

Origin Agritech LTD
Form 20-F
January 27, 2011

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

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

For the fiscal year ended September 30, 2010

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

Commission file number: 000-5157

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
(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: 23,292,142 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 a 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 Standard as Issued by the International Accounting Standards Board Other

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

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INTRODUCTION

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

- o “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 and its subsidiary Shandong Kunfeng or Origin Kunfeng, Beijing Origin Seed Limited, or Beijing Origin, and its five 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, Jilin Changrong High-tech Seed Limited, or Jilin Changrong and Linze Origin Seed Limited, or Linze Origin,;
- o “last year,” “fiscal year 2010,” “the year ended September 30, 2010” and “the fiscal year ended September 30, 2010” refer to the twelve months ended September 30, 2010, which is the period covered by this Annual Report;
- o 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. The translation of Renminbi amounts into United States dollar amounts has been made for the convenience of the reader. Such translation amounts should not be construed as representations that the Renminbi amounts could be readily converted into United States dollar amounts at that rate or any other rate;
 - o “China” or “PRC” refers to the People’s Republic of China, excluding Taiwan, Hong Kong, and Macau;
 - o “Hong Kong” refers to the Hong Kong Special Administrative Region of the People’s Republic of China; and
 - o “shares” and “ordinary shares” refer to our ordinary shares, “preferred shares” refers to our preferred shares.

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 or any seed production operations, and current financial condition;
 - expected changes in our margins and certain costs or expenditures, inclusive of changes in our product costs;
 - 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 regulatory approval for and distribute proprietary seed products;
- “our expectations regarding our need to produce seeds and other biotechnology under licenses from third parties, and production results of our contracted farming production base;
- “the future development of agricultural biotechnology as a whole and the impact of genetically modified crop seeds in our industry;
- “the scope and impact of the governing and regulatory policies and laws regarding genetically modified seed products in China, and our ability to apply for and receive necessary approvals and to develop, produce, market and distribute genetically modified crop seeds;
- “compliance with government registration and regulation, including environmental regulations relating to our seed production and our chemical operations;
 - compliance with environmental regulatory standards relating to our chemical products;
 - “ our plans to license or co-develop any seed product or technology;
 - “ our plans regarding any future business combination or business acquisition;
 - “ PRC and other international governmental policies and regulations relating to the crop seed industry;
 - “ 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 our sources of revenue and income base 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;
- “our ability to successfully raise capital to accommodate growing company needs under acceptable terms or acceptable share price and at reasonable cost; and
 - “ the adequacy of our facilities or seed production for our future operations.

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 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 and the adoption or use of international accounting standards in the future;
- “ outcomes of PRC and international government reviews, inquiries, investigations and related litigation;
- “ continued compliance with the government regulations of the PRC and other governments;
- “ 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 the growth of our business and introduction of genetically modified products and chemical products;
- “ timing of approval, production, and market acceptance of new products, inclusive of chemical products and genetically modified products;
- “ general economic conditions in the PRC and worldwide; and
- “ geopolitical events and regulatory changes.

The forward-looking statements in this Annual Report 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 the risk factors included in this Annual Report.

This Annual Report also contains information relating to the crop seed market and agricultural chemical market in China. The market data includes projections based on a number of assumptions. The crop seed market and agricultural chemical may not grow at the rates we project, or at all. The failure of these markets 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 based on these assumptions.

The forward-looking statements made in this Annual Report relate only to events or information as of the date of the statements. Readers should read these statements in conjunction with the risk factors disclosed in 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 ADVISORS

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 was derived from our fiscal year end 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 years ended September 30, 2008, 2009 and 2010 and our summary consolidated balance sheet data as of September 30, 2009 and 2010, 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 the nine months ended September 30, 2006 and the years ended September 30, 2007 and the summary balance sheet data as of September 30, 2006, 2007 and 2008, set forth below are derived from our audited consolidated financial statements which are 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.

(in thousands, except share data)	For the nine months ended		For the year ended			
	September 30 2006 RMB	September 30, 2007 RMB	2008 RMB	2009 RMB	2010 RMB	USD
Consolidated statement of income and comprehensive income data:						
Net revenues	522,999	489,379	513,490	592,492	584,860	87,278
Cost of revenues	(362,982)	(462,852)	(404,795)	(392,842)	(353,587)	(52,766)
Gross profit	160,017	26,527	108,695	199,650	231,273	34,512
Selling and marketing	(49,651)	(57,994)	(53,203)	(55,648)	(52,227)	(7,794)
General and administrative	(40,933)	(92,246)	(73,355)	(64,833)	(78,708)	(11,745)
Research and development	(13,144)	(28,441)	(24,513)	(33,473)	(38,356)	(5,724)
Total operating expenses	(103,728)	(178,681)	(151,071)	(153,954)	(169,291)	(25,263)
Income (loss) from operations	56,289	(152,154)	(42,376)	45,696	61,982	9,249
Interest income	8,783	10,942	5,199	2,036	1,634	244
Interest expenses	(5,005)	(21,697)	(36,939)	(16,784)	(8,539)	(1,274)
Other income (expense)	2,893	1,312	628	(49,110)	2,340	349
	12,828	(669)	(7,702)	4,669	18,253	2,724

Equity in earnings/ gain on disposal of associated company						
Changes in the fair value of embedded derivatives	-	12,601	20,229	3,300	-	-
Income (loss) before income taxes	75,788	(149,665)	(45,557)	(10,193)	75,670	11,292

(in thousands, except share data)	For the nine months ended		For the year ended			
	September 30 2006	September 30, 2007	2008	2009	2010	
	RMB	RMB	RMB	RMB	RMB	USD
Income benefit (tax)	(367)	(49)	3,995	(11,732)	(9,319)	(1,319)
Income (loss) before non-controlling interests	75,421	(149,616)	(41,562)	(21,925)	66,351	9,319
Non-controlling interests	910	(13,584)	(1,724)	(18,892)	(17,298)	(2,319)
Net income (loss)	76,331	(163,200)	(43,286)	(40,817)	49,053	7,319
Income (loss) attributable to ordinary shareholders	76,331	(163,200)	(43,286)	(40,817)	49,053	7,319
Net income (loss) per share:						
Basic	3.25	(7.01)	(1.88)	(1.77)	2.12	0.35
Diluted	3.03	(7.01)	(1.88)	(1.77)	2.10	0.34
Shares used in computation:						
Basic	23,472,910	23,268,062	22,987,270	23,013,692	23,189,464	23,189,464
Diluted	25,187,753	23,268,062	22,987,270	23,013,692	23,337,265	23,337,265

(in thousands)	September 30	September 30	September 30	September 30	September 30	
	2006	2007	2008	2009	2010	USD
	RMB	RMB	RMB	RMB	RMB	USD
Consolidated balance sheet data:						
Cash and cash equivalents	140,953	162,314	102,263	121,255	299,672	44,720
Current working capital (2)	208,809	294,976	77,966	(33,533)	67,650	10,096
Total assets	984,126	1,110,983	894,296	824,544	935,011	139,531
Deferred revenue	24,101	23,238	34,848	18,280	23,111	3,449
Total current liabilities	509,631	499,347	487,576	546,822	596,611	89,032
Total liabilities	512,511	765,291	591,048	546,822	606,037	90,439
Non-controlling interests	13,049	48,775	39,224	51,389	57,089	8,519
Total shareholders' equity	458,566	296,917	264,024	226,333	271,885	40,573

(1) Translation of Renminbi amounts into United States dollar amounts has been made for the convenience of the reader for the year ended September 30, 2010 and has been made at the exchange rate quoted by the closing rate by the State Administration of Foreign Exchange in China on September 30, 2010 of RMB6.7011 to US\$1.00. Such translation amounts should not be construed as representations that the Renminbi amounts could be readily converted into United States dollar amounts at that rate or any other rate.

(2) Current working capital is the difference between total current assets and total current liabilities.

Exchange Rate Information

The conversion of Renminbi into U.S. dollars in this Annual Report is based on the noon buying rate in the City of New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York through December 31, 2008 and the State Administration of Foreign Exchange as of January 1, 2009 with respect to our historical financial statements relating to those time periods. As of December 31, 2008, the Federal Reserve Bank of New York discontinued publication of foreign exchange rates. The consolidated financial statements are presented in Renminbi as the reporting currency. The translation of Renminbi amounts into United States dollar amounts has been made for the convenience of the reader and has been made at the exchange rate quoted by the closing rate by the State Administration of Foreign Exchange in China on September 30, 2010 of RMB6.7011 to US\$1.00. Such translation amounts should not be construed as representations that the Renminbi amounts could be readily converted into United States dollar amounts at that rate or any other rate. Unless otherwise noted, for the nine months ended September 30, 2006 and the years ended September 30, 2007, 2008, 2009 and 2010, all translations from Renminbi to U.S. dollars in this Annual Report were made at RMB7.904, RMB7.4928, RMB6.7899, RMB 6.829 and RMB6.7011 per US \$1.00, respectively, which were the prevailing year or period end closing rates for those periods. 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.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this Annual Report or will use in the preparation of our periodic reports or any other information to be provided to you. The source of these rates is the Federal Reserve Bank of New York until December 31, 2008. Starting from January 1, 2009, the source of the rates is the State Administration of Foreign Exchange in China, as the Federal Reserve Bank of New York discontinued publication of foreign exchange rates. At September 30, 2010 the closing exchange rate was RMB6.7011 for one U.S. dollar.

Average (1)	High	Low
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