

Origin Agritech LTD
Form 20-F
February 27, 2008

**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 EXCHANGE 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 September 30, 2007

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

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 _____

For the transition period from _____ to _____.

Commission file number: 000-51576

Origin Agritech Limited
(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

British Virgin Islands
(Jurisdiction of incorporation or organization)

No. 21 Sheng Ming Yuan Road, Changping District, Beijing 102206, China

Edgar Filing: Origin Agritech LTD - Form 20-F

(Address of principal executive offices)

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

Title of each class	Name of each exchange on which registered
Ordinary Shares	The NASDAQ Global Select Market

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 23,472,910 ordinary shares.

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer Accelerated filer Non-accelerated filer

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

ORIGIN AGRITECH LIMITED**TABLE OF CONTENTS****INTRODUCTION****PART I**

Item 1.	Identity of Directors, Senior Management and Advisers	3
Item 2.	Offer Statistics and Expected Timetable	3
Item 3.	Key Information	3
Item 4.	Information on the Company	29
Item 5.	Operating and Financial Review and Prospects	48
Item 6.	Directors, Senior Management and Employees	74
Item 7.	Major Shareholders and Related Party Transactions	84
Item 8.	Financial Information	88
Item 9.	The Offer and Listing	89
Item 10.	Additional Information	91
Item 11.	Quantitative and Qualitative Disclosures About Market Risk	99
Item 12.	Description of Securities Other than Equity Securities	100

PART II

Item 13.	Defaults, Dividend Arrearages and Delinquencies	100
Item 14.	Material Modifications to the Rights of Security Holders and Use of Proceeds	100
Item 15.	Controls and Procedures	100
Item 16A.	Audit Committee Financial Expert	102
Item 16B.	Code of Ethics	102
Item 16C.	Principal Accountant Fees and Services	102
Item 16D.	Exemption from the Listing Standards for Audit Committees	103
Item 16E.	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	103

PART III

Item 17.	Financial Statements	104
Item 18.	Financial Statements	104
Item 19.	Exhibits	

EX-2.2	INDENTURE DATED JULY 25, 2007	
EX-2.3	REGISTRATION RIGHTS AGREEMENT DATED JULY 25, 2007	
EX-2.4	AMENDMENT OF REGISTRATION RIGHTS AGREEMENT	
EX-2.5	SECOND AMENDMENT OF REGISTRATION RIGHTS AGREEMENT	
EX-2.6	THIRD AMENDMENT OF REGISTRATION RIGHTS AGREEMENT	
EX-2.7	INVESTOR RIGHTS AGREEMENT DATED JULY 25, 2007	

EX-2.8

NOTES PURCHASE AGREEMENT DATED JULY 25,
2007

EX-4.34 FORM OF INCENTIVE STOCK OPTION AGREEMENT
EX-4.35 FORM OF NONQUALIFIED SHARE OPTION AGREEMENT
EX-4.36 FORM SHARE TRANSFER AGREEMENT
EX-4.37 SHARE TRANSFER AGREEMENT DATED DECEMBER 25, 2006
EX-4.38 RENMINBI CAPITAL LOAN CONTRACT DATED JULY 6, 2007
EX-4.39 MORTGAGE CONTRACT DATED JULY 6, 2007
EX-4.40 RENMINBI CAPITAL LOAN CONTRACT DATED JULY 25, 2007
EX-4.41 GUARANTEE CONTRACT DATED JULY 25, 2007
EX-4.42 RENMINBI CAPITAL LOAN CONTRACT DATED SEPTEMBER 29, 2007
EX-4.43 GUARANTEE CONTRACT DATED SEPTEMBER 29, 2007
EX-4.44 RENMINBI CAPITAL LOAN CONTRACT DATED NOVEMBER 18, 2007
EX-4.45 MORTGAGE CONTRACT DATED NOVEMBER 18, 2007
EX-4.46 RENMINBI CAPITAL LOAN CONTRACT DATED NOVEMBER 13, 2007
EX-4.47 GUARANTEE CONTRACT DATED NOVEMBER 13, 2007
EX-4.48 RENMINBI CAPITAL LOAN CONTRACT DATED NOVEMBER 13, 2007
EX-8.1 UPDATED LIST OF SUBSIDIARIES
EX-12.1 CEO CERTIFICATION
EX-12.2 CFO CERTIFICATION
EX-13.1 CEO CERTIFICATION PURSUANT TO SECTION 906
EX-13.2 CFO CERTIFICATION PURSUANT TO SECTION 906
EX-15.1 CONSENT OF DELOITTE TOUCHE TOHMATSU CPA LTD. TO S-8
EX-15.2 CONSENT OF BDO TO S-8

INTRODUCTION

Except where the context otherwise requires and for purposes of this Annual Report only:

- “we,” “us,” “our company,” “our,” the “Company” and “Origin” refer to Origin Agritech Limited and, in the context of describing our operations, also include State Harvest Holdings Limited and the following, which are collectively described in this Annual Report as “our PRC Operating Companies”: Beijing Origin State Harvest Biotechnology Limited, or Origin Biotechnology, Beijing Origin Seed Limited, or Beijing Origin, and its four subsidiaries, Changchun Origin Seed Technology Development Limited, or Changchun Origin, Henan Origin Cotton Technology Development Limited, or Henan Origin, Denong Zhengcheng Seed Limited, or Denong, and Jilin Changrong High-tech Seed Limited, or Jilin Changrong;
- “last year,” “fiscal year 2007,” “the year ended September 30, 2007” and “the fiscal year ended September 30, 2007” refer to the twelve months ended September 30, 2007, which is the period covered by this Annual Report;
 - “shares” and “ordinary shares” refer to our ordinary shares, “preferred shares” refers to our preferred shares;
 - “China” or “PRC” refers to the People’s Republic of China, excluding Taiwan, Hong Kong and Macau;
 - “Hong Kong” refers to the Hong Kong Special Administrative Region of the People’s Republic of China; and
- all references to “Renminbi,” “RMB” or “yuan” are to the legal currency of China; all references to “U.S. dollars,” “dollars,” or “US\$” are to the legal currency of the United States. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

FORWARD-LOOKING INFORMATION

This Annual Report on Form 20-F contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about our company and industry. All statements other than statements of historical fact in this Annual Report are forward-looking statements. These forward-looking statements can be identified by words or phrases such as “may,” “will,” “expect,” “anticipate,” “estimate,” “plan,” “believe,” “is/are likely to” or similar expressions. The forward-looking statements included in this Annual Report relate to, among others:

- our goals and strategies, including how we implement our goals and strategies;
- our expectations for our future business and product development, business prospects, results of business operations and current financial condition;
 - expected changes in our margins and certain costs or expenditures;
 - our future pricing strategies or pricing policies;
- our ability to successfully anticipate market demand for crop seeds in our market and plan our volume and product mix;
- our plans for development of seed or technology internally, including our ability to successfully develop, produce, receive approval for and distribute proprietary seed products;
 - our expectations regarding our need to produce seeds under licenses from third parties;

- the future development of agricultural biotechnology as a whole;
- our plans to license or co-develop any seed product or technology;
- our plans regarding any future business combination;
- PRC and other international governmental policies and regulations relating to the crop seed industry;
- the impact of genetically modified crop seeds on our industry and the policies and regulation regarding these products, and our ability to receive the necessary approvals and to develop, produce, market and distribute genetically modified crop seeds;
- our plans to expand our business level or corporate level operations and product offerings;
- the likelihood of recurrence of accounting charges or impairments;
- expected changes in the respective component shares of our revenues stream from our business operations or other sources;
- competition in the crop seed industry in China and other international markets;
- the future development of the crop seed industry in China and other international markets;
- our plans for current staffing requirements, research and development and regional business focus;
- the adequacy of our facilities for our future operations; and
- other “forward-looking” information.

We believe it is important to communicate our expectations to our shareholders. However, there may be certain events in the future that we are not able to predict with accuracy or over which we have no certain control. The risk factors and cautionary language discussed in this Annual Report provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations in these forward-looking statements, including among other things:

- changing interpretations of generally accepted accounting principles;
- outcomes of the PRC and other international government reviews, inquiries, investigations and related litigation;
- continued compliance with the PRC and other international government regulations;
- legislative and regulatory environments, requirements or changes adversely affecting the businesses in which we and our PRC operating companies are engaged;
- fluctuations in the PRC or international customer demand;
- management of rapid growth of our business;
- intensity of competition from other providers of crop seeds in the PRC or other international markets;

- timing of approval and market acceptance of new products;
- general economic conditions in the PRC and worldwide; and

geopolitical events and regulatory changes.

These forward-looking statements involve various risks, assumptions and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, we cannot be certain that our expectations will materialize. Our actual results could be materially different from and worse than our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in Item 3.D of this Annual Report, “Key information — Risk Factors” and elsewhere in this Annual Report.

This Annual Report also contains information relating to the crop seed market. These market data include projections that are based on a number of assumptions. The crop seed market may not grow at the rates we project or at all. The failure of this market to grow at the projected rates may have a material adverse effect on our business and the market price of our shares. In addition, the relatively new and rapidly changing nature of the genetically modified crop seed industry subjects any projections or estimates relating to the growth prospects or future condition of our markets to significant uncertainties. Furthermore, if any one or more of the assumptions underlying the market data turns out to be incorrect, actual results may differ from the projections based on these assumptions.

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. Readers should read these statements in conjunction with the risk factors disclosed in Item 3.D of this Annual Report.

All forward-looking statements included herein attributable to us or other parties or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, we undertake no obligations to update these forward-looking statements to reflect events or circumstances after the date of this Annual Report or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

A. Selected financial data.

The following selected consolidated financial information has been derived from our consolidated financial statements. The following information should be read in conjunction with those statements and Item 5, “Operating and Financial Review and Prospects.” Our summary consolidated statements of operations and comprehensive income data for the year ended December 31, 2005, the nine months ended September 30, 2005 (unaudited) and 2006 and the twelve months ended September 30, 2007 and our summary consolidated balance sheet data as of September 30, 2006 and 2007, as set forth below, are derived from, and are qualified in their entirety by reference to, our audited consolidated financial statements, including the notes thereto, which are included in this Annual Report. The summary statement of operations and comprehensive income data for the years ended December 31, 2003 and 2004, and the summary balance sheet data as of December 31, 2003, 2004 and 2005 set forth below are derived from our audited consolidated financial statements not included herein. The summary statement of operations and comprehensive

income data for the twelve months ended September 30, 2006 set forth below are derived from our unaudited consolidated financial statements not included herein.

Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.

3

Edgar Filing: Origin Agritech LTD - Form 20-F

(in thousands, except share data)	For the year ended December 31			For the nine months ended September 30,		For the year ended September 30		
	2003 RMB	2004 RMB	2005 RMB	2005 RMB	2006 RMB	2006 RMB	2007 RMB	US\$(1)
Consolidated statement of operations and comprehensive income data:				(unaudited)	(unaudited)			
Net revenues	191,645	301,520	207,291	208,380	522,999	521,910	489,379	65,313
Cost of revenues	(118,977)	(178,313)	(129,162)	(126,418)	(362,982)	(365,726)	(462,852)	(61,773)
Gross profit	72,668	123,207	78,129	81,962	160,017	156,184	26,527	3,540
Selling and marketing	(13,310)	(20,390)	(27,037)	(18,993)	(49,651)	(57,695)	(57,994)	(7,740)
General and administrative	(18,948)	(24,149)	(28,983)	(19,712)	(40,933)	(50,204)	(92,246)	(12,311)
Research and development	(5,288)	(6,774)	(6,977)	(5,963)	(13,144)	(14,158)	(28,441)	(3,796)
Total operating expenses	(37,546)	(51,313)	(62,997)	(44,668)	(103,728)	(122,057)	(178,681)	(23,847)
Other operating income	-	-	2,309	-	-	-	-	-
Income from operations	35,122	71,894	17,441	37,294	56,289	34,127	(152,154)	(20,307)
Interest income	845	371	886	421	8,783	9,249	10,942	1,460
Interest expenses	(483)	(831)	(1,829)	(1,443)	(5,005)	(5,391)	(21,697)	(2,896)
Other income (expense)	1,137	149	300	62	2,893	5,441	1,312	175
Equity in earnings of associated company	-	1,925	879	305	12,828	13,400	(669)	(89)
Changes in the fair value of embedded derivatives	-	-	-	-	-	-	12,601	1,682
Income before income taxes	36,621	73,508	17,677	36,639	75,788	56,826	(149,665)	(19,975)
Income tax	(7,808)	(7,698)	(1,405)	(1,205)	(367)	(566)	49	