

# Offcn Education Technology Co., Ltd.

## 2020 Semi-Annual Report Summary

### I. Important Notes

This summary is extracted from the full semi-annual report. In order to fully understand the Company's operating results, financial status and future development plan, investors should read the full semi-annual report carefully disclosed on the media designated by the China Securities Regulatory Commission (CSRC). The Company's 2020 Semi-Annual Report is prepared and published in Chinese version, and the English version is for reference only. Should there be any inconsistency between the Chinese version and English version, the Chinese version shall prevail.

The board of directors, the supervisor committee, the directors, supervisors, and senior management of the company shall hereby guarantee the authenticity, accuracy and completeness of the annual report also without misrepresentations, misleading statements, or material omissions, and bear individual and joint legal liabilities.

All directors of the Company personally attended the board meeting to review this semi-annual report.

Notes of non-standard audit opinion

Applicable     Not applicable

The plan for the common stock profit distribution or the plan for converting reserved funds into share capital during the reporting period was reviewed by the board meeting

Applicable     Not applicable

There is no plan of cash bonus, dividend distribution and capitalizing of common reserves carried out by the Company

The plan for the distribution of preferred stock profits during the reporting period is adopted by the board of directors through resolution.

Applicable     Not applicable

### II. Basic Situation of the Company

#### 1. Company Profile

Stock Abbreviation	OFFCN EDU	Stock Code	002607
Stock Exchange for Stock Listing	Shenzhen Stock Exchange		
Contact Person and Contact Information	Secretary of the Board	Representative of Securities Affairs	
Name	Gui Hongzhi	Gu Pan	
Address	Block B, Hanhua Century Mansion, No.23 Xueqing Road, Haidian District, Beijing, China	Block B, Hanhua Century Mansion, No.23 Xueqing Road, Haidian District, Beijing, China	
Tel	010-83433677	010-83433677	
E-mail	ir@offcn.com	ir@offcn.com	

## 2. Key Accounting Information and Financial Indicators

Does the Company need to adjust its financial information retrospectively or restate its previous year accounting information?

Yes  No

	During the Reporting Period	Same Period of the Previous Year	Increase/Decrease Over Same Period of the Previous Year
Revenue (RMB)	2,807,980,480.60	3,637,419,515.48	-22.80%
Net profit attributable to shareholders of the parent company (RMB)	-233,026,645.16	493,025,465.15	-147.26%
Net profit after deducting non-recurring profit or loss attributable to shareholders of the parent company (RMB)	-367,542,382.83	472,434,917.34	-177.80%
Net cash flow from operating activities (RMB)	4,063,675,504.19	4,354,766,798.53	-6.68%
Basic earnings per share (RMB/share)	-0.04	0.08	-150.00%
Diluted earnings per share (RMB/share)	-0.04	0.08	-150.00%
Weighted average return on net assets	-9.00%	16.56%	-25.56%
	At the end of this reporting period	At the end of the previous year	Increase/Decrease over the end of the previous year
Total assets (RMB)	13,263,976,215.43	9,960,705,427.94	33.16%
Total equity attributable to shareholders of the parent company (RMB)	1,745,243,405.30	3,431,545,903.82	-49.14%

## 3. Number of Shares and Shareholders

Unit: share(s)

Total number of common shareholders at the end of reporting period	33,231	Total number of preferred shareholders with restored voting rights at end of the reporting period (if any)	0			
Particulars about shares held by the top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Shares held	Number of shares held with sales restrictions	Pledged or frozen	
					Status of shares	Amount
Lu Zhongfang	Domestic natural person	41.36%	2,550,549,260	2,550,549,260	Pledged	450,000,000

Li Yongxin	Domestic natural Person	18.35%	1,131,415,121	1,095,063,560	Pledged	774,495,000
Wang Zhendong	Domestic natural person	15.61%	962,471,418	962,471,418	Pledged	107,100,000
Beijing Aerospace Industry Investment Fund(Limited Partnership)	Domestic non-state- owned legal person	4.33%	267,353,171	267,353,171		
Beijing Guangyin Venture Investment Center (Limited Partnership)	Domestic non-state-owned legal person	2.89%	178,235,447	178,235,447		
Beijing Kirui Venture Investment Center(Limited Partnership)	Domestic non-state-owned legal person	1.44%	89,117,723	89,117,723		
Beijing Offcn Future Information Consulting Center(Limited Partnership)	Domestic non-state-owned legal person	1.30%	80,000,000	0		
Zhou Xiayun	Domestic natural person	1.28%	78,848,640	0	Pledged	37,148,845
Zhou Hui	Domestic natural person	1.17%	72,277,920	0	Pledged	9,450,000
Hong Kong Securities Clearing Co.,Ltd.	Overseas legal person	0.84%	52,098,611	0		
Explanation on the related relationship and concerted actions among the above-mentioned shareholders	The controlling shareholders and the actual controllers of the Company Lu Zhongfang and Li Yongxin are mother and son. Lu Zhongfang, Li Yongxin and Beijing Offcn Future Information Consulting Center (Limited Partnership) are acting in concert. Zhou Xiayun and Zhou Hui are father and son. The Company does not know whether the other shareholders are related parties or whether they are acting-in-concert parties.					
Explanation on the top 10 shareholders' participation in margin financing (if any)	N/A					

#### 4.Changes of controlling shareholders or actual controller

Controlling shareholder changed in the period

Applicable  Not applicable

Controlling shareholders had no change in reporting period.

Actual controller changed in the period

Applicable  Not applicable

Actual controller had no change in reporting period

#### 5.The total number of preferred shareholders and the top 10 preferred shareholders' shareholdings of the Company

Applicable  Not applicable

During the reporting period, the Company did not have preferred stockholders holding shares.

#### 6. Corporate Bond

Whether the Company has bonds publicly issued and listed on the stock exchange that have not expired or expired but not paid in full on the date of approval of the annual report

No

### III. Discussion about and Analysis of Business Operation

#### 1. Overview of Business Operation during the Reporting Period

In the first half of this year, the outbreak of the pandemic led to the national suspension from work and classes. As a result, a large number of recruitment examinations were postponed. These significant changes have had a huge impact on the entire education and training industry. With the gradual lifting of the pandemic, the industry has fully recovered and achieved rapid growth.

In response to the new situation after the pandemic, the central government put forward policies to ensure stability and security in six areas (Ensure stability in employment, financial operations, foreign trade, foreign investment, domestic investment, and expectations; ensure security in job, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments). These policies make the "employment" a top priority, which is evident in three measures. The first is to expand employment in public sectors. The number of civil servants, governmental institutions, state-owned enterprises and other recruitment increased by more than 20% year-on-year. The second is to expand admissions of postgraduate students, college students applying for university study, students pursuing second bachelor's degrees, and students aimed at vocational education, the number of whom has reached 1.7 million. These measures indicate a clear expansion trend in the mid-term and long-term recruitment sector. In this case, the education and training industry will still be developing at a medium and high speed in the next 5 to 10 years.

Faced with the sudden outbreak of the pandemic, which had a huge impact on the operating environment, the Company responded quickly and effectively to maximize the enterprise's strengths of digital resources, to considerably increase the total number of online classes, and to fully explore the potential of online and offline curriculum integration, which not only ensures the continuity of operation and teaching, but also strengthens the enterprise's leading force of online and offline curriculum integration, an innovative product. Besides, the Company continues to expand teacher-reserve and branches, focusing on the long-term expansion trend. Due to the postponement of related examinations, part of the revenue was delayed for nearly 4 months, which made the Company's recognized operating revenue decreased during the reporting period, compared with the same period of last year. With the resumption of all kinds of recruitment examinations, the Company has entered a period of explosive growth.

The number of college graduates reached 8.74 million in this year of 2020, creating a new record. However, the nationwide pandemic has further increased employment pressures. Two decades after the expansion of university enrollment, the employment population structure has undergone significant changes, and the number of college graduates has reached more than half of the total of new employees. The focus of stabilized employment will also be shifted from the general job seekers to college graduates.

With the changes of the international situation, the central government put forward a new policy of internal circulation; and an important support for the development of internal circulation is the new urbanization. The new urbanization is not only the reconfirmation of the trend of mid-term and long-term urbanization, but also the refinement of the urbanization path, which presents diverse patterns of urban clusters with different levels, such as metropolitan areas, central cities, counties, featured towns ,etc, which can further expand the development space. More importantly, the new urbanization will also be a deepening process and the most important aspect of which is the deepening and upgrading of public services. Therefore, the following expansion of public sector's recruitment will be strongly guided by the new policy on internal circulation..

**(1) The postponement of recruitment examinations result in the delay of income recognition, but the trend of enrollment expansion is again confirmed.**

The civil servant provincial joint examination was postponed for nearly 4 months, and other recruitment examinations were also postponed to a certain extent in the first half of this year. In the case that the agreement class accounted for a relatively high proportion, the delay of the examination resulted in a significant discrepancy between the level of revenue recognition for the reporting period and that of actual operation. During the reporting period, the Company achieved a total income of RMB 2,807,980,480.60 , down 22.80% from RMB3,637,419,515.48 in the same period of last year.

Contrary to the decrease in recognized revenue, the number of students increased by 37.08% year-on-year, from 1,788,952 to 2,452,252 during the reporting period; the contract liabilities (advanced payment after deducting the VAT ) was RMB 7,222,148,935.39, an increase of 31.50% over the same period of last year.

Normally, the first half of the year is an intensive period for civil service examinations. As a result of the

pandemic, the focus of the civil service examinations was delayed by 3-4 months and moved back to the second half of the year. Nevertheless, not only did the examination resume successfully, but the number of recruits also achieved a more consistent or even higher growth rate than expected. Compared with civil servants recruitment, there is much more room for recruitment in public services such as teachers, doctors and police. Therefore, the reconfirmation of expansion trend in civil servants recruitment clearly indicates the expansion trend in the recruitment of public service categories.

The key operating resources and performance indicators are shown in the table below:

Item	Indicators	At the end of the reporting period	At the end of last year	Change at the end of this reporting period compared with the end of last year
Operating resources	Directly operated branches	1,335	1,104	20.92%
	Employees	41,911	35,209	19.03%
	R&D personnels	2,702	2,051	31.74%
	Teaching professionals	18,036	13,475	33.85%
Item	Indicators	At the end of the reporting period	Same period last year	Year-on-year change (%)
Business & Revenues	Revenue of face-to-face training (RMB)	1,622,095,227.36	3,167,825,822.38	-48.79%
	Revenue of online training (RMB)	1,166,091,772.30	444,519,141.21	162.33%
	Training Students	2,452,252	1,788,952	37.08%
	Revenue (RMB)	2,807,980,480.60	3,637,419,515.48	-22.80%
	Net profits Attributable to Shareholders of the Company(RMB)	-233,026,645.16	493,025,465.15	-147.26%

**(2) The outbreak of Covid-19 is preventable, controllable, and predictable, and the Company has established a comprehensive response system as a countermeasure, which greatly enhanced its leading force in education and training industry.**

The outbreak of the pandemic has caused great distress to the whole education industry. With the advantages of the enterprise's platform and its excellent execution, the Company quickly created an effective response system, which not only enabled itself to go through the special period smoothly, but also took the opportunity to expand its

leading force and dominance.

In response to the problem that face-to-face teaching could not be carried out smoothly within a certain period of time, the Company made every effort to explore the digital resources in the enterprise platform. With the advantageous and standardized teaching and researching ability as a lever, digital penetration is carried out on the main course products, which again strengthens the leading advantage of online and offline integrated curriculum, so that more students can obtain the convenience of online learning and the effectiveness of face-to-face learning at the same time. As a result, the number of students in the reporting period increased significantly.

After the second quarter, with the pandemic gradually put into normalized prevention and control, people all over the country return to work and production. The second round of the epidemic in Beijing, Dalian and other places has been controlled rapidly and effectively, which once again reflects the relevant judgment that the pandemic is preventable, controllable and predictable.

**(3) Focusing on the future long-term growth, the Company significantly expands talent reserve and branches, though moving against general trend.**

Based on a clearer med-term and long-term trends in recruitment expansion and the expectation that the pandemic can be prevented and controlled, the company did not reduce the number of staff or eliminate branches but considerably expanded talent reserve and the scale of branches.

At the end of this reporting period, the total number of employees of the company was 41911, an increase of 6,702 compared with 35,209 in 2019, an increase of 19.03%. Among them, there are 18,036 teaching professionals, 4,561 more than 13,475 in 2019, an increase of 33.85%. There are 2,702 full-time R&D personnels, 651 more than 2,051 in 2019, an increase of 31.74%.

There are 1,335 outlets, 231 more than 1,104 in 2019, an increase of 20.92%.

**(4) The “take-off action” of the new business sector has been fruitful, and the capacity of talent reserve has been gradually released.**

During the reporting period, new businesses such as postgraduate entrance examinations and medical services still remained highly active, and new businesses seldom adopted the product model of agreement classes. The revenue recognition was not affected by examination delays, thus driving the comprehensive sequence in which they were located with revenue increased by 26.04% year-over-year increase. At the same time, as delays of recruitment examinations led to a decrease in revenue recognition of the relevant sequences, the revenue share of integrated sequence increased to 34.58 percent from 21.18 percent in the same period of last year.

Around 2019, the Company completed a round of intensive investments in resources of the active new businesses, especially in key categories such as postgraduate entrance examinations to achieve the leading scale of core teaching and research resources at one time. In addition, starting from the second half of 2019, the Company has taken "take-off action" for the new business segments, investing more management resources in the new businesses from the top level.

The outbreak of the pandemic strengthened the Company's determination to expand its operations across sectors, which also verified the rationality of strengthening the development of the marketing part for recruitment examinations. As a result, the special actions have been further strengthened and deepened. It has also boosted the current performance of related categories, and more importantly, further improved the overall layout advantages, which is conducive to realizing the medium and long-term sector's rotating growth trend.

In terms of the external situation, the academic qualification improvement sector has directly benefited from the strengthening of the employment stabilization policy since the pandemic. The Ministry of Education has increased its enrollment for further studies this year. The three expanded enrollments for postgraduates, undergraduates and second bachelors will absorb more than 1.7 million people, including about 1.4 million fresh graduates. According to relevant departments, 189,000 more graduate students will be admitted this year. It is estimated that the enrollment expansion will exceed 20%. The enrollment expansion of ordinary junior college students is 322,000. The enrollment expansion will mainly favor college applicants who will apply for majors that are promoted by national strategy or urgently needed by the society; and the enrollment expansion will take place in colleges and universities which are in the central and western regions and northeast China.

## 2. Matters related to financial statements

### (1) Changes in accounting policy, estimation, and methods when compared to the previous financial period

Applicable  Not applicable

Content and reasons of changes in accounting policies	Approval procedures	Remarks
According to the revised <i>Accounting Standards for Business Enterprises No. 14 - Revenue (Accounting [2017] No. 22)</i> (hereinafter referred to as the new revenue standard) issued by the Ministry of Finance on July 5, 2017, the Company will implement the new revenue standard from January 1, 2020.	Approved by the 10th Meeting of the 5th Board of Directors and the 9th Meeting of the 5th Board of Supervisors.	The Company adjusted the amount of relevant items in the opening financial statements, not adjusting the information in the comparable periods.

### (2) Explanation of ratification of major accounting error in the reporting period which needs to be tracked and restated

Applicable  Not applicable

No ratification of major accounting error in the reporting period which needs to be tracked and restated.

### (3) Explanation of changes in the scope of combined financial statements when compared with financial statements of the previous year

Applicable  Not applicable



The name of the subsidiary	Acquisition disposal of subsidiaries during the reporting period	Impact on overall production operations and performance
Shaanxi OFFCN Technology Co., Ltd.	New establishment	No major impact
Beijing OFFCN Future Education Technology Co., Ltd.	New establishment	No major impact