any proceeding for such purpose; and the Company will use its reasonable best efforts to prevent the issuance of any such order preventing or suspending the use of any of the Pricing Disclosure Package, any Issuer Written Communication or the Offering Memorandum or suspending any such qualification of the Securities and, if any such order is issued, will obtain as soon as possible the withdrawal thereof.

(e) *Pricing Disclosure Package.* If at any time prior to the Closing Date (i) any event shall occur or condition shall exist as a result of which any of the Pricing Disclosure Package as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (ii) it is necessary to amend or supplement the Pricing Disclosure Package to comply with law, the Company will immediately notify the Initial Purchaser thereof and forthwith prepare and, subject to paragraph (b) above, furnish to the Initial Purchaser such amendments or supplements to the Pricing Disclosure Package (or any document to be filed with the Commission) as may be necessary so that the statements in any of the Pricing Disclosure Package as so amended or supplemented will not, in the light of the circumstances under which they were made, be misleading or so that any of the Pricing Disclosure Package will comply with law, and will expeditiously furnish to the Initial Purchaser and dealers a reasonable number of copies thereof.

(f) *Clear Market.* During the period from the date hereof through and including the date that is 90 days after the date hereof, the Company and each of the Subsidiary Guarantors will not, without the prior written consent of the Initial Purchaser, offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Company or any of the Subsidiary Guarantors and having a tenor of more than one year.

(g) *Use of Proceeds.* The Company will apply the net proceeds from the sale of the Securities as described in each of the Pricing Disclosure Package and the Offering Memorandum under the heading “Use of proceeds.” The Company and its Subsidiaries and Affiliated Entities will not directly or indirectly use the proceeds of the offering of the Securities hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (i) to fund or facilitate any activities of or business with any person that, at the time of such funding or facilitation, is the subject or target of Sanctions, (ii) to fund or facilitate any activities of or business in any Sanctioned Country or (iii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, initial purchaser, advisor, investor or otherwise) of Sanctions. The undertaking made in the second sentence of this Section 4(g) shall not apply if and to the extent that the expression of, or compliance with, or receipt or acceptance of, such undertaking would breach any provision of Council Regulation EC No. 2271/96, as amended from time to time, or breach any applicable implementing legislation.

(h) *No Integration.* Neither the Company, the Subsidiary Guarantors nor any of their respective affiliates (as defined in Rule 501(b) of Regulation D) will, directly or through any agent, sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) that is or will be integrated with the sale of the Securities in a manner that would require the registration of the Securities under the Securities Act.

(i) *No General Solicitation or Directed Selling Efforts.* Neither the Company, the Subsidiary Guarantors nor any of their respective affiliates or any other person acting on its or their behalf (other than the Initial Purchaser, as to which no covenant is given) will (i) solicit offers for, or offer or sell, the Securities by means of any form of general solicitation or general advertising within the meaning of Rule 502(c) of Regulation D without the prior written consent of the Initial Purchaser or in any manner involving a public offering within the meaning of Section 4(a)(2) of the Securities Act or (ii) engage in any directed selling efforts within the meaning of Regulation S, and all such persons will comply with the offering restrictions requirement of Regulation S.

(j) *No Stabilization.* Neither the Company nor any of the Subsidiary Guarantors will take, directly or indirectly, any action designed to or that could reasonably be expected to cause or result in any stabilization or manipulation of the price of the Securities to facilitate the sale or resale of the Securities.

(k) *Exchange Listing.* The Company will use its reasonable best efforts to list, subject to notice of issuance, the Securities on The Stock Exchange of Hong Kong Limited (the “**Exchange**”); and if the Company is unable to maintain such listing having used its best efforts, to obtain and maintain a listing of the Securities on such other stock exchange or stock exchanges as the Company may agree with the Initial Purchaser.

(l) *Conditions Precedent.* The Company and the Subsidiary Guarantors will do and perform all things required or necessary to be done and performed under this Agreement by it prior to the Closing Date, and to satisfy all conditions precedent to the Initial Purchaser’s obligations hereunder to purchase the Securities.

(m) *Post-Closing NDRC Filing.* The Company shall (i) file or cause to be filed with the NDRC or its local branch information of the offering of the Securities after the Closing Date in accordance with and within the time period prescribed by the NDRC Notice, and (ii) comply with all applicable PRC laws and regulations in relation to the NDRC registration pursuant to the NDRC Notice.

5. Certain Agreements of the Initial Purchaser. The Initial Purchaser hereby represents and agrees that it has not and will not use, authorize use of, refer to, or participate in the planning for use of, any written communication that constitutes an offer to sell or the solicitation of an offer to buy the Securities other than (i) the Preliminary Offering Memorandum and the Offering Memorandum, (ii) any written communication that contains either (a) no “issuer information” (as defined in Rule 433(h)(2) under the Securities Act) or (b) “issuer information” that was included (including through incorporation by reference) in the Pricing Disclosure Package or the Offering Memorandum, (iii) any written communication prepared pursuant to Section 4(c) (including any electronic road show) or 4(i) above, (iv) any written communication prepared by the Initial Purchaser and approved by the Company and the Initial Purchaser in advance in writing or (v) any written communication relating to or that contains the terms of the Securities and/or other information that was included (including through incorporation by reference) in the Pricing Disclosure Package or the Offering Memorandum.

The Initial Purchaser hereby further represents, warrants and agrees that (i) the Securities have not been and will not be offered or sold within the United States except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Act; and (ii) it and any of its Affiliates or any person acting on any of their behalf has offered the Securities and will offer and sell the Securities only in accordance with Rule 903 of Regulation S and, accordingly, neither it nor any persons acting on its behalf have engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Securities, and any such persons have complied and will comply with the offering restrictions requirement of Regulation S.

6. Conditions of Initial Purchaser’s Obligations. The obligation of the Initial Purchaser to purchase Securities on the Closing Date as provided herein is subject to the performance by the Company and each of the Subsidiary Guarantors of their respective covenants and other obligations hereunder and to the following additional conditions:

(a) *Representations and Warranties.* The representations and warranties of the Company and the Subsidiary Guarantors contained herein shall be true and correct on the date hereof and on and as of the Closing Date; and the statements of the Company, the Subsidiary Guarantors and their respective officers made in any certificates delivered pursuant to this Agreement shall be true and correct on and as of the Closing Date.

(b) *No Material Adverse Change.* No event or condition of a type described in Section 3(d) hereof shall have occurred or shall exist, the effect of which in the judgment of the Initial Purchaser makes it impracticable or inadvisable to proceed with the offering, sale or delivery of the Securities on the terms and in the manner contemplated by this Agreement, the Pricing Disclosure Package and the Offering Memorandum.

(c) *Officer’s Certificate.* The Initial Purchaser shall have received on and as of the Closing Date a certificate of an executive officer of the Company and of each Subsidiary Guarantor who has specific knowledge of the Company’s or such Subsidiary Guarantor’s financial matters and is reasonably satisfactory to the Initial Purchaser, in form and substance reasonably satisfactory to the Initial Purchaser, (i) confirming that such officer has carefully reviewed the Pricing Disclosure Package and the Offering Memorandum and, to the best knowledge of such officer after due inquiry, the representations set forth in Sections 3(a) and 3(b) hereof are true and correct, (ii) confirming that the other representations and warranties of the Company and the Subsidiary Guarantors in this Agreement are true and correct and that the Company and the Subsidiary Guarantors have complied with all agreements and satisfied all conditions on their part to be performed or satisfied hereunder at or prior to the Closing Date and (iii) to the effect set forth in paragraphs (b) and (c) above.

(d) *Comfort Letters.* (i) On the date of this Agreement and on the Closing Date, Deloitte Touche Tohmatsu Certified Public Accountants LLP shall have furnished to the Initial Purchaser, at the request of the Company, letters, dated the respective dates of delivery thereof and addressed to the Initial Purchaser, in form and substance reasonably satisfactory to the Initial Purchaser, containing statements and information of the type customarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in each of the Pricing Disclosure Package and the Offering Memorandum; provided that the letter delivered on the Closing Date shall use a "cut-off" date no more than three business days prior to the Closing Date; and (ii) the Company shall have furnished to the Initial Purchaser a certificate, dated the Closing Date and addressed to the Initial Purchaser, of its chief financial officer with respect to certain financial data contained in the Pricing Disclosure Package and the Offering Memorandum, providing "management comfort" with respect to such information substantially in the form of Annex G hereto.

(e) *Opinion of Counsel for the Company.* Allen & Overy, U.S. counsel for the Company, shall have furnished to the Initial Purchaser, at the request of the Company, their written opinions, dated the Closing Date and addressed to the Initial Purchaser, in form and substance reasonably satisfactory to the Initial Purchaser, to the effect set forth in Annex B.

(f) *Opinions of PRC Counsel.* (i) Junhe LLP, PRC counsel for the Company, shall have furnished to the Initial Purchaser, at the request of the Company, their written opinions, dated the Closing Date and addressed to the Initial Purchaser, in form and substance reasonably satisfactory to the Initial Purchaser, to the effect set forth in Annex C hereto, and (ii) the Initial Purchaser shall have received on and as of the Closing Date an opinion, addressed to the Initial Purchaser, of King & Wood Mallesons, PRC counsel for the Initial Purchaser, with respect to such matters as the Initial Purchaser may reasonably request, and such counsel shall have received such documents and information as they may reasonably request to enable them to pass upon such matters.

(g) *Opinions of Hong Kong Counsel for the Company.* Allen & Overy, Hong Kong counsel for the Company, shall have furnished to the Initial Purchaser, at the request of the Company, their written opinions, dated the Closing Date and addressed to the Initial Purchaser, in form and substance reasonably satisfactory to the Initial Purchaser, to the effect set forth in Annex D hereto.

(h) *Opinions of English Counsel for the Company.* Allen & Overy, English counsel for the Company, shall have furnished to the Initial Purchaser, at the request of the Company, their written opinions, dated the Closing Date and addressed to the Initial Purchaser, in form and substance reasonably satisfactory to the Initial Purchaser, to the effect set forth in Annex E hereto.

(i) *Opinions of Cayman Islands Counsel for the Company.* Conyers Dill & Pearman, Cayman Islands counsel for the Company, shall have furnished to the Initial Purchaser, at the request of the Company, their written opinions, dated the Closing Date and addressed to the Initial Purchaser, in form and substance reasonably satisfactory to the Initial Purchaser, to the effect set forth in Annex F hereto.

(j) *Opinion of Counsel for the Initial Purchaser.* The Initial Purchaser shall have received on and as of the Closing Date an opinion, addressed to the Initial Purchaser, of Davis Polk & Wardwell, U.S. counsel for the Initial Purchaser, with respect to such matters as the Initial Purchaser may reasonably request, and such counsel shall have received such documents and information as they may reasonably request to enable them to pass upon such matters.

(k) *No Legal Impediment to Issuance.* No action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any Governmental Authority that would, as of the Closing Date, prevent the issuance or sale of the Securities or the issuance of the Subsidiary Guarantees; and no injunction or order of any Governmental Authority shall have been issued that would, as of the Closing Date, prevent the issuance or sale of the Securities or the issuance of the Subsidiary Guarantees.

(l) *Ratings.* The Initial Purchaser shall have received a written confirmation from each of Moody's Investors Service ("**Moody's**") and Fitch Ratings Inc. ("**Fitch**"), or other evidence reasonably satisfactory to the Initial Purchaser, to the effect that on the Closing Date the Securities are rated or expected to be rated at least "Ba3" by Moody's and "BB-" by Fitch.

(m) *Indenture and Securities.* The Indenture shall have been duly executed and delivered by a duly authorized officer of the Company, each of the Subsidiary Guarantors and the Trustee, and the Securities shall have been duly executed and delivered by a duly authorized officer of the Company and duly authenticated by the Trustee.

(n) *Additional Documents.* On or prior to the Closing Date, the Company and the Subsidiary Guarantors shall have furnished to the Initial Purchaser such further certificates and documents as the Initial Purchaser may reasonably request.

(o) *Exchange Listing.* Approval for the listing of, and the permission to deal in, the Securities on the Exchange, shall have been received.

7. Indemnification and Contribution.

(a) *Indemnification of the Initial Purchaser.* The Company and each of the Subsidiary Guarantors jointly and severally agree to indemnify and hold harmless the Initial Purchaser, its affiliates, directors and officers and each person, if any, who controls the Initial Purchaser within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, legal fees and other expenses incurred in connection with any suit, action or proceeding or any claim asserted, as such fees and expenses are incurred), joint or several, that arise out of, or are based upon, or any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Offering Memorandum, any of the other Pricing Disclosure Package, any Issuer Written Communication, any road show as defined in Rule 433(h) under the Securities Act or the Offering Memorandum (or any amendment or supplement thereto) or any omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, in each case except insofar as such losses, claims, damages or liabilities arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to the Initial Purchaser furnished to the Company in writing by the Initial Purchaser expressly for use therein (the "**Initial Purchaser Information**"). Each of the Company and the Subsidiary Guarantors hereby acknowledges that the Initial Purchaser Information only includes (i) the name of the Initial Purchaser on the cover page, in the "Important Notice" section and under the caption "Plan of Distribution" in the Preliminary Offering Memorandum and the Offering Memorandum and (ii) the sixth full paragraph of the "Plan of Distribution" section in the Preliminary Offering Memorandum and the Offering Memorandum.

(b) *Indemnification of the Company and the Subsidiary Guarantors.* The Initial Purchaser agrees to indemnify and hold harmless the Company, each of the Subsidiary Guarantors, each of their respective directors and officers and each person, if any, who controls the Company or any of the Subsidiary Guarantors within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the indemnity set forth in paragraph (a) above, but only with respect to any losses, claims, damages or liabilities that arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to the Initial Purchaser Information.

(c) *Notice and Procedures.* If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any person in respect of which indemnification may be sought pursuant to either paragraph (a) or (b) above, such person (the “**Indemnified Person**”) shall promptly notify the person against whom such indemnification may be sought (the “**Indemnifying Person**”) in writing; provided that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have under paragraph (a) or (b) above except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided, further, that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have to an Indemnified Person otherwise than under paragraph (a) or (b) above. If any such proceeding shall be brought or asserted against an Indemnified Person and it shall have notified the Indemnifying Person thereof, the Indemnifying Person shall retain counsel reasonably satisfactory to the Indemnified Person (who shall not, without the consent of the Indemnified Person, be counsel to the Indemnifying Person) to represent the Indemnified Person and any others entitled to indemnification pursuant to this Section 7 that the Indemnifying Person may designate in such proceeding and shall pay the fees and expenses of such proceeding and shall pay the fees and expenses of such counsel related to such proceeding, as incurred. In any such proceeding, any Indemnified Person shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (i) the Indemnifying Person and the Indemnified Person shall have mutually agreed to the contrary; (ii) the Indemnifying Person has failed within a reasonable time to retain counsel reasonably satisfactory to the Indemnified Person; (iii) the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the Indemnifying Person; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the Indemnifying Person and the Indemnified Person and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood and agreed that the Indemnifying Person shall not, in connection with any proceeding or related proceeding in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified Persons, and that all such fees and expenses shall be paid or reimbursed as they are incurred. Any such separate firm for the Initial Purchaser, its affiliates, directors and officers and any control persons of the Initial Purchaser shall be designated in writing by the Initial Purchaser and any such separate firm for the Company, the Subsidiary Guarantors, their respective directors and officers and any control persons of the Company and the Subsidiary Guarantors shall be designated in writing by the Company. The Indemnifying Person shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Indemnifying Person agrees to indemnify each Indemnified Person from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Person shall have requested that an Indemnifying Person reimburse the Indemnified Person for fees and expenses of counsel as contemplated by this paragraph, the Indemnifying Person shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by the Indemnifying Person of such request and (ii) the Indemnifying Person shall not have reimbursed the Indemnified Person in accordance with such request prior to the date of such settlement. No Indemnifying Person shall, without the written consent of the Indemnified Person, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Person is or could have been a party and indemnification could have been sought hereunder by such Indemnified Person, unless such settlement (x) includes an unconditional release of such Indemnified Person, in form and substance reasonably satisfactory to such Indemnified Person, from all liability on claims that are the subject matter of such proceeding and (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any Indemnified Person.

(d) *Contribution.* If the indemnification provided for in paragraph (a) or (b) above is unavailable to an Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each Indemnifying Person under such paragraph, in lieu of indemnifying such Indemnified Person thereunder, shall contribute to the amount paid or payable by such Indemnified Person as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Subsidiary Guarantors on the one hand and the Initial Purchaser on the other from the offering of the Securities or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Company and the Subsidiary Guarantors on the one hand and the Initial Purchaser on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Subsidiary Guarantors on the one hand and the Initial Purchaser on the other shall be deemed to be in the same respective proportions as the net proceeds (before deducting expenses) received by the Company from the sale of the Securities and the total discounts and commissions received by the Initial Purchaser in connection therewith, as provided in this Agreement, bear to the aggregate offering price of the Securities. The relative fault of the Company and the Subsidiary Guarantors on the one hand and the Initial Purchaser on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or any Subsidiary Guarantor or by the Initial Purchaser and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) *Limitation on Liability.* The Company, the Subsidiary Guarantors and the Initial Purchaser agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an Indemnified Person as a result of the losses, claims, damages and liabilities referred to in paragraph (d) above shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such Indemnified Person in connection with any such action or claim. Notwithstanding the provisions of this Section 7, in no event shall the Initial Purchaser be required to contribute any amount in excess of the amount by which the total discounts and commissions received by the Initial Purchaser with respect to the offering of the Securities exceeds the amount of any damages that the Initial Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(f) *Non-Exclusive Remedies.* The remedies provided for in this Section 7 are not exclusive and shall not limit any rights or remedies that may otherwise be available to any Indemnified Person at law or in equity.

#### 8. Taxes

(a) The Company and each of the Subsidiary Guarantors jointly and severally agree to indemnify and hold harmless the Initial Purchaser against any transaction, stamp, capital, issuance, registration, documentary, value-added, transfer or similar tax or duty (excluding any profit tax) payable by or on behalf of the Initial Purchaser in connection with (i) the issuance or the Securities, (ii) the sale and delivery by the Company of the Securities to or for the account of the Initial Purchaser, (iii) the initial sale and delivery by the Initial Purchaser of the Securities to purchasers thereof, and (iv) the execution, delivery, performance and enforcement of this Agreement and the other Transaction Documents.

(b) All payments made under this Agreement by or on behalf of the Company or any Subsidiary Guarantor, as the case may be, to or for the account of the Initial Purchaser shall be made without withholding or deduction for or on account of any taxes, duties or governmental charges of whatever nature, unless such withholding or deduction is required by law. In such case, the Company or the relevant Subsidiary Guarantor, as the case may be, shall pay such additional amounts as are required so that the amounts received by the Initial Purchaser shall be the amounts that would have been received but for such withholding or deduction.



9. Effectiveness of Agreement. This Agreement shall become effective as of the date first written above.

10. Termination. This Agreement may be terminated in the absolute discretion of the Initial Purchaser, by notice to the Company, if after the execution and delivery of this Agreement and on or prior to the Closing Date (i) trading generally shall have been suspended or materially limited on the New York Stock Exchange or the over-the-counter market; (ii) trading of any securities issued or guaranteed by the Company or any of the Subsidiary Guarantors shall have been suspended on any exchange or in any over-the-counter market; (iii) a general moratorium on commercial banking activities shall have been declared by federal or New York State authorities; or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis, either within or outside the United States, that, in the judgment of the Initial Purchaser, is material and adverse and makes it impracticable or inadvisable to proceed with the offering, sale or delivery of the Securities on the terms and in the manner contemplated by this Agreement, the Pricing Disclosure Package and the Offering Memorandum.

11. Payment of Expenses.

(a) Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the Company and each of the Subsidiary Guarantors jointly and severally agree to pay or cause to be paid all costs and expenses incident to the performance of their respective obligations hereunder, including without limitation, (i) the costs incident to the authorization, issuance, sale, transfer, preparation and delivery of the Securities and any taxes payable in that connection; (ii) the costs incident to the preparation and printing of the Preliminary Offering Memorandum, any other Pricing Disclosure Package, any Issuer Written Communication and the Offering Memorandum (including any amendment or supplement thereto) and the distribution thereof; (iii) the costs of reproducing and distributing each of the Transaction Documents; (iv) the fees and expenses of the Company's and the Subsidiary Guarantors' counsel and independent accountants; (v) any fees charged by rating agencies for rating the Securities; (vi) the fees and expenses of the Trustee and any paying agent (including related fees and expenses of any counsel to such parties); (vii) all expenses incurred by the Company in connection with any "road show" presentation to potential investors; and (viii) all expenses and application fees related to the listing of the Securities on the Exchange.

(b) If (i) this Agreement is terminated pursuant to Section 10, (ii) the Company for any reason fails to tender the Securities for delivery to the Initial Purchaser (iii) the Initial Purchaser declines to purchase the Securities for any reason permitted under this Agreement or (iv) if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company and each of the Subsidiary Guarantors jointly and severally agree to reimburse the Initial Purchaser for all out-of-pocket costs and expenses (including the fees and expenses of its counsel) reasonably incurred by the Initial Purchaser in connection with this Agreement and the offering contemplated hereby.

12. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and any controlling persons referred to herein, and the affiliates of the Initial Purchaser referred to in Section 7 hereof. Nothing in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein. No purchaser of Securities from the Initial Purchaser shall be deemed to be a successor merely by reason of such purchase.

13. Survival. The respective indemnities, rights of contribution, representations, warranties and agreements of the Company, the Subsidiary Guarantors and the Initial Purchaser contained in this Agreement or made by or on behalf of the Company, the Subsidiary Guarantors or the Initial Purchaser pursuant to this Agreement or any certificate delivered pursuant hereto shall survive the delivery of and payment for the Securities and shall remain in full force and effect, regardless of any termination of this Agreement or any investigation made by or on behalf of the Company, the Subsidiary Guarantors or the Initial Purchaser.

14. Certain Defined Terms. For purposes of this Agreement, (a) except where otherwise expressly provided, the term “affiliate” has the meaning set forth in Rule 405 under the Securities Act; (b) the term “business day” means any day other than a day on which banks are permitted or required to be closed in New York City, the Cayman Islands, the British Virgin Islands, Hong Kong, the United Kingdom or the PRC; (c) the term “subsidiary” has the meaning set forth in Rule 405 under the Securities Act; (d) the term “Exchange Act” collectively means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder; and (e) the term “written communication” has the meaning set forth in Rule 405 under the Securities Act.

15. Compliance with USA Patriot Act. In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Initial Purchaser is required to obtain, verify and record information that identifies its clients, including the Company, which information may include the name and address of its clients, as well as other information that will allow the Initial Purchaser to properly identify its clients.

16. Miscellaneous.

(a) *Notices*. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted and confirmed by any standard form of telecommunication. Notices to the Initial Purchaser shall be given to J.P. Morgan Securities plc, 25 Bank Street, Canary Wharf, London E14 5JP, United Kingdom (fax: +44 20 3493 1413); Attention: EMEA Debt Capital Markets Desk. Notices to the Company and the Subsidiary Guarantors shall be given to them at Bright Scholar Education Holdings Limited, No. 1, Country Garden Road, Beijiao Town, Shunde District, Foshan, Guangdong 528300, People’s Republic of China; Attention: Chief Executive Officer.

(b) *Governing Law*. This Agreement and any claim, controversy or dispute arising under or related to this Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(c) *Submission to Jurisdiction*. The Company and each of the Subsidiary Guarantors hereby submit to the exclusive jurisdiction of the New York Courts in any suit, action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. The Company and each of the Subsidiary Guarantors waive any objection which it may now or hereafter have to the laying of venue of any such suit or proceeding in such courts. Each of the Company and each of the Subsidiary Guarantors agrees that final judgment in any such suit, action or proceeding brought in such court shall be conclusive and binding upon the Company and each Subsidiary Guarantor, as applicable, and may be enforced in any court to the jurisdiction of which Company and each Subsidiary Guarantor, as applicable, is subject by a suit upon such judgment. The Company and each of the Subsidiary Guarantors irrevocably appoint Law Debenture Corporate Services Inc. located at 801 2nd Avenue, Suite 403, New York, New York 10017, as its authorized agent in the Borough of Manhattan in The City of New York (the “**Authorized Agent**”) upon whom process may be served in any such suit, action or proceeding, and agrees that service of process upon the Authorized Agent, and written notice of such service to the Company or any such Subsidiary Guarantor, as the case may be, by the person serving the same to the address provided in this Section 16, shall be deemed in every respect effective service of process upon the Company and such Subsidiary Guarantor in any such suit, action or proceeding. The Company and each of the Subsidiary Guarantors hereby represent and warrant that such authorized agent has accepted such appointment and has agreed to act as such authorized agent for service of process. The Company and each of the Subsidiary Guarantors further agree to take any and all action as may be necessary to maintain such designation and appointment of such authorized agent in full force and effect for a period of seven years from the date of this Agreement.

(d) *Waiver of Jury Trial.* Each of the parties hereto hereby waives, to the fullest extent permitted by applicable law, any and all rights to trial by jury in any suit, action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

(e) *Judgment Currency.* In respect of any judgment or order given or made for any amount due hereunder that is expressed and paid in a currency (the “**judgment currency**”) other than United States dollars, the Company will indemnify the Initial Purchaser against any loss incurred by the Initial Purchaser as a result of any variation as between (i) the rate of exchange at which the United States dollar amount is converted into the judgment currency for the purpose of such judgment or order and (ii) the rate of exchange at which the Initial Purchaser is able to purchase United States dollars with the amount of the judgment currency actually received by the Initial Purchaser. The foregoing indemnity shall constitute a separate and independent obligation of the Company and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term “rate of exchange” shall include any premiums and costs of exchange payable in connection with the purchase of or conversion into United States dollars.

(f) *Counterparts.* This Agreement may be signed in counterparts (which may include counterparts delivered by any standard form of telecommunication), each of which shall be an original and all of which together shall constitute one and the same instrument.

(g) *Amendments or Waivers.* No amendment or waiver of any provision of this Agreement, nor any consent or approval to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by the parties hereto.

(h) *Headings.* The headings herein are included for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

#### 17. Recognition of Bail-in Powers.

Notwithstanding any other term of this Agreement or any other agreements, arrangements, or understanding among the Company and the Initial Purchaser, the Company acknowledges and accepts that a BRRD Liability arising under this Agreement may be subject to the exercise of Bail-in Powers by the Relevant Resolution Authority, and acknowledges, accepts, and agrees to be bound by:

- (a) the effect of the exercise of Bail-in Powers by the Relevant Resolution Authority in relation to any BRRD Liability of the Initial Purchaser to the Company under this Agreement, that (without limitation) may include and result in any of the following, or some combination thereof:
  - (i) the reduction of all, or a portion, of the BRRD Liability or outstanding amounts due thereon;
  - (ii) the conversion of all, or a portion, of the BRRD Liability into shares, other securities or other obligations of the Initial Purchaser or another person (and the issue to or conferral on the Company of such shares, securities or obligations);
  - (iii) the cancellation of the BRRD Liability;
  - (iv) the amendment or alteration of any interest, if applicable, thereon, the maturity or the dates on which any payments are due, including by suspending payment for a temporary period;
- (b) the variation of the terms of this Agreement, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of Bail-in Powers by them Relevant Resolution Authority.

For the purposes of this Section 17:

“**Bail-in Legislation**” means Part I of the UK Banking Act 2009 and any other law or regulation applicable in the UK relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (otherwise than through liquidation, administration or other insolvency proceedings);

“**Bail-in Powers**” means the powers under the Bail-in Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or affiliate of a bank or investment firm, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability;

“**BRRD Liability**” means a liability in respect of which the relevant Bail-in Powers may be exercised; and

“**Relevant Resolution Authority**” means the resolution authority with the ability to exercise any Bail-in Powers in relation to the Initial Purchaser.

#### 18. Recognition of the U.S. Special Resolution Regimes

(a) In the event that the Initial Purchaser that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from the Initial Purchaser of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(b) In the event that the Initial Purchaser that is a Covered Entity or a BHC Act Affiliate of the Initial Purchaser becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Agreement that may be exercised against the Initial Purchaser are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States.

For the purposes of this Section 18:

“**BHC Act Affiliate**” has the meaning assigned to the term “affiliate” in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k);

“**Covered Entity**” means any of the following:

- (a) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);
- (b) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or
- (c) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“**Default Right**” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable; and

“**U.S. Special Resolution Regime**” means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Issuer the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

**Bright Scholar Education Holdings Limited**  
**博实乐教育控股有限公司**  
(as Issuer)

By: /s/ Junli He  
Name: Junli He  
Title: Director

*[Signature Page to the Purchase Agreement]*

---

**Impetus Investment Ltd.**  
(as Subsidiary Guarantor)

By: /s/ Junli He  
Name: Junli He  
Title: Director

---

*[Signature Page to the Purchase Agreement]*

---

**Time Education China Holdings Limited**

**時代教育控股有限公司**

(as Subsidiary Guarantor)

By: /s/ Junli He

Name: Junli He

Title: Director

*[Signature Page to the Purchase Agreement]*

---

**BRIGHT SCHOLAR (UK) HOLDINGS LIMITED**  
(as Subsidiary Guarantor)

By: /s/ Junli He  
Name: Junli He  
Title: Director

*[Signature Page to the Purchase Agreement]*

---



Accepted as of the date first written above:

J.P. MORGAN SECURITIES PLC

By /s/ Amy Tan  
Managing Director  
Authorized Signatory

*[Signature Page to the Purchase Agreement]*

---

## List of Subsidiary Guarantors

<b>Subsidiary Guarantor</b>	<b>Place of incorporation</b>	<b>% Held by the Company</b>
1. Impetus Investment Ltd.	Cayman Islands	100%
2. Time Education China Holdings Limited	Hong Kong	100%
3. Bright Scholar (UK) Holdings Limited	United Kingdom	100%

List of Subsidiaries

List of Affiliated Entities

**Pricing Term Sheet, dated July 24, 2019  
to Preliminary Offering Memorandum dated July 21, 2019  
Strictly Confidential**

**Bright Scholar Education Holdings Limited  
US\$300,000,000 7.45% Senior Notes due 2022**

This pricing term sheet is qualified in its entirety by reference to the Preliminary Offering Memorandum (the “**Preliminary Offering Memorandum**”). The information in this pricing term sheet supplements the Preliminary Offering Memorandum and updates and supersedes the information in the Preliminary Offering Memorandum to the extent it is inconsistent with the information in the Preliminary Offering Memorandum. Terms used and not defined herein have the meanings assigned in the Preliminary Offering Memorandum.

The securities have not been registered under the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction. The securities may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the securities are being offered only outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act.

Issuer:	Bright Scholar Education Holdings Limited
Subsidiary Guarantors:	The securities will initially be fully and unconditionally guaranteed on a senior basis by certain subsidiaries of the Issuer as listed in “Description of the Notes — Subsidiary Guarantees.”
Security description:	US\$300,000,000 aggregate principal amount of 7.45% Senior Notes due 2022
Distribution:	Reg S
Gross proceeds:	US\$300,000,000
Maturity:	July 31, 2022
Coupon:	7.45%
Issue price:	100% of principal amount
Interest Payment Dates:	January 31 and July 31, commencing January 31, 2020
Equity clawback:	Up to 35% at 107.45% prior to July 31, 2022

Optional redemption:	At any time prior to July 31, 2022, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.
Change of control:	Puttable at 101% of principal plus accrued and unpaid interest
Settlement date:	T+5; July 31, 2022
ISIN and Common Code:	ISIN: XS2032582244 Common Code: 203258224
Denominations/Multiple:	US\$200,000 and integral multiples of US\$1,000 in excess thereof
Ratings*:	Moody's – Ba3; Fitch – BB-
Sole Bookrunner:	J.P. Morgan Securities plc
Listing:	Approval-in-principle has been received for the listing of the securities on The Stock Exchange of Hong Kong Limited.
Selling Restriction:	No PRIIPs key information document (KID) has been prepared as EEA retail investors are not targeted.

#### Use of Proceeds

Estimated net proceeds to the Issuer from the offering of the securities will be approximately US\$295,809,750, after deducting the Initial Purchaser's discounts and commissions and estimated offering expenses.

**This material is confidential and is for your information only and is not intended to be used by anyone other than you. This information does not purport to be a complete description of these securities or the offering. Please refer to the Preliminary Offering Memorandum for a complete description.**

**This communication is being distributed outside the United States solely to Non-U.S. persons as defined under Regulation S under the Securities Act of 1933, as amended (the "Securities Act").**

**This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The securities described herein have not been, and will not be, registered under the Securities Act, or with any securities regulatory authority of any state of other jurisdiction in the United States and may not be offered or sold, directly or indirectly, into the United States unless the securities are so registered or an exemption from the registration requirements is available.**

**In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined the classification of the securities as Prescribed Capital Markets Products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).**

**The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”). Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.**

---

\*A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

Any disclaimer or other notice that may appear below is not applicable to this communication and should be disregarded. Such disclaimer or notice was automatically generated as a result of this communication being sent by Bloomberg or another email system.

**Form of Opinion of U.S. Counsel for the Company and the Subsidiary Guarantors**

[Based on the foregoing and subject to the qualifications below, we are of the opinion that:

- (a) The Purchase Agreement has been duly executed and delivered by each of the Company and the Subsidiary Guarantors.
- (b) The Indenture has been duly executed and delivered by each of the Company and the Subsidiary Guarantors and constitutes a valid and binding obligation of each of the Company and the Subsidiary Guarantors, enforceable against each of the Company and the Subsidiary Guarantors in accordance with its terms.
- (c) The Notes constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, and the Notes are entitled to the benefits of the Indenture.
- (d) Each of the Guarantees constitutes valid and binding obligations of the respective Subsidiary Guarantors, as applicable, enforceable against such Subsidiary Guarantor in accordance with their terms, and the Guarantees are entitled to the benefits of the Indenture.
- (e) Neither the execution and delivery of the Agreements nor the performance by the Company or the Subsidiary Guarantors of their obligations thereunder will result in a violation of any Applicable Law; provided, however, that for purposes of the opinion expressed in this paragraph 4(e), we express no opinion with respect to U.S. federal or New York State securities laws, rules or regulations or any other state or U.S. federal anti-fraud laws, rules and regulations.
- (f) No authorization, approval or consent of, and no filing or registration with, or qualification of or with any governmental or regulatory authority or agency of the United States or of the State of New York is required on the part of the Company or the Subsidiary Guarantors for the execution, delivery or performance of the Agreements to which it is a party, except such as may be required under the U.S. federal securities laws or any state securities or “blue sky” laws.
- (g) No registration of the Securities under the Securities Act, and no qualification of an indenture under the U.S. Trust Indenture Act of 1939, as amended, is required for the offer and sale of the Securities by the Company and the initial reoffer and resale of the Securities by the Manager in the manner contemplated by the Agreements and the Offering Document, provided that we express no opinion as to when or under what circumstances any of the Securities may be subsequently reoffered or resold.
- (h) The statements set forth under the heading “Description of the Notes” in the Offering Document as of its date and as of the date hereof, insofar as such statements purport to summarize certain provisions of the Securities and the Indenture, are accurate in all material respects.
- (i) The statements set forth under the heading “Plan of Distribution” in the Offering Document as of its date and as of the date hereof, insofar as such statements purport to summarize certain provisions of the Purchase Agreement, are accurate in all material respects.



- (j) Assuming the validity of such actions under the laws of the Cayman Islands and Hong Kong, under Section [ ] of the Purchase Agreement and Section [ ] of the Indenture, each of the Company and the Subsidiary Guarantors (i) has validly submitted to the non-exclusive jurisdiction of any New York State or United States Federal court sitting in the Borough of Manhattan, the City of New York for the purposes specified therein, (ii) has validly and irrevocably waived any objection to the venue of a proceeding in any such court, and (iii) has validly appointed [Law Debenture Corporate Services Inc. in the City of New York as its authorized agent for such purposes. Service of process on Law Debenture Corporate Services Inc.] in the manner set forth in the Purchase Agreement and the Indenture will be effective under the laws of the State of New York to confer valid personal jurisdiction over the Company and the Subsidiary Guarantors for such purposes.]

**Form of Opinion of PRC Counsel for the Company and the Subsidiary Guarantors**

[Based on the foregoing, and subject to any further assumptions and qualifications set forth below, we are of the opinion that on the date hereof:

- (a) Each of the PRC Companies is duly incorporated and validly existing as a wholly foreign owned enterprise with limited liability or a company with limited liability, as the case may be, under PRC Laws and is a separate and independent legal entity capable of suing and being sued, and the business conducted by the PRC Companies as disclosed in the Offering Memoranda is within the scope of its articles of association and business license; the articles of association and the business licence of each PRC Companies comply with the applicable requirements of the PRC Laws and are in full force and effect.
- (b) Each of the Schools is duly incorporated and validly existing as an entity with limited liability under PRC Laws and is a separate and independent legal entity capable of suing and being sued, and the business conducted by the Schools as disclosed in the Offering Memoranda is within the scope of its articles of association, permit for operating a private school, registration certificate of a privately run non-enterprise institution; except as disclosed in the Offering Memoranda, the articles of association, permit for operating a private school, registration certificate of a privately run non-enterprise institution of each Schools comply with the applicable requirements of the PRC Laws and are in full force and effect.
- (c) [Based on the Confirmation] and to the best of our knowledge, except as disclosed in the Offering Memoranda, each of the PRC Entities has full legal right, power and authority to own, use, lease and operate its properties and other assets and to conduct its business and operations as described in its business licence and the Offering Memoranda and such businesses conducted by the PRC Entities as disclosed in the Offering Memoranda have not infringed or breached any PRC Laws. [Based on the Confirmation], each of the PRC Entities is not in violation or default of its articles of association.
- (d) The registered capital of each of the PRC Companies has been fully and legally paid in accordance with its articles of association and PRC Laws. The registered capital of each of the PRC Companies is legally held by its shareholders and in compliance with the PRC Laws. The liability of each of the shareholders in respect of the equity interest held by it in the PRC Companies is limited to its investment therein. [Based on the Confirmation], the equity interests in the PRC Companies held by their respective shareholders are free and clear of any liens, charges, encumbrances, or any security interests.
- (e) The operation fund of each of the Schools which are required to be issued and paid according to PRC Laws has been fully and legally paid for, except which would not have a Material Adverse Effect, in accordance with its articles of association and PRC Laws. [Based on the Confirmation], the investment interests in each of the Schools held by its sponsor are free and clear of any liens, charges, encumbrances, or any security interests.

- (f) [Based on the Confirmation] and to the best of our knowledge after due inquiry, the PRC Entities do not own any land use rights or building ownership of any real property, and each of the school operation agreements and the lease agreements as set out in Schedule II is duly executed, binding and enforceable in accordance with the PRC Laws.
- (g) To the best of our knowledge after due inquiry, except as disclosed in the Offering Memoranda, each of the PRC Entities has obtained all necessary Governmental Authorizations to conduct its business in the manner presently conducted as disclosed in the Offering Memoranda, except for the lack of which would not, have a Material Adverse Effect. To the best of our knowledge after due inquiry, the necessary Governmental Authorizations described above do not contain any materially burdensome restrictions or conditions and are valid and in full force and effect. [Based on the Confirmation], each of the PRC Entities is in compliance with all such Governmental Authorizations, except for such violations which would not, have a Material Adverse Effect. To the best of our knowledge and [based on the Confirmation], none of the PRC Entities has received any notification of proceedings relating to the modification, suspension or revocation of any of such necessary Governmental Authorizations.
- (h) [Based on the Confirmation] and to the best of our knowledge after due inquiry, (i) no steps have been taken or are being taken to wind up or dissolve the PRC Entities, appoint a bankruptcy administrator or similar officer in respect of the PRC Entities or any of their assets, (ii) there is no action or legal, administrative, arbitral or other proceedings, pending or threatened in the PRC to which any of the PRC Entities is a party, which might result in the winding-up of the PRC Entities, or the appointment of an administrator or similar officer in respect of any of their properties or assets; and (iii) no notice of appointment in respect of any of the PRC Entities, receiver of their assets or trustee in bankruptcy or other similar officer has been served.
- (i) We have reviewed the [Material Financing Agreements and Material Contracts] and are of the opinion that all of such Material Financing Agreements and Material Contracts have been executed and delivered by the PRC Entities and such agreements are legal, valid and binding on the parties and are enforceable under the PRC Laws. [Based on the Confirmation], the PRC Entities are in compliance with all material provisions thereof, and the PRC Entities are not in default in the performance of any obligations of the Material Financing Agreements and Material Contracts as set out in Schedule III, except for such default or non-compliance which would not, individually or in the aggregate, have a Material Adverse Effect.
- (j) [As the search results of the website: <http://zxgk.court.gov.cn> dated [ ], 2019] indicated, no judgments or orders are being executed against the PRC Entities in compulsory enforcement cases.] The website only provides information on persons/entities against whom a judgment or order is being executed in compulsory enforcement cases which were brought before courts across the PRC (excluding military courts) after January 1, 2007 or in compulsory enforcement cases which were not settled before January 1, 2007.
- (k) [Based on the Confirmation and to the best of our knowledge after due inquiry], except as set out in Schedule IV which would not individually or in the aggregate have a Material Adverse Effect, there are no actions, suits or proceedings (legal, administrative, governmental, arbitral or otherwise) current, pending, threatened or contemplated in the PRC, which are against or affecting the PRC Entities or their properties or assets, whether or not arising in the ordinary course of business, which would individually or in the aggregate have a Material Adverse Effect.

- (l) To the best of our knowledge after due inquiry, each of the PRC Entities has legal and valid title to the material intellectual properties as set out in Schedule V hereto (“**Intellectual Properties**”). [Based on the Confirmation], (i) each of the Intellectual Properties is free and clear of any encumbrances, (ii) none of the PRC Entities has received any notice of infringement of or conflict with asserted rights of others with respect to such Intellectual Properties, (iii) there is no pending or threatened action, suit, proceeding or claim by others challenging any of the PRC Entities’ rights in or to, or the violation of any of the terms of, any of their Intellectual Properties.
- (m) [Based on the Confirmation], no labour dispute or disturbance involving the employees of any of the PRC Entities exists or is imminent or threatened to any of the PRC Entities, which would individually or in the aggregate, have a Material Adverse Effect.
- (n) Save for (1) the filing with National Development and Reform Commission (“**NDRC**”) to obtain the Enterprise Foreign Debt Pre-issuance Registration Certificate in respect of the issue of the Notes prior to the offering pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (Fa Gai Wai Zi [2015] No 2044) (国家发展和改革委员会公告[2015]第2044号) (发改公告[2015]2044号) issued by the NDRC (the “**NDRC Notice**”), which the Company obtained on December 12, 2018 and extended on March 13, 2019 and remains valid and in effect as of the date hereof; (2) the reporting of the relevant information and documents in respect of the issuance of the Notes with the NDRC within 10 working days in the PRC after the issuance of the Notes according to the NDRC Notice, no other consent, approval, authorisation or order of any PRC Authority, is required, for (i) the execution, delivery and performance of the Transaction Documents, (ii) the issue and offer of the Notes, the execution, delivery, performance or the consummation of the other transactions contemplated by the Transaction Documents, or (iii) the listing of the Notes on The Stock Exchange of Hong Kong Limited. From a PRC Law perspective, any failure to complete the Post-issuance NDRC Reporting shall not have a negative effect on the validity of the Notes, but for the avoidance of doubt, the Company is still required to do such Post-issuance NDRC Reporting.
- (o) The [entering into, execution and delivery of the Transaction Documents, and the performance of the Transaction Documents, by the PRC Entities or the] consummation of the transactions hereby or thereby contemplated, or the fulfillment of the terms hereof or thereof do not conflict with, or result in a breach of or default under (i) PRC Laws; or (ii) Material Contracts and Material Financing Agreements as set out in Schedule III.
- (p) There has been no material adverse change from the date of the Offering Memoranda in the PRC Laws published, including the official interpretation of any such PRC Laws, affecting the PRC Entities.
- (q) It is not necessary or desirable in order to ensure the legality, validity, enforceability or admissibility in evidence in legal proceedings in the PRC of the Transaction Documents or the Notes that any documents be filed, registered, notarised or otherwise recorded with any PRC Authority, except that the Chinese translation of the relevant Transaction Documents or the Notes is required to be presented to a court in the PRC in respect of any legal action or proceeding relating to such Transaction Documents or the Notes in the PRC.

- (r) The statements set forth in the Offering Memoranda, as applicable, under [“Risk Factors”, “Business”, “Selling Restrictions”, “Taxation” and “Regulations”] in each case to the extent, and only to the extent, governed by the PRC Laws (other than the financial statements and related schedules and other financial data contained therein to which we express no opinion), insofar as such statements describe or summarize PRC legal matters, fairly present the information and summarize in all material the matters referred to therein; and such statements are true and accurate in all material aspects, and correctly set forth therein, and nothing has been omitted from such statements which would make the same misleading in any material respect.
- (s) The application of the proceeds as set forth in the Offering Memoranda under the section “Use of Proceeds” from the issuance of the Notes will not contravene any provision of applicable PRC Laws.
- (t) Pursuant to the EIT Law and its Implementation Regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan) but of which places of effective management organ are within the territory of the PRC shall be resident enterprises for the purpose of the EIT Law and such enterprises shall pay enterprise income tax under the EIT Law at the rate of 25% in respect of their income sourced from both within and outside of the PRC. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the places of effective management organ of the Company is within the territory of the PRC, the Company may be held to be a resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax under the EIT Law at the rate of 25% for its income sourced from both within and outside of the PRC. [Based on the Confirmation], up to the date of this Opinion, the Company has not been notified or informed by the PRC tax authorities that the Company is considered a resident enterprise for the purpose of the EIT Law.
- (u) Except as disclosed in the Offering Memoranda, the foreign holder of a Note who is neither resident in, nor engaged in trade or business through a permanent establishment in the PRC will not be deemed to be resident, domiciled, carrying on business in the PRC by reason only of the execution, performance and/or enforcement of the Transaction Documents or holding of such Note.
- (v) The choice of laws of the State of New York as the governing law of the Transaction Documents and the Notes is a valid choice of law, do not contravene any applicable PRC Laws and will be recognised and given effect to by the PRC courts subject to the satisfaction of the PRC Enforcement Rules.
- (w) According to the Civil Procedure Law of the PRC, any noteholder or each party to the Transaction Documents can apply to the PRC courts with jurisdiction over the case for recognition and enforcement of any final and conclusive judgement obtained in a U.S. federal or New York state court arising out of or in relation to the payment obligations of the Company under the Transaction Documents. Such judgment will be recognised or enforced by the PRC courts if, after being reviewed by the PRC courts in accordance with the PRC Enforcement Rules. However, as at the date hereof, there is no bilateral or multilateral treaty concluded or acceded to by the PRC and the United States as to the mutual recognition and enforcement of judgments.

- (x) Under the PRC Laws, none of the PRC Entities is entitled to any right of immunity on the grounds of sovereignty or otherwise from any legal action, suit or proceeding, set-off or counterclaim, the jurisdiction of any court in the PRC, service of process, attachment prior to or in aid of execution of judgment, or other legal process or proceeding for the granting of any relief or the enforcement of in respect of its obligations under the Transaction Documents or the Notes.
- (y) Except for otherwise provided under the Contractual Arrangements, each of the PRC Companies has full power and authority, under PRC Laws and its articles of association, to declare and effect dividend payments, and all dividends and other distributions declared and payable upon the interests in such PRC Companies, as applicable, subject to compliance with the requirements under PRC Laws.
- (z) insofar as the PRC Laws are concerned, none of the PRC Entities or any of their respective properties, assets or revenues are entitled to any right of immunity on the grounds of sovereignty or otherwise from any legal action, suit or proceedings, from set-off or counterclaim, from the jurisdiction of any court, from services of process, from attachment prior to or in aid of execution of judgment, or from other legal processor proceedings for the giving of any relief or for the enforcement of any judgment in respect of its obligations under the Transaction Documents or the Notes.]

**Form of Opinion of Hong Kong Counsel for the Company and the Subsidiary Guarantors**

[On the basis of the foregoing, and having regard to such legal considerations as we deem relevant and subject as set out below, we are of the opinion that:

1. The HK Subsidiary Guarantor is duly incorporated and validly existing as a company with limited liability under the laws of Hong Kong.
2. The HK Subsidiary Guarantor has the corporate power to enter into and perform its obligations under the Transaction Documents and the Notes, and has taken all necessary corporate action to authorise its execution, delivery and performance of the Transaction Documents and the Notes.
3. The Offering Memorandum will not constitute a prospectus to which the requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **COWUMPO**) apply, provided that the Notes are offered and sold by means of any document only (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made thereunder; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the COWUMPO or which do not constitute an offer to the public within the meaning of the COWUMPO.
4. Subject to paragraph 3 above, there is no required authorisation, approval or consent of, or registration or filing with, any government department or regulatory authority of or within Hong Kong in relation to the issue of the Notes or the offering and sale of the Notes by the Initial Purchasers in Hong Kong except for the approval of the Listing Division of the HKSE with respect to the listing of the Notes.
5. There will have been no contravention of the provisions of Section 103 of the SFO by the issue, or possession for the purposes of issue, whether in Hong Kong or elsewhere, of an advertisement, invitation or document relating to the Notes provided that: (i) such advertisement, invitation or document is not, or does not contain, an invitation to the public or (ii) such issue, or possession for the purposes of issue, is made by or on behalf of an intermediary licensed or registered for Type 1, Type 4 or Type 6 regulated activity (as such terms are defined in the SFO) (whether acting as principal or as agent) or (iii) the Notes are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the SFO and any rules made thereunder or (iv) such issue, or possession for the purposes of issue, is otherwise permitted under the securities laws of Hong Kong.
6. No Hong Kong stamp duty is payable in Hong Kong in connection with the execution or, where appropriate, delivery of the Transaction Documents or in connection with the issue and offering of the Notes. No Hong Kong stamp duty is payable in Hong Kong upon the transfer of a Note.
7. All payments by the HK Subsidiary Guarantor under the Transaction Documents or in respect of the Notes may be made without withholding or deduction for any taxes, duties, assessments or governmental charges in Hong Kong.

8. A judgment obtained against the HK Subsidiary Guarantor by a New York court could not be enforced by registration in the Hong Kong courts but the judgment would be treated as constituting a cause of action against the HK Subsidiary Guarantor and could be sued upon summarily in the Hong Kong courts. The Hong Kong courts should enter judgment against the HK Subsidiary Guarantor in such proceedings, without re-examination of the merits of the original judgment, provided that:
- (a) the original court was of competent jurisdiction;
  - (b) the original judgment is final and conclusive;
  - (c) the original judgment was between the same parties (or their privies) as those before the Hong Kong court;
  - (d) the original judgment is not for multiple damages (as defined by the Protection of Trading Interests Ordinance (Cap.471) of Hong Kong (the **Protection of Trading Interests Ordinance**));
  - (e) the original judgment is for a fixed sum of money and not for a tax, fine or penalty;
  - (f) the original judgment was not obtained by fraud, or in proceedings contrary to substantial justice and its enforcement is not contrary to Hong Kong public policy;
  - (g) the writ in Hong Kong was issued within 6 years after the date on which the original judgment became enforceable;
  - (h) the original judgment is not inconsistent with a Hong Kong judgment in respect of the same points at issue between the same parties; and
  - (i) the original judgment is not a judgment to which either of section 7 of the Protection of Trading Interests Ordinance or section 3 of the Foreign Judgments (Restriction on Recognition and Enforcement) Ordinance (Cap.46) of Hong Kong applies.
9. The choice of New York law as the governing law of the Transaction Documents and the Notes would be upheld as a valid choice by the courts of Hong Kong, provided that the chosen law is a *bona fide* choice of the parties to the Transaction Documents and the Notes and is sufficiently certain to be enforceable.]



**Form of Opinion of English Counsel for the Company and the Subsidiary Guarantors**

[On the basis of the foregoing, and having regard to such legal considerations as we deem relevant and subject as set out below, we are of the opinion that:

1. The UK Subsidiary Guarantor is duly incorporated and validly existing as a private company with limited liability under the laws of England.
2. The Purchase Agreement and the Indenture are expressed to be governed by the laws of the State of New York, United States. There is no reason, so far as English law is concerned, why the Purchase Agreement and the Indenture should not constitute legal, valid and binding obligations of the UK Subsidiary Guarantor.

Nothing in this opinion shall be taken as implying that an English court would exercise jurisdiction in any proceedings relating to the Purchase Agreement and the Indenture or accordingly that any remedy would be available in England for the enforcement of obligations arising under the Purchase Agreement and the Indenture or that an English court would respect the submission by the UK Subsidiary Guarantor to the jurisdiction of the New York courts in the Purchase Agreement and the Indenture

3. An English court would uphold as a valid choice the choice of the laws of the state of New York, United States as the governing law of (i) the Purchase Agreement and the Indenture, subject to and in accordance with Rome I and, in the case of the Indenture, subject to and in accordance with the Recognition of Trusts Acts 1987 and provided that the relevant obligation is within the scope of, and the choice is permitted by, Rome I and, in the case of the Indenture, the Recognition of Trusts Acts 1987; [and (ii) any non-contractual obligations arising out of or in connection with the Purchase Agreement and the Indenture, subject to and in accordance with Rome II and provided that the relevant non-contractual obligation is within the scope of, and the choice is permitted by, Rome II.] ]

**Form of Opinion of Cayman Islands Counsel for the Company and the Subsidiary Guarantors****The Company:**

[On the basis of and subject to the foregoing, we are of the opinion that:

1. The Company is duly incorporated and existing under the laws of the Cayman Islands and, based on the Certificate of Good Standing, is in good standing as at the Certificate Date. Pursuant to the Companies Law (the “Law”), a company is deemed to be in good standing if all fees and penalties under the Law have been paid and the Registrar of Companies has no knowledge that the Company is in default under the Law. The Company has the corporate capacity to own, use or lease its assets and conduct its business in accordance with its Memorandum and Articles of Association.
  2. The Company has the necessary corporate power and authority to enter into and perform its obligations under the Transaction Documents, to issue, circulate and distribute the Offering Memorandum, to create, offer, issue, and perform its obligations under the Notes and to have the Notes listed on The Stock Exchange of Hong Kong Limited (the “HKSE”). The execution and delivery of the Transaction Documents and the Notes by the Company and the performance by the Company of its obligations thereunder do not and will not violate the Memorandum or Articles of Association of the Company nor any applicable law, regulation, order or decree in the Cayman Islands.
  3. The Company has taken all corporate action required to authorise its execution, delivery and performance of the Transaction Documents and the Notes, its creation, offering, delivery and issue of the Notes and the issue, circulation and distribution of the Offering Memorandum. The Transaction Documents (other than the Global Note) have been duly executed and delivered by or on behalf of the Company, and constitute legal, valid and binding obligations of the Company enforceable in accordance with the terms thereof. The Global Note has been duly executed and delivered by or on behalf of the Company and the Subsidiary Guarantors and, when duly authenticated in accordance with the terms of the Transaction Documents, will constitute legal, valid and binding obligations of the Company and the Subsidiary Guarantors and enforceable against the Company and the Subsidiary Guarantors in accordance with the terms thereof.
  4. No order, consent, approval, licence, authorisation, registration, filing or validation of or exemption or any other similar requirement by any government or public body or authority of the Cayman Islands or any sub-division thereof is required to authorise or is required in connection with the circulation and distribution of the Offering Memorandum, the creation, offering, issue and delivery of the Notes to the Initial Purchaser or the resale by the Initial Purchaser in accordance with the terms of Purchase Agreement, the issue, the listing of the Notes on the HKSE, the payment of the principal, interest and any other amounts under the Notes and the execution, delivery, performance and enforcement of the Transaction Documents or the Notes.
  5. [It is not necessary or desirable to ensure the enforceability in the Cayman Islands of the Transaction Documents or the Notes that they be registered in any register kept by, or filed with, any governmental authority or regulatory body in the Cayman Islands. However, to the extent that any of the Transaction Documents or the Notes creates a charge over assets of the Company, the Company and its Directors are under an obligation to enter such charge in the Register of Mortgages and Charges of the Company in accordance with section 54 of the Companies Law. While there is no exhaustive definition of a charge under Cayman Islands law, a charge normally has the following characteristics:
    - (i) it is a proprietary interest granted by way of security which entitles the chargee to resort to the charged property only for the purposes of satisfying some liability due to the chargee (whether from the chargor or a third party); and
    - (ii) the chargor retains an equity of redemption to have the property restored to him when the liability has been discharged.
-

However, as the Transaction Documents and the Notes are governed by the Foreign Laws, the question of whether they would possess these particular characteristics would be determined under the Foreign Laws.]

6. There is no income or other tax of the Cayman Islands imposed by withholding or otherwise on any payment to be made to or by the Company pursuant to the Transaction Documents or the Notes. The Cayman Islands currently levy no taxes on individuals or corporations not resident in the Cayman Islands based upon profit, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.
7. There is no stamp, documentary, recording, transfer, registration or similar tax or duty to be paid on or in relation to any of the Transaction Documents or the Notes provided that they are executed and remain outside the Cayman Islands. If it becomes necessary to bring the Transaction Documents or the Notes into the Cayman Islands for enforcement or otherwise, nominal stamp duty will be payable on all Transaction Documents and the Notes. [In the case of any Transaction Document or the Notes creating security over movable property situated in the Cayman Islands granted by an exempted company, an ordinary non-resident company or a foreign company, or over shares in an exempted company or an ordinary non-resident company, stamp duty will be payable on an ad valorem basis to a maximum of CI\$500.00 (US\$600.00).] Apart from the payment of stamp duty, there are no acts, conditions or things required by the laws and regulations of the Cayman Islands to be done, fulfilled or performed in order to make any of the Transaction Documents or the Notes admissible in evidence in the Cayman Islands.
8. The Initial Purchaser and the Trustee will not be deemed to be resident, domiciled or carrying on business or subject to any liability or taxation in the Cayman Islands by reason only of the execution, performance and/or enforcement of the Transaction Documents or the Notes.
9. A holder of the Notes (a "Note Holder") will not be deemed to be resident or domiciled in the Cayman Islands and will not be required to be licensed, qualified or otherwise entitled to carry on business in the Cayman Islands by reason only of holding or transfer of a Note. A Note Holder will not be subject to taxation under the laws of the Cayman Islands by reason only of the acquisition, ownership or disposal of a Note.
10. The Company has the legal capacity to sue and be sued in its own name under the laws of the Cayman Islands.
11. The Initial Purchaser and the Trustee have standing to bring an action or proceedings before the appropriate courts in the Cayman Islands for the enforcement of the Transaction Documents or the Notes. It is not necessary or advisable in order for the Initial Purchaser or the Trustee to enforce its rights under the Transaction Documents or the Notes, including the exercise of remedies thereunder that it be licensed, qualified or otherwise entitled to carry on business in the Cayman Islands.
12. The Company is not entitled to any immunity under the laws of the Cayman Islands, whether characterised as sovereign immunity or otherwise, from any legal proceedings to enforce the Transaction Documents or the Notes in respect of itself or its property.
13. The obligations of the Company under the Transaction Documents and the Notes will rank at least *pari passu* in priority of payment with all other unsecured unsubordinated indebtedness of the Company, other than indebtedness which is preferred by virtue of any provision of the laws of the Cayman Islands of general application.
14. Based solely upon a search of the Register of Writs and other Originating Process of the Grand Court of the Cayman Islands conducted at [ ] a.m. on [ ] July 2019 (which would not reveal details of (i) proceedings which have been filed but not actually entered in the Register of Writs and other Originating Process of the Grand Court of the Cayman Islands at the time of our search or (ii) counterclaims, third party notices or amendments to pleadings filed prior to 8 December 2008) there are no actions pending against the Company nor any petitions to wind up the Company pending in the Grand Court of the Cayman Islands to which the Company is subject.

15. The Transaction Documents and the Notes are in an acceptable legal form under the laws of the Cayman Islands for enforcement thereof in the Cayman Islands.
16. There is no applicable usury or interest limitation law in the Cayman Islands which may restrict the recovery of payments or the performance by the Company of its obligations under the Transaction Documents or the Notes.
17. The choice of the Foreign Laws as the governing law of the Transaction Documents and the Notes is a valid choice of law and would be recognised and given effect to in any action brought before a court of competent jurisdiction in the Cayman Islands, except for those laws (i) which such court considers to be procedural in nature, (ii) which are revenue or penal laws or (iii) the application of which would be inconsistent with public policy, as such term is interpreted under the laws of the Cayman Islands. The submission in the Transaction Documents and the Notes to the jurisdiction of the Foreign Courts is valid and binding upon the Company.
18. There are no exchange control restrictions in the Cayman Islands and accordingly there is no exchange control regulations imposed under Cayman Islands law.
19. The Company is free to acquire, hold and sell foreign currency and securities without restriction.
20. All payments of principal, interests and premiums, if applicable, in accordance with the terms of the Notes may under the current laws and regulations of the Cayman Islands be paid to the Note Holders and where they are to be paid from the Cayman Islands may be freely transferred out of the Cayman Islands.
21. The appointment by the Company under the Documents of an agent to accept service of process in any Foreign Court is legal, valid and binding on the Company if such appointment is legal, valid and binding under the Foreign Laws and no other procedural requirements are necessary in order to validate such appointment. The indemnification and contribution provisions set forth in the Purchase Agreement do not in our view contravene public policy or applicable laws of the Cayman Islands so long as those provisions do not amount to fraud or dishonesty.
22. The courts of the Cayman Islands would recognise as a valid judgment, a final and conclusive judgment *in personam* obtained in the Foreign Courts against the Company based upon the Transaction Documents or the Notes under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) or, in certain circumstances, an *in personam* judgment for non-monetary relief, and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.
23. Any monetary judgment in the courts of the Cayman Islands in respect of a claim brought in connection with the Documents may be expressed in the currency in which such claim is made, since such courts have power to grant a monetary judgment expressed otherwise than the currency of the Cayman Islands, but they may not necessarily do so.
24. The statements in the Offering Memorandum under the headings [“Enforceability of Civil Liabilities”, “Risk Factors”, “Business”, “Regulations”, “Plan of Distribution”, “Selling Restrictions”, “Legal Matters”, and “Taxation — Cayman Islands” insofar and to the extent that they constitute a summary or description of the law and regulations of the Cayman Islands, fairly and accurately present and summarise the matters referred to therein.

**Subsidiary Guarantor:**

On the basis of and subject to the foregoing, we are of the opinion that:

1. The Company is duly incorporated and existing under the laws of the Cayman Islands and, based on the Certificate of Good Standing, is in good standing as at the Certificate Date. Pursuant to the Companies Law (the “**Law**”), a company is deemed to be in good standing if all fees and penalties under the Law have been paid and the Registrar of Companies has no knowledge that the Company is in default under the Law. The Company has the corporate capacity to own assets and conduct business in accordance with its Memorandum and Articles of Association.
2. The Company has the necessary corporate power and authority to enter into and perform its obligations under the Transaction Documents and the Notes. The execution and delivery of the Transaction Documents and the Notes by the Company and the performance by the Company of its obligations thereunder will not violate the Memorandum or Articles of Association of the Company nor any applicable law, regulation, order or decree in the Cayman Islands.
3. The Company has taken all corporate action required to authorise its execution, delivery and performance of the Transaction Documents and the Notes. The Transaction Documents (other than the Global Note) have been duly executed and delivered by or on behalf of the Company, and constitute legal, valid and binding obligations of the Company enforceable in accordance with the terms thereof. The Global Note has been duly executed and delivered by or on behalf of the Company and, when duly authenticated in accordance with the terms of the Transaction Documents, will constitute the legal, valid and binding obligations of the Company enforceable in accordance with the terms thereof.
4. No order, consent, approval, licence, authorisation or validation of or exemption by any government or public body or authority of the Cayman Islands or any sub-division thereof is required to authorise or is required in connection with the execution, delivery, performance and enforcement of the Transaction Documents or the Notes.
5. It is not necessary or desirable to ensure the enforceability in the Cayman Islands of the Transaction Documents or the Notes that they be registered in any register kept by, or filed with, any governmental authority or regulatory body in the Cayman Islands. However, to the extent that any of the Transaction Documents or the Notes creates a charge over assets of the Company, the Company and its Directors are under an obligation to enter such charge in the Register of Mortgages and Charges of the Company in accordance with section 54 of the Companies Law. While there is no exhaustive definition of a charge under Cayman Islands law, a charge normally has the following characteristics:
  - (i) it is a proprietary interest granted by way of security which entitles the chargee to resort to the charged property only for the purposes of satisfying some liability due to the chargee (whether from the chargor or a third party); and
  - (ii) the chargor retains an equity of redemption to have the property restored to him when the liability has been discharged.

However, as the Transaction Documents and the Notes are governed by the Foreign Laws, the question of whether they would possess these particular characteristics would be determined under the Foreign Laws.

6. There is no income or other tax of the Cayman Islands imposed by withholding or otherwise on any payment to be made to or by the Company pursuant to the Transaction Documents or the Notes.

7. There is no stamp, registration or similar tax or duty to be paid on or in relation to any of the Transaction Documents or the Notes provided that they are executed and remain outside the Cayman Islands. If it becomes necessary to bring the Transaction Documents or the Notes into the Cayman Islands for enforcement or otherwise, nominal stamp duty will be payable on all Transaction Documents and the Notes. In the case of any Transaction Document or the Notes creating security over movable property situated in the Cayman Islands granted by an exempted company, an ordinary non-resident company or a foreign company, or over shares in an exempted company or an ordinary non-resident company, stamp duty will be payable on an *ad valorem* basis to a maximum of CI\$500.00 (US\$600.00). Apart from the payment of stamp duty, there are no acts, conditions or things required by the laws and regulations of the Cayman Islands to be done, fulfilled or performed in order to make any of the Transaction Documents or the Notes admissible in evidence in the Cayman Islands.
8. The Company has the legal capacity to sue and be sued in its own name under the laws of the Cayman Islands.
9. Based solely upon a search of the Register of Writs and other Originating Process of the Grand Court of the Cayman Islands conducted at [ ] a.m. on [ ] July, 2019 (which would not reveal details of (i) proceedings which have been filed but not actually entered in the Register of Writs and other Originating Process of the Grand Court of the Cayman Islands at the time of our search or (ii) counterclaims, third party notices or amendments to pleadings filed prior to 8 December 2008) there are no actions pending against the Company nor any petitions to wind up the Company pending in the Grand Court of the Cayman Islands to which the Company is subject.
10. The courts of the Cayman Islands would recognise as a valid judgment, a final and conclusive judgment *in personam* obtained in the Foreign Courts against the Company based upon the Transaction Documents or the Notes under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) or, in certain circumstances, an *in personam* judgment for non-monetary relief, and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.
11. The Company is free to acquire, hold and sell foreign currency and securities without restriction.
12. The Company is not entitled to any immunity under the laws of the Cayman Islands, whether characterised as sovereign immunity or otherwise, from any legal proceedings to enforce the Transaction Documents or the Notes in respect of itself or its property.
13. The obligations of the Company under the Transaction Documents and the Notes will rank at least *pari passu* in priority of payment with all other unsecured unsubordinated indebtedness of the Company, other than indebtedness which is preferred by virtue of any provision of the laws of the Cayman Islands of general application.
14. There are no exchange control restrictions in the Cayman Islands and accordingly there is no exchange control regulations imposed under Cayman Islands law.]

## FORM OF CHIEF FINANCIAL OFFICER'S CERTIFICATE

BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED  
CHIEF FINANCIAL OFFICER'S CERTIFICATE

[date]

The undersigned, Chief Financial Officer of Bright Scholar Education Holdings Limited, (collectively with its consolidated subsidiaries and affiliated entities, the "**Company**"), pursuant to Section 6(d)(ii) of the Purchase Agreement, dated July 24, 2019 (the "**Purchase Agreement**"), among the Company and J.P. Morgan Securities plc, as the initial purchaser (the "**Initial Purchaser**"), in my capacity as Chief Financial Officer of the Company but not in any personal capacity, hereby certifies that:

1. I am providing this certificate to the Initial Purchaser in connection with the Company's offer and sale of US\$300,000,000 7.45% Senior Notes due 2022 (the "**Offering**") as described in the Pricing Disclosure Package and the Offering Memorandum.
2. I am familiar with the accounting, operations, records systems and internal controls of the Company. I have participated in the preparation of the Pricing Disclosure Package and the Offering Memorandum.
3. I have reviewed the amounts, percentages, ratios and other information identified on the pages of the Pricing Disclosure Package and the Offering Memorandum relating to the Offering attached hereto as Exhibit A, and I compared each of such items to the Company's accounting records and schedules prepared from the Company's accounting records and found them to be in agreement and have no reason to believe that such items are not true and correct in all material respects.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Purchase Agreement. This certificate is to assist the Initial Purchaser in conducting and documenting their investigation of the affairs of the Company in connection with the Offering and shall not be used for other purposes.

*(Signature Page Follows)*

IN WITNESS WHEREOF, I have signed this Chief Financial Officer's Certificate as of the date first written above.

**Bright Scholar Education Holdings Limited**

---

Name: Dongmei Li  
Title: Chief Financial Officer





DATED 5 July 2019

- (1) THE SELLER (AS DEFINED HEREIN)
- (2) THE BUYER (AS DEFINED HEREIN)
- (3) THE WARRANTORS (AS DEFINED HEREIN)
- (4) THE GUARANTOR (AS DEFINED HEREIN)

SALE AND PURCHASE AGREEMENT

RELATING TO

CATS COLLEGES HOLDINGS LIMITED

---

CERTAIN INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

[\*\*\*] indicates the redacted confidential portions of this exhibit.

---

## CONTENTS

<b>Clause</b>		<b>Page</b>
1.	Definitions and Interpretation	1
2.	Sale of the Shares	24
3.	Consideration	24
4.	Exchange	24
5.	Completion	25
6.	Position pending Completion	25
7.	Leakage	26
8.	Seller's Warranties and Indemnities	27
9.	Buyer's warranties and Guarantee	31
10.	Warranties	34
11.	Insurance	35
12.	Protection of Goodwill	36
13.	Confidentiality	39
14.	Taxation	39
15.	Costs	41
16.	Post-Completion Arrangements	42
17.	Warrantors' Representative	46
18.	Transitional Services Agreement, Reverse Transitional Services Agreement, APA, and Reverse APA	46
19.	General	47
20.	Applicable Law and Jurisdiction	50
21.	Notices	50
	Schedule 1 Ultimate Shareholders, Warrantors and Retained Group Companies	53
	Schedule 2 Exchange Deliverables	54
	Schedule 3 Completion Obligations	56
	Schedule 4 Conduct of Business	58
	Schedule 5 Warranties	60
	Schedule 6 Limitations on Claims	83
	Schedule 7 Tax Covenant	91
	Schedule 8 Specific Tax Indemnities	98
 <b>Agreed Form Documents</b>		
(a)	Voting Power of Attorney	
(b)	Resignation Letters	

---

- (c) Board resolution of the Seller
- (d) Board resolutions of the Company
- (e) Board resolutions of the Buyer
- (f) Board resolutions of the Guarantor
- (g) Announcement
- (h) Security Releases
- (i) Legal Opinion
- (j) Bonus Side Letter
- (k) Standard Contractual clauses

**Annexures**

1. Accounts
  2. Management Accounts
  3. Locked Box Accounts
  4. Permitted Leakage Schedule
  5. Target Group Information Pack
  6. Separation Paper
  7. Reorganisation Documents List
  8. Draft FY18 Tax Computations
-

THIS AGREEMENT is made on 5 July 2019

**BETWEEN:**

- (1) **CAMBRIDGE EDUCATION GROUP LIMITED** incorporated in England and Wales with registered number [\*\*\*] and having its registered office at Kett House, Station Road, Cambridge CB1 2JH (the “**Seller**”);
- (2) **BRIGHT SCHOLAR (UK) HOLDINGS LIMITED**, incorporated in England and Wales with registered number [\*\*\*] and whose registered office is at Bournemouth Collegiate School College Road, Southbourne, Bournemouth, United Kingdom, BH5 2DY (the “**Buyer**”);
- (3) **BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED** incorporated in the Cayman Islands with registered number [\*\*\*] and having its registered office at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands (the “**Guarantor**”); and
- (4) **THE SEVERAL PERSONS** whose names and addresses are set out in Part III of Schedule 1 (together the “**Warrantors**” and each a “**Warrantor**”).

**INTRODUCTION**

- (A) CATS Colleges Holdings Limited (the “**Company**”) is a private company limited by shares incorporated in England and Wales with registered number [\*\*\*] and having its registered office at Kett House, Station Road, Cambridge, United Kingdom, CB1 2JH, further details of which are set out in the Target Group Information Pack (as defined in clause 1.1 below).
- (B) Details of the subsidiary undertakings of the Company are set out in Part 2 of the Target Group Information Pack.
- (C) The Seller has agreed to sell the Shares (as defined in clause 1.1 below) and the Buyer has agreed to buy the Shares, in each case on the terms and subject to the conditions set out in this Agreement.
- (D) The Guarantor has agreed to guarantee the obligations of the Buyer under this Agreement.

**IT IS AGREED** as follows:

**1. DEFINITIONS AND INTERPRETATION**

- 1.1** The following words and expressions where used in this Agreement have the meanings given to them below:

**Accounting Period** means any period by reference to which income, profits, gains or other amounts relevant for the purposes of Taxation are determined.

**Accounts** means:

- (a) in respect of the UK Subsidiaries (other than any dormant UK Subsidiaries), audited financial statements of each of those UK Subsidiaries, prepared in accordance with the Act and generally accepted accounting principles in the United Kingdom (the “**UK Accounts**”);
- (b) in respect of each of the dormant UK Subsidiaries, financial statements of each of those UK Subsidiaries, prepared in accordance with the Act and generally accepted accounting principles in the United Kingdom (the “**Dormant Subsidiaries Accounts**”);
- (c) in respect of the US Subsidiaries, a profit and loss statement and balance sheet prepared in accordance with generally accepted accounting principles in the United States of America for each of the US Subsidiaries (the “**US Accounts**”);
- (d) in respect of Canadian Subsidiaries, a profit and loss statement and balance sheet prepared in accordance with generally accepted accounting principles in Canada for each of the Canadian Subsidiaries (the “**Canada Accounts**”);
- (e) in respect Cambridge Education Technology (Shanghai) Co Limited, a profit and loss statement and balance sheet of Cambridge Education Technology (Shanghai) Co Limited prepared in accordance with generally accepted accounting principles in the PRC (the “**PRC Accounts**”); and
- (f) in respect of CEG Hong Kong JV Limited, a balance sheet of CEG Hong Kong JV Limited prepared in accordance with generally accepted accounting principles in Hong Kong (the “**HK Accounts**”),

in each case in relation to the accounting reference period ended on the Accounts Date, true copies of which comprise Annexure 1.

**Accounts Date** means 31 August 2018.

**Act** means the Companies Act 2006.

**Aggregate Transaction Bonus Amount** means the aggregate amount of any Transaction Bonuses (including all Tax arising on the payment of such Transaction Bonuses) as set out in column (6) of the schedule to the Bonus Side Letter.

**Announcement** means the announcement in the agreed form relating to the transactions contemplated by this Agreement and to be released by the parties on or following Exchange.

**Anti-bribery Law** means the United Kingdom Bribery Act 2010 or the regulations promulgated thereunder as amended from time to time, or any anti-bribery and corruption law of similar effect that is legally binding on the Target Group.

**APA** means the asset purchase agreement dated 31 March 2019 between (1) the Seller and other parties; and (2) the Company and which relates to the transfer of assets of the Seller to the Target Group.

**Bonus Side Letter** means the bonus side letter in the agreed form dated on or about the date hereof between the Buyer and the Seller relating to the Transaction Bonuses.

**Bridgepoint Group** means Bridgepoint Advisers Limited and its affiliates.

**Business** means together the business operations and activities of the Target Group Companies as carried out as at Completion.

**Business Day** means a day (excluding Saturdays and Sundays) on which commercial banks are generally open in London, Beijing and Hong Kong for the transaction of normal banking business.

**Business IPR** means all Intellectual Property Rights used by a Target Group Company for any purpose in connection with the Business including, without limitation, the Registered Marks, the Licensed IPR and the Business Names (but excluding any TSA IPR).

**Business Names** means CATS, CATS Colleges, CATS Cambridge, CATS Canterbury, CATS London, CATS Boston, CATS Academy Boston, Cambridge Schools of Visual & Performing Arts, CSVPA, Stafford House International, Stafford House Study Holidays, Stafford House School of English, Stafford House Summer and any other name by which the Business (or part thereof) is known as or trades under and any part or abbreviation thereof and any logo, device, format or style in or with which any such name or part or abbreviation of it is or has been used by any Target Group Company.

**Buyer Group** means the Buyer, any parent undertaking of the Buyer and any subsidiary undertaking of the Buyer or such parent undertaking (including, for these purposes with effect from Completion, the Company and every Target Group Company) from time to time and references to “**Buyer Group Company**” and “**any member of the Buyer Group**” shall be construed accordingly.

**Canadian Subsidiaries** means together, CEG Holdings Canada, Inc., 976821 Ontario, Inc. and 744648 Alberta, Inc.

**CATS China** means Cambridge Education Technology (Shanghai) Co Limited.

**CATS China Investment Agreement** means the investment agreement between the Seller and Sam Huang, Wei, Joe Chan, Zhangming dated 4 July 2018.

**Completion** means completion of the sale and purchase of the Shares under this Agreement.

**Completion Date** means the date on which Completion occurs.

**Confidential Information** means the Target Confidential Information, the Retained Group Confidential Information and the Transaction Confidential Information.

**Confidentiality Agreement** means the confidentiality agreement entered into in relation to the sale of the Company dated 5 December 2018.

**Consideration** shall have the meaning given to it in clause 3.1.

**Contracts** means all contracts, agreements, licences and other contractual arrangements whether or not currently in force (in each case under which rights, obligations and/or liabilities remain to be performed or survive) which may have been entered into or undertaken by any Target Group Company (and “**Contract**” shall mean any one of them).

**CRC Costs** means any fees, charges, levies, payments or costs of any nature whatsoever to be paid or incurred (as can be reasonably evidenced by written records) pursuant to the provisions of the CRC Scheme from time to time including, but not limited to, any costs of registration for the CRC Scheme and any costs associated with the acquisition of allowances required to be surrendered pursuant to the CRC Scheme.

**CRC Scheme** means the emissions trading scheme applicable to the Target Group and/or Investor Ultimate Shareholders and/or their Related Persons established and regulated by the CRC Energy Efficiency Scheme Order 2010 (SI 2010/768) as amended, supplemented, varied and/or replaced from time to time.

**Data Incident** means any matter which results in, or could result in, the accidental, unauthorised or unlawful destruction, loss, alteration, disclosure of, or access to, personal data transmitted, stored or otherwise processed and/or Target Confidential Information, or any claim for compensation for loss or accidental or unauthorised destruction or disclosure of personal data and/or Target Confidential Information.

**Data Protection Legislation** means any law applicable from time to time relating to the processing of personal data and/or privacy, including without limitation, the UK Data Protection Act 2018, the GDPR, and the Privacy and Electronic Communications (EC Directive) Regulations 2003, in each case including any legally binding regulations, direction and orders issued from time to time under or in connection with any such law.

**Data Protection Regulator** means any regulatory body with authority for supervising the application of and compliance with Data Protection Legislation.

**Data Room** means the Project Alumni online data room hosted by Intralinks Inc., and references to “**Data Room Document**” or “**Data Room Folder**” shall be to the relevant document or folder of documents within the Data Room.

**Disclosed** means, for all purposes under this Agreement and the Disclosure Letter, fairly disclosed (in the absence of any fraud on the part of the Seller or any Warrantor), in such a manner and with such accuracy and details so as to enable the Buyer to make a reasonably informed assessment of the nature of the fact, matter or circumstance concerned.



**Disclosed Matters** means any fact, matter, event or circumstance which is Disclosed in this Agreement or the Disclosure Letter (or which is deemed to be Disclosed under the terms of the Disclosure Letter).

**Disclosure Letter** means the letter dated on Exchange from the Warrantors to the Buyer in which certain matters are Disclosed against the Warranties.

**Documented Loans** shall be as defined in the Global Instrument Framework Agreement.

**Draft FY18 Tax Computations** means the draft corporation tax computations of the Target Group Companies for the Accounting Period ended on the Accounts Date a true copy of which comprises Annexure 8.

**EHS Law** means all statutes and regulations applicable in the United Kingdom or any other jurisdiction in which the Business is carried on concerning as their principal function the protection of the Environment or human life and health and safety at work (excluding any statutes or regulations which relate to town and country planning) which are in force as at Exchange and which are applicable to and legally binding upon any Target Group Company.

**Employee** means any person who has entered into a contract of employment with any Target Group Company and remains employed by that Target Group Company as at Exchange.

**Employment Related Claims** means the five (5) employment related disputes set out in section 6.8 of Part E of the Travers Smith LLP Project Alumni Vendor Legal Due Diligence Report dated 29 March 2019 and each of the employment related disputes Disclosed in Part 5.1 of the Disclosure Letter.

**Environment** means any or all of the following media (alone or in combination): air, water, soil and/or ecosystem.

**Exchange** shall immediately and automatically occur when this Agreement has been entered into by each of the parties hereto and dated.

**Exchange Rate** means in relation to any currency to be converted into or from £ for the purposes of this Agreement, the spot rate of exchange (closing mid-point) for that currency into or, as the case maybe, from £ as published in the London edition of The Financial Times first published on or after the relevant date, or where no such rate of exchange is published in respect of that date, at the rate quoted by [www.oanda.com](http://www.oanda.com) as at 5.00 p.m. on that date.

**Existing Facilities Agreement** means the senior facilities agreement dated 17 December 2013, as amended by an amendment and restatement agreement dated 1 April 2016 and by a second amendment and restatement agreement dated 26 April 2017 and by a third amendment and restatement agreement dated 30 May 2019 between: (i) Camelot Holdco Limited (as Parent); (ii) the companies listed therein as Original Guarantors; (iii) HSBC Bank plc, The Governor and Company of the Bank of Ireland, Sumitomo Mitsui Banking Corporation Europe Limited, Alcentra European DLF S.AR.L and Alcentra UK DLF S.AR.L (as Arrangers); (iv) the financial institutions listed in Part II of Schedule 1 thereof as Original Lenders; and (v) Sumitomo Mitsui Banking Corporation Europe Limited as both Agent (the “**Existing Agent**”) and Security Agent (the “**Existing Security Agent**”).

**Existing Security Documents** means each of the security documents entered into by a member of the Target Group in favour of the Existing Security Agent pursuant to the Existing Facilities Agreement.

**Existing Use** means the actual use to which each TG Property is presently put as indicated in paragraph 2.3 (Title and Use) of XII of Schedule 5 (Warranties).

**Fixed Costs** shall be as defined in the Transitional Services Agreement.

**Foreign Public Official** means an individual who (a) holds a legislative, administrative or judicial position of any kind, whether appointed or elected, of a country or territory (or any subdivision of such a country or territory), (b) exercises a public function (i) for or on behalf of a country or territory (or any subdivision of such a country or territory) or (ii) for any public agency or public enterprise of that country or territory (or subdivision), or (c) is an official or agent of a Public International Organisation.

**Fund** means any fund, bank, company, unit trust, investment trust, investment company, limited, general or other partnership, industrial provident or friendly society, collective investment scheme, investment professional, pension fund, insurance company, authorised person under the Financial Services and Markets Act 2000 or body corporate or other entity, in each case the assets of which are managed professionally for investment purposes.

**Fundamental Warranty Claim** means any claim under the warranties given by the Seller pursuant to clause 8.1.

**GDPR** means the General Data Protection Regulation (Regulation (EU) 2016/679) (including any legally binding regulations, direction, and orders issued from time to time under or in connection with the Regulation) as applied and amended from time to time.

**Global Instrument Framework Agreement** means the global instrument framework agreement entered into on 29 March 2019 between each of the parties listed in schedule 2 therein (including each member of the Target Group and the Seller).

**Global Instruments** shall be as defined in the Global Instrument Framework Agreement.

**Governmental Authority** shall mean any government, any government entity, department, commission, board or agency, and any court, tribunal, judicial or arbitral body or self-regulatory authority whether federal, state, provincial, supranational, county, local or foreign.

**Group Funding Amount** means an amount equal to £4,143,183 (being an amount equal to all intercompany loans, trading balances or other amounts owed by the Retained Group to the Target Group as at the Completion Date (but excluding (i) any such amounts incurred pursuant to the Reverse Transitional Services Agreement; and (ii) any amounts transferred from the Target Group to the Retained Group pursuant to the Transitional Services Agreement to settle Recharge Costs owed by the Target Group to the Retained Group).

**Group Relief** has the meaning attributed to that term by Part 5 CTA 2010 or Part 5A CTA 2010.

**Hardware** means the computer and data processing systems used by any Target Group Company, excluding the Software, but including all plant and equipment which may include embedded software or similar processing systems.

**Indemnity Claim** means any Relevant Indemnity Claim and/or any Relevant Tax Claim.

**Individual Ultimate Shareholder** means each of the persons set out in Part II of Schedule 1.

**Intellectual Property Rights** means patents, trademarks, trade names, service marks, domain names, design rights, copyright, and neighbouring rights (including rights in software), rights in databases, know-how, utility models, rights in inventions, discoveries and improvements, trade secrets, confidential information, and other intellectual property rights, in each case whether registered or unregistered and including applications for the grant of any such rights, the right to apply for any such rights and all rights or forms of protection having equivalent or similar effect anywhere in the world.

**Investor Ultimate Shareholder** means each of the persons set out in Part I of Schedule 1.

**IPR Agreement** means any material agreement or arrangement pursuant to which any Target Group Company grants rights to use the Business IPR or pursuant to which any Target Group Company is granted rights to use Licensed IPR (other than the TSA IPR), including but not limited to, the Asset Purchase Agreement.

**IT Agreements** means the agreements or arrangements (other than the Transitional Services Agreement) under which any element of the IT Systems are provided to the Business (or any part thereof), including any agreement or commitment entered into in respect of any material planned upgrade or new acquisition in respect of the IT Systems.

**IT Systems** means the Hardware and the Software including any devices or services used in relation thereto, used in the operation of the Business, but excluding any hardware, software, devices or services which are used in relation to (or made available to) the Business pursuant to the Transitional Services Agreement.

**Leakage** means:

- (a) any actual or deemed dividend or distribution (in cash or in specie) or payments in lieu of any dividend or distribution declared, paid or made by any Target Group Company to the Seller and/or any Seller's Affiliates;
- (b) any: (i) payments or deemed payments made to; (ii) future benefits granted to; (iii) assets or rights transferred at an undervalue or surrendered to; (iv) liabilities assumed or incurred for the benefit (whether direct or indirect) of; or (v) any guarantee, indemnity or Security Interest granted to or for the benefit (whether direct or indirect) of, or in respect of the obligations or liabilities of, the Seller and/or any Seller's Affiliates and/or any Warrantor and/or any Related Person of any Warrantor by any Target Group Company;
- (c) any payments made or agreed or deemed to be made by any Target Group Company to the Seller and/or any Seller's Affiliates in connection with any issue, redemption, purchase, repayment or other return of capital event in respect of the share capital, loan capital and/or other securities (whether by reduction of capital or otherwise and whether in cash or kind) of any Target Group Company;
- (d) the waiver, deferral, release or discount (whether conditional or not) by any Target Group Company of any amount or obligation, or any claim in respect thereof, owed to that Target Group Company by the Seller and/or any Seller's Affiliates and/or any Warrantor and/or any Related Person of any Warrantor;
- (e) the purchase by any Target Group Company from a the Seller and/or any Seller's Affiliates and/or any Warrantor and/or any Related Person of any Warrantor of any assets or services not on arm's length terms or otherwise at an overvalue;
- (f) the payment of, or agreement to pay (whether conditional or not), any fees, costs or expenses (including any professional advisers' fees) to or on behalf or for the benefit of the Seller, any Seller's Affiliate, any Warrantor or any Related Person of any Warrantor by a Target Group Company: (i) in relation to the Transaction (including the sale of Shares under this Agreement); or (ii) in connection with the Reorganisation;
- (g) the payment of any transaction or sale bonuses payable as a result of or in connection with the Transaction by any Target Group Company to or for the benefit of the Seller, any Seller's Affiliate, any Warrantor or any Warrantor's Related Persons;
- (h) any agreement or arrangement made or entered into to do or give effect to any matter referred to in paragraphs (a) to (g) above; and/or

- (i) any Tax (excluding any recoverable VAT) incurred or becoming directly or indirectly payable by any member of the Target Group in respect of any of the matters referred to in (a) to (h) above, but excludes any Permitted Leakage.

**Legal Opinion** means the legal opinion in the agreed form relating to the Guarantor and addressed to the Seller evidencing the validity of the intended execution of this Agreement by the Guarantor (and any other documents required to be entered into by the Guarantor in connection with this Agreement) and provided by Conyers, Dill & Pearman.

**Lender** means any bank and/or financial institution lending money or making other financing facilities available to the Buyer (or any other member of the Buyer Group) and any trustee(s) or agent(s) appointed on behalf thereof in connection with such facilities.

**Licensed IPR** means Intellectual Property Rights owned by a third party which any Target Group Company is permitted to use (including the TSA IPR), including but not limited to, Intellectual Property Rights which are licensed to the Target Group by the Retained Group pursuant to the Asset Purchase Agreement.

**Locked Box Accounts** means the unaudited consolidated balance sheet prepared in accordance with generally accepted accounting principles in the United Kingdom for the Target Group as at the Locked Box Date, a true copy of which comprises Annexure 3.

**Locked Box Date** means 31 March 2019.

**Loss** means, in relation to any matter, all liabilities, losses, claims, reasonably incurred costs (including reasonably incurred costs of enforcement and reasonably and properly incurred legal costs and expenses), damages, awards, charges, demands, penalties, fines, expenses, Tax and/or any other liabilities incurred or sustained as a direct result of that matter (and “**Losses**” shall be construed accordingly).

**L/C Indemnified Matters** has the meaning given in Clause 16.11.

**Management Accounts** means the unaudited monthly management accounts of the Target Group for the period from the Accounts Date to the Management Accounts Date, a true copy of which comprises Annexure 2 (and which, for the avoidance of doubt, are contained at folder 2.1.3.1 in the Data Room).

**Management Accounts Date** means 30 April 2019.

**Material Contracts** means:

- (a) the validation agreement between [\*\*\*] and [\*\*\*] dated 5 February 2019;
- (b) the university foundation programme letter from [\*\*\*] to [\*\*\*] dated 13 March 2019;
- (c) the progression agreement between [\*\*\*] and [\*\*\*] dated 11 March 2019;

- (d) the agreement between [\*\*\*] and [\*\*\*] dated 30 January 2018;
- (e) the [\*\*\*] Food Services Management Agreement between [\*\*\*] and [\*\*\*] effective 1 April 2016 and amended 1 April 2018;
- (f) the [\*\*\*] Maintenance Services Agreement between [\*\*\*] and [\*\*\*] dated 27 March 2019;
- (g) the validation agreement between [\*\*\*] and [\*\*\*] dated on or around 21 December 2016;
- (h) the memorandum of understanding between [\*\*\*] and [\*\*\*] dated on or around 20 February 2019;
- (i) the memorandum of understanding between [\*\*\*] and [\*\*\*] dated 10 November 2016;
- (j) the agreement between [\*\*\*] and [\*\*\*] dated 23 February 2019;
- (k) the agreement between [\*\*\*] and [\*\*\*] dated 13 April 2018;
- (l) the CATS China Investment Agreement;
- (m) the four agreements listed in the disclosure information provided by the Warrantors in the Disclosure Letter against the Warranty set out in paragraph 2.3 of Part VII of Schedule 5; and
- (n) each service agreement in effect as of the date of this Agreement between each Senior Employee and any Target Group Company but excluding, for the avoidance of doubt, all other contracts entered into by the Target Group whether written or unwritten.

**Net Group Funding Amount** means an amount equal to [\*\*\*] being the Group Funding Amount minus the Reverse Group Funding Amount.

**No Claims Declaration** shall have the meaning given to it in the W&l Policy.

**Outgoing Directors** means [\*\*\*].

**Permitted Leakage** means:

- (a) payments (and/or accruals in respect of payments to be made) to the Seller and/or any of the Seller's Affiliates and/or any Warrantor and/or any Warrantor's Related Persons in their capacities as employees, directors (whether executive or non-executive) or consultants of any member of the Target Group in respect of:
  - (i) employee remuneration, bonus entitlements or benefits;
  - (ii) consultancy fees; and/or
  - (iii) expenses,(including all associated income tax and national insurance contributions or as the case may be VAT, or in each case the equivalent in any jurisdiction outside the UK), provided that (x) such payments are in accordance with the terms of the relevant person's employment or appointment, or otherwise in the ordinary course of its Business, and (y) the aggregate if such payments shall not exceed the maximum aggregate amount in respect thereof set out in the Permitted Leakage Schedule;
- (b) payments (or accruals in respect of payments to be made) to the Seller and/or the Seller's Affiliates and/or any Warrantor and/or any Warrantor's Related Persons in respect of directors' or consultancy fees or benefits, monitoring fees and expenses in connection with the operation of the Target Group up to a maximum aggregate amount as set out in the Permitted Leakage Schedule (including all associated income tax and national insurance contributions, or as the case may be VAT, or in each case the equivalent in any jurisdiction outside the UK);
- (c) payments (or accruals in respect of payments to be made) of advisers' fees and expenses in connection with the Reorganisation and the Transaction (including, without limitation fees and expenses relating to legal and/or financial due diligence and negotiation of the Reorganisation Documents and the Transaction Documents) (together with any VAT or the equivalent in any jurisdiction outside the UK arising as a result of or in connection with such payments) up to the maximum aggregate amount set out in the Permitted Leakage Schedule;
- (d) payments (or accruals in respect of payments to be made) by any Target Group Company in connection with any action(s) undertaken at the written request of the Buyer or any Buyer Group Company;
- (e) payments (or accruals in respect of payments to be made) by any Target Group Company pursuant to, or in accordance with, any term of this Agreement;
- (f) repayment of the Reorganisation Intercompany Debt Amount;
- (g) any: (i) payments made by (or accruals in respect of payments to be made by), (ii) liabilities assumed or incurred by; or (iii) any guarantee, or indemnity granted by, a member of the Target Group pursuant to the Transitional Services Agreement including, but not limited to:

- (i) any Fixed Costs up to a maximum aggregate amount as set out in the Permitted Leakage Schedule; and
- (ii) any Recharge Costs provided such costs are incurred in accordance with the terms of the Transitional Services Agreement;
- (h) any services provided and liabilities assumed or incurred by a member of the Target Group pursuant to and in accordance with the Reverse Transitional Services Agreement;
- (i) any intercompany loans or other amounts owed by the Retained Group to the Target Group pursuant to the Group Funding Amount;
- (j) the payment of, or agreement to pay, any costs or incurring any obligation to pay any costs in respect of services provided by the Target Group to the Retained Group under the Reverse Transitional Services Agreement;
- (k) the payment of any amount constituting Leakage that has, following payment of such amount, since been reimbursed in full (on an after tax basis) by the Seller, a Warrantor (or any of the Seller's Affiliates or any of the Warrantors' Related Persons) to the Target Group;
- (l) any: (i) payments made by (or accruals in respect of payments to be made by); (ii) liabilities assumed or incurred by; or (iii) any guarantee, or indemnity granted by a member of the Target Group pursuant to, and as detailed in, the Reorganisation Documents or the Transaction Documents;
- (m) any allowance, provision or reserve specifically accrued and separately identifiable in the Locked Box Accounts;
- (n) any payments of, or in respect of, VAT made by a Target Group Company to the representative member of the Seller's VAT Group, including pursuant to clause 14.3;
- (o) any payments (not exceeding the saving of Tax as a result of that surrender) made by a Target Group Company to any member of the Retained Group in respect of any surrender by way of Group Relief from a member of the Retained Group to the Target Group Companies, including pursuant to clause 14.8;
- (p) any payments made by any Target Group Company to the nominated company of the Seller's GPA in respect of Taxation which is required to be discharged by such nominated company on behalf of the Target Group Companies, including pursuant to clause 14.13;
- (q) any payments made by any Target Group Company to the Seller in respect of amounts on account of Tax payable by any member of the Retained Group under a PSA in relation to Employees, including pursuant to clause 14.14;



- (r) any payments of CRC Costs to or for the benefit of the Seller and/or any Investor Ultimate Shareholder or their Related Persons which relate to the period prior to Completion up to a maximum aggregate amount as set out in the Permitted Leakage Schedule;
- (s) any payment by any Target Group Company of the Aggregate Transaction Bonus Amounts, up to the maximum aggregate amount set out in column (6) of the schedule to the Bonus Side Letter; and
- (t) the payment of, or agreement to pay, any Taxation or incurring any obligation to pay any Taxation which is or was incurred by any Target Group Company in connection with or otherwise attributable to the matters set out in sub-paragraphs (a) to (s) above (to the extent not already included in those sub-paragraphs),

provided that no amount and/or item of Permitted Leakage shall be counted more than once.

**Permitted Leakage Schedule** means the schedule setting out the Permitted Leakage, a true copy of which comprises Annexure 4.

**Permitted Use** means:

- (a) the disclosure or use of any Confidential Information by or on behalf of a party to this Agreement if and to the extent that:
  - (i) such information becomes generally known (other than as a result of a breach of clause 13 (Confidentiality) by any party and/or its Related Persons);
  - (ii) it is required by law or any competent judicial or regulatory authority or by any Recognised Stock Exchange;
  - (iii) it is reasonably required for the purposes of any legal proceedings arising out of a breach of any Transaction Document;
  - (iv) it is required for the purposes of the preparation of, or to be included within, accounts, financial statements and/or tax returns or other submissions to or communications with any Taxation Authority in connection with the tax affairs of the disclosing party;
  - (v) it is required to be disclosed by the liquidator of the Seller or any Retained Group Company in connection with the liquidation of the Seller or any Retained Group Company following Completion, including but not limited to, any statutory notices required to be made in connection with such liquidation;
  - (vi) it is made to that party's professional advisers or insurers subject to professional duties of confidentiality; and/or

- (vii) the Seller and the Buyer have given their prior written consent to such disclosure or use (such consent not to be unreasonably withheld or delayed);
- (b) the release by or on behalf of any of the parties of the Announcement following Exchange and the subsequent use or disclosure by any party of the information contained therein;
- (c) the disclosure of Confidential Information to: (i) any of the Seller's Affiliates (in the case of a disclosure by the Seller); and (ii) any member of the Buyer Group (in the case of a disclosure by the Buyer) and on the basis that the Confidential Information is disclosed to them on a confidential basis on the same terms, *mutatis mutandis*, as those contained in clause 13;
- (d) the disclosure of Transaction Confidential Information by or on behalf of any Investor Ultimate Shareholder to: (i) its Related Persons and each of their respective officers, employees, and professional advisers, and/or (ii) any investor or potential investor in Funds which are managed or advised by an Investor Ultimate Shareholder and/or any of their respective Related Persons, on the basis that each such recipient keeps any Transaction Confidential Information disclosed to them confidential;
- (e) the disclosure by the Seller or any of the Seller's Affiliates of the Retained Group Confidential Information; or
- (f) the disclosure by or on behalf of the Buyer of Transaction Confidential Information or Target Group Confidential Information to any proposed purchaser of, investor in and/or current or potential provider of debt finance to (including any security trustee, agent or professional adviser acting on behalf of such debt finance provider(s)) the Buyer Group or any part of it together with the professional advisers and representatives of each of the foregoing, if and to the extent that such disclosure is reasonably required in order to facilitate the proposed purchase, investment and/or provision of debt finance and on the basis that the recipients keep any Transactional Confidential Information disclosed to them confidential on the same terms, *mutatis mutandis*, as those contained in clause 13.

**PSA** means any PAYE Settlement Agreement entered into between HMRC and any Retained Group Company and which relates to or affects any Target Group Company pursuant to Regulation 105 of the Income Tax (PAYE) Regulation 2003 in respect of any tax year ending on or before Completion, or which is current at Completion.

**Public International Organisation** means an organisation whose members are any of (a) countries or territories, (b) governments of countries or territories, (c) other public international organizations or (d) a mixture of any of the above.

**Recharge Cost** shall be as defined in the Transitional Services Agreement.

**Recognised Stock Exchange** means a recognised investment exchange, recognised overseas investment exchange, designated investment exchange or designated overseas investment exchange, in each case for the purposes of the Financial Services and Markets Act 2000.

**Registered Marks** those trade marks listed in Part 5 of the Target Group Information Pack.

**Regulatory Authority** means any governmental authority, agency or department having authority under, or jurisdiction in respect of, any EHS Law.

**Related Person** means:

- (a) in relation to any party to this Agreement, any person that, directly or indirectly, controls or is controlled by, or is under common control with, that party (and for these purposes “**control**” shall mean the possession, directly or indirectly, or the power to direct the management and policies of such person, whether through the ownership of a majority of voting securities or by contract or otherwise), or is a group undertaking of that party;
- (b) in relation to any Investor Ultimate Shareholder: (i) any general partner, limited partner or other partner in, or trustee, nominee, custodian, operator or manager of, or investment adviser to, that Investor Ultimate Shareholder or a group undertaking of that Investor Ultimate Shareholder; (ii) any group undertaking of any general partner, trustee, nominee, custodian, operator or manager of, or investment adviser to, such person or a group undertaking of that Investor Ultimate Shareholder; (iii) any Fund which has the same general partner, trustee, nominee, operator, manager or investment adviser as that Investor Ultimate Shareholder or any group undertaking of that Investor Ultimate Shareholder; (iv) any Fund which is advised, or the assets of which (or some material part thereof) are managed (whether solely or jointly with others), by that Investor Ultimate Shareholder or a group undertaking of that Investor Ultimate Shareholder; (v) any Fund in respect of which that Investor Ultimate Shareholder or its general partner, investment adviser, manager, operator, nominee or any group undertaking of that Investor Ultimate Shareholder is a general partner, manager or investment adviser; and (vi) any co-investment scheme of that Investor Ultimate Shareholder or any group undertaking of that Investor Ultimate Shareholder or any person holding shares or other securities under such scheme or entitled to the benefit of shares or other securities under such scheme;
- (c) in relation to any Individual Ultimate Shareholder who is a natural person: (i) any spouse, civil partner, co-habitee, lineal descendant by blood or adoption and/or step child of that party; or (ii) any person or persons acting in its and/or their capacity as trustee or trustees of a trust of which such party is the settlor; and

(d) any employee, officer, director or partner of: (i) any party to this Agreement; or (ii) any of the Related Persons of such relevant party to this Agreement, provided that for the purposes of this Agreement:

(i) no member of the Buyer Group and/or the Target Group shall be a Related Person of the Seller; and

(ii) no party to this Agreement shall be deemed to be a Related Person of any other party,

and “**Related Persons**” shall be construed accordingly.

**Relevant Benefits** means any benefits that are provided under a pension scheme (as defined in section 150(1) Finance Act 2004).

**Relevant Indemnity Claim** means any claim(s) made by the Buyer under this Agreement in relation to or arising out of the matters set out at clause 8.7.

**Relevant Person** means any past or present employee, officer or director of any Target Group Company.

**Relevant Post-LBD Accounting Period** means the part of the Accounting Period of the Target Group Companies commencing on the day after the Locked Box Date which is an overlapping period with the surrender period of any member of the Retained Group for the purposes of Part 5 of the Corporation Tax Act 2010.

**Relevant Pre-LBD Accounting Periods** means the Accounting Period of the Target Group Companies ended on the Accounts Date and the part ending on the Locked Box Date of the Accounting Period of the Target Group Companies commencing on 1 September 2018.

**Relevant Tax Claim** means any claim under, or in respect of, any obligations contained Schedule 8.

**Reorganisation** means the separation of the Business from the pathways and digital businesses of the Seller and comprising the steps set out in, and all matters and transactions contemplated by, the Separation Paper.

**Reorganisation Documents** means the documents entered into to implement the Reorganisation and as set out in the Reorganisation Documents List.

**Reorganisation Documents List** means the document listing the Reorganisation Documents, a true copy of which comprises Annexure 7.

**Reorganisation Intercompany Debt Amount** means an amount equal to £110,252,026 (being an amount equal to the debt owed by the Target Group to Camelot Bidco Limited pursuant to the terms of the Global Instruments and the Documented Loans immediately following the Reorganisation).

**Resignation Letters** means the resignation letters in the agreed form to be entered into by the Outgoing Directors on Completion and references to “**Resignation Letter**” shall be construed accordingly.

**Restricted Party** means:

- (a) any person designated on any Sanctions List;
- (b) any person owned or controlled by a person or persons described in (a); or
- (c) any person acting on behalf or at the direction of a person or persons described in (a) or (b).

**Restricted Period** shall be as defined in clause 12.8.2.

**Restricted Territories** shall be as defined in clause 12.8.3.

**Retained Group Company** means those companies listed in Part IV of Schedule 1 and together referred to as the “**Retained Group Companies**”.

**Retained Group Confidential Information** means all information (whether oral or recorded in any medium) relating to the business, financial or other affairs (including future plans) of the Seller and/or any Retained Group Company, which is treated by the Seller, any Ultimate Shareholder or any Retained Group Company (as the case may be) as confidential, or is marked or is by its nature confidential, but excluding Target Confidential Information and Transaction Confidential Information.

**Retained Group Senior Employee** means any employee of a Retained Group Company whose base salary exceeds [\*\*\*] per annum.

**Reverse APA** means the asset purchase agreement dated 31 March 2019 between (1) the Company and other parties; and (2) CEG Oncampus and Digital Holdings Limited, and which relates to the transfer of assets of the Target Group to OEG Oncampus and Digital Holdings Limited and other members of the Retained Group.

**Reverse Group Funding Amount** means [\*\*\*], being an amount equal to the intercompany loan owed by the Target Group to the Retained Group as at the Closing Date (but excluding amounts owed pursuant to the Reorganisation Intercompany Debt Amount and any amounts incurred pursuant to the Transitional Services Agreement).

**Reverse Transitional Services Agreement** means the transitional services agreement between the Company and [\*\*\*] and dated 22 May 2019.

**Sales Employees** has the meaning given to it in the Transitional Services Agreement.

**Sanctioned Country** means, at any time, a country or territory which is subject to country-wide or territory-wide Sanctions (including, without limitation, at Exchange, Crimea, Cuba, Iran, North Korea, and Syria).

**Sanctions** means the economic or financial sanctions laws, regulations, embargoes or restrictive trade measures administered, enacted or enforced by any Sanctions Authority.

**Sanctions Authority** means each of:

- (a) the United Nations Security Council;
- (b) the United States;
- (c) the United Kingdom;
- (d) the European Union; and
- (e) the Governmental Authorities of any of paragraphs (a) to (d) above, including without limitation the US Office of Foreign Assets Control (“**OFAC**”), the US Department of State, and Her Majesty’s Treasury (“**HMT**”) in the UK.

**Sanctions List** means the Specially Designated Nationals and Blocked Persons list maintained by OFAC, the Consolidated List of Financial Sanctions Targets maintained by HMT, or any similar list maintained by a Sanctions Authority and as amended from time to time.

**Schemes** means each of the (i) National Employment Savings Trust; and (ii) the 401(k) Retirement Plan.

**Security Interest** means any mortgage, charge (whether fixed or floating), lien, hypothecation, option, pledge, assignment, trust arrangement, right of set off or other security interest, third-party right or interest (legal or equitable) of any kind including any right of pre-emption, first refusal or first offer, assignment by way of security, reservation of title or any other security interest of any kind however created or arising or any other agreement or arrangement (including a sale and repurchase arrangement), whether conditional or otherwise, having similar effect.

**Security Releases** means the deeds of release in the agreed form to be delivered by the Seller on Completion in relation to the Existing Security Documents.

**Seller’s Affiliates** means each Retained Group Company, each Ultimate Shareholder and each of the Ultimate Shareholders’ Related Persons.

**Seller’s GPA** has the meaning give to it in clause 14.12.

**Seller’s Solicitors** means Travers Smith LLP of 10 Snow Hill, London EC1A 2AL.

**Seller’s Solicitors Account** means the client account of the Seller’s Solicitors with such details as are notified to the parties in writing by the Seller’s Solicitors.

**Seller’s VAT Group** has the meaning given to it in clause 14.2.

**Senior Employee** means [\*\*\*] and any Employee whose base salary exceeds [\*\*\*] per annum.

**Separation Paper** means the Project Alumni — Pre-Sale Reorganisation Steps Report prepared by PricewaterhouseCoopers LLP and dated 28 March 2019, a true copy of which comprises Annexure 6.

**Shared Properties** means those properties owned or leased by Retained Group Companies but which are occupied or used by a Target Group Company, details of which are set out in Part IV of the Target Group Information Pack and “**Shared Property**” shall be construed accordingly.

**Shares** means the entire issued share capital of the Company, comprising 101 ordinary shares of £1 each.

**Software** means all computer software used in the Business.

**Subsidiaries** means each of the UK Subsidiaries, the US Subsidiaries, the Canadian Subsidiaries, Cambridge Education Technology (Shanghai) Co Limited and CEG Hong Kong JV Limited.

**Target Confidential Information** means all information (whether oral or recorded in any medium) relating to the Business (including future plans of the Business), which is treated by any Target Group Company or the Seller (as the case may be) as confidential, or is marked or is by its nature confidential, but excluding the Retained Group Confidential Information and the Transaction Confidential Information.

**Target Group** means the Company and the Subsidiaries and references to “**Target Group Company**” and to “**member of the Target Group**” shall be construed accordingly.

**Target Group Information Pack** means the document setting out certain factual information relating to the Target Group, a true copy of which comprises Annexure 5.

**Tax** or **Taxation** means all taxes, duties (including stamp duties), charges, levies, imposts, contributions (including national insurance and social security contributions), withholdings or amounts in the nature thereof (but, for the avoidance of doubt, excluding water rates, business rates and other utility or local authority charges), whenever and by whatever authority imposed, assessed or collected and whether of the United Kingdom or elsewhere, irrespective of the person to which any such taxes, duties, charges, levies, imposts, contributions, withholdings or amounts are directly or primarily chargeable, together with all interest, fines, penalties, surcharges and charges incidental or relating to any of the foregoing.

**Tax Assessment** means any notice, demand, assessment (including self-assessment letter), letter, return, accounts, computations or other document or action taken indicating that any Target Group Company is or may be placed under a liability to make a payment of or in respect of Taxation.

**Taxation Authority** means any taxation or other authority (whether within or outside the United Kingdom) which seeks to determine liability for and/or administers Taxation.

**Tax Covenant Claim** shall be as defined in Schedule 6.

**Tax Leakage** means leakage falling within paragraph (i) of the definition of Leakage.

**Tax Warranty Claim** shall be as defined in Schedule 6.

**Tenant** means the Target Group Company which is the tenant of the relevant TG Property as identified in Part 4 of the Target Group Information Pack.

**TG Leases** means leases of the TG Properties the details of which are set out in Part 4 of the Target Group Information Pack and “**TG Lease**” shall be construed accordingly.

**TG Letters of Credit** means each of:

- (a) the irrevocable standby letter of credit originally issued on 24 June 2014 by HSBC Bank USA (Credit Number [\*\*\*]) in favour of 2001 Washington Street LLC in respect of the obligations of CATS Academy Boston Inc. in the amount of [\*\*\*]; and
- (b) the irrevocable standby letter of credit originally issued on 6 February 2017 by HSBC Bank USA (Credit Number [\*\*\*]) in favour of DWF IV 38 Chauncy, LLC in respect of the obligations of Boston Academy of English, Inc. in the amount of [\*\*\*].

**TG L/C Bank** means HSBC Bank USA or one of its affiliates.

**TG L/C Release** has the meaning given in Clause 16.10.

**TG Properties** means those properties owned, leased or otherwise occupied or used by a Target Group Company, details of which are set out in Part 4 of the Target Group Information Pack and “**TG Property**” shall be construed accordingly.

**TIOPA** means the Taxation (International and Other Provisions) Act 2010.

**Total Aggregate Cap** means an aggregate amount equal to the Consideration plus the Reorganisation Intercompany Debt Amount.

**Transaction** means every transaction contemplated by this Agreement.

**Transaction Bonuses** means the bonuses paid, or payable, to any Warrantor as a result of the Transaction as set out in the Bonus Side Letter.



**Transaction Confidential Information** means all information received or obtained by the relevant party as a result of it negotiating, entering into or performing its obligations under the Transaction Documents including, the provisions of or subject matter of the Transaction Documents, but excluding the Target Confidential Information and the Retained Group Confidential Information.

**Transaction Documents** means this Agreement, the Transitional Services Agreement, the Reverse Transitional Services Agreement and any other document required to be entered into pursuant to this Agreement (each such document being a “**Transaction Document**”).

**Transfer** has the meaning given to it in clause 16.3.1.

**Transitional Services Agreement** means the transitional services agreement between Camelot Bidco Limited and the Company and dated 22 May 2019 as amended by a variation deed dated on or around the date of this Agreement.

**TSA IPR** means all Intellectual Property Rights in the Software made available to the Target Group under the Transitional Services Agreement.

**UK Subsidiaries** means together, CEG Properties UK Limited, Stafford House Companies Limited, Stafford House School of English Limited, Stafford House Study Holidays Limited, Study Holidays Limited, CEG Colleges Limited, Cambridge Arts and Sciences Limited, CATS Canterbury Limited, CATS College London Limited, CATS Retail Limited, Cambridge School of Art and Design Limited and Cambridge School of Visual and Performing Arts Limited.

**Ultimate Shareholder** means the Investor Ultimate Shareholders and the Individual Ultimate Shareholders, together referred to as the “**Ultimate Shareholders**”.

**US Subsidiaries** means together, Cambridge Education Group Holdings, Inc., CATS Academy Boston, Inc., Intrax English Academies LLC and Boston Academy of English, Inc.

**Voting Power of Attorney** means the power of attorney in the agreed form to be entered into by the Seller on Completion in respect of the Shares.

**W&I Policy** means the buy-side warranty and indemnity insurance policy (with policy number HG19WI5067) entered into on or around the date hereof between the W&I Provider and the Buyer.

**W&I Provider** means Hunter George & Partners Limited.

**Warranties** means the warranties set out in Schedule 5.

**Warrantors’ Representative** means, subject to clause 17.3, David Newton.

**Warranty Claim** shall be as defined in Schedule 6.

**Warranty Limitations** means the limitations set out in Schedule 6.

**Worker** means the Employees, directors, officers, workers, and self-employed contractors of the Target Group.

- 1.2** Unless the context requires otherwise, words and expressions defined in or having a meaning provided by the Act at Exchange shall have the same meaning in this Agreement. The use of the term “**connected**” and any question as to whether a person is “**connected**” with another shall be determined in accordance with the provisions, as at Exchange, of sections 1122 and 1123 of the Corporation Tax Act 2010, save that for these purposes, the term “company” (as defined in section 1123 of the Corporation Tax Act 2010) shall include a limited liability partnership and provided that (save in relation to the use of the term “connected” in paragraph 7.5 of Schedule 6) two or more persons shall not be treated as connected solely by reason of acting together to secure or exercise control of the Company (within the meaning of section 1122(4) of the Corporation Tax Act 2010).
- 1.3** Unless the context requires otherwise, references in this Agreement to:
- 1.3.1** any of the masculine, feminine and neuter genders shall include other genders;
  - 1.3.2** the singular shall include the plural and vice versa;
  - 1.3.3** a “**person**” shall include a reference to any natural person, body corporate, unincorporated association, partnership and trust;
  - 1.3.4** any statute or statutory provision shall be deemed to include any instrument, order, regulation or direction made or issued under it and shall be construed so as to include a reference to the same as it may have been, or may from time to time be, amended, modified, consolidated, re-enacted or replaced except and to the extent that any amendment or modification made after Exchange would increase any liability or impose any additional obligation upon any party to this Agreement;
  - 1.3.5** any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official, Tax or any legal concept or thing shall, in respect of any jurisdiction other than that of England (including for the purposes of applying any Warranty to any Target Group Company which is incorporated, or any Property which is located, outside England and Wales), be deemed to include what most nearly approximates in that jurisdiction to the English legal term;
  - 1.3.6** any time or date shall be construed as a reference to the time or date prevailing in England;
  - 1.3.7** a “**month**” means a calendar month;
  - 1.3.8** “**material**” or “**materially**” shall be construed as a reference to materiality in the context of the operations, business or financial condition of the Target Group as a whole; and

- 1.3.9 a particular government or statutory authority shall include any entity which is a successor to that authority.
- 1.4 The headings in this Agreement are for convenience only and shall not affect its meaning. References to a “**clause**”, “**Schedule**” or “**paragraph**” are (unless otherwise stated) to a clause of and Schedule to this Agreement and to a paragraph of the relevant Schedule. The Schedules form part of this Agreement and shall have the same force and effect as if expressly set out in the body of this Agreement.
- 1.5 A document expressed to be in the “**agreed form**” means a document, the terms of which have been approved by the Seller and the Buyer and a copy of which has been identified as such and initialled (or otherwise approved by email) by or on behalf of the Seller and the Buyer.
- 1.6 A document expressed to be an “**Annexure**” means a document, a copy of which has been identified as such and initialled by or on behalf of the Seller and the Buyer.
- 1.7 The ejusdem generis principle of construction shall not apply to this Agreement. Accordingly, in construing this Agreement, general words introduced by the word “**other**” shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things and general words followed by the word “**including**” shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words.
- 1.8 References to “**£**” shall be references to pounds sterling.
- 1.9 For the purposes of this Agreement:
- 1.9.1 where it is necessary to determine whether a monetary limit or threshold set out in Schedule 6 has been reached or exceeded (as the case may be) and the value of the relevant Warranty Claim and/or Fundamental Warranty Claim and/or Tax Covenant Claim is expressed in a currency other than pounds sterling, the value of each such Warranty Claim and/or Fundamental Warranty Claim and/or Tax Covenant Claim shall be translated into pounds sterling by reference to the Exchange Rate on the date that written notification of the relevant Warranty Claim and/or Fundamental Warranty Claim and/or Tax Covenant Claim is sent to the Warrantors or the Seller (as applicable) by the Buyer in accordance with paragraph 2.1 of Schedule 6 or, if such day is not a Business Day, on the Business Day immediately preceding such day; and
- 1.9.2 in all other circumstances references to any monetary sum expressed in £ shall, where such sum is referable in whole or in part to a particular jurisdiction outside the United Kingdom, be deemed to be a reference to an equivalent amount in the local currency of that jurisdiction translated at the Exchange Rate on the date of this Agreement.

## 2. SALE OF THE SHARES

- 2.1 On Completion, the Seller shall sell with full title guarantee free from all Security Interests the legal and beneficial interest in the Shares and the Buyer shall buy the legal and beneficial interest in the Shares on the terms and conditions of this Agreement.
- 2.2 All rights and advantages accruing to the Shares (including any dividends or distributions declared, made or paid thereon) on or after the Completion Date shall belong to the Buyer.
- 2.3 With effect from Completion, the Seller waives (or agrees to procure the waiver of) any rights or restrictions (including any rights of pre-emption) conferred on it or on any other person which may exist in relation to the Shares under the articles of association of the Company or otherwise.

## 3. CONSIDERATION

- 3.1 The consideration for the sale of the Shares shall be £40,207,805.72 (forty million, two hundred and seven thousand, eight hundred and five pounds and seventy two pence) (the “**Consideration**”).
- 3.2 The Seller acknowledges the Retained Group’s obligation to repay the Group Funding Amount to the Target Group. It is also agreed that the Group Funding Amount will be offset by the Reverse Group Funding Amount. Accordingly, the Seller hereby irrevocably and unconditionally directs the Buyer to deduct from the Reorganisation Intercompany Debt Amount an amount equal to the Net Group Funding Amount and to apply such amount on behalf of the Retained Group in repaying the Net Group Funding Amount in full to the relevant Target Group Company, and the Buyer hereby irrevocably and unconditionally undertakes to do so on Completion in accordance with paragraph 1.3 of Part II of Schedule 3. The parties also agree that the set off of the Reverse Group Funding Amount and the repayment of the Net Group Funding Amount will extinguish all liability of the Target Group pursuant to the Reverse Group Funding Amount and all liability of the Retained Group pursuant to the Group Funding Amount.
- 3.3 Any payment by the Seller under this Agreement shall to the greatest extent permitted by law be treated by the Seller and the Buyer as a reduction in the amount of Consideration paid to the Seller but will not reduce the Consideration below zero.

## 4. EXCHANGE

- 4.1 On Exchange, the Seller, the Warrantors and the Buyer shall each perform their respective obligations as set out in Schedule 2.

### **Legal Opinion**

- 4.2 The Buyer shall deliver to the Seller, a duly executed copy of the Legal Opinion, within 48 hours of Exchange.

## 5. COMPLETION

- 5.1 It is agreed and acknowledged that Completion shall take place on 12 July 2019 (the “**Scheduled Completion Date**”). For the avoidance of doubt, Completion shall not be conditional on any other conditions save for the effluxion of time.
- 5.2 Completion shall take place at the offices of the Seller’s Solicitors (or at such other place as is agreed between the Seller and the Buyer).
- 5.3 On Completion, the Seller and the Buyer shall each perform their respective obligations in relation to the sale and purchase of the Shares in accordance with, and as set out in, Schedule 3.
- 5.4 Without prejudice to any other remedies or accrued rights which: (a) the Seller may have against the Buyer for failure to comply with clause 5.3; or (b) the Buyer may have against the Seller, for failure to comply with clause 5.3 (a “**Completion Default**”), the: (i) Seller (in the case of a Completion Default by the Buyer); or (ii) the Buyer (in the case of a Completion Default by a Seller), shall be entitled (at its discretion):
- 5.4.1 to defer Completion to any subsequent Business Day falling not more than five (5) Business Days after the Scheduled Completion Date;
- 5.4.2 to waive the requirement to fulfil those obligations in whole or in part and following such waiver to complete the sale and purchase of the Shares; or
- 5.4.3 so far as practicable, to complete the sale and purchase of the Shares in accordance with Schedule 3.
- 5.5 Where Completion is deferred in accordance with clause 5.4.1, the provisions of clause 5.3 shall apply to Completion so deferred.

## 6. POSITION PENDING COMPLETION

- 6.1 With effect from Exchange until Completion, the Seller will exercise its rights (so far as it is reasonably able to do so in its capacity as a direct or indirect shareholder of the Company or any other Target Group Company) to procure that:
- 6.1.1 the business of each Target Group Company is carried on in the ordinary course in all material respects; and
- 6.1.2 each Target Group Company shall comply with the provisions of Schedule 4,
- provided that the Seller shall not be required to breach any legal or fiduciary duty applicable to it in order to comply with this clause 6.1.
- 6.2 The provisions of clause 6.1 shall not operate so as to restrict or prevent:

- 6.2.1 the completion or performance of any obligations undertaken pursuant to any written contract or arrangement entered into by any Target Group Company in the ordinary and usual course of business prior to Exchange;
- 6.2.2 any action pursuant to a requirement of law, court or applicable securities exchange, supervisory, regulatory or governmental body or Taxation Authority (and of which the Buyer will be promptly notified);
- 6.2.3 any action undertaken at the written request of the Buyer or which is approved in writing by the Buyer (such approval to not be unreasonably withheld or delayed);
- 6.2.4 any Permitted Leakage; and/or
- 6.2.5 any action or conduct which any Target Group Company is required to take, or omit to take, pursuant to or in order to effect terms of this Agreement or the Transaction Documents.

## 7. LEAKAGE

7.1 Each of:

7.1.1 the Seller (on behalf of itself and the Seller's Affiliates (other than the Warrantors and their Related Persons) (being the "**Seller Covenantors**")); and

7.1.2 the Warrantors (on behalf of themselves and their Related Persons),

severally warrants and undertakes to the Buyer that in the period from (and including) the day immediately following the Locked Box Date up to (and including) Completion, (i) in respect of the Seller, neither it nor any of the Seller Covenantors, and (ii) in respect of each of the Warrantors, neither he/she nor any of his/her Related Persons, have received or benefitted from any Leakage.

7.2 In the event of a breach of clause 7.1, each of the Seller and the Warrantors undertakes to notify the Buyer in writing as soon as reasonably practicable after becoming actually aware of any Leakage (including details of such Leakage to the extent known).

7.3 If any Leakage occurs at any time in the period from (and including) the day immediately following the Locked Box Date up to (and including) the time that Completion occurs, the Seller and the Warrantors severally covenant to pay to the Buyer (or to such person as the Buyer may direct), promptly following delivery of any notice pursuant to clause 7.2 or 7.4, an amount in cash equal to the amount or value of any Leakage received by (i) in the case of the Seller, it and/or any of the Seller Covenantors or in respect of which it and/or any of the Seller Covenantors has benefitted (directly or indirectly), and (ii) in the case of each Warrantor, by him/her and/or any of his/her Related Persons or in respect of which he/she and/or any of his/her Related Persons has benefitted (directly or indirectly), in each case together with any Tax Leakage arising in respect thereof to the extent not already taken into account under this clause 7.3.

- 7.4** Save in the case of fraud by the Seller, any Seller Covenantor, any Warrantor or any of their Related Persons, neither the Seller nor the relevant Warrantors (as applicable) shall be liable for any claim under this clause 7 unless written notice has been given by or on behalf of the Buyer to the Seller or the Warrantor's Representative (as applicable) on or before the date which is nine (9) months following the Completion Date. Any notice given pursuant to this clause 7.4 shall include reasonable details of the nature and, if reasonably practicable, the amount claimed.
- 7.5** A claim under this clause 7 shall be the sole remedy available to the Buyer in respect of any Leakage and, save in the case of fraud by the Seller, any Seller Covenantor, any Warrantor or any of their Related Persons, the liability of the Seller or the relevant Warrantors (as applicable) under clause 7 shall not in any circumstances exceed the lower of (i) the aggregate amount of Leakage actually received or benefited from by that Seller and/or the Seller Covenantors and/or the Warrantors and/or their Related Persons (as applicable) together with any Tax Leakage arising in respect thereof to the extent not already taken into account under this clause 7.5 and (ii) in the case of the Seller, the Total Aggregate Cap, and in the case of each Warrantor, an amount equal to their respective Transaction Bonuses (as set out in column (2) of the Schedule to the Bonus Side Letter).

**8. SELLER'S WARRANTIES AND INDEMNITIES**

**8.1** On Exchange, subject to clause 8.6, the Seller warrants to the Buyer that:

- 8.1.1** the Shares are legally and beneficially owned by it and is fully paid, and that no person has the right to call for the transfer of the Shares;
- 8.1.2** the Shares are free from all Security Interests and there is no agreement or commitment to give or create any Security Interest over or affecting the Shares and no claim has been made by any person to be entitled to any such Security Interest;
- 8.1.3** it is a corporation validly existing under the laws of England and Wales;
- 8.1.4** it has full power and authority and has obtained all necessary consents to enter into and perform the obligations expressed to be assumed by it under the Transaction Documents;
- 8.1.5** it is not insolvent or unable to pay its debts within the meaning of any laws relating to insolvency applicable to it;
- 8.1.6** the obligations expressed to be assumed by it hereunder are legal, valid and binding and enforceable against it in accordance with their terms; and

**8.1.7** the execution, delivery and performance by it of this Agreement and each Transaction Document will not result in a breach of, or constitute a default under, any:

**8.1.7.1** agreement or arrangement to which it is a party or by which it is bound; or

**8.1.7.2** applicable law, order, judgment or decree of any court, governmental agency or regulatory body by which it is bound.

**8.2** Subject to clause 8.6 and other than in respect of:

**8.2.1** any matters set out in, or contemplated by this Agreement (including, without limitation, the satisfaction of each of the matters required to be performed on Completion in accordance with Schedule 3); and

**8.2.2** any matters addressed by or contemplated in the Reorganisation Documents (including, without limitation, the Transitional Services Agreement and Reverse Transitional Services Agreement),

the Seller warrants to the Buyer on Completion (and, for the avoidance of doubt, following the payments to be made by or on behalf of the Buyer pursuant to Part 2 of Schedule 3) that:

- (a) all sums due to a Target Group Company from the Seller and/or any of the Seller's Affiliates (including pursuant to the Group Funding Amount) have been repaid in full; and
- (b) neither it nor any of the Seller's Affiliates have any claims, rights or causes of action against any Target Group Company or any of their directors or officers, other than in respect of any Permitted Leakage,

and, if and to the extent that any Target Group Company or any of its directors or officers has any liability or obligation to pay or confer a benefit on the Seller (and/or any of the Seller's Affiliates) other than in respect of any matter set out in the preamble of this clause 8.2, the Seller hereby (on behalf of itself and the Seller's Affiliates) waives and releases (or, as the case may be, shall procure the waiver and release of), the relevant Target Group Company and its directors and officers from any such liability or obligation.

**8.3** Save as set out in the Reorganisation Documents, the Seller warrants to the Buyer that, subject to clause 8.6, neither it, nor any of the Seller's Affiliates, benefit from any guarantee, indemnity or suretyship given by a Target Group Company (a "**TG Guarantee**"). Following Completion, if and to the extent that any such TG Guarantee is identified and is in existence, the Seller shall indemnify the Buyer (for itself and in relation to the relevant Target Group Company) against any liability or obligation arising in connection with the existence of any such TG Guarantee and shall use all reasonable endeavours to procure that the relevant Target Group Company is released from its obligations under such TG Guarantee (and the Buyer agrees to take all necessary steps and provide such assistance as is reasonably requested by the Seller in connection with the release of such TG Guarantee).



### **Seller's Warranties on Completion**

- 8.4** The Warranties given in clauses 8.1, 8.2 and 8.3 shall be deemed repeated by the Seller immediately prior to Completion with references to "Exchange" in the relevant clause replaced with references to "Completion".
- 8.5** Save in the case of fraud, any Fundamental Warranty Claim shall be limited in accordance with the Warranty Limitations (as applicable).
- 8.6** Without prejudice to any other provisions or limitations set out in this Agreement (including the Warranty Limitations), the total aggregate liability of the Seller for all claims under this Agreement shall be limited to the aggregate amount of the Total Aggregate Cap.

### **Seller's Indemnities on Completion**

- 8.7** The Seller shall indemnify the Buyer, on an after Tax basis, against all Losses suffered or incurred by it, or a Target Group Company, and arising as a direct result of:
- 8.7.1** the Reorganisation not having been effected in all material respects in accordance with the Separation Paper and the Reorganisation Documents;
  - 8.7.2** the structuring of the consideration payment mechanics on the acquisition of CATS China by the Seller (the "**CATS China Acquisition**") pursuant to the CATS China Investment Agreement (a "**CATS China Indemnity Claim**");
  - 8.7.3** the lack of the Operation Permit for Privately Run Schools (民办学校办学许可证) in respect of the operation of CATS China in so far as such a permit was legally required for the Target Group to carry on its Business in China prior to Completion;
  - 8.7.4** the failure to notify the Office of Financial Sanctions Implementation in respect of the transfers detailed in schedules 1 and 2 to a letter by Holman Fenwick Willan LLP, acting as Cambridge Education Group's legal representatives, dated 21 December 2017; and
  - 8.7.5** any Employment Related Claims,

in each case only to the extent that the matters or circumstances set out in clauses 8.7.1 to 8.7.5 above took place or arose prior to Completion.

- 8.8** If the Buyer or any member of the Buyer Group becomes aware of any fact, matter or circumstance that forms, or might reasonably be expected to form, the proper basis for a Relevant Indemnity Claim, the Buyer shall as soon as reasonably practicable (and in any event within 20 Business Days) give written notice and reasonable details of such claim or potential claims to the Seller (provided that failure to give notice shall not affect the right of the Buyer to bring a Relevant Indemnity Claim) and shall procure that each member of the Buyer Group shall:

- 8.8.1 act at all times in good faith and take such reasonable steps to mitigate any loss which is the subject matter of a Relevant Indemnity Claim as the Seller may reasonably request (and at the Seller's cost) including, without limitation, the filing of counterclaims, invalidity strike-out and similar actions;
- 8.8.2 not make any admission of liability, agreement, settlement or compromise with any person, body or authority in relation to such claim without prior consultation with the Seller;
- 8.8.3 not enter into any material written communications or take any material action in respect of any such claim including proposed action to avoid, dispute, resist, settle, compromise, defend or appeal a Relevant Indemnity Claim without the prior consultation with the Seller;
- 8.8.4 allow the Seller and its advisers and agents to investigate (at their cost) such claim (including whether and to what extent any amount is payable in respect thereof);
- 8.8.5 promptly provide the Seller and its advisers with all reasonable information and assistance as the Seller may reasonably request as to the progress of such Relevant Indemnity Claim and provide copies of all relevant documents and correspondence related to it; and
- 8.8.6 consult in good faith with the Seller as to any ways in which such claim might be avoided, disputed, resisted, mitigated, settled, compromised, defended or appealed,

provided nothing in this clause 8.8 shall require the Buyer or any member of the Buyer Group to do or omit to do any act or thing which act or omission would be or be likely to be contrary to the requirements of applicable law or regulation or any competent judicial or regulatory authority or any Recognised Stock Exchange.

- 8.9 The provisions of paragraph 5.2 of Part 3 of Schedule 8 shall apply to any Relevant Tax Claim (and any written notice given under that paragraph shall be a "**Relevant Tax Claim Notification**").
- 8.10 The Seller shall not be liable for any CATS China Indemnity Claim unless the Buyer procures that the Buyer Group has first used all reasonable endeavours to exercise any right of recovery reasonably available to any member of the Buyer Group against Sam Huang Wei and Joe Chen Zhangming being the sellers on the CATs China Acquisition.

- 8.11** The Seller shall not be liable for any Relevant Indemnity Claim unless written notice of any such Relevant Indemnity Claim (the “**Indemnity Claim Notification**”) has been given by or on behalf of the Buyer to the Seller on or before the date which is 18 months from the Completion Date (the “**First Claim Period**”).
- 8.12** Subject always to clause 8.13, the aggregate liability of the Seller for any Indemnity Claims, including any reasonable and properly incurred legal, professional and other fees, costs and expenses relating thereto, shall be capped at an amount, in aggregate, equal to:
- 8.12.1** [\*\*\*] in circumstances where the Indemnity Claim Notification or the Relevant Tax Claim Notification (as applicable) is made on or before the final day of the First Claim Period; and
- 8.12.2** [\*\*\*] in circumstances where the Relevant Tax Claim Notification is made in the 18 month period immediately following the expiry of the First Claim Period.
- 8.13** In no circumstances shall the aggregate liability of the Seller in respect of any and all Indemnity Claims exceed [\*\*\*] in aggregate.
- 8.14** Without prejudice to clause 8.8, the Buyer hereby agrees not to, without the prior written consent of the Seller (such consent not to be unreasonably withheld, conditioned or delayed), (i) actively approach any third party who is or may be the claimant (or a party connected therewith) in respect of a contingent but unasserted Relevant Indemnity Claim; or (ii) actively re-engage with a third party who is or may be the claimant (or a party connected therewith) in respect of a Relevant Indemnity Claim where no correspondence has been received from the relevant claimant (or connected party) for a period of not less than 3 months from the date of the most recent formal correspondence between the relevant parties in relation thereto, provided that nothing in this clause shall prevent any member of the Target Group or the Buyer Group engaging with (i) the customers, suppliers or employees of the Target Group in the ordinary course of business from time to time); or (ii) any person if required under applicable law or regulation or any competent judicial or regulatory authority or any Recognised Stock Exchange.
- 8.15** For the avoidance of doubt, the provisions of Schedule 6 shall not apply to clauses 8.7 to 8.14.

## **9. BUYER’S WARRANTIES AND GUARANTEE**

- 9.1** The Buyer warrants to the Seller on Exchange and immediately prior to Completion that, apart from the Disclosed Matters, neither it nor any other member of the Buyer Group (excluding the Target Group Companies) is actually aware of any fact, matter, event or circumstance which does, or would or might constitute a breach of this Agreement as at Exchange. For this purpose, the Buyer and the relevant members of the Buyer Group shall be deemed to have knowledge of anything of which any of [\*\*\*] or [\*\*\*] are actually aware.

**9.2** Save as set out in the Reorganisation Documents, following Completion, if and to the extent that any guarantee, indemnity or suretyship given by the Seller (or any member of the Retained Group) in favour of a member of the Target Group is identified and is in existence (a “**RG Guarantee**”), the Buyer shall indemnify the Seller (for itself and in relation to the relevant member of the Retained Group) against any liability or obligation arising in connection with the existence of any such RG Guarantee and shall use all reasonable endeavours to procure that the Seller (or the relevant member of the Retained Group) is released from its obligations under such RG Guarantee (and the Seller agrees to take all necessary steps and provide such assistance as is reasonably requested by the Buyer in connection with the release of such RG Guarantee).

**9.3** The Buyer warrants to the Seller as at Exchange and immediately prior to Completion that:

- 9.3.1** it is a corporation validly existing under the laws of England and Wales;
- 9.3.2** it has full power and authority and has obtained all necessary consents to enter into and perform the obligations expressed to be assumed by it under the Transaction Documents;
- 9.3.3** it is not insolvent or unable to pay its debts within the meaning of any laws relating to insolvency applicable to it;
- 9.3.4** the obligations expressed to be assumed by it hereunder are legal, valid and binding and enforceable against it in accordance with their terms; and
- 9.3.5** the entry into, delivery and performance by it of the Transaction Documents will not result in a breach of, or constitute a default under, any:
  - (a) agreement or arrangement to which it is a party or by which it is bound; or
  - (b) applicable law, order, judgment or decree of any court, governmental agency or regulatory body by which it is bound.

**9.4 Guarantee**

- 9.4.1** On Exchange, the Guarantor irrevocably and unconditionally:
- (a) guarantees to the Seller the performance and observance by the Buyer of each of the Buyer’s obligations under this Agreement; and
  - (b) undertakes to the Seller that if for any reason the Buyer does not pay any amount when due under or in connection with this Agreement, the Guarantor agrees (as an independent and primary obligation), to pay to the Seller within 5 Business Days of a demand such unpaid amount as if it were the principal obligor,

so that the same benefits are conferred on the Seller as it would have received if such obligation had been performed and satisfied by the Seller and provided that the Guarantor’s liability under this clause 9.4 shall be no greater than the Buyer’s liability under this Agreement.

**9.4.2** The obligations of the Guarantor under this clause 9.4 shall not be affected in whole or in part by any act, omission, matter or thing (whether or not known to the Guarantor, the Buyer or the Seller) which, but for this clause 9.4, might operate to reduce, release or prejudice the Guarantor's obligations, including:

- (a) any variation of this Agreement;
- (b) any time, waiver, forbearance or consent granted to, or composition or arrangement with, the Buyer or other person;
- (c) the release of the Buyer or any other person under the terms of any composition or arrangement with any creditor of the Buyer;
- (d) any incapacity or lack of power, authority or legal personality of, or dissolution or change in the members or status of, the Buyer or any other person;
- (e) any unenforceability, invalidity or illegality of any obligation of the Buyer; or
- (f) any insolvency proceedings of the Buyer.

**9.4.3** The guarantee in this clause 9.4 is a continuing guarantee and accordingly shall remain in force until all of the obligations of the Buyer under this Agreement have been fully performed or fully satisfied regardless of any intermediate performance or discharge in whole or in part. The guarantee in this clause 9.4 shall be in addition to, and without prejudice to and not in substitution for, the performance and observance of the Buyer's obligations under this Agreement.

**9.4.4** The Guarantor warrants to the Seller on Exchange and immediately prior to Completion that:

- (a) it is a corporation validly existing under the laws of its jurisdiction of incorporation;
- (b) it has full power and authority and has obtained all necessary consents to enter into and perform the obligations expressed to be assumed by it under this Agreement;
- (c) it is not insolvent or unable to pay its debts within the meaning of any laws relating to insolvency applicable to it;

- (d) the obligations expressed to be assumed by it hereunder are legal, valid and binding and enforceable against it in accordance with their terms; and
- (e) the entry into, delivery and performance by it of this Agreement will not result in a breach of, or constitute a default under, any:
  - (i) agreement or arrangement to which it is a party or by which it is bound; or
  - (ii) applicable law, order, judgment or decree of any court, governmental agency or regulatory body by which it is bound.

**9.4.5** Each payment to be made by the Guarantor pursuant to this clause 9.4 shall be made in the currency and manner in which the relevant amount is payable by the Buyer.

## **10. WARRANTIES**

- 10.1** Each Warrantor severally warrants to the Buyer in the terms of the Warranties that each of the Warranties is true and accurate as at Exchange.
- 10.2** Each Warrantor shall only be liable for a breach of Warranty if he was actually aware of the facts, matters or circumstances giving rise to such breach as at Exchange (and such awareness shall be deemed only to include those facts, matters or circumstances of which each Warrantor was actually aware as at Exchange having made reasonable enquiry of each other Warrantor and of each of David Johnson, Phil Symes, Martin Cawsey, Laura Wardley-Smith, Paul Mortlock, Joe Chen and Kate Taylor but excluding, in each case, and for the avoidance of doubt, any implied or constructive awareness).
- 10.3** Each Warranty is given subject to the Disclosed Matters and any Warranty Claim shall be limited in accordance with the Warranty Limitations, provided that the Warranty Limitations shall not apply in respect of a Warranty Claim made against a Warrantor if and to the extent that the matter giving rise to the Warranty Claim involves an act of fraud or fraudulent misrepresentation by the Warrantor.
- 10.4** The Warranties shall continue in full force and effect notwithstanding Completion.
- 10.5** In applying any Warranty to any Target Group Company which is not a company incorporated in England and Wales or to any TG Property which is not located in England and Wales, any reference to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official, Tax or any legal concept or thing shall be deemed to include what most nearly approximates that English legal term in the relevant jurisdiction and any reference to any English statute, regulation, order or other statutory provision shall be deemed to include what nearly approximates that statute, regulation, order or other statutory provision in the relevant jurisdiction.

**10.6** Each Warrantor agrees with the Buyer:

- 10.6.1** that the giving by any Target Group Company and/or any of their respective officers, employees, agents or advisers (past or present) to the Warrantors (or any of them) or their agents or advisers (past or present) of any information or opinion in connection with the Warranties, the Disclosure Letter or otherwise in relation to the business or affairs of any Target Group Company or in connection with the negotiation and preparation of any of the Transaction Documents shall not be deemed to be a representation, warranty or guarantee to the Warrantors of the accuracy of such information or opinion;
- 10.6.2** save in the case of fraud or fraudulent misrepresentation, to waive any right or claim which he may have against any Target Group Company and/or any of their respective officers, employees, agents or advisers for any error, omission or misrepresentation in any such information or opinion; and
- 10.6.3** that any such right or claim shall not constitute a defence to any claim by the Buyer under or in relation to this Agreement (including the Warranties).

**11. INSURANCE**

- 11.1** The Buyer shall procure that, as soon as reasonably practicable following Completion, a directors' and officers' ("**D&O**") run-off insurance policy (the "**Run-off Policy**") is placed by the Target Group providing a minimum of six years coverage from the Completion Date in relation to the Outgoing Directors in amounts which are not less than, and otherwise on terms which are not materially less favourable (as to scope of coverage or otherwise) than, the D&O insurance cover maintained by the Target Group immediately prior to Completion. The Buyer shall provide the Outgoing Directors with a copy of the terms and conditions of the Run-off Policy and proof of the premium payment. The Buyer undertakes that it shall not knowingly take or omit to take (and shall procure that each Buyer Group Company shall not knowingly take or omit to take) any action which has the effect of invalidating the Run-Off Policy.
- 11.2** The Buyer shall ensure that the W&I Policy includes an express waiver, in a form satisfactory to the Warrantors, of any rights of subrogation against any Warrantor (the "**Subrogation Waiver**") (except in the case of fraud or dishonesty by a Warrantor, in which case such waiver shall cease to apply in respect of that Warrantor only) and shall deliver evidence of the Subrogation Waiver to the Warrantors in accordance with its obligation under subparagraph 5 of Part 2 of Schedule 2.
- 11.3** The Buyer acknowledges and agrees that the monetary limitations set out in Schedule 6 shall continue to apply notwithstanding any subsequent non-payment under the W&I Policy or any vitiation or expiry or termination of the W&I Policy or the insolvency of the underwriters of that policy or for any other reason whatsoever.

**11.4** The Seller shall, as soon as reasonably practical following written notice by the Buyer of a claim or incident arising in the period prior to Completion which could result in a claim under any insurance policy in which any member of the Target Group has an interest, notify the relevant insurers of the relevant claim or incident provided that if the notice is received on or after Completion the Seller shall notify the insurer only if a claim can still be validly made by a member of the Target Group under the terms of the relevant policy.

## **12. PROTECTION OF GOODWILL**

**12.1** The Seller and the Warrantors (together the “**Covenantors**”) each severally undertakes to the Buyer that it/he will not, and in the case of the Seller will procure, so far as it is reasonably able to do so in its capacity as a direct or indirect controlling shareholder of each Retained Group Company, that each Retained Group Company will not, (directly or indirectly):

**12.1.1** within the Restricted Territories, at any time during the applicable Restricted Period, engage in any business which is carried on in competition with any part of the Business (as it is carried on at the Completion Date);

**12.1.2** at any time during the applicable Restricted Period, solicit or endeavour to solicit the custom of, or deal or endeavour to deal with, any person who is at the Completion Date or, at any time during the period of twelve (12) months prior to the Completion Date, was a customer of any Target Group Company, other than: (a) any such customer who is over the age of 18; or (b) to the extent any such customer is 18 years old or under, such solicitation or dealing is done with the prior written consent of the Target Group (and, for the avoidance of doubt, solicitation of customers under a signed agency agreement entered into between the Retained Group and the Target Group onto a university Pathways programme run by the Retained Group will be deemed to have been consented to);

**12.1.3** at any time during the applicable Restricted Period, interfere or endeavour to interfere with the continuance of supplies to any Target Group Company (or the terms relating to those supplies) by any person who is at the Completion Date or, at any time during the period of twelve (12) months prior to the Completion Date, was a supplier to any Target Group Company; and/or

**12.1.4** at any time during the applicable Restricted Period, solicit or entice away, or endeavour to solicit or entice away, from the Company or any other Target Group Company any Senior Employee of any Target Group Company.

**12.2** The Buyer undertakes to the Seller that it will not, and it will procure that each Target Group Company will not, (directly or indirectly) at any time during the period of twenty-four (24) months from the Completion Date, solicit or entice away, or endeavour to solicit or entice away, from any Retained Group Company any Retained Group Senior Employee.



- 12.3** The Buyer covenants with the Seller (and each member of the Retained Group) that:
- 12.3.1** it shall not, and shall procure that no other member of the Target Group shall, at any time after Completion use (other than in accordance with terms of the Transitional Services Agreement), permit the use or interfere with the use by the Seller or any member of the Retained Group or any of their licensees of any of the trade marks owned by any member of the Retained Group (each a “**CEG Mark**”), whether by using or interfering with the use of that name as part of a corporate name, trade or business name, domain name, trade mark or otherwise; and
  - 12.3.2** immediately upon cessation of any entitlement to use each CEG Mark in any particular way pursuant to Transitional Services Agreement, it shall cease and it shall procure that each member of the Target Group shall cease to use each CEG Mark in that way.
- 12.4** Nothing contained in clause 12.3 shall:
- 12.4.1** affect any licence granted to the Target Group pursuant to the Transitional Services Agreement in relation to the use of any CEG Mark for historical reference purposes; or
  - 12.4.2** require the Buyer to, or to procure that the Target Group, commit or omit any act which is not in accordance with applicable law and regulation or the approval, consent or guidance of any regulator.
- 12.5** Nothing contained in clause 12.1 shall prevent the Covenantors, the Seller or any Retained Group Company, from:
- 12.5.1** continuing to operate the businesses carried on as at Exchange by the Retained Group;
  - 12.5.2** selling or otherwise disposing of the shares, assets or any other interest in any Retained Group Company or the Seller to any third party purchaser;
  - 12.5.3** being the holder or beneficial owner, by way of bona fide personal investment, of any class of securities in any company if such class of securities is listed, or dealt in, on a Recognised Stock Exchange, provided that it neither holds nor is beneficially interested in more than a total of 3% of any single class of the securities in that company;
  - 12.5.4** placing or procuring the placing of any recruitment advertisement for employees and communicating with or recruiting, employing or otherwise contracting with any person who responds to such an advertisement; or
  - 12.5.5** performing any acts contemplated by or addressed in the Reorganisation Documents and/or undertaking any obligations contained therein.

- 12.6** Nothing contained in Clause 12.2 shall prevent the Buyer or any Target Group Company from:
- 12.6.1** placing or procuring the placing of any recruitment advertisement for employees and communicating with or recruiting, employing or otherwise contracting with any person who responds to such an advertisement; or
  - 12.6.2** at any time, soliciting or enticing away, or endeavouring to solicit or entice away, from the Seller or any Retained Group Company, any employee of the Seller or any Retained Group Company to the extent that the Seller has given its prior written approval to the soliciting or enticing of such employee.
- 12.7** Each of the undertakings contained in clause 12.1 is a separate undertaking by each Covenantor and shall be enforceable by the Buyer (on its own behalf and on behalf of each Buyer Group Company) separately and independently of its right to enforce any one or more of the other undertakings contained in clause 12.1. Each Covenantor agrees (having taken independent legal advice) that the undertakings contained in clause 12.1 are reasonable and necessary for the protection of the legitimate interests of the Buyer and the Company and any other Target Group Company and that these restrictions do not work harshly on it/him. It is nevertheless agreed that, if any such undertaking shall be found to be void but would be valid if some part were deleted, then such undertaking shall apply with such deletions as may be necessary to make it valid and enforceable. Without prejudice to any other remedy which may be available to the Buyer, the Buyer may be entitled to seek injunctive or other equitable relief in relation to any breach or prospective breach of the undertakings in clause 12.1, it being acknowledged that an award of damages may not be an adequate remedy for such a breach.
- 12.8** For the purposes of clause 12.1:
- 12.8.1** “**directly or indirectly**” shall (without limiting the expression) mean any Covenantor, acting either alone or jointly with or on behalf of any other person whether as principal, partner, manager, employee, contractor, director, consultant, investor (subject to clause 12.3), shareholder or otherwise;
  - 12.8.2** “**Restricted Period**” shall mean (i) in respect of the Seller the period of twenty-four (24) months from the Completion Date, and (ii) in respect of a Warrantor, the period of twelve (12) months from the Completion Date; and
  - 12.8.3** “**Restricted Territories**” shall mean the United Kingdom and any other country in which the Business operates as at Exchange.
- 12.9** The Seller shall, and shall procure that each relevant member of the Retained Group shall, in respect of the domain names that were assigned to the Company in the APA, execute all documents and take all steps as may reasonably be requested by the Buyer to ensure that these domain names are registered in the name of the Company as soon as is reasonably practicable following the request by the Buyer.

### 13. CONFIDENTIALITY

13.1 From Completion and subject to clause 13.2:

- 13.1.1 the Seller and each Warrantor undertakes to the Buyer in respect of the Target Confidential Information;
- 13.1.2 the Buyer undertakes to the Seller in respect of the Retained Group Confidential Information; and
- 13.1.3 each party with effect from Exchange severally undertakes to each other party to this Agreement in respect of the Transaction Confidential Information,

to: (a) keep it confidential; (b) not at any time to disclose, announce, or make it known in any other way, to any other person; and/or (c) not use it for its own or any other person's benefit or to the detriment of: (i) in the case of clause 13.1.1, any Target Group Company; (ii) in the case of clause 13.1.2 the Seller and/or any Retained Group Company; and (iii) in the case of clause 13.1.3, any other party, provided that this clause 13.1 shall not prevent the Permitted Use of Confidential Information.

13.2 Nothing in clause 13.1 shall restrict any Buyer Group Company or the Seller or any of the Seller's Affiliates from informing customers and suppliers of the fact, but not any term, of the acquisition of the Target Group by the Buyer after Completion.

13.3 The Buyer and the Seller shall use reasonable endeavours to, or to procure that, the Confidentiality Agreement is terminated as soon as reasonably practicable following Completion.

### 14. TAXATION

#### **Tax Schedule and Relevant Tax Claims**

14.1 The provisions of Schedule 7 and Schedule 8 shall apply with effect from Completion.

#### **VAT de-grouping**

14.2 The Seller shall take reasonable steps to procure that such of the Target Group Companies as are within the group of companies for the purposes of sections 43 to 43C VATA 1994, of which CEG Administrative Services Limited is the representative member (the "Seller's VAT Group") are excluded from such group with effect from Completion or the earliest date permitted thereafter.

**14.3** As regards supplies made between members of the Seller's VAT Group and third parties on or before the date on which the relevant Target Group Companies are excluded from the Seller's VAT Group, such payments shall be made between the relevant Target Group Companies that are within the Seller's VAT Group and the representative member of the Seller's VAT Group as shall ensure that the resulting position for VAT purposes for the relevant Target Group Companies and the remaining members of the Seller's VAT Group is the same as it would have been had the Target Group Companies not been members of the Seller's VAT Group but had been registered as a separate group for VAT purposes, except that if those supplies are ignored for VAT purposes because they are made between the relevant Target Group Companies and another member of the Seller's VAT Group (including another member of the Target Group), those supplies shall also be ignored for the purposes of this paragraph 14.3.

**14.4** Any payments to be made under paragraph 14.3 shall be made promptly following the end of the VAT prescribed accounting period to which the payments relate.

#### **Group Relief**

**14.5** The Seller and the Buyer shall procure that the Target Group Companies and each relevant Retained Group Company shall not amend or revoke any valid claim to, or valid notification or consent to the surrender of, Group Relief by or to the Company where the valid claim, notice or consent was made on or prior to Exchange or made in accordance with this clause 14.

**14.6** In respect of any Relevant Pre-LBD Accounting Period, the Seller and the relevant members of the Retained Group shall to the extent permitted by law surrender to the relevant Target Group Companies such amount of Group Relief as is specified in, or taken into account in determining the provision for corporation tax provided for in the Draft FY18 Tax Computations or, as the case may be, the Locked Box Accounts and may in its sole discretion, surrender any additional amount, subject to the maximum permitted by law.

**14.7** In respect of the Relevant Post-LBD Accounting Period, the Seller and the relevant members of the Retained Group shall be entitled to surrender to the relevant Target Group Companies such amounts of Group Relief as the Seller may request, subject to the maximum permitted by law.

**14.8** In respect of Group Relief surrenders made pursuant to clauses 14.6 or 14.7, the claimant company shall pay to the surrendering company an amount equal to the corporation tax which would have been payable by the claimant company but for that surrender.

**14.9** The Buyer shall promptly take any action which the Seller may reasonably request to enable full effect to be given to any surrenders to be made pursuant to clauses 14.6 or 14.7, including procuring that the relevant Target Group Companies comply with all relevant procedural requirements.

**14.10** Any payments to be made under clause 14.8 shall be made on the later of Completion, the date on which corporation tax would have been payable by the claimant company but for the surrender, or (in a case where the corporation tax has already been paid and is repaid as a result of the surrender) within five Business Days of such repayment.

**14.11** If any amounts of Group Relief surrendered pursuant to clauses 14.6 or 14.7 prove to be unavailable to the claimant company:

**14.11.1** the Buyer shall procure that the relevant Target Group Company takes such steps as the Seller may reasonably request to accept a surrender of Group Relief from another member of the Retained Group; and

**14.11.2** if notwithstanding such steps, the Group Relief surrender (including any Group Relief surrender made pursuant to clause 14.11.1) remains ineffective in whole or in part, the surrendering company shall promptly repay to the claimant company any amount, or the relevant proportion of any amount, paid to it in respect of that Group Relief.

#### **Group Payment Arrangement**

**14.12** The Seller shall procure that such of the Target Group Companies as are members of the group payment arrangement made pursuant to section 59F Taxes Management Act 1970, of which Cambridge Education Group Limited is the nominated company (the "**Seller's GPA**") are removed from such arrangement with effect from a date falling on or before Completion.

**14.13** The Buyer shall procure that the relevant Target Group Companies pays to the nominated company of the Seller's GPA, within five Business Days of written request by the Seller, an amount equal to any Taxation (after taking into account the surrender of Group Relief validly made pursuant to clauses 14.6 or 14.7), which is required to be discharged by such nominated company on behalf of any Target Group Company under the Seller's GPA in respect of any Accounting Periods of the Target Group Companies which end on or before Completion, or which are current at Completion.

#### **PAYE Settlement Agreement**

**14.14** The Buyer shall procure that the relevant Target Group Companies pay to the Seller, within five Business Days of written request by the Seller, an amount equal to any liability of any Retained Group Company under a PSA to account for Tax to the extent attributable to, or in respect of qualifying general earnings of, any employees of the Target Group (including, for the avoidance of doubt, any employees transferred to a member of the Target Group pursuant to the Separation).

#### **15. COSTS**

Save for Permitted Leakage or as otherwise expressly provided in this Agreement or agreed in writing between the parties, each party shall pay its own costs and expenses incurred in connection with the preparation, negotiation and completion or termination of the Transaction Documents. In particular, all stamp duty and any other transfer taxes payable in respect of the transfer of Shares pursuant to this Agreement shall be payable by the Buyer.

## 16. POST-COMPLETION ARRANGEMENTS

### Tax records

- 16.1 Without prejudice to the provisions of the Transitional Services Agreement and/or the Reverse Transitional Services Agreement, the Buyer agrees that for the period of seven (7) years from Completion it will, and will procure that each member of the Target Group will:
- 16.1.1 preserve all books, records and documents relating to the Taxation of each Target Group Company as at Completion (“**Historic Tax Records**”); and
- 16.1.2 allow upon reasonable notice and during normal business hours, the Seller (and/or its employees, agents and professional advisers) access to such Historic Tax Records and the right to inspect the same, and reasonable access to any officer, employee or adviser of the Target Group, but solely to the extent that the Seller reasonably requires such access for (i) tax, accounting or insurance purposes; or (ii) complying with any applicable law or regulation or the requirements (including disclosure requirements) of any judicial, tax or regulatory authority or Recognised Stock Exchange.
- 16.2 Without prejudice to the provisions of the Transitional Services Agreement and/or the Reverse Transitional Services Agreement, the Seller shall procure that:
- 16.2.1 all books of account, records, documents and information of any Target Group Company relating to the period prior to Completion shall, from Completion, (i) if they do not relate to the Seller, be deemed to be the property of, and be held on trust for the relevant Target Group Company and any such items shall be delivered or made available by the Seller to the relevant Target Group Company promptly following a request to the Seller for the same; and (ii) if they also relate to the Seller, or a Retained Group Company, be preserved by the Seller (“**Retained Information**”), for the period of seven (7) years from Completion; and
- 16.2.2 allow upon reasonable notice and during normal business hours, the Buyer (and/or its employees, agents and professional advisers) access to such, and to take copies (at the Buyer’s expense) of, the Retained Information.

### CRC

- 16.3 The Buyer (on behalf of itself and each member of the Buyer Group) undertakes to the Seller that until the earlier of (i) 31 March 2025, or (ii) such time as the Seller has confirmed to the Buyer in writing that this undertaking is no longer required:
- 16.3.1 it shall procure that the Target Group within such timeframe and in such format as the Seller may (acting reasonably) request from time to time, make available to the Seller such documents, information and data for any Target Group Company, in relation to energy supply arrangements, energy consumption or greenhouse gas emissions of any Target Group Company in each case which are necessary to enable the Investor Ultimate Shareholders and the Bridgepoint Group to comply with any law, regulation, code of practice, statutory guideline or requirement of a regulatory authority in connection with the CRC Scheme; and

**16.3.2** it shall procure the payment by the Target Group of any CRC Costs (or any part of any such CRC Costs) that the Investor Ultimate Shareholders and/or the Bridgepoint Group, shall have made or be obliged to make in discharge of the Target Group's obligations pursuant to the CRC Scheme and arising after Completion and any monetary penalties that the Investor Ultimate Shareholders and/or the Bridgepoint Group may have incurred or may incur, by virtue of the failure of any Target Group Company to comply with the provisions of the CRC Scheme after Completion.

## **Real Estate**

**16.4** Where the Seller or a Retained Group Company has guaranteed a TG Lease or provided an authorised guarantee agreement in accordance with clause 6 of the APA (an "**AGA**"), the Buyer and/or the relevant Target Group Company that is the tenant under that TG Lease or the lease to which the AGA relates will use all reasonable endeavours (in each case with the assistance of the Seller and the relevant Retained Group Company where reasonably requested) to agree alternative arrangements with the relevant landlord (and where the Retained Group has guaranteed a TG Lease this includes using all reasonable endeavours to agree a substitute guarantor or alternative security acceptable to the landlord) so that the Seller and/or the Retained Group Company is fully released from all and any of its obligations and liabilities in relation to the relevant TG Lease and/or the AGAs and/or the leases to which the AGAs relate and until the date of such release the Buyer will keep each of the Seller and, the relevant Retained Group Company at all times fully indemnified on an after Tax basis against all Losses however suffered by the Seller and/or the relevant Retained Group Company, including without limitation all claims, whether present or contingent, (including interest at the official rate, as defined in s. 189 of the Insolvency Act 1986) of all landlords of the TG Leases guaranteed by any member of the Retained Group and the landlords of leases to which any AGA relate and who are admitted as creditors in the liquidation of the Seller and/or a Retained Group Company but only so far as any such claims relate to the aforementioned leases and not any other claims made by these landlords) (the "**Real Estate Indemnified Matters**").

**16.5** The Buyer shall provide notice in writing to the Seller of:

**16.5.1** any claim, threat of claim, dispute, demand, action or proceedings brought or issued by a third party against any member of the Buyer Group which is likely to give rise to a risk of a Real Estate Indemnified Matter; and/or

**16.5.2** any action or omission carried out by a member of the Buyer Group which is likely to give rise to a risk of a Real Estate Indemnified Matter, as soon as reasonably practicable after the Buyer (or any member of the Buyer Group) becomes aware of it, and in any event no later than 5 Business Days after such party becomes so aware.

### **Transaction Bonuses**

- 16.6** The Buyer shall procure, as soon as reasonably practicable following Completion, and in any event within 10 Business Days of Completion, that the Transaction Bonuses as set out in column (1) of the schedule to the Bonus Side Letter are paid to the relevant beneficiaries through the payroll of the relevant Target Group Company.

### **Target Group Share Certificates**

- 16.7** The Seller shall deliver, or shall procure the delivery of, all original share certificates and any documents of title which relate to the security released pursuant to the Security Releases as soon as reasonably practicable following Completion and in any event within 7 Business Days of Completion.

### **Model Clauses**

- 16.8** To the extent that any Retained Group Companies transfer any personal data to any Target Group Companies under the Reverse Transitional Services Agreement, the relevant Retained Group Companies and the relevant Target Group Companies shall, as soon as reasonably practicable following Completion, use reasonable endeavours to adopt, or procure the adoption of, European Commission approved standard contractual clauses, substantially in the agreed form.

### **Letters of Credit**

- 16.9** The Seller undertakes on Completion to post cash collateral in favour of the TG L/C Bank in respect of the TG L/C Bank's liabilities under the relevant TG Letter of Credit.
- 16.10** The Buyer and/or the relevant Target Group Company that is the tenant to which the TG Letter of Credit relates undertakes to use all reasonable endeavours within 90 days following Completion (in each case with the assistance of the Seller and the relevant Retained Group Company where reasonably requested but without any liability to be incurred on their behalf) to agree alternative arrangements with the relevant TG L/C Bank (and this includes using all reasonable endeavours to agree substitute security in favour of the relevant TG L/C Bank or alternative security acceptable to the relevant landlord) so that the Seller and/or the Retained Group Company is fully released from all and any of its obligations and liabilities in relation to each TG Letter of Credit (the "**TG L/C Release**").
- 16.11** Until the date of each TG L/C Release, the Buyer undertakes to keep each of the Seller and the relevant Retained Group Company at all times fully indemnified on an after Tax basis against all Losses however suffered by the Seller and/or the relevant Retained Group Company following Completion which relate to or arise out of any TG Letter of Credit (the "**L/C Indemnified Matters**").



**16.12** The Buyer shall provide notice in writing to the Seller of:

**16.12.1** any claim, threat of claim, dispute, demand, action or proceedings brought or issued by a third party against any member of the Buyer Group which is likely to give rise to a risk of a L/C Indemnified Matter; and/or

**16.12.2** any action or omission carried out by a member of the Buyer Group which is likely to give rise to a risk of a L/C Indemnified Matter,

as soon as reasonably practicable after the Buyer (or any member of the Buyer Group) becomes aware of it, and in any event no later than 5 Business Days after such party becomes so aware.

**Transferring Employees**

**16.13** The parties acknowledge that:

**16.13.1** it is intended, following the establishment of various overseas branches by the Target Group, that the Sales Employees will cease to be employed by the Retained Group and will be re-engaged by the Target Group (the "**Transfer**"); and

**16.13.2** until the Transfer, the Retained Group shall continue to employ the Sales Employees and the services of the Sales Employees will be provided by the Retained Group to the Target Group under the terms of the Transitional Services Agreement.

**16.14** The parties agree to use all reasonable endeavours to effect the Transfer of the Sales Employees and as soon as reasonably practicable following Completion in accordance with the contracts of employment or engagement of the Sales Employees and applicable laws.

**16.15** The parties acknowledge and agree that:

**16.15.1** the Retained Group shall be responsible for the Sales Employees who transfer to the Target Group and any Losses associated with the employment or termination of employment of those Sales Employees up to the date of the Transfer;

**16.15.2** the Target Group shall be responsible for the Sales Employees who transfer to the Target Group and any Losses associated with the employment or termination of employment of those Sales Employees for the period following the Transfer; and

**16.15.3** for the avoidance of doubt, in respect of any Sales Employees that do not transfer to the Target Group for any reason, such Sales Employees will remain employees of the Retained Group.

**17. WARRANTORS' REPRESENTATIVE**

- 17.1** Where, under the terms of the Transaction Documents, the Warrantors are entitled or obliged to exercise or enforce any right or discretion, take any action (including incurring any cost or approving, signing or executing and/or delivering any deed, agreement or other document), give any direction, consent or notice and/or agree any matter (unless otherwise expressly provided herein) such right or discretion may be validly exercised or enforced (except where specifically provided otherwise herein), such action may be validly taken, such direction, consent or notice may be validly given, and/or such matter may be validly agreed by the Warrantors' Representative.
- 17.2** Each party irrevocably acknowledges and confirms to the Warrantors' Representative that the Warrantors' Representative owes no responsibility, duty of care or liability whatsoever in connection with their appointment as the Warrantors' Representative and the Warrantors agree that if any loss, damage or other liability of any Warrantor is incurred or increased as a result of any act, omission, agreement, approval, consent or decision of the Warrantors' Representative or by any deed, agreement, instrument, consent or other document agreed, approved, signed, executed and/or delivered by the Warrantors' Representative, in each case acting in good faith in the proper execution and discharge of its appointment under this clause 17.2, the Warrantors' Representative shall not be responsible for, or have any liability to any Warrantor in relation to, any such loss, damage or other liability or such increased loss, damage or other liability.
- 17.3** If the Warrantors' Representative dies or becomes mentally or physically incapacitated or is otherwise unable or unwilling to act as Warrantors' Representative, the Majority of the Warrantors shall appoint a replacement Warrantors' Representative (and shall notify the Buyer in writing of such replacement) or, if they fail to so appoint a replacement Warrantors' Representative, the Seller, at the request of the Buyer, shall appoint a replacement Warrantors' Representative and shall notify the Buyer in writing of such replacement. Any person appointed as a Warrantors' Representative pursuant to this clause 17.3 must be a Warrantor and, for the purposes of this clause, "**Majority of the Warrantors**" means a majority in number of the Warrantors who are still alive and mentally capable at the time of such appointment.

**18. TRANSITIONAL SERVICES AGREEMENT, REVERSE TRANSITIONAL SERVICES AGREEMENT, APA, AND REVERSE APA**

From Completion until the date on which the Transitional Services Agreement, Reverse Transitional Services Agreement, APA, and/or Reverse APA (as the case may be) have been terminated or expired, the Seller and the Buyer shall each comply, and shall procure the compliance of the Retained Group and the Target Group respectively, with the applicable provisions of the Transitional Services Agreement, Reverse Transitional Services Agreement, APA and Reverse APA (as the case may be).

## **19. GENERAL**

### **Entire agreement**

**19.1** This Agreement (together with the other Transaction Documents) contains the entire agreement and understanding of the parties and supersedes all prior agreements, understandings or arrangements (both oral and written) relating to the subject matter of this Agreement and any such other document.

**19.2** Each of the parties acknowledges and agrees that:

**19.2.1** it is not entering into this Agreement on the basis of, and is not relying and has not relied on, any statement or representation (whether negligent or innocent) or warranty or other provision (in any case whether oral, written, express or implied) made, given or agreed to by any person (whether a party to this Agreement or not) except those expressly repeated or referred to in this Agreement or the Disclosure Letter and the only remedy or remedies available to it in respect of any misrepresentation or untrue statement made to it shall be a claim for breach of contract under this Agreement; and

**19.2.2** nothing in this clause 19.2 shall exclude any liability in respect of fraud or fraudulent misrepresentation made by or on behalf of any party.

**19.3** The Buyer acknowledges and agrees that the express terms of this Agreement are in lieu of all warranties, conditions, terms, undertakings and obligations implied by statute, common law or otherwise all of which are hereby excluded to the fullest extent permitted by law.

**19.4** This Agreement shall not be construed as creating any partnership or agency relationship between any of the parties.

### **Variations and waivers**

**19.5** No variation of this Agreement shall be effective unless made in writing signed by or on behalf of: (i) the Buyer; (ii) the Seller; and (iii) the Warrantors' Representative, and expressed to be such a variation.

**19.6** No waiver by any party of any requirement of this Agreement, or of any remedy or right under this Agreement, shall have effect unless given in writing and signed by such party. No waiver of any particular breach of the provisions of this Agreement shall operate as a waiver of any repetition of such breach.

### **Assignment and novation**

**19.7** Subject to clauses 19.8 and 19.9, no party shall be entitled to assign, transfer, novate or create any trust in respect of the benefit or burden of any provision of this Agreement (or other Transaction Document) without the prior written consent of: (i) the Buyer, in the case of the Seller or any Warrantor; or (ii) the Seller, in the case of the Buyer.

- 19.8** The Seller may novate, on providing three (3) Business Days prior written notice to the Buyer, the burden of any provision of this Agreement to any parent undertaking of the Seller, provided that:
- 19.8.1** if any such parent undertaking at any time ceases to be a parent undertaking of the Seller, any provision of this Agreement which has been so novated shall be novated back to the Seller or another parent undertaking of the Seller; and
- 19.8.2** notice of any such novation shall include details of: (i) the nature of the burdens novated; (ii) the identity of the person(s) to whom such burdens have been novated to; and (iii) information and evidence to the Buyer's reasonable satisfaction that such parent undertaking has sufficient financial substance to assume the burdens proposed to be novated under this Agreement (or other Transaction Document). For the avoidance of doubt should the information and evidence in sub-limb (iii) of this clause 19.8.2 be insufficient in the reasonable opinion of the Buyer, the Seller shall not be entitled to proceed with any such proposed novation.
- 19.9** The Buyer may: (i) assign; and (ii) in the case of clause 19.9.3 only, charge or otherwise grant security over, all or any of its rights under this Agreement (including in respect of the Warranties) to and/or in favour of:
- 19.9.1** any other member of the Buyer Group; and/or
- 19.9.2** a buyer of substantially all of the issued share capital of a Target Group Company or business or assets of the Target Group; and/or
- 19.9.3** any Lender, by way of security for any borrowings or other indebtedness of the Buyer Group from time to time,
- without the consent of any other party to this Agreement, provided that: (a) if any assignee pursuant to clause 19.9.1 at any time ceases to be a member of the Buyer Group, any rights under this Agreement which have been assigned to it shall be assigned to, or made the subject of a trust in favour of, another member of the Buyer Group; and (b) in the event that any assignment, charging and/or grant of security occurs, the liability of the Seller under this Agreement shall be no greater than it would have been had such assignment, charging and/or grant of security not occurred.
- 19.10** As soon as practicable after any assignment, charging and/or grant of security in accordance with clause 19.9, the Buyer will give written notice thereof to the Seller and the Warrantors' Representative, such notice to provide reasonable details of: (i) the nature of the rights assigned, charged and/or over which security has been granted; and (ii) the identity of the person(s) to whom such rights have been assigned and/or charged or secured in favour of, but shall not require the Seller or the Warrantors' Representative to give any acknowledgement in respect of such assignment, charging and/or grant of security.

### **Effect of Completion**

- 19.11** The provisions of this Agreement, insofar as the same shall not have been fully performed at Completion, shall remain in full force and effect notwithstanding Completion.

### **Counterparts**

- 19.12** This Agreement may be executed as two or more counterparts and execution by each of the parties of any one of such counterparts will constitute due execution of this Agreement.

### **Further assurance**

- 19.13** Each party shall from time to time and at its own cost do, execute and deliver or procure to be done, executed and delivered all such further acts, documents and things required by, and in a form satisfactory to, the Buyer or Seller (as applicable) in order to give full effect to this Agreement and its rights, powers and remedies under this Agreement including, but not limited to, using all reasonable endeavours (in so far as it is able to do so in its capacity as a direct or indirect shareholder of a Retained Group Company or a Target Group Company) to procure that any necessary third party shall, do and execute and perform all such further deeds, documents, assurances, acts and things as may reasonable be required to give effect to this Agreement.

### **Other remedies**

- 19.14** The Buyer acknowledges and irrevocably agrees with the Seller that it will have no rights, remedies or powers provided by law or otherwise (including rights of rescission or termination) for breach of any provision of this Agreement save for a right to claim damages for breach of contract, and the Buyer hereby irrevocably waives any such other rights, remedies and powers.

### **Third party rights**

- 19.15** Save for clauses 8.3, 9.2, 10.6.2 and clause 11 which confer a benefit on the persons named therein (respectively) and are intended to be enforceable by such parties in accordance with the Contracts (Rights of Third Parties) Act 1999 (the “**Third Party Rights Act**”), no provisions of this Agreement which confer rights upon any person who is not a party to this Agreement shall be enforceable pursuant to the Third Party Rights Act (or otherwise) by any such person.
- 19.16** This Agreement may be terminated and any term of this Agreement may be amended or waived without the consent of any person who is not a party to this Agreement.

### **Several liability**

- 19.17** Except where this Agreement provides otherwise, obligations, covenants, warranties, representations and undertakings expressed to be assumed or given by two or more persons shall in each case be construed as if expressed to be given severally and not jointly or jointly and severally.

## Successors

19.18 This Agreement shall be binding on the parties' assigns and successors in title, provided that the liability of an individual and his estate shall cease on the death of that individual.

## 20. APPLICABLE LAW AND JURISDICTION

20.1 This Agreement and the rights and obligations of the parties including all non-contractual obligations arising under or in connection with this Agreement shall be governed by and construed in accordance with the laws of England and Wales.

20.2 The parties irrevocably submit to the exclusive jurisdiction of the courts of England and Wales in respect of any claim, dispute or difference arising out of or in connection with this Agreement and/or any non-contractual obligation arising in connection with this Agreement.

## 21. NOTICES

### Form of notice

21.1 Any notice, consent, request, demand, approval or other communication to be given or made under or in connection with this Agreement (each a "Notice" for the purposes of this clause) shall be in English, in writing and signed by or on behalf of the person giving it.

### Method of service

21.2 Service of a Notice must be effected by one of the following methods:

21.2.1 by hand to the relevant address specified in clause 21.4 and shall be deemed served upon delivery if delivered during a Business Day, or at the start of the next Business Day if delivered at any other time; or

21.2.2 by prepaid first-class post to the relevant address specified in clause 21.4 and shall be deemed served at the start of the second Business Day after the date of posting; or

21.2.3 by prepaid international airmail to the relevant address specified in clause 21.4 and shall be deemed served at the start of the fourth Business Day after the date of posting; or

21.2.4 by email to the relevant email address specified in clause 21.4 and shall be deemed served at the time of sending if sent by email, provided that receipt shall not occur if the sender receives an automated message indicating that the message has not been delivered to the recipients.

**21.3** In clause 21.2 “**during a Business Day**” means any time between 9.30 a.m. and 5.30 p.m. on a Business Day based on the local time at the location where the recipient of the Notice is located. References to “**the start of [a] Business Day**” and “**the end of [a] Business Day**” shall be construed accordingly.

**Address for service**

**21.4** Notices shall be addressed as follows:

**21.4.1** Notices for the Buyer shall be marked for the attention of:

Name: Junli He

Address: [\*\*\*]

Email: [\*\*\*]

**21.4.2** Notices for the Guarantor shall be marked for the attention of:

Name: Junli He

Address: [\*\*\*]

Email: [\*\*\*]

And addressed to the Buyer’s address as set out in clause 21.4.1 above.

**21.4.3** Notices for the Seller shall be marked for the attention of:

Name: The Directors

Address: [\*\*\*]

Email: [\*\*\*]

**21.4.4** Notices for any Warrantor shall be marked for the attention of the Warrantors’ Representative at the address or email address set out next to her/his name in Schedule 1.

**Copies of Notices**

**21.5** Copies of all Notices sent to the Seller shall also be: (i) sent or given to Travers Smith LLP of 10 Snow Hill, London EC1A 2AL (marked for the attention of Paul Dolman with reference B.2374-315) and Bridgepoint of 95 Wigmore Street, Marylebone, London W1V 1FB (marked for the attention of Chris Bell); and (ii) emailed to [\*\*\*] and [\*\*\*]. Such copies shall be sent or given in accordance with one of the methods described in clause 21.2. Failure to communicate such copies shall not invalidate such Notice.

**21.6** Copies of all Notices sent to the Buyer and/or the Guarantor shall also be: (i) sent or given to White & Case LLP of 5 Old Broad Street, London EC2N 1DW (marked for the attention of Tom Matthews with reference 4460080-0002); and (ii) emailed to tom.matthews@whitecase.com. Such copies shall be sent or given in accordance with one of the methods described in clause 21.2. Failure to communicate such copies shall not invalidate such Notice.

**Change of details**

**21.7** A party may change her/his/its address for service provided that the new address is within the United Kingdom and that she/he/it gives the other parties not less than 14 days' prior notice in accordance with this clause 21. Until the end of such notice period, service on either address shall remain effective.

**THIS AGREEMENT** has been duly executed and delivered as a deed on the date first stated above.



**SCHEDULE 1**

**ULTIMATE SHAREHOLDERS, WARRANTORS AND RETAINED GROUP COMPANIES**

[\*\*\*]

**SCHEDULE 2 EXCHANGE DELIVERABLES**

[\*\*\*]

**SCHEDULE 3**

**COMPLETION OBLIGATIONS**

[\*\*\*]

**SCHEDULE 4**

**CONDUCT OF BUSINESS**

[\*\*\*]

**SCHEDULE 5**

**WARRANTIES**

[\*\*\*]

**SCHEDULE 6**

**LIMITATIONS ON CLAIMS**

[\*\*\*]

**SCHEDULE 7**  
**TAX COVENANT**

[\*\*\*]

**SCHEDULE 8**

**SPECIFIC TAX INDEMNITIES**

[\*\*\*]



**THE SELLER**

**EXECUTED and DELIVERED as a DEED**  
for and on behalf of  
**CAMBRIDGE EDUCATION GROUP LIMITED**

)  
) /s/ P Symes  
) Director

---

in the presence of:

Witness Signature: /s/ Hannah MacDonald  
Witness Name: Hannah MacDonald  
Witness Address: TRAVERS SMITH LLP  
10 SNOW HILL  
LONDON EC1A 2AL

Witness Occupation: Trainee Solicitor

---

**THE WARRANTORS**

**EXECUTED and DELIVERED as a DEED by  
DAVID NEWTON**

)  
)  
)

/s/ David Newton  
\_\_\_\_\_  
Authorised Attorney

in the presence of:

Witness Signature: /s/ Hannah MacDonald

Witness Name: Hannah MacDonald

Witness Address: TRAVERS SMITH LLP  
10 SNOW HILL  
LONDON EC1A 2AL

Witness Occupation: Trainee Solicitor

**EXECUTED and DELIVERED as a DEED by  
CHRISTOPHER STACEY**

)  
)  
)

/s/ Christopher Stacey  
\_\_\_\_\_  
Authorised Attorney

in the presence of:

Witness Signature: /s/ Hannah MacDonald

Witness Name: Hannah MacDonald

Witness Address: TRAVERS SMITH LLP  
10 SNOW HILL  
LONDON EC1A 2AL

Witness Occupation: Trainee Solicitor

---

**EXECUTED and DELIVERED as a DEED by** )  
**KARIN ASKHAM** )  
acting by their duly authorised attorney )

/s/ David Newton  
Authorised Attorney

---

in the presence of:

Witness Signature: /s/ Hannah MacDonald  
Witness Name: Hannah MacDonald  
Witness Address: TRAVERS SMITH LLP  
10 SNOW HILL  
LONDON EC1A 2AL

Witness Occupation: Trainee Solicitor

**EXECUTED and DELIVERED as a DEED by** )  
**STEPHEN CARTER** )  
acting by their duly authorised attorney )

/s/ David Newton  
Authorised Attorney

---

in the presence of:

Witness Signature: /s/ Hannah MacDonald  
Witness Name: Hannah MacDonald  
Witness Address: TRAVERS SMITH LLP  
10 SNOW HILL  
LONDON EC1A 2AL

Witness Occupation: Trainee Solicitor

---

**EXECUTED and DELIVERED as a DEED by** )  
**CRAIG WILSON** )  
acting by their duly authorised attorney ) /s/ David Newton  
Authorised Attorney

in the presence of:

Witness Signature: /s/ Hannah MacDonald  
Witness Name: Hannah MacDonald  
Witness Address: TRIVERS SMITH LLP  
10 SNOW HILL  
LONDON EC1A 2AL

Witness Occupation: Trainee Solicitor

**EXECUTED and DELIVERED as a DEED by** )  
**PETE JACKSON** )  
acting by their duly authorised attorney ) /s/ David Newton  
Authorised Attorney

in the presence of:

Witness Signature: /s/ Hannah MacDonald  
Witness Name: Hannah MacDonald  
Witness Address: TRIVERS SMITH LLP  
10 SNOW HILL  
LONDON EC1A 2AL

Witness Occupation: Trainee Solicitor

---

**THE BUYER**

**EXECUTED and DELIVERED as a DEED** )  
for and on behalf of )  
**BRIGHT SCHOLAR (UK) HOLDINGS LIMITED** )

/s/ Junli He  
\_\_\_\_\_  
Authorised Signatory

in the presence of:

Witness Signature: /s/ Tom Matthews  
\_\_\_\_\_  
Witness Name: Tom Matthews  
\_\_\_\_\_  
Witness Address: 5 OLD BROAD STREET  
LONDON EC2N 1DW

Witness Occupation: Solicitor

**THE GUARANTOR**

**EXECUTED and DELIVERED as a DEED** )  
for and on behalf of )  
**BRIGHT SCHOLAR EDUCATION HOLDINGS LIMITED** )

/s/ Junli He  
\_\_\_\_\_  
Authorised Signatory

in the presence of:

Witness Signature: /s/ Tom Matthews  
\_\_\_\_\_  
Witness Name: Tom Matthews  
\_\_\_\_\_  
Witness Address: 5 OLD BROAD STREET  
LONDON EC2N 1DW

Witness Occupation: Solicitor

<b>Subsidiaries</b>	<b>Place of Incorporation</b>
Impetus Investment Limited	Cayman
Bright Scholar (Enlightenment) Investment Holdings Limited	Cayman
New Bridge Management Co., Ltd	Cayman
CEG Holdings Canada Inc.	Canada
976821 Ontario Inc.	Canada
744648 Alberta Inc.	Canada
Time Education China Holdings Limited	Hong Kong
Xin Rui Management Co., Ltd.	Hong Kong
Foundation Education China Limited	Hong Kong
Foundation Academy Limited	Hong Kong
Foundation Education Services Limited	Hong Kong
Foundation Global Education Limited	Hong Kong
Can-Achieve International Education Limited	Hong Kong
CEG Hong Kong JV Limited	Hong Kong
FGE Holdings Limited	The British Virgin Islands
Zhuhai Bright Scholar	The PRC
Time Elan Education Technology Co., Ltd.	The PRC
Shenzhen Qianhai Xingkeyucai Trading Co., Ltd.	The PRC
Beijing Bright Scholar Education Consulting Limited Co., Ltd.	The PRC
Foshan Shunde Elan Education Training Co., Ltd.	The PRC
Shenzhen Elan Education Training Co., Ltd.	The PRC
Guangdong Bright Scholar Education Technology Co., Ltd.	The PRC
Guangzhou Elan Education Consulting Co., Ltd.	The PRC
Guangdong Zhixing Weilai Logistics Management Co., Ltd.	The PRC
Beijing Jingshiboda Education Technology Co., Ltd.	The PRC
Zhuhai Hengqin Kaidi Education Consulting Co., Ltd.	The PRC
Zhuhai Xin Xu Education Management Co., Ltd.	The PRC
Foundation Information Consulting (Shenzhen) Co., Ltd.	The PRC
Can-achieve (Beijing) Education Consulting Co., Ltd.	The PRC
Guangzhou Can-achieve Global Consulting Co., Ltd.	The PRC
Zhengzhou Dahua Education Consulting Co., Ltd.	The PRC
Bright Scholar Wanjia (Beijing) Education Consulting Co., Ltd.	The PRC
Bright Scholar Education Consulting (Huizhou) Co., Ltd.	The PRC
Hangzhou Impression Arts Training Co., Ltd.	The PRC
Cambridge Education Technology (Shanghai) Co. Limited (China)	The PRC
Beijing Can-achieve Lingying Information Consulting Co., Ltd.	The PRC
Zhuhai Hengqin Dingjia Education Consulting Limited	The PRC
Bright Scholar (UK) Holdings Limited	United Kingdom
Bright Scholar (BCS) Property Limited	United Kingdom
Bright Scholar (BCS) Management Limited	United Kingdom

CATS Colleges Holdings Limited	United Kingdom
CEG Colleges Limited	United Kingdom
Cambridge Arts and Science Limited	United Kingdom
CATS Canterbury Limited	United Kingdom
CATS College London Limited	United Kingdom
Cambridge School of Visual and Performing Arts Limited	United Kingdom
CATS Retail Limited	United Kingdom
Cambridge School of Art and Design Limited	United Kingdom
Stafford House Companies Limited	United Kingdom
Stafford House School of English Limited	United Kingdom
Stafford House Study Holidays Limited	United Kingdom
Study Holidays Limited	United Kingdom
CEG Properties Limited	United Kingdom
Bright Scholar (BCS) Limited	United Kingdom
Cambridge Education Group Holdings Inc.	United States
Can-achieve Global Education, Inc. (Los Angeles)	United States
CATS Academy Boston Inc.	United States
Boston Academy of English Inc.	United States
Intrax English Academies LLC	United States

<b>Affiliated Entity</b>	<b>Place of Incorporation</b>
BGY Education Investment	The PRC

<b>Schools/subsidiaries held by Affiliated Entity</b>	<b>Place of Incorporation</b>
Baoding Baigou New City Bright Scholar Shenghua Education Consulting Co., Ltd.	The PRC
Baoding Baigou New City Shenghua Country Garden Kindergarten Co., Ltd.	The PRC
Beijing Huanxue International Travel Limited	The PRC
Chengdu Boxuele Education Management Consulting Co., Ltd.	The PRC
Chengdu Zhiyimeng Software Technology Co., Ltd.	The PRC
Chuzhou Country Garden Foreign Language School	The PRC
Chuzhou Country Garden Kindergarten	The PRC
Country Garden Experimental School	The PRC
Country Garden Huacheng Kindergarten	The PRC
Country Garden Huacheng School	The PRC
Country Garden Silver Beach Kindergarten	The PRC
Country Garden Silver Beach School	The PRC
Country Garden Venice Bilingual School ("CGBS")	The PRC
Country Garden Venice Kindergarten	The PRC
Dalang Country Garden Kindergarten	The PRC
Danyang Country Garden Kindergarten	The PRC
Chengdu Yinzhe Education and Technology Co., Ltd.	The PRC
Dongguan Humen Bright Scholar Country Garden Kindergarten	The PRC

Dongguan Qingxi Country Garden Kindergarten	The PRC
Dongguan Qishi Country Garden Kindergarten	The PRC
Chengdu Laizhe Education and Technology Co., Ltd.	The PRC
Dreambig Career Limited	Hong Kong
Enping Country Garden Kindergarten	The PRC
Fengxin Country Garden Kindergarten	The PRC
Foshan Shunde Beijiao Country Garden Guilanshan Kindergarten Co., Ltd.	The PRC
Foshan Shunde Shengbo Culture and Arts Training Co., Ltd.	The PRC
Gaoming Country Garden Kindergarten	The PRC
Guangdong Country Garden School (“GCGS”)	The PRC
Guangdong Lebeimeng Education Consulting Co., Ltd.	The PRC
Guangdong Lelebao Education Technology Co., Ltd.	The PRC
Guangdong Xingjian Education Co., Ltd.	The PRC
Guangyuan Lizhou Kasijia Kindergarten(1)	The PRC
Guangzhou Huihua Education Consulting Co., Ltd.	The PRC
Guangzhou Xingzhu Information Technology Co., Ltd.	The PRC
Haiyang Country Garden Kindergarten	The PRC
Haoting Country Garden Kindergarten	The PRC
Heshan Country Garden Kindergarten	The PRC
Heshan Country Garden School	The PRC
Heze Qiqiaoban Education Technology Limited	The PRC
Huadu Holiday Peninsula Kindergarten	The PRC
Huanan Country Garden Bilingual Kindergarten	The PRC
Huanan Country Garden Cuiyun Mountain Kindergarten	The PRC
Huanan Country Garden School (“HCGS”)	The PRC
Huaxi Country Garden International Kindergarten	The PRC
Huaxi Country Garden International School	The PRC
Hubei Sannew Education Development Limited	The PRC
Huidong Silver Beach Education Consulting Co., Ltd.	The PRC
Huiyang Country Garden Kindergarten	The PRC
Jining Boshiwei Education Consulting Limited	The PRC
Jurong Country Garden School	The PRC
Kaiping Country Garden Jade Bay Kindergarten	The PRC
Kaiping Country Garden School	The PRC
Laian Country Garden Foreign Language School	The PRC
Laian Country Garden Kindergarten	The PRC
Lanzhou Country Garden School	The PRC
Licheng Country Garden Bilingual Kindergarten	The PRC
Maoming Country Garden Kindergarten	The PRC
Nansha Country Garden Bilingual Kindergarten	The PRC

---

(1) In the process of completing the registration of alteration of sponsorship interests.



Ningxiang Country Garden Foreign Language Training School	The PRC
Ningxiang Country Garden Kindergarten	The PRC
Ningxiang Country Garden School	The PRC
Phoenix City Bilingual Kindergarten	The PRC
Phoenix City Bilingual School ("PCBS")	The PRC
Phoenix City Country Garden Kindergarten	The PRC
Phoenix City Fengyan Kindergarten	The PRC
Qingyuan Country Garden Bilingual Kindergarten	The PRC
Heze Economic Development Zone Electric Kindergarten	The PRC
Heze Economic Development Zone Qiqiaoban-OCT Kindergarten	The PRC
Caoxian Qiqiaoban Kindergarten	The PRC
HeZe Qiqiaoban Juancheng Kindergarten	The PRC
Juye Phoenix Qiqiaoban Dongfang Xintiandi Kindergarten	The PRC
Qiqiaoban Oscar Kindergarten	The PRC
Juancheng Shuncheng International Kindergarten	The PRC
Heze Mudan District Yihai Kindergarten	The PRC
Sanneu American Middle School	The PRC
Shangdong Boshiyou Education Consulting Limited	The PRC
Shanghai Elan Education and Training Co., Ltd.	The PRC
Shanghai Bolai Training Center Co., Ltd.	The PRC
Shaoguan Country Garden Foreign Language School	The PRC
Shaoguan Zhenjiang Country Garden Foreign Language Kindergarten	The PRC
Shawan Country Garden Kindergarten	The PRC
Shenghua Country Garden Bilingual School	The PRC
Taishan Country Garden School	The PRC
Time Elan Education Technology (Beijing) Co., Ltd.	The PRC
Wuhan Country Garden Kindergarten	The PRC
Wuhan Country Garden School	The PRC
Wuhan Donghu Tech Development Zone Xinqiao Kindergarten	The PRC
Wuhan Donghu Tech Development Zone Xinqiao-Jinxu Longcheng Kindergarten	The PRC
Wuhan Dongxihu District Dongqiao Kindergarten	The PRC
Wuhan Hongshan District Xinqiao Aijia Kindergarten	The PRC
Wuhan Mierdun Education Technology Limited	The PRC
Wuhan Qiaokou Mierdun Training School Limited	The PRC
Wuhan Qiaosheng Education Investment Co., Ltd.	The PRC
Wuhan Qingshan District Bilingual Kindergarten	The PRC
Wuhan Ruijiang Bright Scholar Education Industry Investment Fund Limited Partnership	The PRC
Wuyi Country Garden Bilingual School	The PRC
Xiangtan Yisuhe Country Garden Kindergarten	The PRC

Xiju Country Garden Kindergarten	The PRC
Zengcheng Country Garden Kindergarten	The PRC
Zengcheng Country Garden School	The PRC

**Certification by the Principal Executive Officer**  
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Derek Yiyi Feng, certify that:

1. I have reviewed this annual report on Form 20-F of Bright Scholar Education Holdings Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: December 23, 2019

By: /s/ Derek Yiyi Feng

Name: Derek Yiyi Feng

Title: Chief Executive Officer

---

**Certification by the Principal Financial Officer**  
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Dongmei Li, certify that:

1. I have reviewed this annual report on Form 20-F of Bright Scholar Education Holdings Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: December 23, 2019

By: /s/ Dongmei Li

Name: Dongmei Li

Title: Chief Financial Officer

---

**Certification by the Principal Executive Officer**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Bright Scholar Education Holdings Limited (the "Company") on Form 20-F for the year ended August 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Derek Yiyi Feng, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 23, 2019

By: /s/ Derek Yiyi Feng  
Name: Derek Yiyi Feng  
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 Bright Scholar Education Holdings Limited (the "Company") on Form 20-F for the year ended August 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dongmei Li, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 23, 2019

By: /s/ Dongmei Li  
Name: Dongmei Li  
Title: Chief Financial Officer

---

[Letterhead of Frost &amp; Sullivan]

December 23, 2019

Bright Scholar Education Holdings Limited  
No.1, Country Garden Road  
Beijiao Town, Shunde District Foshan, Guangdong 528300  
People's Republic of China.

**Re: Consent of Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.**

Ladies and Gentlemen,

We understand that Bright Scholar Education Holdings Limited (the "Company") plans to file an annual report on Form 20-F for the fiscal year ended August 31, 2019 ("Form 20-F") with the United States Securities and Exchange Commission (the "SEC").

We hereby consent to the references to our name and the inclusion of information, data and statements from our research reports and amendments thereto (collectively, the "Reports"), and any subsequent amendments to the Reports, as well as the citation of the Reports and amendments thereto, (i) in the Company's Form 20-F or any other future filings with the SEC (including with limitation, Form F-1, Form F-3, Form 6-K and other SEC filings) by the Company (collectively, the "SEC Filings"), (ii) in any written correspondence with the SEC, (iii) on the websites or in the publicity materials of the Company and its subsidiaries and affiliates, (iv) in institutional and retail roadshows and other activities in connection with the Company's future equity or debt offerings. We further hereby consent to the filing of this letter as an exhibit to the Form 20-F and any amendments thereto and as an exhibit to any other SEC Filings.

Yours faithfully,

For and on behalf of

**(Seal) Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Affixed**

By: /s/ Yves Wang

Name: Yves Wang

Title: Managing Director

---

[Letterhead of JunHe LLP]

Suite 1301, 13/F, E Building, G.T. Land Plaza  
No. 13 Zhujiang East Road, Zhujiang New Town, Tianhe District  
Guangzhou, 510623, P.R. China  
Tel: (86-20) 2805-9088  
Fax: (86-20) 2805-9099  
Email: junhegz@junhe.com

December 23, 2019

Bright Scholar Education Holdings Limited  
No.1, Country Garden Road  
Beijiao Town, Shunde District  
Foshan, Guangdong, PRC  
528300

Dear Sirs,

We consent to the references to our firm under “Item 3.Key Information— D. Risk Factors”, “Item 4.Information on the Company—A. History and development of the company” and “Item 5.Operating and Financial Review and Prospects—A. Operating Results—Critical Accounting Policies” included in Bright Scholar Education Holdings Limited’s annual report on Form 20-F for the year ended August 31, 2019 (the “Annual Report”), which is filed with the Securities and Exchange Commission (the “SEC”) on December 23, 2019. We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ JunHe LLP

---

JunHe LLP

---



## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement No. 333-222072 on Form S-8 of our report dated December 23, 2019, relating to the financial statements and the financial statement schedule of Bright Scholar Education Holdings Ltd. (the “Company”), its subsidiaries, other affiliated entities and its variable interest entities under common control with the Company (collectively referred to as the “Group”) (which report expresses an unqualified opinion and includes two explanatory paragraphs relating to the translation of Renminbi amounts into United States dollar amounts and the modified retrospective adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606) which was adopted by the Group on September 1, 2018) appearing in the Annual Report on Form 20-F of the Company for the year ended August 31, 2019.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Guangzhou, China

December 23, 2019

---