

Stock Code: 002607

Stock Abbr.: OFFCN EDU

Announcement No.:2021-018

Offcn Education Technology Co., Ltd.

2020 Annual Report Summary

I. Important Information

This summary is extracted from the full annual report. In order to fully understand the Company's operating results, financial status and future development plans, investors should read the full annual report carefully disclosed on the media designated by the China Securities Regulatory Commission (CSRC). The Company's 2020 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 Company's Board of Directors, Supervisory Committee, directors, supervisors, and senior management hereby guarantee that the contents of the Annual Report are true, accurate, and complete, and that there are no misrepresentations, misleading statements, or material omissions, and shall assume individual and joint legal liabilities.

All directors have attended the board meeting for reviewing this report.

Notes of non-standard audit opinion

☐ Applicable ☒ Not Applicable

The plan of the common stock profit distribution or the plan of increasing share capital by converting capital reserves during the reporting period reviewed by the board meeting

☐ Applicable ☒ Not Applicable

The Company plans not to distribute cash dividends, bonus shares, nor to increase share capital by converting capital reserves.

The plan of the preferred stock profit distribution during the reporting period approved by the board meeting

☐ Applicable ☒ Not Applicable

II. Basic Information about the Company

1. Company profile

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

2.The Company's main business and products during the reporting period

(1)Brief introduction to the main business or products and the business model in the reporting period

Offcn Education is a leading full-category vocational education institution in China, and it is also the pioneer and leader in the field of public service recruitment examination training. The Company bravely undertakes the mission of the times, continues to create new markets, and serves the society with friendliness and altruism.

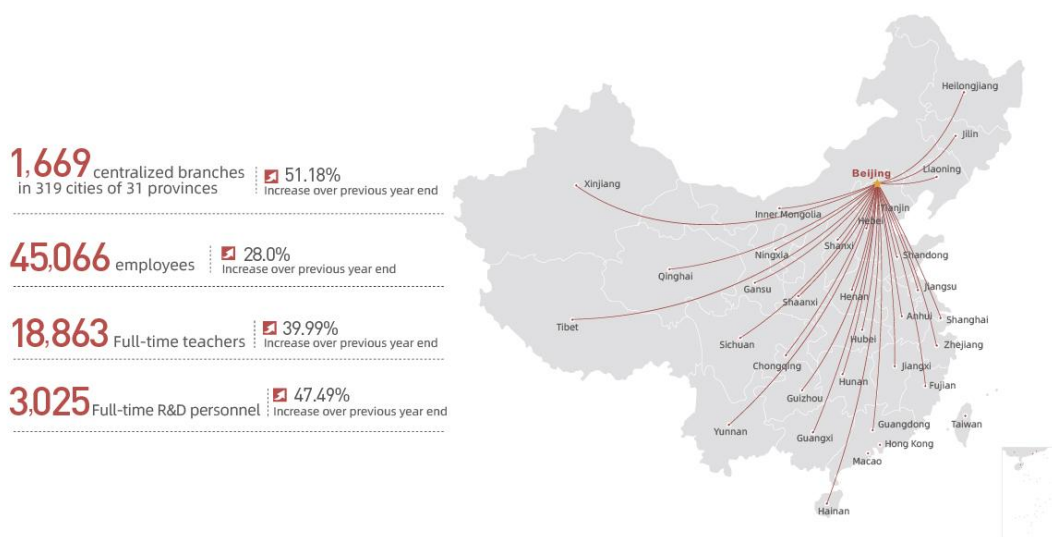
For hundreds of millions of knowledge-based people, the Company's main business covers three major sectors including enrollment examination training, academic qualification preparation and vocational ability training, and it provides more than 100 categories of comprehensive vocational training services. The Company has more than 1,600 outlets across the country, covering more than 300 prefecture-level cities, and is rapidly expanding into thousands of counties and universities.

Offcn Education mainly serves knowledge-based employment population including college students, university graduates, and various professionals, aged 18 to 45. This huge group of hundreds of millions of people is spread throughout the country, cities and towns at all levels and in all walks of life. Employment and vocational ability improvement are their two core demands.

Vocational ability determines labor productivity which is the key to China's success in overcoming the “middle income trap”. And employment is not only a barometer of economic growth, but also a fulcrum of the entire vocational education. It is also the ultimate arena for vocational education institutions.

For this reason, the vocational education institutions that can get closer to the employment needs in the largest scope and to the greatest extent can get more opportunities to turn the flywheel of multi-category growth and can become a dominator in the overall vocational education field.

After a long term exploration and accumulation, Offcn Education has owned a large-scale full-time R&D team of more than 3,000 people, a large-scale teaching team of more than 18,000 teachers, and a staff of more than 45,000 people. Relying on outstanding team execution and nationwide vertical integration and rapid response capabilities, the Company has developed into an innovation-driven high-growth enterprise platform.



2. Overview of the industry and business environment in 2020

(1) Greater progress has been made in education equity, and the "14th Five-Year Plan" has established new targets for investment in public services such as education and medical care.

After the NPC&CPPCC Annual Sessions, the reform of high school entrance examination featured by key high schools admission quotas for graduates from non-key middle schools has been carried out across the country. It is another significant measure for education equality following the previous reforms of multi-school division in one neighbourhood, equal recruitment from public and private schools, and randomized enrollment in the field of primary and middle school enrollments. With the return of basic education to its nature of public products, this round of reforms will greatly promote the expansion of teacher recruitment and teacher qualification certificate examinations.

The "14th Five-Year Plan" requires education equality and quality to be greatly improved, higher education to be popularized, and more than 60 million new jobs to be created in cities and towns. In addition, 20,000 kindergartens will be built, renovated and expanded in order to increase enrollments by over 4 million for ordinary families. And more than 4,000 primary and secondary schools will be newly built, renovated and expanded.

In terms of medical and health care, on the one hand, it is necessary to expand disease prevention and control bases and build national and regional medical centers. On the other hand, it is necessary to strive to upgrade 500 county-level hospitals to meet the facilities and service capabilities of top-tier hospitals.

In terms of elderly care services, 500 districts and counties will be supported in building a model community home elderly care service network, about 300 training and convalescent institutions will be supported in transformation into inclusive elderly care institutions, and more nursing beds will be provided for about 1,000 public elderly care institutions.

In terms of childcare services, 150 cities will be supported to develop childcare services with social resource, and more than 500,000 exemplary inclusive childcare enrollments will be added.

In summary, the "14th Five-Year Plan" will further accelerate investment in public services and further quantify the indicators, which will strongly promote the sustainable growth of the recruitment sectors, especially teachers, medical and community services.

(2) The pandemic has accelerated the elimination of industries, and large leading companies have further promoted the demand growth.

For a long time, the vocational education industry has been filled with small and scattered companies and the market competition is in chaos. On the one hand, the supply of cost-effective and high-quality education products is severely insufficient, which depresses demand, but on the other hand, there is a serious excess of homogenized production capacity and cutthroat competition is widespread. Only large enterprises can break through the difficulties and obstacles caused by the extreme fragmentation of the market. Through sufficient investment in core business such as teaching and research, channels, and management, brand-new and cost-effective products can be created, and huge potential demand can be dug out. By expanding business into various sectors and pushing each sector forward, a vocational education market field valued of tens of billions can be created. This trend has initially taken shape over the past few years, and the outbreak of Covid-19 has greatly accelerated the evolution of the trend, which is conducive for leading companies to faster market development.

(3) Main industry characteristics and cyclical characteristics

The industry of vocational education distributes vastly all over the country and demonstrates a significant long-tail effect. Different from both the K12 tutoring industry and English language training industry which are concentrated in big cities, the demand of vocational education distributes vastly in every province and every city, especially in the prefecture-level cities and the counties. Almost every county has a vocational high school, and every prefecture-level city has vocational colleges. The recruitment demand of public employers from prefecture-level cities and counties also occupies a large proportion, which stimulates lots of local small training institutions to get into the market and provides a wide space for the large scale players to expand their network of channels. Meanwhile, the nation-wide operation adds more difficulties to management on one hand, and lifts the barriers to competition on the other hand.

The training for public services recruitment test is seasonal. For students, the 1-2 years before or after graduation are the key period to take training classes for the recruitment tests.

The national civil servant test takes place once a year, and the provincial examinations for each province are basically once a year. Many provincial examinations take place in the first half of the year, while quite a few provinces choose to recruit civil servants in the second half. The recruitment of public institution employees and teachers are carried out according to the needs of the provinces and cities, which are evenly distributed in each month throughout the year. The documents of recruitment plan are of a great amount and the number of exams amounts to tens of thousands.

This seasonal fluctuation of recruitment has caused major growth bottlenecks for small and medium-sized training companies and motivated large enterprises to constantly challenge the scale boundary continuously. With the rapid increase in examination categories and business sectors, large enterprises will increasingly enjoy the results of scale effects and obtain a more sound resource allocation structure. In recent years, the momentum of recruitment examinations has switched to new areas such as public institutions, teachers and comprehensive recruitment, bringing the rapid concentration of market share into leading enterprises.

3.Key Accounting Data and Financial Indicators

(1) Key accounting data and financial indicators in the recent three years

Whether the Company needs to adjust its financial information retrospectively or restate its previous year accounting information

☐ Yes ☒ No

Unit: RMB

	Year 2020	Year 2019	Increase/Decrease over the previous year	Year 2018
Operating income (RMB)	11,202,494,295.04	9,176,129,995.89	22.08%	6,236,987,812.57
Net profit attributable to shareholders of the listed Company (RMB)	2,304,357,742.74	1,804,548,688.01	27.70%	1,152,887,416.22
Net profit after deducting non-recurring profits and losses attributable to shareholders of the listed Company (RMB)	1,867,289,479.85	1,700,369,663.16	9.82%	1,112,879,085.16
Net cash flow from operating activities (RMB)	4,882,469,101.91	2,473,986,085.19	97.35%	1,407,946,376.93

Basic earnings per share (RMB/share)	0.37	0.29	27.59%	0.22
Diluted earnings per share (RMB/share)	0.37	0.29	27.59%	0.22
Weighted average return on net assets	66.15%	60.71%	5.44%	71.89%
	Year End 2020	Year End 2019	Increase/Decrease Over Previous Year End	Year End 2018
Total assets (RMB)	14,418,850,027.27	9,960,705,427.94	44.76%	7,202,071,521.23
Net assets attributable to shareholders of the listed Company (RMB)	4,275,127,793.20	3,431,545,903.82	24.58%	2,953,951,905.00

(2) Quarterly key accounting data

Unit: RMB

	The First Quarter	The Second Quarter	The Third Quarter	The Fourth Quarter
Operating income	1,230,102,270.48	1,577,878,210.12	4,630,989,349.21	3,763,524,465.23
Net profit attributable to shareholders of the listed Company	116,303,799.91	-349,330,445.07	1,553,920,155.49	983,464,232.41
Net profit after deducting non-recurring profits and losses attributable to shareholders of the listed Company	77,685,654.82	-445,228,037.65	1,445,848,093.32	788,983,769.36
Net cash flow from operating activities	2,564,218,312.85	1,499,457,191.34	2,654,154,595.86	-1,835,360,998.14

Do the above financial indicators or their total differ significantly from those disclosed in the Company's quarterly and semi-annual reports?

☐ Yes ☒ No

4.Share capital and shareholders

(1)Number of ordinary shareholders, preferred shareholders with voting rights restored, and shareholdings of the top 10 shareholders

Unit: Share(s)

Total number of ordinary shareholders at the end of the reporting period	41,625	Total number of ordinary shareholders at the end of the previous month before the disclosure of the annual report	57,045	Total number of preferred shareholders with voting rights restored at the end of the reporting period	0	Total number of preferred shareholders with voting rights restored at the end of the previous month before the disclosure of the annual report	0
Shareholding of the top 10 shareholders							
Shareholder name	Nature of shareholders	Shareholding ratio	Number of shares	Number of shares with limited sale conditions	Pledge or freeze situation		
					Share status	Quantity	
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	1,131,415,121	Pledged		774,495,000
Wang Zhendong	Domestic natural person	15.61%	962,471,418	962,471,418	Pledged		140,764,011
Beijing Aerospace Industry Investment Fund	Domestic non-state-owned legal	4.33%	267,353,171	267,353,171			

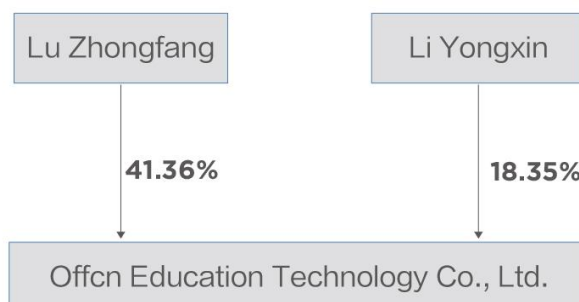
(Limited Partnership)	person					
Beijing Guangyin Venture Capital Center (Limited Partnership)	Domestic non-state-owned legal person	2.89%	178,235,447	178,235,447		
Hong Kong Securities Clearing Co., Ltd.	Overseas legal person	1.93%	119,248,789	0		
Beijing Kerui Technology Innovation Investment Center (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 Xiaoyun	Domestic natural Person	1.28%	78,848,640	0	Pledged	43,448,845
Zhou Hui	Domestic natural Person	1.17%	72,277,920	0	Pledged	11,050,000
Description of the above-mentioned shareholders' connected relationship or concerted action		The Company's controlling shareholder and actual controller Lu Zhongfang and Li Yongxin are in a parent-child relationship. Lu Zhongfang, Li Yongxin, and Beijing Offcn Future Information Consulting Center (Limited Partnership) constitute persons acting in concert. Zhou Xiaoyun and Zhou Hui have a father-son relationship. It is unknown whether there is an associated relationship among the above-mentioned other shareholders, and whether the above-mentioned shareholders belong to the parties acting in concert as stipulated in <i>the Administrative Measures on Disclosure of Information of Shareholding Changes in Listed Companies</i> .				
Explanation on the participation of the shareholders in margin trading and securities lending business (if any)		None				

(2) Number of preferred shareholders and shareholdings of the top 10 preferred shareholders

☐ Applicable ☒ Not applicable

There are no shareholdings of preferred shareholders in the Company during the reporting period.

(3) Block diagram of the property rights and control relationship between the Company and the actual controller



5. Corporate bonds

Does the Company have any corporate bonds publicly offered on the stock exchange, which were not due or were not be redeemed in full on the date of approval of the annual report

None

III. Management Discussion and Analysis of Business Operation

1. Brief introduction on business operation during the reporting period

2020 is a turbulent year. The sudden outbreak of Covid-19 has severely disrupted and adversely affected the business of the whole year. After arduous efforts, the Company has maintained steady development and continued to maintain its market leadership and potential for expansion.

Over the past three years, despite the institutional reforms and the pandemic, the Company has achieved steady growth in performance and business scale, systematically improved the comprehensive service level for students, and continued to maintain its leading edge in the industry. With the continuous expansion of business scale, the Company seized the opportunity to fully invest in and upgrade human resources management, outlets channels and teaching facilities. Abundant forward-looking investments were specially made for new types of recruitment, postgraduate entrance examination, college and high institution enrollment examination, vocational ability training and other key new businesses. The output effect from investments in these core business resources will become an important support for the next stage of development.

(1) Though the pandemic strongly disturbs the pace of recruitment, the Company, with prominent execution ability, overcomes difficulties with steady development.

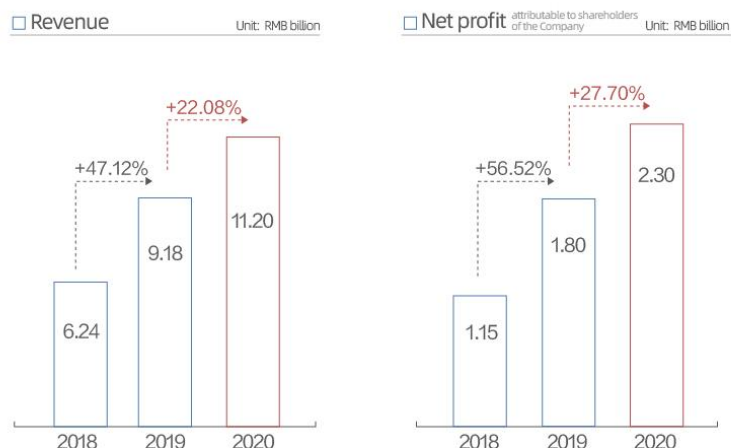
In early 2020, the market fluctuation caused by government institutional reform came to end and the recruitment demands rebounded again. But the sudden outbreak of Covid-19 strongly disturbed the rhythm of recruitment. Specifically, on the one hand, the recruitment in the first half of the year was almost frozen, and the daily operation and teaching could not proceed normally; on the other hand, the civil servant joint examination was postponed to the third quarter, which seriously squeezed the preparation time for recruitment and enrollment examinations of other sectors, resulting in a substantial shrink in recruitment of teachers and medical workers. And the recruitment and examination preparation for public institutions category and etc., were also disturbed.

With strong corporate platform capabilities and prominent team execution, the Company's performance has maintained steady and rapid growth. During the reporting period, the Company achieved a total operating income of RMB 11,202,494,295.04, an increase of 22.08% on year-on-year basis; net profit attributable to shareholders of the listed Company was RMB 2,304,357,742.74, an increase of 27.70% over the same period of the previous year. After deducting non-recurring profits and losses, net profit attributable to the parent company's shareholders was RMB 1,867,289,479.85, an increase of 9.82% on an annual basis.

The key operating resources and performance indicators in 2020 are stated in the table below:

Item	Indicators	At the end of the reporting period	At the end of last year	Year-on-year change
Operating resources	Directly operated branches	1,669	1,104	51.18%
	Employees	45,066	35,209	28.0%
	R&D personnel	3,025	2,051	47.49%
	Teaching professionals	18,863	13,475	39.99%

Business	Trainees	4,494,348	3,287,356	36.72%
	Revenue of face-to-face training (RMB)	8,233,444,798.58	8,083,730,102.79	1.85%
	Revenue of online training (RMB)	2,905,456,920.13	1,035,595,638.64	180.56%
Profits	Operating income (RMB)	11,202,494,295.04	9,176,129,995.89	22.08%
	Net profits attributable to shareholders of the listed Company (RMB)	2,304,357,742.74	1,804,548,688.01	27.70%



(2)The Company makes significant achievements in digital operations and receives explosive growth in OMO business.

The Company continues to promote the in-depth matching of digital operation and the vertical integrated rapid response system, using the power of digital operation to seek a more efficient level with rapid response, and further enhance the Company's core competitiveness based on speed economy. After the outbreak of the pandemic, the space for digital operation substantially expands. With a well-developed smart teaching platform, online large-scale R&D, and comprehensive service capabilities, the Company has promoted OMO products with unprecedented intensity. It has not only achieved significant results, but also contributed to considerable growth in an extremely unfavorable business environment. During the reporting period, the online training business achieved revenue of RMB 2,905,456,920.13, an increase of 180.56% over the same period of last year. The proportion of online training revenue in the overall revenue also increased significantly, from 11.29% in the same period of last year to 25.94%. The number of people receiving online training was close to 3 million, an increase of over 60%.

(3)Revenue of training sector for public service recruitment examinations grows steadily, and the training for civil servant examinations strongly pulled the sector through the pandemic period.

During the reporting period, the pandemic strongly disturbed the recruitment rhythm, and the performance of the training sector for public service recruitment examinations was under heavy pressure. However, the rebound of the recruitment demands is assured, especially the rebound of the recruitment demands of civil servants. In the case of temporary passive reduction of other recruitment demands, the training for civil servant examinations has driven the

training sector for public service recruitment examinations and the Company's overall performance to achieve steady growth.

In terms of recruitment categories, civil servants recruitment category achieved revenue of RMB 6,289,564,053.54 in the reporting period, an increase of 50.79% from RMB 4,171,091,369.87 in the same period of last year; public institutions recruitment category achieved revenue of RMB 1,273,504,970.82 in the reporting period, a decrease of 9.12% from RMB 1,401,287,171.43 in the same period of last year; and teachers recruitment category achieved revenue of RMB 1,794,466,441.92, a decrease of 7.15% from RMB 1,932,698,035.79 in the same period of last year. After merging other new businesses, other categories in total achieved revenue of RMB 1,781,366,252.43 in the reporting period, an increase of 10.35% from RMB 1,614,249,164.34 in the same period of last year.

The pandemic has significantly disturbed the annual operation cycle, resulting in a situation where the training for recruitment examinations in the first half of the year was half paused. In addition, the postponement of the provincial joint entrance examination for civil servants from the first half of the year to the second half of the year directly, on the one hand, affected the recruitment of teachers, public institutions employees, medical workers, etc., and the recruitment plan for this year was shrunk or delayed; and consequently on the other hand, job seekers focused on the preparation for civil servants recruitment in the second half of the year, and there was hardly any time for them to take extra training for other exams as what they did in previous years, which affected the Company's enrollment in other recruitment categories to a certain extent. This situation was partially alleviated when most of the college students returned to school in late September.

In the chaotic recruitment environment, the Company proactively carried out product innovation and enhanced its promotion efforts. With all the challenges, it still achieved steady growth in the number of trainees in each category. The number of trainees for the civil servant recruitment increased by more than 50%, and the Company's overall trainee number increased by almost 40%. Although there exists a slight decline in the revenue from public institutions and teachers recruitment, it has not changed the tendency of Company's rapid expansion in related fields, nor does it mean that the trend of steady increase of recruitment demands in these fields is reversed.

2. Whether there are significant changes in core business during the reporting period

☐ Applicable ☒ Not applicable

3. Particulars on products contributing to over 10% of the Company's main business revenue or main business profits

☐ Applicable ☒ Not applicable

4. Whether there are seasonal or cyclical characteristics of the business requiring special attention

☐ Yes ☒ No

5. During the reporting period, operating income, operating costs, and total net profit attributable to ordinary shareholders of the listed Company or composition significantly changed from the previous period

☐ Applicable ☒ Not applicable

6. Situation of delisting

☐ Applicable ☒ Not applicable

7.Related matters involving financial statements

(1)The explanation of the changes in accounting policies, accounting estimates and accounting methods compared with the financial statements of the previous year

☒ Applicable ☐ Not applicable

On July 5, 2017, the Ministry of Finance revised and issued *the Accounting Standards for Business Enterprises No. 14-Revenue*. According to the requirements of the Ministry of Finance, such standards should be implemented on January 1, 2018 for companies that are listed both at home and abroad and companies that are listed overseas and adopt International Financial Reporting Standards or Accounting Standards for Business Enterprises to prepare financial statements; on January 1, 2020 for other domestic listed companies; and on January 1, 2021 for non-listed companies that implement the Accounting Standards for Business Enterprises.

The Company's tenth meeting of the fifth board of directors held on March 9, 2020 approved the adoption of *the Accounting Standards for Business Enterprises No. 14-Revenue* (Finance Accounting [2017] No. 22) from January 1, 2020. According to the cumulative impact, the amount of retained earnings at the beginning of the year and other related items in the financial statements shall be adjusted, while the data in the comparable period shall not.

Changes in accounting policies have no impact on the financial statements of the parent company.

The implementation of this new accounting policy is not expected to have an impact on the Company's operating results, nor will it cause a major change in the Company's revenue recognition method, and will not have a major impact on the financial statements.

(2)Explanation of the situation in which the correction of major accounting errors occurs during the reporting period and needs to be retrospectively restated

☐ Applicable ☒ Not applicable

There is no such situation of correction of major accounting errors requiring to be retrospectively restated in the Company during the reporting period.

(3)Explanation of the changes in the scope of the consolidated statement compared with the financial statements of the previous year

☒ Applicable ☐ Not applicable

Full name of subsidiary	Ratio of shareholding(%)	Reasons for changes
1. Beijing Offcn Future Education Technology Co., Ltd.	100.00	Newly established
2. Beijing Offcn Future Research Education Technology Co., Ltd.	100.00	Newly established
3. Shaanxi Offcn Education Technology Co.,Ltd.	100.00	Newly established
4. Chengdu Offcn Future Education Training School Co.,Ltd.	100.00	Newly established
5. Wuhu Offcn Training School Co.,Ltd.	100.00	Newly established
6. Wuhan Guoshang Human Resource Service Co.,Ltd.	100.00	Newly established
7. Jinan Zhangqiu Offcn Training School Co.,Ltd.	100.00	Newly established
8. Mengzi Offcn Education Training Co.,Ltd.	100.00	Newly established

9. Beijing Offcn Technology Development Co.,Ltd.	100.00	Newly established
10. Shanghai Offcn Education Technology Co.,Ltd.	100.00	Newly established
11. Guangzhou Offcn Intelligence Education Technology Co.,Ltd.	100.00	Newly established
12. Pingshan Offcn Education Technology Co.,Ltd.	100.00	Newly established
13. Shandong Offcn Education Training School Co.,Ltd.	100.00	Newly established
14. Lanzhou Offcn Education Training School Co.,Ltd.	100.00	Newly established