

Origin Agritech LTD
Form 20-F/A
January 10, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F/A

Amendment No. 2

(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, 2012

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: 000-51576

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

(Address of principal executive offices)

Dr. Han Gengchen

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

Tel: (86-10) 5890-7588

(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 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: 23,382,812 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 has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 c) Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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

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

EXPLANATORY NOTE

As reported in Item 18 of the Annual Report on Form 20-F filed on January 8, 2013, by Origin Agritech Limited, a British Virgin Islands corporation (the “Company”), Note 10 of the Company’s consolidated financial statements, *Equity Investment*, the Company owns a 30% equity interest in the Shijiazhuang Liyu Technology and Development Co., Ltd. (“Liyu”) and accounts for the investment under the equity method. For the year ended September 30, 2012, the Company recorded its pro-rata share of earnings in Liyu in the amount of RMB4,030,000, the proportion of which over the Company’s average income of the most recent five years is over 20%, therefore, the third condition of Rule 1-02(w) of Regulation S-X is met. As such, separate audited financial statements of Liyu are required under Rule 3-09 of Regulation S-X to be included in the Annual Report.

The Company is amending its Annual Report on Form 20-F for the fiscal year ended September 30, 2012 to add the disclosures required by Rule 4-08(g) of Regulation S-X with respect to summarized financial information of Liyu in Note 10 of the Company’s consolidated financial statements and include the audited financial statements of Liyu. This amendment includes only Item 18, the signature page, and the certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Exhibits 12.1, 12.2, 13.1 and 13.2) and the consents of independent registered public accounting firms to incorporation of their reports on the Registrant's consolidated financial statements and Liyu’s financial statements (Exhibits 15.1 and 15.2).

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PART III

ITEM 18: FINANCIAL STATEMENTS

The following financial statements are filed as part of this annual report on Form 20-F/A.

• Origin Agritech Limited's consolidated financial statements (*Page F-1 to F-39*)

• Shijiazhuang Liyu Technology Development Co., Ltd.'s financial statements (*Page F-41 to F-54*)

ITEM 19. EXHIBITS

Index to Exhibits

Exhibit

Number Description

12.1* CEO Certification Pursuant to Rule 13a-14(a) (17 CFR 240.13a-14(a)) (17 CFR 240.13a-14(a)) or Rule 15d-1(a) (17 CFR 240.15d-14(a))

12.2* CFO Certification Pursuant to Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-1(a) (17 CFR 240.15d-14(a))

13.1* CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

13.2* CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

15.1* Consent of BDO China Shu Lun Pan Certified Public Accountants LLP to incorporation of its reports on the Registrant's consolidated financial statements for fiscal years ended 2011 and 2012 and Shijiazhuang Liyu Technology Development Co., Ltd.'s financial statements for fiscal years ended 2010, 2011 and 2012 into Registrant's Registration Statements on Forms S-8 (#333-145865 and #333-166226)

15.2 * Consent of BDO Limited to incorporation of its report on the Registrant's consolidated financial statements for fiscal year ended 2010 into Registrant's Registration Statements on Forms S-8 (#333-145865 and #333-166226)

* Filed herewith.

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ORIGIN AGRITECH LIMITED

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Origin Agritech Limited

We have audited the accompanying consolidated balance sheets of Origin Agritech Limited and its subsidiaries and variable interest entities (the “Company”) as of September 30, 2011 and 2012 and the related consolidated statements of income and comprehensive income, equity and cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of September 30, 2011 and 2012, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO China Shu Lun Pan Certified Public Accountants LLP

BDO China Shu Lun Pan Certified Public Accountants LLP

Shenzhen, The People’s Republic of China

January 8, 2013

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Origin Agritech Limited

We have audited the accompanying consolidated statements of income and comprehensive income, equity and cash flows of Origin Agritech Limited and its subsidiaries and variable interest entities (the “Company”) for the year ended September 30, 2010, all expressed in Renminbi. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the result of operations and cash flows of the Company for the year ended September 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO Limited

BDO Limited

Hong Kong

January 27, 2011

ORIGIN AGRITECH LIMITED**CONSOLIDATED BALANCE SHEETS****(In thousands, except number of share and per share data)**

	September 30,		
	2011	2012	2012
	RMB	RMB	US\$
ASSETS			
Current Assets			
Cash and cash equivalents	129,942	152,789	24,095
Accounts receivable, less allowance for doubtful amounts of RMB2,714 and RMB6,752 as of September 30, 2011 and 2012, respectively (note 4)	6,616	7,065	1,114
Due from related parties (note 3)	5,183	2,082	328
Advances to suppliers (note 5)	12,418	7,802	1,230
Advances to growers	78,623	88,194	13,909
Inventories (note 6)	210,826	282,544	44,558
Income tax recoverable (note 18)	2,155	2,159	341
Other current assets (note 7)	65,055	16,407	2,587
Total current assets	510,818	559,042	88,162
Land use rights, net (note 8)	33,094	32,318	5,097
Plant and equipment, net (note 9)	190,094	317,085	50,006
Equity investments (note 10)	20,503	22,433	3,538
Goodwill (note 2)	11,973	11,973	1,888
Acquired intangible assets, net (note 11)	29,232	25,585	4,035
Deferred income tax assets (note 18)	3,028	1,755	277
Other assets (note 12)	19,640	5,246	827
Total assets	818,382	975,437	153,830
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings (note 13)	20,000	35,000	5,520
Current portion of long-term borrowings (note 13)	-	4,000	630
Accounts payable	5,740	5,031	793
Due to growers	7,947	4,304	679
Due to related parties (note 3)	1,728	2,769	437
Advances from customers	397,933	435,044	68,608
Deferred revenues	19,812	23,243	3,666
Income tax payable (note 18; note 21)	39,060	39,060	6,160
Other payables and accrued expenses (note 14)	40,351	56,744	8,949
Total current liabilities	532,571	605,195	95,442
Long-term borrowings (note 13)	-	35,000	5,520
Other long-term liability (note 15)	-	21,810	3,439
Total liabilities	532,571	662,005	104,401
Commitments and contingencies (note 21)			

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Shareholders' equity:			
Preferred stock (no par value; 1,000,000 shares authorized, none issued)	-	-	-
Common stock (no par value; 60,000,000 shares authorized, 23,382,812 and 23,382,812 shares issued and outstanding as of September 30, 2011 and 2012, respectively)	-	-	-
Additional paid-in capital	394,344	397,671	62,714
Accumulated deficit	(99,533)	(100,967)	(15,923)
Treasury stock at cost (498,851 shares) (note 17)	(29,377)	(29,377)	(4,633)
Accumulated other comprehensive loss	(6,397)	(6,280)	(990)
Total Origin Agritech Limited shareholders' equity	259,037	261,047	41,168
Non-controlling interests	26,774	52,385	8,261
Total equity	285,811	313,432	49,429
Total liabilities and equity	818,382	975,437	153,830

The accompanying notes are an integral part of these consolidated financial statements.

ORIGIN AGRITECH LIMITED**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME****(In thousands, except number of share and per share data)**

	Year ended September 30,			
	2010 RMB	2011 RMB	2012 RMB	2012 US\$
Revenues	584,860	567,434	552,111	87,070
Cost of revenues	(353,587)	(371,591)	(387,783)	(61,155)
Gross profit	231,273	195,843	164,328	25,915
Operating expenses				
Selling and marketing	(52,227)	(56,831)	(56,437)	(8,900)
General and administrative	(78,708)	(86,748)	(77,585)	(12,236)
Research and development	(38,356)	(44,771)	(37,629)	(5,934)
Other income, net	2,340	5,120	3,852	608
Total operating expenses, net	(166,951)	(183,230)	(167,799)	(26,462)
Income(loss) from operations	64,322	12,613	(3,471)	(547)
Interest expense	(8,539)	(1,469)	(4,029)	(635)
Share of net income of equity investments	9,370	1,616	4,030	636
Gain on disposal of an equity investment	8,883	-	-	-
Loss on liquidation of a subsidiary	-	(13,582)	-	-
Interest income	1,634	1,771	2,547	401
Income (loss) before income taxes	75,670	949	(923)	(145)
Income tax expense (note 18)				
Current	(4,046)	(6,991)	(589)	(93)
Deferred	(5,273)	(6,739)	(1,273)	(201)
Income tax expense	(9,319)	(13,730)	(1,862)	(294)
Net income (loss)	66,351	(12,781)	(2,785)	(439)
Less: Net income (loss) attributable to non-controlling interests	17,298	10,298	(1,351)	(213)
Net income (loss) attributable to Origin Agritech Limited	49,053	(23,079)	(1,434)	(226)
Other comprehensive income (loss)				
Net income (loss)	66,351	(12,781)	(2,785)	(439)
Foreign currency translation difference	1,067	2,939	117	19
Comprehensive income (loss)	67,418	(9,842)	(2,668)	(420)
Less: Comprehensive income (loss) attributable to non-controlling interests	17,298	10,298	(1,351)	(213)

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Comprehensive income (loss) attributable to Origin Agritech Limited	50,120	(20,140)	(1,317)	(207)
Net income (loss) attributable to Origin Agritech Limited per share – basic (note 19)	2.12	(1.00)	(0.06)	(0.01)
Net income (loss) attributable to Origin Agritech Limited per share – diluted (note 19)	2.10	(1.00)	(0.06)	(0.01)
Shares used in calculating basic net income (loss) per share	23,189,464	23,351,615	23,382,812	23,382,812
Shares used in calculating diluted net income (loss) per share	23,337,265	23,351,615	23,382,812	23,382,812

The accompanying notes are an integral part of these consolidated financial statements.

ORIGIN AGRITECH LIMITED**CONSOLIDATED STATEMENTS OF EQUITY****(In thousands, except number of share and per share data)**

	Equity attributable to Origin Agritech Limited							
	Common stock Shares	Additional Paid-in Capital RMB	RMB	Retained Earnings (Deficit) RMB	Accumulated Other Comprehensive Income (Loss) RMB	Treasury Stock RMB	Non- controlling Interest RMB	Total Equity RMB
Balance as of September 30, 2009	23,013,692	-	391,620	(125,507)	(10,403)	(29,377)	51,389	277,722
Net income for the year	-	-	-	49,053	-	-	17,298	66,351
Issuance of common stock upon exercise of share options	278,720	-	6,535	-	-	-	-	6,535
Acquisition of additional equity interest in a subsidiary from non-controlling interests	-	-	(15,971)	-	-	-	(8,229)	(24,200)
Share-based compensation expense	-	-	4,868	-	-	-	-	4,868
Acquisition of a subsidiary	-	-	-	-	-	-	3,538	3,538
Dividend paid to non-controlling interests	-	-	-	-	-	-	(6,907)	(6,907)
Translation adjustment	-	-	-	-	1,067	-	-	1,067
Balance as of September 30, 2010	23,292,412	-	387,052	(76,454)	(9,336)	(29,377)	57,089	328,974
Net income (loss) for the year	-	-	-	(23,079)	-	-	10,298	(12,781)
Issuance of common stock upon exercise of share options	90,400	-	2,654	-	-	-	-	2,654
Share-based compensation expense	-	-	4,638	-	-	-	-	4,638
	-	-	-	-	-	-	19,600	19,600

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New subsidiary established									
Liquidation of a subsidiary	-	-	-	-	-	-	(48,123)	(48,123)	
Dividend paid to non-controlling interests	-	-	-	-	-	-	(12,090)	(12,090)	
Translation adjustment	-	-	-	-	2,939	-		2,939	
Balance as of September 30, 2011	23,382,812	-	394,344	(99,533)	(6,397)	(29,377)	26,774	285,811	
Net loss for the year	-	-	-	(1,434)	-	-	(1,351)	(2,785)	
Share-based compensation expense	-	-	3,327	-	-	-	-	3,327	
Capital injection from a non-controlling shareholder	-	-	-	-	-	-	29,400	29,400	
Disposal of non-controlling interest in a subsidiary	-	-	-	-	-	-	(2,438)	(2,438)	
Translation adjustments	-	-	-	-	117	-	-	117	
Balance as of September 30, 2012	23,382,812	-	397,671	(100,967)	(6,280)	(29,377)	52,385	313,432	
In US\$ @ 6.3410		-	62,714	(15,923)	(990)	(4,633)	8,261	49,429	

The accompanying notes are an integral part of these consolidated financial statements.

ORIGIN AGRITECH LIMITED**CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)**

	Year ended September 30,			
	2010 RMB	2011 RMB	2012 RMB	2012 US\$
Operating activities:				
Net income (loss) attributable to Origin Agritech Limited	49,053	(23,079)	(1,434)	(226)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	21,712	23,307	19,541	3,082
Loss (gain) on disposal of plant and equipment	(26)	6,252	1,401	221
Gain on disposal of a land use right	-	-	(825)	(130)
Gain on disposal of an equity investment	(8,883)	(1)	-	-
Loss on disposal of Kunfeng's assets	-	-	1,814	286
Loss on liquidation of a subsidiary	-	13,583	-	-
Impairment on receivables	-	1,872	4,038	637
Inventory write down	14,971	12,978	27,453	4,329
Deferred income tax assets	5,274	6,739	1,273	201
Non-controlling interests	17,298	10,298	(1,351)	(213)
Share-based compensation expense	4,868	4,638	3,327	525
Share of net income of equity investments	(9,370)	(1,616)	(4,030)	(636)
Changes in operating assets and liabilities:				
Accounts receivable, net	(4,356)	1,560	(4,486)	(708)
Due from related parties	1,897	(76)	3,101	489
Advances to growers	(16,010)	(37,932)	(9,571)	(1,509)
Advances to suppliers	2,940	(8,432)	4,616	728
Inventories	45,783	15,175	(102,230)	(16,122)
Income tax recoverable	(1,020)	590	(4)	(1)
Other current assets	98	4	48,648	7,672
Other assets	3,193	(3,010)	14,394	2,270
Accounts payable	(5,137)	(3,220)	(709)	(112)
Due to growers	32,567	(34,239)	(3,643)	(574)
Due to related parties	(7,773)	984	1,041	164
Advances from customers	128,834	49,136	37,111	5,853
Deferred revenues	4,831	(3,299)	3,431	541
Income tax payable	4,414	4,113	-	-
Other long-term liabilities	9,426	(7,003)	21,810	3,439
Other payables and accrued expenses	4,020	8,135	17,997	2,838
Net cash provided by operating activities	298,604	37,457	82,713	13,044

The accompanying notes are an integral part of these consolidated financial statements.

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ORIGIN AGRITECH LIMITED**CONSOLIDATED STATEMENTS OF CASH FLOWS – Continued****(In thousands)**

	Year ended September 30,			
	2010 RMB	2011 RMB	2012 RMB	2012 US\$
Investing activities:				
Dividends received	1,200	2,467	2,100	331
Purchase of plant and equipment	(15,839)	(56,332)	(104,214)	(16,435)
Liquidation of a subsidiary	-	(67,980)	-	-
Proceeds from disposal of an equity investment	50,000	-	-	-
Additional capital injection to an equity investment	-	(600)	-	-
Proceeds from disposal of land use right	-	-	1,140	180
Proceeds from disposal of plant and equipment	247	-	5,495	867
Deposits for purchase of acquired technology and land use rights	(39)	(1,280)	-	-
Deposits for purchase of plant and equipment	(3,044)	(11,468)	(43,874)	(6,919)
Business acquisition, net of cash acquired	(10,540)	-	-	-
Purchase of land use rights	-	-	(431)	(68)
Purchase of intangible assets	(6,880)	(19,197)	(3,599)	(568)
Net cash provided by (used in) investing activities	15,105	(154,390)	(143,383)	(22,612)
Financing activities:				
Restricted bank deposits	500	-	-	-
Proceeds from short-term borrowings	191,900	20,000	105,000	16,559
Repayment of short-term borrowings	(186,290)	(85,900)	(90,000)	(14,193)
Proceeds from long-term borrowings	-	-	39,000	6,150
Repurchase of convertible notes	(117,896)	-	-	-
Acquisition of additional equity interest from non-controlling shareholders	(24,200)	-	-	-
Capital injection from a non-controlling shareholder	-	19,600	29,400	4,636
Dividends paid to non-controlling shareholders	(6,908)	(12,090)	-	-
Proceeds from exercise of share options	6,535	2,654	-	-
Net cash (used in) provided by financing activities	(136,359)	(55,736)	83,400	13,152
Net increase (decrease) in cash and cash equivalents	177,350	(172,669)	22,730	3,584
Cash and cash equivalents, beginning of year	121,255	299,672	129,942	20,492
Effect of exchange rate changes on cash and cash equivalents	1,067	2,939	117	19
Cash and cash equivalents, end of year	299,672	129,942	152,789	24,095
Supplemental disclosures of cash flow information:				
Income taxes paid	652	6,990	589	93

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Interest paid	8,539	1,469	4,029	635
Supplemental disclosure of non-cash investing activities:				
Disposal of assets in lieu of payment for liabilities	-	-	1,814	286
Other current assets to be received from liquidation of a subsidiary	-	45,236	-	-

The accompanying notes are an integral part of these consolidated financial statements.

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ORIGIN AGRITECH LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012****(In thousands, except number of share, per share data and unless otherwise stated)****1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

Origin Agritech Limited (“Agritech”), incorporated under the laws of the British Virgin Islands, and its subsidiaries and variable interest entities (together, the “Company”) are principally engaged in hybrid crop seed development, production and distribution. As of September 30, 2012, details of the Company’s subsidiaries and variable interest entities are as follows:

Name	Date of Incorporation or Establishment	Place of Incorporation or Establishment	Percentage of Ownership	Principal Activity
<u>Subsidiaries:</u>				
State Harvest Holdings Limited (“State Harvest”)	October 6, 2004	British Virgin Islands	100%	Investment holding
Beijing Origin State Harvest Biotechnology Limited (“BioTech”)	December 1, 2004	People’s Republic of China (“PRC”)	100%	Hybrid seed technology development
Shandong Kunfeng Biochemical Limited (note (iii)) (“Kunfeng”)	June 14, 2006	PRC	100%	Agricultural chemical producer
<u>Variable interest entity:</u>				
Beijing Origin Seed Limited (note (i)) (“Beijing Origin”)	December 26, 1997	PRC	-	Hybrid crop seed development, production and distribution
<u>Subsidiaries held by Beijing Origin:</u>				
Henan Origin Cotton Technology Development Limited (note (i)) (“Henan March 2, 2001 Cotton”)	March 2, 2001	PRC	92.04%	Hybrid crop seed development, production and distribution

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Changchun Origin Seed Technology Development Limited (note (i); note (iv)) (“Changchun Origin”)	April 29, 2003	PRC	99.83%	Hybrid crop seed development, production and distribution
Linze Origin Seed Limited (note (i))	November 18, 2008	PRC	100%	Hybrid crop seed development, production and distribution
Xinjiang Originbo Seed Company Limited (“Xinjiang Origin”) (note (i); note (ii))	July 13, 2011	PRC	51%	Hybrid crop seed development, production and distribution
Denong Zhengcheng Seed Limited (note v) (“Denong”)	June 21, 2000	PRC	98.58%	Hybrid seed development, production and distribution

Note (i): Beijing Origin Seed Limited, Henan Origin Cotton Technology Development Limited, Changchun Origin Seed Technology Development Limited, Linze Origin Seed Limited and Xinjiang Originbo Seed Company Limited are collectively referred to as “Beijing Origin”.

Note (ii): During the year, both Beijing Origin and the non-controlling interest made capital injection to Xinjiang Originbo Seed Company Limited, leading to an increase in its paid in capital to RMB100,000 from RMB40,000 in last year. Subsequent to the capital injection, Beijing Origin holds a 51% ownership interest in Xinjiang Origin.

ORIGIN AGRITECH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(In thousands, except number of share, per share data and unless otherwise stated)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - Continued

Note (iii): As of April 6, 2012, Kunfeng has completed its restructuring procedures and is now a wholly owned subsidiary of BioTech.

Note (iv): In July 2012, Beijing Origin made capital injection to Changchun Origin, leading to an increase in its paid in capital to RMB30,000 from 5,000 in last year. Subsequent to the capital injection, the share ratio of Beijing Origin increased to 99.83% from 99% last year.

Note (v): In June 2012, Beijing Origin made capital injection to Denong, leading to an increase in its paid in capital to RMB120,000 from 80,000 last year. Subsequent to the capital injection, the share ratio of Beijing Origin increased to 98.58% from 97.87% last year.

The Share Exchange Transaction

On December 20, 2004, Chardan China Acquisition Corp. (“Chardan”) entered into a Stock Purchase Agreement with State Harvest, and all the stockholders of State Harvest for Chardan’s acquisition of State Harvest. For the acquisition, Chardan formed its wholly owned subsidiary, Agritech. On November 8, 2005, the closing date of the acquisition (the “Closing Date”), Chardan merged with and into Agritech for the purpose of re-domestication out of the United States. The re-domestication merger was achieved by a one-for-one exchange of all the outstanding common shares of Chardan for common shares of Agritech and the assumption of all the rights and obligations of Chardan by Origin Agritech, including assumption of the outstanding warrants of Chardan. Immediately after the re-domestication merger, Agritech acquired all the common stock of State Harvest by the issuance of shares and payments of cash consideration to the then shareholders of State Harvest (“State Harvest Shareholders”) or their designee, making it a wholly owned subsidiary (the “Share Exchange Transaction”). State Harvest Shareholders and their designee were paid an aggregate of US\$10,000 in cash, using the funds held in the trust account of Chardan, and was issued an aggregate of 10,000,000 shares of Agritech common stock for all the outstanding common stock of State Harvest. The Share Exchange Transaction was accounted for as a reverse acquisition in which State Harvest was deemed to be the accounting acquirer and Agritech the legal acquirer. The payments of the cash consideration are accounted for as a deemed distribution.

Of the cash portion of the purchase price, US\$250 has been held back for one year by Agritech to secure certain indemnification obligations of State Harvest Shareholders and their designee. Other than the issuance of the

above-mentioned 10,000,000 shares, Agritech has issued 200,000 shares to a financial advisor in connection with the Share Exchange Transaction.

As a result of the Share Exchange Transaction the historical consolidated financial statements of the Company for the periods prior to the Closing Date are those of State Harvest and its majority owned subsidiaries and its variable interest entity, Beijing Origin and all references to the consolidated financial statements of the Company apply to the historical consolidated financial statements of State Harvest, its majority owned subsidiary and Beijing Origin prior to the Closing Date and the consolidated financial statements of Agritech and its majority owned subsidiaries and Beijing Origin subsequent to the Closing Date. The Company's equity components are stated in terms of State Harvest before the Closing Date, with an adjustment to reflect the effects of the reverse acquisition on the equity components at the Closing Date.

As Chardan was a non-operating public shell company before the Share Exchange Transaction, no goodwill has been recorded in connection with the Share Exchange Transaction and the costs incurred in connection with such transaction have been charged directly to equity as there was sufficient equity to absorb the costs. The net book value of acquired assets and liabilities pursuant to the Share Exchange Transaction is as follows:

	RMB
Net assets acquired:	
Cash	163,517
Other current assets	6,201
Due to State Harvest Shareholders and their designee	(2,022)
Other payables and accrued expenses	(965)
	166,731
Less: Transaction costs paid in cash	(14,430)
Tax effect of the Share Exchange Transaction	(39,060)
	113,241

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - Continued

Additional purchase price payments would be made to State Harvest Shareholders and their designee, up to an aggregate of US\$15,000 if either of the following occurs during any fiscal year of Agritech after the Closing Date until December 31, 2008 (or June 30, 2009 if the fiscal year is changed to a July 1–June 30 fiscal year) from funds generated in the additional financing or from operational earnings as described below:

(1) If Agritech receives at least US\$40,000 in gross proceeds in additional financing as a result (i) of the call of the issued and outstanding public warrants assumed by Agritech at the closing; (ii) Agritech's successful completion of a follow-on offering; or (iii) a private investment into Agritech by a strategic investor ("Financing Adjustment"), then Agritech will pay an additional US\$15,000 to State Harvest Shareholders and their designee; or

(2) If Origin generates net positive cash flow of US\$2,000 or more on a consolidated basis ("Earnings Adjustment"), then State Harvest Shareholders and their designee will be entitled to receive 75% of the net positive cash flow up to a maximum of US\$7,500 per fiscal year and US\$15,000 in the aggregate.

If both an Earnings Adjustment and a Financing Adjustment occur, the maximum aggregate amount to be paid to State Harvest Shareholders from one or both adjustments is US\$15,000.

As of September 30, 2006, Agritech received US\$40,218 (equivalent to approximately RMB324,584) in gross proceeds as a result of the call of the issued and outstanding warrants assumed by Agritech on the Closing Date. Accordingly, Agritech paid an additional US\$15,000 (equivalent to approximately RMB120,981) to State Harvest Shareholders and their designee. The payments of the additional purchase price are accounted for as a deemed distribution.

As a part of the Share Exchange Transaction, Agritech assumed 4,025,000 shares of common stock, 8,050,000 Redeemable Common Stock Purchase Warrants ("Warrants") and 350,000 Unit Purchase Options ("UPO") issued by Chardan. There was no re-measurement required for these assumed Warrants and UPO because such assumption is

part of the recapitalization in connection with the Share Exchange Transaction. All Warrants and UPO have been either exercised or expired as of September 30, 2011.

As further additional purchase price, certain State Harvest Shareholders and their designee will be issued an aggregate of 1,500,000 shares of common stock of Agritech for any of the next four years if, on a consolidated basis, Agritech generates after-tax profits (excluding after-tax operating profits from any subsequent acquisitions of securities that have a dilutive effect and before the expenses of this transaction and director and employee option expense) of at least the following amounts:

	After-tax profit US\$
Twelve months ended June 30,	
2006	11,000
2007	16,000
2008	21,000
2009	29,000

Although the outcome for the twelve months ended June 30, 2006 has been achieved, the Board decided that the 1,500,000 shares of common stock will not be issued upon a waiver signed by those certain State Harvest Shareholders and their designee but they do not waive or modify in any respect other additional stock purchase price.

The management considered the after-tax profits has not been achieved for the twelve months ended June 30, 2007, 2008 and 2009.

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES - Continued

Reorganization of State Harvest prior to the Share Exchange Transaction

On December 1, 2004, State Harvest established BioTech, a wholly-owned foreign enterprise (“WFOE”) under the laws of the PRC with an operating period of 20 years.

Under PRC law, foreign entities are not currently permitted to own more than 49% of a seed production company. In order to address those restrictions, State Harvest conducts substantially all of its business through contractual agreements with its variable interest entity (“VIE”), Beijing Origin. These agreements are summarized in the following paragraphs.

Stock Consignment Agreements

As discussed above in “Foreign Ownership Restrictions,” under Chinese law, foreign ownership of businesses engaged in the breeding of new varieties, development, production, marketing, distribution and sale of hybrid food crop seeds is limited to 49% pursuant to the Regulation on the Approval and Registration of Foreign Investment Enterprises in Agricultural Seed Industry and The Foreign Investment Industrial Guidance Catalogue. State Harvest, as a non-Chinese corporation, may not directly own more than 49% of any of the PRC Operating Companies. However, Chinese law does not forbid the owner of stock to consign rights associated with the stock, as long as the owner does not transfer title to the stock. To gain control over the PRC Operating Companies, State Harvest entered into a series of stock consignment agreements with shareholders of those companies.

State Harvest has been assigned 97.96% voting rights by the shareholders of Beijing Origin through a consignment agreement which includes the following terms: (1) The shares of Beijing Origin cannot be transferred without the approval of State Harvest; (2) State Harvest has the right to appoint all directors and senior management personnel of Beijing Origin and (3) The shareholder rights including voting rights require the transfer of the shares of Beijing

Origin to State Harvest or any party designated by State Harvest within three years upon the removal of the PRC legal restriction.

Technical Service Agreements

Beijing Origin entered into Technical Service Agreements with BioTech dated December 25, 2004. Under these agreements, BioTech shall provide, with its own technical research resource and team, technical services for the production and distribution of agricultural seeds during the period of the agreements. In return, Beijing Origin is required to pay BioTech service fee calculated according to the weight of corn, rice and cotton seeds sold by the Beijing Origin.

Through the contractual agreements described above, State Harvest is deemed the sole beneficiary of Beijing Origin resulting in Beijing Origin being deemed a subsidiary of State Harvest under the requirements of Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) 810-10-05 (former Financial Interpretation 46 (Revised) “Consolidation of Variable Interest Entities” (FIN 46(R))). The agreements described above provided for effective control of Beijing Origin to be transferred to State Harvest at December 25, 2004. Neither State Harvest nor BioTech had any operating activity prior to entering into the consignment agreements with Beijing Origin. In substance, State Harvest has substantially all the same shareholders of Beijing Origin. This transaction has been accounted for on a basis similar to reorganization between entities under common control. Accordingly, State Harvest’s consolidated financial statements are prepared by including the consolidated financial statements of Beijing Origin through December 24, 2004, and subsequently the Company’s consolidated financial statements include the financial statements of State Harvest, its majority owned subsidiary and Beijing Origin through the date of the Share Exchange Transaction.

ORIGIN AGRITECH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES – Continued

Risks in relation to the VIE structure

Three of our PRC operating subsidiaries are controlled subsidiaries through stock consignment agreements rather than by direct ownership of shares, the terms of which may have to be enforced, which would require us to incur extra costs, create uncertainty as to ownership of the operating businesses involved and risk the possible loss of rights. There is the risk, however, that a consigning shareholder will not fulfill its obligations under the stock consignment agreement. In that event, we may need to resort to the PRC courts to have our rights under the applicable agreement enforced. Such enforcement will cause us to incur legal expenses. In addition, while a case is pending there will be uncertainty regarding our rights as to the three PRC operating subsidiaries involved. In addition, a PRC court may decide not to enforce the agreements in whole or in part. To the extent these agreements are neither observed nor enforced as intended, the PRC operating subsidiaries will not be controlled by us as intended, which will affect our enterprise value and restrict our ability to obtain the income and other rights of ownership associated with the consigned stock. It may also prevent the consolidation of our financial statements with the PRC operating subsidiaries, which would reduce the reported earnings of the consolidated companies. The uncertainty of ownership may also adversely affect the market value of our ordinary shares.

Whether or not a stock consignment agreement is terminated depends on the consensus of our Board and the consignees. Any such termination could result in a possible loss of certain rights or assets held by us without receiving fair value in return. The stock consignment agreements relating to our control of the stock of our PRC operating subsidiaries may be terminated after three years upon mutual agreement between us and the consignees. Holding this amount of stock will allow these officers to control or greatly influence the selection of directors and matters submitted to a vote of our shareholders, including voting to terminate the stock consignment agreements.

There are corporate protections in place designed to protect our interests, such as an independent Board of Directors, an audit committee comprised of independent directors that must approve insider transactions, a code of conduct requiring fair dealing with the Company, and the British Virgin Islands statutory provision that a disposition of more than 50% of the assets of a company must be approved by a majority of the shareholders. Moreover, if consigned stock is transferred to us as provided in the stock consignment agreements when the restrictions under PRC law are lifted, that stock will no longer be subject to the stock consignment agreements, and the termination of the stock

consignment agreements would then have no effect on the ownership of that stock. However, if the stock consignment agreements are terminated, then we would lose our rights with respect to the consigned stock and the profits from the issuing corporation. Such a loss would impair the value of the Company and would reduce our ability to generate revenues.

The revenues of the Company has been generated from VIE and its subsidiaries for the year ended September 30, 2010, 2011 and 2012 are 97.96%, 96.63% and 96.41%, respectively. VIE and its subsidiaries also account for 93% and 96.41% of the total assets of the Company as at September 30, 2011 and 2012 respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”); include the assets, liabilities, revenues, expenses and cash flows of all subsidiaries and variable interest entities. Intercompany balances, transactions and cash flows are eliminated on consolidation.

ORIGIN AGRITECH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(In thousands, except number of share, per share data and unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Convenience translation into United States dollars

The consolidated financial statements are presented in Renminbi. 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 middle rate by the State Administration of Foreign Exchange in China on September 30, 2012 of RMB6.3410 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.

Use of estimates

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are adjusted to reflect actual experience when necessary. Significant accounting estimates reflected in the Company's consolidated financial statements include inventory valuation, useful lives of plant and equipment and acquired intangible assets, the valuation allowance for deferred income tax assets and the valuation of embedded derivatives of the convertible notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash accounts, interest bearing savings accounts, time certificates of deposit and debt securities with a maturities of three months or less when purchased.

Inventories

Inventories are stated at the lower of cost, determined by weighted-average method, or market. Work-in-progress and finished goods inventories consist of raw materials, direct labor and overhead associated with the manufacturing process.

Land use rights, net

Land use rights are recorded at cost less accumulated amortization. Amortization is provided over the term of the land use right agreements on a straight-line basis for the beneficial period.

Plant and equipment, net

Plant and equipment are recorded at cost less accumulated depreciation and amortization. Maintenance and repairs are charged to expense as incurred. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Plant and building	20-40 years
Machinery and equipment	10-15 years
Furniture and office equipment	5-8 years
Motor vehicles	5-10 years
Leasehold improvements	Shorter of the useful lives or the lease term

The Company constructs certain of its facilities. In addition to costs under construction contracts, external costs directly related to the construction of such facilities, including duty and tariff, and equipment installation and shipping costs, are capitalized. Depreciation is recorded at the time assets are placed in service.

ORIGIN AGRITECH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012

(In thousands, except number of share, per share data and unless otherwise stated)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Leases

Leases are classified at the inception date as either a capital lease or an operating lease. For the lessee, a lease is a capital lease if any of the following conditions exist: a) ownership is transferred to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is at least 75% of the property's estimated remaining economic life or d) the present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property to the lessor at the inception date. A capital lease is accounted for as if there was an acquisition of an asset and an incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases. The Company has no capital leases for any of the periods presented.

Goodwill

Goodwill represents the excess of aggregate purchase price over the fair value of net assets acquired in a business combination. Goodwill is not amortized, but instead tested for impairment at least annually or more frequently if certain circumstances indicate a possible impairment may exist. The Company adopted FASB ASC 350-10 and performs its annual impairment review of goodwill on September 30 of each year. Management evaluates the recoverability of goodwill using a two-step impairment test approach at the reporting unit level, which is determined to be the enterprise level. In the first step, the fair value of the reporting unit is compared to its carrying value including goodwill. Second, if the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the goodwill over the implied fair value of the goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a business combination.

The carrying amount of the goodwill at September 30, 2011 and 2012 represents the cost arising from the business combinations in previous years and no impairment on goodwill was recognized for any of the periods presented for the Company. The movement for goodwill is as follow:

	September 30,		
	2010	2011	2012
	RMB	RMB	RMB
Balance at beginning of year	16,665	16,665	11,973
Additions	-	-	-
Written off	-	(4,692)	-
	16,665	11,973	11,973

Acquired intangible assets, net

Acquired intangible assets primarily consist of purchased technology rights and distribution network and are stated at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of these assets and recorded in operating expenses. Amortization is calculated on a straight-line basis over the following estimated useful lives for the main acquired intangible assets:

Technology rights for licensed seeds	3-20 years
Distribution network	6-14 years
Trademark	Indefinite

Trademarks, which have indefinite live, are not amortized, but are reviewed for impairment at least annually, at year end date, or earlier upon the occurrence of certain triggering events.

ORIGIN AGRITECH LIMITED

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(In thousands, except number of share, per share data and unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Valuation of long-lived asset

The Company reviews the carrying value of long-lived assets to be held and used, including other intangible assets subject to amortization, when events and circumstances warrants such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset and intangible assets. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets and intangible assets to be disposed are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

Revenue recognition

The Company derives its revenues primarily from the sale of various branded conventional seeds and branded seeds with biotechnology traits.

Revenue is recognized when pervasive evidence of an arrangement exists, products have been delivered, the price is fixed or determinable, collectability is reasonably assured and the right of return has expired. The Company generally determines the final selling price after a period the goods are delivered to the customers. Accordingly, the Company defers revenues recognition until the selling price has been finalized with the customers.

The estimated amounts of revenues billed in excess of revenues recognized are recorded as deferred revenues.

Government subsidies

A government subsidy is not recognized until there is reasonable assurance that: (a) the enterprise will comply with the conditions attached to the grant; and (b) the grant will be received.

When the Company received the government subsidies but the conditions attached to the grants have not been fulfilled, such government subsidies are deferred and recorded under other payables and accrued expenses, and other long-term liability. The reclassification of short-term or long-term liabilities is depended on the management's expectation of when the conditions attached to the grant can be fulfilled.

The Company received several financial supports from various levels of the government. In fiscal years 2011 and 2012, the Company received government subsidies of RMB nil and RMB14,000 respectively for plant and equipment projects; RMB nil and RMB10,900 respectively for land use right; and RMB nil and RMB3,640 for R&D and others. Government subsidies recognized as other income in the statement of income for the year ended September 30, 2010, 2011 and 2012, were RMB1,362, RMB nil and RMB3,846, respectively.

Cost of revenues

Cost of revenues consists of expenses directly related to sales, including the purchase prices and development costs for seeds and agricultural chemical products, depreciation and amortization, impairment of inventory, shipping and handling costs, salary and compensation, supplies, license fees, and rent, during the fiscal years ended September 30, 2010, 2011 and 2012.

Research and development costs

Research and development costs relating to the development of new products and processes, including significant improvements and refinements to existing products, are expensed as incurred.

Advertising costs

Advertising costs are expensed when incurred and included in selling and marketing expenses. For the years ended September 30, 2010, 2011 and 2012, advertising costs were RMB1,560, RMB1,126 and RMB3,215, respectively.

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ORIGIN AGRITECH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Shipping and handling cost

The Company includes shipping and handling costs as either cost of goods sold or selling and administrative expenses depending on the nature of the expenses. Shipping and handling costs which relate to transportation of products to customers' locations is charged to selling and marketing expenses and shipping and handling which relate to the transportation of goods to factories from suppliers and from one factory to another is charged to cost of revenues.

For the years ended September 30, 2010, 2011 and 2012, shipping and handling cost included in selling and marketing expenses were RMB12,164, RMB10,503, and RMB11,446 respectively.

Allowance for doubtful account

The Company regularly monitors and assesses the risk of not collecting amounts owed to the Company by customers. This evaluation is based upon a variety of factors including: an analysis of amounts current and past due along with relevant history and facts particular to the customer. Based upon the results of this analysis, the Company records an allowance for uncollectible accounts for this risk.

Income taxes

Deferred income taxes are recognized for the future tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements, net of operating loss carry forwards and credits. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are

provided for in accordance with the laws of the relevant tax authorities.

The Company adopted FASB ASC 740-10. The Company's policy on classification of all interest and penalties related to unrecognized tax benefits, if any, as a component of income tax provisions.

Foreign currency translation

The functional currency of the Company excluding Agritech and State Harvest is Renminbi. Monetary assets and liabilities denominated in currencies other than Renminbi are translated into Renminbi at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than Renminbi are converted into Renminbi at the applicable rates of exchange prevailing the transactions occurred. Transaction gains and losses are recognized in the consolidated statements of income and comprehensive income.

The functional currency of Agritech and State Harvest are maintained in United State dollars. Assets and liabilities are translated at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the period. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive (loss)/income. The Company has chosen Renminbi as its reporting currency.

Comprehensive income

Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Comprehensive income for the years has been disclosed within the consolidated statements of income and comprehensive income for presentational purpose of the disclosure of comprehensive income attributable to Agritech and the non-controlling interests respectively.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income per share

Basic income per share is computed by dividing net income by the weighted average number of common shares outstanding during the years. Diluted income per share gives effect to all dilutive potential common shares outstanding during the years. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. In computing the dilutive effect of potential common shares, the average stock price for the period is used in determining the number of treasury shares assumed to be purchased with the proceeds from the exercise of options.

Share-based compensation

The Company adopts FASB ASC 718-10. ASC 718-10 requires that share-based payment transactions with employees, such as share options, be measured based on the grant-date fair value of the equity instrument issued and recognized as compensation expense over the requisite service period, with a corresponding addition to equity. Under this method, compensation cost related to employee share options or similar equity instruments is measured at the grant date based on the fair value of the award and is recognized over the period during which an employee is required to provide service in exchange for the award, which generally is the vesting period.

Fair value measurement

The Company adopted FASB ASC 820-10, and which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. ASC 820-10 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information.

ASC 820-10 establishes a three-level valuation hierarchy of valuation techniques based on observable and unobservable inputs, which may be used to measure fair value and include the following:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement.

Recently issued accounting pronouncements

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This pronouncement is an authoritative guidance to amend certain measurement and disclosure requirements related to fair value measurements to improve consistency with international reporting standards. This guidance is effective prospectively for public entities for interim and annual reporting periods beginning after December 15, 2011, with early adoption prohibited. The Company is currently evaluating the effect of ASU No. 2011-04, but does not expect its adoption will have a material effect on its consolidated financial statements.

ORIGIN AGRITECH LIMITED

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*, which is a new guidance on the presentation of comprehensive income that will require a company to present components of net income and other comprehensive income in one continuous statement or in two separate, but consecutive statements. There are no changes to the components that are recognized in net income or other comprehensive income under current GAAP. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011, with early adoption permitted. It is applicable to the Company's fiscal year beginning January 1, 2012. Currently, the Company evaluated the effect of ASU 2011-05 on its financial statements and does not expect its adoption will have a material effect on its consolidated financial statements.

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, which specifies that an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit, as described in FASB ASC 350-20-35-4. If the carrying amount of a reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any, as described in FASB ASC 350-20-35-9. Under the amendments in ASU No. 2011-08, an entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. An entity may resume performing the qualitative assessment in any subsequent period. ASU No. 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The adoption of ASU No. 2010-28 is not expected to have any impact on the Company's financial position, results of operations and cash flows.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): disclosures about Offsetting Assets and Liabilities*, which requires entities to disclose both gross and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting agreement. The objective of the disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their

financial statements on the basis of International Financial Reporting Standards (“IFRS”). This ASU is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. Retrospective presentation for all comparative periods presented is required. Its adoption of ASU 2011-11 is not expected to have material impact on its consolidated financial statements.

ASU 2011-05 was modified by the issuance of ASU 2011-12, *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 in December 2011*, which indefinitely deferred certain provisions of ASU 2011-05, including the requirement to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. This amendment is effective for both annual and interim financial statements beginning after December 15, 2011. The Company believes that its adoption of ASU 2011-12 will not have any material impact on its consolidated financial statements.

ORIGIN AGRITECH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012

(In thousands, except number of share, per share data and unless otherwise stated)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In July 2012, the FASB issued ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*, which allows companies to perform a qualitative assessment to determine whether further impairment testing of indefinite-lived intangible assets is necessary, similar in approach to the goodwill impairment test. The new guidance allows an entity the option to first assess qualitatively whether it is more likely than not (that is, a likelihood of more than 50 percent) that an indefinite-lived intangible asset is impaired, thus necessitating that it perform the quantitative impairment test. An entity is not required to calculate the fair value of an indefinite-lived intangible asset and perform the quantitative impairment test unless the entity determines that it is more likely than not that the asset is impaired. The new guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted for annual and interim impairment tests performed as of a date before July 27, 2012, if the financial statements for the most recent annual or interim period have not yet been issued. The Company will adopt the provisions of this new guidance on October 1, 2012. The Company believes that its adoption of ASU 2012-02 will not have any material impact on its consolidated financial statements.

In October 2012, the FASB issued ASU 2012-04, *Technical Corrections and Improvements*, which makes certain technical corrections and “conforming fair value amendments” to the FASB Accounting Standards Codification. The amendments affect various codification topics and apply to all reporting entities within the scope of those topics. These provisions of the amendment are effective upon issuance, except for amendments that are subject to transition guidance, which will be effective for fiscal periods beginning after December 15, 2012. The Company believes that its adoption of ASU 2012-04 will not have any material impact on its consolidated financial statements.

ORIGIN AGRITECH LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012****(In thousands, except number of share, per share data and unless otherwise stated)****3. RELATED PARTY BALANCES AND TRANSACTIONS****(1) Related party relationships**

Name of related parties	Relationship
Jinong	Being an equity investment of the Company (note 10)
Liyu	Being an equity investment of the Company (note 10)
Henan Agriculture University	Being the non-controlling interest of Beijing Origin
Xinjiang Jinbo Seed Limited	Being the non-controlling interest of Xinjiang Origin

(2) Due from related parties

	September 30,	
	2011	2012
	RMB	RMB
Jinong	3,505	-
Henan Agriculture University (note (i))	24	2,082
Non-controlling interests of Denong	7	-
Xinjiang Jinbo Seed Limited	1,447	-
Non-controlling interests of Kunfeng	200	-
	5,183	2,082

Note (i): The balance as of September 30, 2012 represented the research funding from Origin to SK Wu Research Institute (through Henan Agriculture University), which is jointly sponsored by the provincial government of Henan Province and Origin.

(3) Due to related parties

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	September 30,	
	2011	2012
	RMB	RMB
Non-controlling interests of Denong	113	-
Xinjiang Jinbo Seed Limited	-	950
Companies controlled by the Company's directors	1,385	1,366
Ex-shareholders of State Harvest	140	156
Liyu	90	297
	1,728	2,769

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ORIGIN AGRITECH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012

(In thousands, except number of share, per share data and unless otherwise stated)

3. RELATED PARTY BALANCES AND TRANSACTIONS - Continued

(4) Transactions with related parties

(a) Sales to

	Year ended September 30,	
	2011	2012
	RMB	RMB
Jinong	2,000	8,319

(b) Purchases from

	Year ended September 30,		
	2010	2011	2012
	RMB	RMB	RMB
Biocentury	116	-	-
Liyu	240	90	-
Xinjiang Jinbo Seed Limited	-	-	2,788
Jinong	6	-	25,984
	362	90	28,772

(c) Technology usage fees charged by

Year ended
September 30,

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	2010	2011	2012
	RMB	RMB	RMB
Liyu	5,471	5,953	9,541
Henan Agriculture University	68	-	-
Non-controlling interests of Denong	599	602	-
Biocentury	306	-	-
	6,444	6,555	9,541

The above amounts related to technology usage fees paid to certain related party research centers for the exclusive right to use certain seed technologies.

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ORIGIN AGRITECH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012

(In thousands, except number of share, per share data and unless otherwise stated)

3. RELATED PARTY BALANCES AND TRANSACTIONS - Continued

(d) *Purchases of plant and equipment from*

	Year ended September 30,		
	2010	2011	2012
	RMB	RMB	RMB
Jinong	150	-	-

(e) *Rental expense paid for plant and equipment*

	Year ended September 30,		
	2010	2011	2012
	RMB	RMB	RMB
Jinong	935	468	-

(f) *Research & Development expenses*

	Year ended September 30,		
	2010	2011	2012
	RMB	RMB	RMB
Holding company of Jinong	5,000	5,000	-

(g) *Dividend received from*

	Year ended		
	September 30,		
	2010	2011	2012
	RMB	RMB	RMB

Liyu	1,200	2,467	2,100
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(h)*Dividend paid to*

	Year ended		
	September 30,		
	2010	2011	2012
	RMB	RMB	RMB

Jinong	5,025	10,050	-
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ORIGIN AGRITECH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012

(In thousands, except number of share, per share data and unless otherwise stated)

4.ACCOUNTS RECEIVABLE

Accounts receivable consists of trade receivables resulting from sales of products during the normal course of business.

Allowance for doubtful account is as follows:

	Year ended September 30,		
	2010	2011	2012
	RMB	RMB	RMB
Balance at beginning of year	842	842	2,714
Additions	-	1,872	4,038
Balance at end of year	842	2,714	6,752

The additions in allowance for doubtful account were recorded in general and administrative expenses. The increase was mainly caused by that full allowance were provided for the accounts receivable balance in Kunfeng.

5.ADVANCES TO SUPPLIERS

Advances to suppliers consist of the following:

	September 30,	
	2011	2012
	RMB	RMB

Purchases of materials	7,460	2,357
Prepayments for advertisement	280	620
Prepayments for transportation fee	-	928
Prepayments for operating lease	218	186
Prepayments for testing fee	284	134
Utility deposit	935	977
Deposits for research and development fee	1,301	1,050
Deposits for housing fund center	323	-
Prepayment for seed usage right	-	574
Others	1,617	976
	12,418	7,802

Advances to suppliers mainly represent deposits paid but related materials and services have not been provided to the Company.

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ORIGIN AGRITECH LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012****(In thousands, except number of share, per share data and unless otherwise stated)****6. INVENTORIES**

Inventories consist of the following:

	September 30,	
	2011	2012
	RMB	RMB
Work in progress and supplies	197,118	266,632
Finished goods	34,961	43,459
Provision	(21,253)	(27,547)
	210,826	282,544

As of September 30, 2011 and 2012, goods already delivered to customers but still recorded in finished goods, amounted to RMB10,200 and RMB10,959, respectively. As the Company does not recognize revenues until the selling prices of respective goods have been finalized with the customers, goods delivered to customers as mentioned above will only be transferred to cost of revenues when related revenues is recognized.

Provision for inventories is as below:

	Years ended	
	September 30,	
	2011	2012
	RMB	RMB
Balance at beginning of year	22,026	21,253
Additions	12,978	27,453
Write-off	(13,751)	(21,159)

Balance at end of year 21,253 27,547

7. OTHER CURRENT ASSETS

Other current assets consist of the following:

	September 30,	
	2011	2012
	RMB	RMB
Advances to staff for business use	8,287	8,368
Refundable deposit for a cancelled project	241	-
Receivable from liquidation of Jilin Changrong	45,236	-
Receivable from liquidation of Changji	1,751	-
Loan to a customer (note (i))	3,000	-
Deposits for rental	2,666	3,999
Deposits for research and development	2,195	-
Deposits for land use right	-	2,805
Others	1,679	1,235
	65,055	16,407

Note (i): The balance represented the loan to one of the customers in Denong with the interest rate of 6.1% per annum. Full repayment was received in February 2012 together with the interest.

ORIGIN AGRITECH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012

(In thousands, except number of share, per share data and unless otherwise stated)

8. LAND USE RIGHTS, NET

Land use rights, net consist of the following:

	September 30,	
	2011	2012
	RMB	RMB
Land use rights	36,569	36,399
Accumulated amortization	(3,475)	(4,081)
Land use rights, net	33,094	32,318

Land use rights with net values of RMB453 and RMB2,546 have been pledged as collateral for bank loans as of September 30, 2011 and 2012.

Amortization expenses for the years ended September 30, 2010, 2011 and 2012 were RMB489, RMB502 and RMB892, respectively.

9. PLANT AND EQUIPMENT, NET

Plant and equipment, net consist of the following:

	September 30,	
	2011	2012

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	RMB	RMB
Plant and building	140,301	155,343
Machinery and equipment	52,972	73,824
Furniture and office equipment	11,466	11,536
Motor vehicles	18,338	10,194
Leasehold improvements	212	212
Total	223,289	251,109
Accumulated depreciation	(61,438)	(66,000)
Construction in progress	28,243	131,976
Plant and equipment, net	190,094	317,085

Included in plant and building with net values of RMB6,882 and RMB35,570 have been pledged for bank loans as of September 30, 2011 and 2012.

The depreciation expenses for the years ended September 30, 2010, 2011 and 2012 were RMB11,531, RMB16,235, and RMB12,803, respectively.

Construction in progress refers to mainly the new office buildings, production lines and other production facilities under construction.

ORIGIN AGRITECH LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012****(In thousands, except number of share, per share data and unless otherwise stated)****10. EQUITY INVESTMENTS**

Equity investments consist of the following:

	September 30,	
	2011	2012
	RMB	RMB
Equity method investment	20,503	3,712
Cost method investment	-	18,721
	20,503	22,433

Liyu

The Company owns 30% equity interest in Liyu and accounts for the investment in Liyu under the equity method. For the years ended September 30, 2010, 2011 and 2012, the Company recorded its pro-rata share of earnings in Liyu of RMB497, RMB2,954 and RMB4,030 respectively. The Company also received dividends of RMB1,200, RMB2,467 and RMB2,100 respectively from Liyu for each of the years ended September 30, 2010, 2011 and 2012. The dividend received was accounted for as a reduction in equity investments.

A summary of the financial information of Liyu is set forth below:

Balance sheets:	September 30,	
	2011	2012
	RMB	RMB
Current assets	8,287	14,091
Non-current assets	4,290	5,783
Total assets	12,577	19,874
Current and total liabilities	(6,412)	(7,275)

Total shareholders' equity 6,165 12,599

Operating results:	Year ended		
	September 30,		
	2010	2011	2012
	RMB	RMB	RMB
Revenue	10,830	19,027	19,038
Income from operations	1,714	11,304	11,818
Net income	1,655	9,845	13,434

Jinong

The Company owns 23% equity interest in Jinong and accounts for the investment under the equity method before fiscal year 2011. While one shareholder of Jinong increased its investment and the share owned by the Company reduced to 17.94% in this year, the Company has no significant influence in Jinong anymore and the accounting for the investment changed to cost method. For the years ended September 30, 2010, 2011, the Company recorded its pro-rata share of earnings (losses) in Jinong of RMB1,215 and RMB(1,345), respectively. We assessed the impairment of the investment as of September 30, 2012. As the share of net equity the Company owned is greater than the investment cost, no impairment noted.

ORIGIN AGRITECH LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012****(In thousands, except number of share, per share data and unless otherwise stated)****11. ACQUIRED INTANGIBLE
ASSETS, NET**

Acquired intangible assets, net consist of the following:

	September 30,	
	2011	2012
	RMB	RMB
Technology rights for licensed seeds	74,723	78,323
Distribution network	6,739	6,739
Trademark and certificates	1,687	-
Others	4,763	4,763
	87,912	89,825
Accumulated amortization	(54,366)	(59,926)
Impairment provision	(4,314)	(4,314)
Acquired intangible assets, net	29,232	25,585

Amortization expenses for the years ended September 30, 2010, 2011 and 2012 were RMB9,692, RMB8,870 and RMB5,846, respectively.

No impairment provision has been charged for the years ended September 30, 2010, 2011 and 2012.

Amortization expense on these intangible assets for each of the next five years is as follows:

RMB

Year ending September 30,

2013	4,619
2014	3,786
2015	3,108
2016	2,645
2017	1,616
Total	15,774

The Company enters into technology transfer and usage agreements with strategic partners and pays up-front fees for the exclusive rights to certain seed technologies. Technology rights amortized over an average usage period of 5 years and charged to general and administrative expenses.

12. OTHER ASSETS

Other assets consist of the following:

	September 30,	
	2011	2012
	RMB	RMB
Prepaid lease	1,510	2,232
Deposits for purchase of acquired intangible assets	1,280	-
Deposits for purchase of plant and equipment	16,568	2,977
Others	282	37
	19,640	5,246

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ORIGIN AGRITECH LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012****(In thousands, except number of share, per share data and unless otherwise stated)****13. BORROWINGS**

	September 30,	
	2011	2012
	RMB	RMB
Short-term borrowings	20,000	35,000
Current portion of long-term borrowings	-	4,000
Long-term borrowings	-	35,000

As of September 30, 2012, short-term borrowings were comprised of secured and unsecured bank loans of RMB5,000 and RMB30,000, respectively. Secured bank loan of RMB5,000 represented the bank borrowing under Beijing Origin, which has been supported by a land use right of RMB2,546 (note 8) and plant and equipment of RMB35,570 (note 9). The annual interest rate is 6.888%.

On the other hand, unsecured bank loans of RMB30,000 represented the bank borrowings with annual interest rate of 7.216%, which were under Linze Origin. The loans have been guaranteed by Beijing Origin.

As of September 30, 2012, long-term borrowings were comprised of unsecured bank loans of RMB39,000 under Xinjiang Origin, which have been guaranteed by Beijing Origin with annual interest rates ranged from 7.040% to 7.315%. The current portion of the loan amounted to RMB4,000, which will be due within one year, is presented as “current portion of long-term borrowing” on the consolidated balance sheet as of September 30, 2012.

As of September 30, 2011, short-term borrowings were comprised of secured bank loan of RMB20,000 which is under Linze Origin Seed Limited and has been guaranteed by a land use right of RMB453 (note 8) and plant and equipment of RMB6,882 (note 9). The annual interest rate is 6.56%.

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Interest expense and weighted average interest rate for the years ended September 30, 2010, 2011 and 2012 were RMB8,539 and 5.70%, RMB1,469 and 6.56% , RMB4,029 and 7.04%, respectively.

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ORIGIN AGRITECH LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012****(In thousands, except number of share, per share data and unless otherwise stated)****14. OTHER PAYABLES AND ACCRUED EXPENSES**

Other payables and accrued expenses consist of:

	September 30,	
	2011	2012
	RMB	RMB
Payable for purchase of plant and equipment	206	10,158
Payable for purchase of land use rights	1,050	1,050
Payable for purchase of construction-in-progress	2,009	1,443
Professional fee payable	3,789	2,028
Salaries and bonus payable (note i)	9,949	18,966
Accrued interest	1,813	1,813
Accrued compensation expenses	150	36
Accrued other expenses	1,284	3,917
Other taxes payable	350	782
Deposits from growers	2,407	3,425
Payable for labor union and education expenses	677	595
Loans from employees of Denong (note ii)	310	310
Loans from third parties (note iii)	3,600	3,600
Payable to former owners of Kunfeng	2,060	-
Deferred government subsidies	8,526	6,289
Others	2,171	2,332
	40,351	56,744

Note (i): Salaries and bonus payable increased in fiscal year 2012 due to our bonus payment timing change after our corporate-wide restructuring and the introduction of pay-for-performance contracts with employees.

Note (ii): RMB310 were borrowed from employees of Denong with interest free, unsecured and have no fixed repayment terms at the years ended September 30, 2011 and 2012, respectively.

Note (iii): RMB3,600 was borrowed from third party companies with interest free, unsecured and have no fixed repayment terms at the years ended September 30, 2011 and 2012, respectively.

15. OTHER LONG-TERM LIABILITY

In the current year, the Company received government subsidies from the local PRC government for plant and equipment projects of RMB14 million (US\$2.21 million) and land use right of RMB10.90 million (US\$1.72 million). The non-current portion of such government subsidies are recorded as long-term liability for, which will be amortized over the estimated useful lives related to the plant and land use right.

16. SHARE OPTION PLANS

On November 8, 2005, the Company adopted the 2005 Performance Equity Plan (the “2005 Plan”) which allows the Company to offer a variety of incentive awards to employees to acquire up to 1,500,000 ordinary shares under the 2005 Plan. On April 22, 2010, the Company adopted the 2009 Performance Equity Plan and is authorized to issue equity based awards for up to 1,500,000 ordinary shares to the Company’s. The main purpose of the two plans is to provide an existing structure and renewable benefit plan for senior management and directors, employees and consultants.

ORIGIN AGRITECH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012

(In thousands, except number of share, per share data and unless otherwise stated)

16.SHARE OPTION PLANS - Continued

Under the terms of the 2005 Plan, on November 8, 2005, options to purchase 974,000 ordinary shares at the price of US\$8.75 per share were granted (“Tranche 1”), which all expired on November 8, 2010; on October 22, 2007 the Company granted its employees options to purchase 20,000 ordinary shares at the price of US\$9.27 which all expired on October 22, 2012 (“Tranche 2”); on March 28, 2008 the Company granted its employees options to purchase 381,000 ordinary shares at the price of US\$5.30 (“Tranche 3”); on June 16, 2008 the Company granted its employees options to purchase 10,000 ordinary shares at the price of US\$6.64 (“Tranche 4”); and on January 4, 2010 the Company granted its employees options to purchase 125,000 ordinary shares at the price of US\$12.23 (“Tranche 5”). Under the terms of the 2009 Plan, on January 3, 2011, the company granted its employees options to purchase 120,000 ordinary shares at the price of US\$10.84 (“Tranche 6”); and on January 3, 2012, the company granted its employees options to purchase 365,000 ordinary shares at the price of US\$2.55 (“Tranche 7”). All the options have an expiration date that is 5 years from the date of grant and vest immediately or over a period of 1 to 5 years. As of September 30, 2012, there were 259,500 shares under the 2005 Plan allocated to awards and there were 480,000 shares under the 2009 Plan allocated to awards.

On September 14, 2009, the compensation committee of the Board of Directors approved re-pricing of outstanding option grants for reduced awards from US\$8.75 per share to US\$4.00 per share or the substitution of restricted stock for outstanding grants under Tranche 1 that no longer offer the kind of incentive opportunity originally sought for valued employees. The revised terms of the stock options were accounted for as a modification in accordance with ASC 718-10. For the purpose of determining the amount of any incremental share-based compensation cost that may have resulted from the modification of the exercise prices, the Company compared the fair value of modified awards and that of the original awards, both estimated at the date of the modification and determined that none of the modifications required the recognition of additional share-based payment expense. The weighted average fair value at the modification date of US\$2.66 was estimated using the Black-Scholes Option Pricing Model. As of September 14, 2009, there are modified awards outstanding covering a total of 214,120 ordinary shares which included the restricted stock awards for 89,300 shares. All of these are now expired.

After the adjusted awards, all the option awards have an exercise price of \$4.00 to \$12.23 and expire 5 years from the date of grant and vest immediately or over a period of 1 to 5 years.

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During the fiscal years ended September 30, 2011 and 2012, 90,400 and nil options were exercised.

For the options outstanding at September 30, 2011 and 2012, the weighted average remaining contractual lives are 2.91 and 3.07 years, respectively.

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ORIGIN AGRITECH LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012****(In thousands, except number of share, per share data and unless otherwise stated)****16.SHARE OPTION PLANS - Continued**

A summary of the share option activity under the 2005 and 2009 Plans is as follows:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7
Grant date	November 8, 2005	October 22, 2007	March 28, 2008	June 16, 2008	January 4, 2010	January 3, 2011	January 3, 2012
Options outstanding as of October 1, 2010	64,400	5,000	156,167	10,000	125,000	-	-
Number of options granted	-	-	-	-	-	120,000	-
Options exercised	(64,400)	-	(26,000)	-	-	-	-
Options cancelled/ forfeited/ expired	-	-	-	-	(5,000)	-	-
Options outstanding as of September 30, 2011	-	5,000	130,167	10,000	120,000	120,000	-
Number of options granted	-	-	-	-	-	-	365,000
Options cancelled/ forfeited/ expired	-	-	(5,667)	-	-	(5,000)	-
Outstanding as of September 30, 2012	-	5,000	124,500	10,000	120,000	115,000	365,000
Options vested and exercisable At September 30, 2011	-	-	130,167	10,000	120,000	-	-
At September 30, 2012	-	5,000	124,500	10,000	120,000	115,000	365,000
Weighted average fair value at the grant date (USD)	2.69	4.55	2.69	3.42	7.20	6.08	1.45

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The fair value of each option granted is estimated on the date of grant using the Black-Scholes Option Pricing Model:

	Tranche 1#	Tranche 2	Tranche 3*	Tranche 4	Tranche 5	Tranche 6	Tranche 7
Exercise price (USD)	8.75	9.27	5.30	6.64	12.23	10.84	2.55
Average risk-free interest rate	4.47 %	4.08 %	2.51 %	3.73 %	1.66 %	1.03 %	0.40 %
Expected option life (year)	3.5	3.8	2.7	2.9	3	3	3
Volatility rate	30.79 %	60.86 %	78.17 %	77.27 %	92.81 %	88.03 %	90.30 %
Dividend yield	-	-	-	-	-	-	-

Tranche 1 was modified on September 14, 2009. The exercise price modified to USD 4.00 and the fair value was USD 2.66 at the modified date.

* Tranche 3 consists of different vesting structures. The expected option life and fair value presented above are weighted average numbers.

ORIGIN AGRITECH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012

(In thousands, except number of share, per share data and unless otherwise stated)

16.SHARE OPTION PLANS - Continued

The aggregate intrinsic value as of September 30, 2011 and 2012 is USD nil and USD nil respectively.

The Company recorded share-based compensation expense of RMB4,868, RMB4,638 and RMB3,327 for the years ended September 30, 2010, 2011 and 2012 respectively. As of September 30, 2011 and 2012, there were RMB942 and RMB769 of total unrecognized compensation expense related to non-vested share-based compensation arrangement under the Plan. The unrecognized compensation expense is expected to be recognized over a weighted-average period of 0.26 year.

17.TREASURY STOCK

During the year ended September 30, 2007, the Company repurchased 498,851 common stock of the Company with a total cost of RMB29,377 under the approval of the Board of Directors. The Company recorded the entire purchase price of the treasury stock as a reduction of equity. The Company has made no additional purchases of common stock during the years ended September 30, 2011 and 2012.

18.INCOME TAXES

Agritech and its subsidiary, State Harvest are incorporated in the British Virgin Islands and are subject to taxation under the laws of the British Virgin Islands. State Harvest's subsidiary and State Harvest's variable interest entity, Beijing Origin and its majority owned subsidiaries (together, the "PRC entities") were incorporated in the PRC and governed by the PRC laws.

The applicable tax rate of the PRC Enterprise Income Tax ("EIT") was changed from 33% to 25% on January 1, 2008, according to the Corporate Income Tax Law. The preferential tax rate previously enjoyed by the PRC entities is gradually transitioned to the new standard rate of 25% over a five-year transitional period. In addition, article 28 of the

new tax law stated that the income tax rate of a “high technology” company (high-tech status) is to remain at 15%.

Preferential tax treatment of Beijing Origin as “high technology” company (High-tech Status) has been agreed with the relevant tax authorities. Beijing Origin is entitled to a preferential tax rate of 15% which is subject to annual review. As a result of these preferential tax treatments, the reduced tax rates applicable to Beijing Origin Seed Limited for 2010, 2011 and 2012 are 15%.

Had all the above tax holidays and concessions not been available, the tax charges would have been higher by RMB7,648, RMB5,226 and RMB2,012, and the basic net income (loss) per share would have been lower (higher) by RMB0.33, RMB(0.23) and RMB(0.16) for the years ended September 30, 2010, 2011 and 2012, respectively. The diluted net income (loss) per share for the years ended September 30, 2010, 2011 and 2012 would have been lower (higher) by RMB0.33, RMB(0.23) and RMB(0.16), respectively.

The Company’s liability for income taxes includes the liability for unrecognized tax benefits, interest and penalties which relate to tax years still subject to review by taxing authorities. Audit periods remain open for review until the statute of limitations has passed. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the Company’s liability for income taxes. Any such adjustment could be material to the Company’s results of operations for any given quarterly or annual period based, in part, upon the results of operations for the given period. Until September 30, 2012, the management considered that the Company had no uncertain tax positions affected its consolidated financial position and results of operations or cash flow other than for the contingent US tax liabilities mentioned under note 21. The Company will continue to evaluate for the uncertain position in future. The estimated interest costs have been provided in the Company’s financial statements up to the year ended September 30, 2012. The Company’s uncertain tax positions are related to tax years that remain subject to examination by the relevant tax authorities and the major one is the China tax authority. The open tax years for examinations in China are 5 years.

ORIGIN AGRITECH LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012****(In thousands, except number of share, per share data and unless otherwise stated)****18. INCOME TAXES - Continued**

The provision for income taxes expenses consists of the following:

	Year ended September 30,		
	2010	2011	2012
	RMB	RMB	RMB
Current	4,046	6,991	589
Deferred	5,273	6,739	1,273
	9,319	13,730	1,862

The principal components of the deferred income tax assets are as follows:

	September 30,	
	2011	2012
	RMB	RMB
Non-current deferred tax assets:		
Net operating loss carry forward	20,928	33,265
Impairment on inventory	3,634	5,772
Others	3,498	6,929
Non-current deferred income tax assets	28,060	45,966
Valuation allowances	(25,032)	(44,211)
Net non-current deferred income tax assets	3,028	1,755

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The Company did not have any significant temporary differences relating to deferred tax liabilities as of September 30, 2011 and 2012.

A significant portion of the deferred tax assets recognized relates to net operating loss and credit carry forwards. The Company operates through the PRC entities and the valuation allowance is considered on each individual basis.

The net operating loss attributable to those PRC entities can only be carried forward for a maximum period of five years. Tax losses of non-PRC entities can be carried forward indefinitely. The expiration period of unused tax losses is as follows:

	Year ended	
	September 30,	
	2011	2012
	RMB	RMB
<u>Calendar year ending,</u>		
2012	11,694	11,694
2013	25,586	15,747
2014	188	-
2015	11,042	10,997
2016	45,944	54,491
2017	-	77,399
	94,454	170,328

ORIGIN AGRITECH LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012****(In thousands, except number of share, per share data and unless otherwise stated)****18. INCOME TAXES - Continued**

Reconciliation between total income tax expenses and the amount computed by applying the statutory income tax rate to income before taxes is as follows:

	Year ended September 30,		
	2010 %	2011 %	2012 %
Statutory rate	25	25	25
Effect of preferential tax treatment	(10)	(550)	218
Effect of different tax jurisdiction	4	307	(156)
Permanent book-tax difference	-	403	1,757
Effect of changes of applicable tax rate	-	-	-
Change in valuation allowance	(5)	998	(2,078)
Under (over) provision in prior year	(2)	256	32
Effective income tax rate	12	1,439	(202)

19. INCOME (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted income (loss) per share for the years indicated:

	Year ended September 30,		
	2010 RMB	2011 RMB	2012 RMB

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Net income (loss) (numerator), basic and diluted	49,053	(23,079)	(1,434)
Shares (denominator):			
Common stock outstanding	23,292,412	23,382,812	23,382,812
Weighted average common stock outstanding used in computing basic income per share	23,189,464	23,351,615	23,382,812
Add: Share options	147,801	-	-
Weighted average common stock outstanding used in computing diluted income per share	23,337,265	23,351,615	23,382,812
Net income (loss) per share-basic	2.12	(1.00)	(0.06)
Net income (loss) per share-diluted	2.10	(1.00)	(0.06)

As of September 30, 2010, the effect of conversion and exercise of the Company's outstanding options are included as their effect is dilutive. As of September 30, 2011 and 2012, the effect of the outstanding options was anti-dilutive.

ORIGIN AGRITECH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012

(In thousands, except number of share, per share data and unless otherwise stated)

20.EMPLOYEE BENEFIT PLAN AND PROFIT APPROPRIATION

Full time employees of the PRC entities participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require the Company to accrue for these benefits based on certain percentages of the employees' salaries. The total provisions for such employee benefits were RMB10,494, and RMB12,752, and RMB13,476 for the years ended September 30, 2010, 2011 and 2012, respectively.

Pursuant to the laws applicable to the PRC, domestic PRC entities must make appropriations from after-tax profit to non-distributable reserves funds including: (i) the statutory surplus reserve and; (ii) the statutory public welfare fund. Subject to the limits of 50% of the entity's registered capital, the statutory surplus reserve fund requires annual appropriations of 10% of after-tax profit (as determined under accounting principles generally accepted in the PRC ("PRC GAAP") at each year-end). The Company's wholly foreign owned subsidiary, BioTech, however subject to the law applicable to foreign invested enterprises in the PRC, was required annual appropriation of the general reserve fund, no less than 10% of after-tax profit (as determined under PRC GAAP at each year-end). These reserve funds can only be used for specific purposes of enterprise expansion and staff welfare and are not distributable as cash dividends. The appropriation has been made for the years ended September 30, 2010, 2011 and 2012 were RMB2,598, RMB nil and RMB nil. There was no after-tax profit recorded in the PRC statutory accounts for 2012 and 2011. On the other hand, the amount set aside as of September 30, 2011 and 2012 were RMB24,789 and RMB24,789.

21.COMMITMENTS AND CONTINGENCIES

(a)Capital commitments

As of September 30, 2011 and 2012, capital commitments for the purchase of long-term assets are as follows:

September 30,	
2011	2012
RMB	RMB

Equipment	9	25,615
Plant and building construction	15,353	8,773
Technology use right	730	-
Project of gene modification	5,000	2,000
	21,092	36,388

(b) Operating lease

The Company acquired certain land use rights for seed development and office premises under non-cancellable leases. Rental expenses under operating leases for the years ended September 30, 2010, 2011 and 2012 were RMB3,614, RMB5,310 and RMB3,773 respectively.

As of September 30, 2012, the Company was obligated under operating leases requiring minimum rental as follows:

<u>Year ending September 30,</u>	RMB
2013	2,685
2014	1,504
2015+	1,546
2016	1,316
2017	900
Thereafter	8,409
	16,360

ORIGIN AGRITECH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012

(In thousands, except number of share, per share data and unless otherwise stated)

21. COMMITMENTS AND CONTINGENCIES - Continued

(c) Contingent tax liabilities

The Company assesses the contingent tax liabilities that may arise from the Share Exchange Transaction (note 1) and considers such contingent tax liabilities are more-likely-than-not. As of September 30, 2011 and 2012, contingent tax liabilities of RMB39,059 including late payment penalty and interest was included in the income tax payable in the accompanying consolidated balance sheet. The contingent tax was charged to the equity because the assumption of such liabilities by the Company was part of the recapitalization in connection with the Share Exchange Transaction. The Company does not expect to incur tax liabilities at the higher end of the range which were estimated to be in the range RMB39,059 to RMB64,218, based on the information currently available.

In 2009, we reviewed the contingent tax position. On September 23, 2010, the Company filed a revised 2005 tax return to the United States Internal Revenue Service, or IRS, to modify and supplement the previously filed tax return regarding this tax liability. The IRS has not responded to the tax filing as of the date of the filing of this report. While the timeline for the IRS to question on the tax return is generally three years, this matter may take a prolonged period of time to resolve depending on the return time for IRS and the necessity, if any, of future appeals or re-evaluation. No material changes have occurred as of September 30, 2012.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and borrowings are reasonable estimates of their fair value. All the financial instruments are for trade purposes. No level 2 or 3 fair value assessment has been made.

23. SEGMENT AND GEOGRAPHIC INFORMATION

The Company's main products include hybrid corn and rice seeds, which have been organized as one reporting segment since they have similar nature and production procedures, with similar economic characteristics. The Company's chief operating decision maker, the Chief Executive Officer, receives and reviews the result of the operation for all products as a whole when making decisions about allocating resources and assessing performance of the Company. In accordance with FASB ASC 280-10, the Company is not required to report the segment information for the products.

All of the Company's sales and all of the Company's long-lived assets are located in the PRC.

The Company had no customers which accounted for 10% or more of the Company's revenues for any of the years presented in the consolidated financial statements.

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ORIGIN AGRITECH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012

(In thousands, except number of share, per share data and unless otherwise stated)

24. OPERATING RISK

Concentrations of credit risk

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains its cash and cash equivalents with high-quality institutions. Generally these deposits may be redeemed upon demand and therefore bear minimal risk.

Interest risk

The interest rates and terms of repayment of bank and other borrowings ranged from 6.56% to 7.32%, which are fixed at the inception of the borrowings. Other financial assets and liabilities do not have material interest rate risk.

Liquidity risk

We believe our working capital is sufficient to meet our present requirements. We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. In the long-term, we intend to rely primarily on cash flow from operations and additional borrowings from banks to meet our anticipated cash needs. If our anticipated cash flow is insufficient to meet our requirements, we may also seek to sell additional equity, debt or equity-linked securities.

Country risk

The Company has significant investments in the PRC. The operating results of the Company may be adversely affected by changes in the political and social conditions in the PRC and by changes in Chinese government policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods taxation, among other things. There can be no assurance; however, those changes in political and other conditions will not result in any adverse impact.

25. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

The condensed financial statements of Origin Agritech Limited (the “parent company”) have been prepared in accordance with accounting principles generally accepted in the United States of America. Under the PRC laws and regulations, the Company’s PRC subsidiaries are restricted in their ability to transfer certain of their net assets to the parent company in the form of dividend payments, loans or advances. The amounts restricted include paid-in capital, capital surplus and statutory reserves, as determined pursuant to PRC generally accepted accounting principles, totaling RMB109,651 and RMB109,651 as of September 30, 2011 and 2012, respectively.

The following represents condensed unconsolidated financial information of the parent company only:

CONDENSED BALANCE SHEET

	September 30	
	2011	2012
	RMB	RMB
ASSETS		
Current assets		
Cash and cash equivalents	1,099	1,991
Other receivables	118	3
Acquired intangible assets, net	1	-
Due from inter-companies	136,796	129,807
Total current assets	138,014	131,801
Investment in unconsolidated subsidiaries	165,522	170,383
Total assets	303,536	302,184

ORIGIN AGRITECH LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012**

(In thousands, except number of share, per share data and unless otherwise stated)

25. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY - Continued**CONDENSED BALANCE SHEET - Continued****LIABILITIES AND EQUITY**

Current liabilities		
Due to related parties	1,509	1,506
Other payables and accrued expenses	3,931	572
Income tax payable	39,059	39,059
Total current liabilities	44,499	41,137
Total stockholders' equity	259,037	261,047
Total liabilities and stockholders' equity	303,536	302,184

CONDENSED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

	Year ended September 30,		
	2010	2011	2012
	RMB	RMB	RMB
Cost of revenues	(208)	(21)	-
Operating expenses			
Selling and marketing	(295)	(29)	-
General and administrative	(11,058)	(11,596)	(7,475)
Research and development	(146)	(32)	-
Other income, net	-	-	1,595
(Loss) from operations	(11,707)	(11,678)	(5,880)
Equity in earnings of unconsolidated subsidiaries	60,507	(11,402)	4,446
Interest income	253	1	-
Interest expense	-	-	-
Profit (loss) before income taxes	49,053	(23,079)	(1,434)
Income tax expense	-	-	-
Net profit (loss)	49,053	(23,079)	(1,434)

CONDENSED STATEMENT OF CASH FLOWS

	Year ended September 30,		
	2010	2011	2012
	RMB	RMB	RMB
Net cash provided by/(used in) operating activities	108,012	(3,745)	(2,137)
Net cash provided by/(used in) financing activities	(106,493)	7,292	3,327
Net increase/(decrease) in cash and cash equivalents	1,519	3,547	1,190
Cash and cash equivalents, beginning of year	6,245	4,995	1,099
Effect of exchange rate changes on cash and cash equivalents	(2,769)	(7,443)	(298)
Cash and cash equivalents, end of year	4,995	1,099	1,991

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ORIGIN AGRITECH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012

(In thousands, except number of share, per share data and unless otherwise stated)

25. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY - Continued

BASIS OF PRESENTATION

The condensed financial information has been prepared using the same accounting policies as set out in the Company's consolidated financial statements except that the parent Company has used equity method to account for its investments in subsidiaries.

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SHIJIAZHUANG LIYU TECHNOLOGY DEVELOPMENT CO., LTD.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Shijiazhuang Liyu Technology Development Co., Ltd.

We have audited the accompanying balance sheets of Shijiazhuang Liyu Technology Development Co., Ltd. (the “Company”) as of September 30, 2011 and 2012 and the related statements of income and comprehensive income, equity and cash flows for the years ended September 30, 2010, 2011 and 2012. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2011 and 2012, and the results of its operations and its cash flows for the years ended September 30, 2010, 2011 and 2012, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO China Shu Lun Pan Certified Public Accountants LLP

BDO China Shu Lun Pan Certified Public Accountants LLP

Shenzhen, The People’s Republic of China

January 10, 2014

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SHIJIAZHUANG LIYU TECHNOLOGY DEVELOPMENT CO., LTD.**BALANCE SHEETS****(In thousands, except number of share and per share data)**

	September 30,		
	2011	2012	2012
	RMB	RMB	US\$
ASSETS			
Current Assets			
Cash and cash equivalents	7,008	13,701	2,161
Accounts receivable, less allowance for doubtful amounts of RMB520 and RMB520 as of September 30, 2011 and 2012, respectively (note 4)	-	7	1
Amount due from related party (note 3)	90	297	47
Advances to suppliers (note 5)	1,116	84	13
Other receivable	73	2	-
Total current assets	8,287	14,091	2,222
Plant and equipment, net (note 6)	2,311	2,550	402
Equity investments (note 7)	301	433	68
Intangible assets, net	1	1	-
Other assets (note 8)	1,677	2,799	442
Total assets	12,577	19,874	3,134
LIABILITIES AND EQUITY			
Current liabilities			
Deferred revenue	5,851	4,814	759
Amount due to related party (note 3)	560	1,460	230
Other payables and accrued expenses (note 9)	1	1,001	158
Total current liabilities	6,412	7,275	1,147
Commitments and contingencies (note 12)			
Shareholders' equity:			
Paid-in capital	3,000	3,000	473
Retained earnings	3,165	9,599	1,514
Total shareholders' equity	6,165	12,599	1,987
Total liabilities and equity	12,577	19,874	3,134

The accompanying notes are an integral part of these financial statements.

SHIJIAZHANG LIYU TECHNOLOGY DEVELOPMENT CO., LTD.**STATEMENTS OF INCOME AND COMPREHENSIVE INCOME****(In thousands, except number of share and per share data)**

	Year ended September 30,			
	2010	2011	2012	2012
	RMB	RMB	RMB	US\$
Revenue	10,830	19,027	19,038	3,002
Cost of sales	(6,867)	(5,892)	(5,542)	(874)
Gross profit	3,963	13,135	13,496	2,128
Operating expenses				
Selling expense	(272)	(298)	(339)	(53)
General and administrative expense	(2,048)	(1,625)	(1,380)	(218)
Other income, net	71	92	41	6
Total operating expenses, net	(2,249)	(1,831)	(1,678)	(265)
Income from operations	1,714	11,304	11,818	1,863
Share of net income (loss) of equity investments	14	(13)	132	21
Interest income	30	19	32	5
Income before income taxes	1,758	11,310	11,982	1,889
Income tax benefit (expense) (note 10)	(103)	(1,465)	1,452	229
Net income and comprehensive income	1,655	9,845	13,434	2,118

The accompanying notes are an integral part of these financial statements.

SHIJIAZHUANG LIYU TECHNOLOGY DEVELOPMENT CO., LTD.**STATEMENTS OF EQUITY****(In thousands, except number of share and per share data)**

	Paid-in Capital RMB	Retained Earnings RMB	Total Equity RMB
Balance as of September 30, 2009	1,000	3,665	4,665
Net income for the year	-	1,655	1,655
Dividend paid	-	(4,000)	(4,000)
Balance as of September 30, 2010	1,000	1,320	2,320
Net income for the year	-	9,845	9,845
Capital rejection	2,000	-	2,000
Dividend paid	-	(8,000)	(8,000)
Balance as of September 30, 2011	3,000	3,165	6,165
Net income for the year	-	13,434	13,434
Dividend paid	-	(7,000)	(7,000)
Balance as of September 30, 2012	3,000	9,599	12,599
In US\$ @ 6.3410	473	1,514	1,987

The accompanying notes are an integral part of these financial statements.

SHIJIAZHUANG LIYU TECHNOLOGY DEVELOPMENT CO., LTD.**STATEMENTS OF CASH FLOWS****(In thousands)**

	Year ended September 30,			
	2010	2011	2012	2012
	RMB	RMB	RMB	US\$
Operating activities:				
Net income	1,655	9,845	13,434	2,118
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	230	282	291	46
Loss on disposal of plant and equipment	-	11	10	2
Share of net loss (income) of equity investments	(14)	13	(132)	(21)
Changes in operating assets and liabilities:				
Accounts receivable, net	(515)	515	(7)	(1)
Amount due from related party	-	(90)	(207)	(33)
Advances to suppliers	(1,377)	363	1,032	163
Other receivable	45	(73)	71	11
Other assets	-	(1,677)	(1,122)	(177)
Deferred revenue	10,896	(11,444)	(1,037)	(163)
Amount due to related party	-	560	900	142
Other payables and accrued expenses	(39)	(193)	1,000	157
Net cash provided by (used in) operating activities	10,881	(1,888)	14,233	2,244
Investing activities:				
Purchase of plant and equipment	(331)	(88)	(620)	(98)
Proceeds from disposal of plant and equipment	-	-	80	13
Net cash used in investing activities	(331)	(88)	(540)	(85)
Financing activities:				
Capital injection from shareholder	-	2,000	-	-
Dividends paid to shareholders	(4,000)	(8,000)	(7,000)	(1,104)
Net cash used in financing activities	(4,000)	(6,000)	(7,000)	(1,104)
Net increase (decrease) in cash and cash equivalents	6,550	(7,976)	6,693	1,055
Cash and cash equivalents, beginning of year	8,434	14,984	7,008	1,106
Cash and cash equivalents, end of year	14,984	7,008	13,701	2,161
Supplemental disclosures of cash flow information:				
Income taxes paid	103	1,465	-	-

Interest paid	-	-	-	-
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The accompanying notes are an integral part of these financial statements.

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SHIJIAZHUANG LIYU TECHNOLOGY DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012

(In thousands, except number of share, per share data and unless otherwise stated)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Shijiazhuang Liyu Technology Development Co., Ltd. (the “Company”), located in the Development District of Shijiazhuang city, Hebei Province, was incorporated under the laws of the People’s Republic of China in 2003, which is principally engaged in crop seed research and development.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”); include the assets, liabilities, revenues, expenses and cash flows of the Company.

Convenience translation into United States dollars

The financial statements are presented in Renminbi. 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 middle rate by the State Administration of Foreign Exchange in China on September 30, 2012 of RMB6.3410 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.

Use of estimates

The preparation of the 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 the reported amounts of revenues and expenses during the reporting period. Estimates are adjusted to reflect actual experience when necessary. Significant accounting estimates reflected in the Company's financial statements include account receivable valuation, and useful lives of plant and equipment and acquired intangible assets. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash accounts, interest bearing savings accounts, time certificates of deposit and debt securities with a maturities of three months or less when purchased.

Plant and equipment, net

Plant and equipment are recorded at cost less accumulated depreciation and amortization. Maintenance and repairs are charged to expense as incurred. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Plant and building	23 years
Furniture and office equipment	5 years
Motor vehicles	8 years

SHIJIAZHANG LIYU TECHNOLOGY DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012

(In thousands, except number of share, per share data and unless otherwise stated)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Leases

Leases are classified at the inception date as either a capital lease or an operating lease. For the lessee, a lease is a capital lease if any of the following conditions exist: a) ownership is transferred to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is at least 75% of the property's estimated remaining economic life or d) the present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property to the lessor at the inception date. A capital lease is accounted for as if there was an acquisition of an asset and an incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases. The Company has no capital leases for any of the periods presented.

Acquired Intangible assets, net

Acquired intangible assets primarily consist of purchased trademark and are stated at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of these assets and recorded in operating expenses. Amortization is calculated on a straight-line basis over the following estimated useful lives for the main acquired intangible assets:

Trademark 5 years

Valuation of long-lived asset

The Company reviews the carrying value of long-lived assets to be held and used, including other intangible assets subject to amortization, when events and circumstances warrants such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable

and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset and intangible assets. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets and intangible assets to be disposed are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

Revenue recognition

Substantially all of the Company's revenue are derived from the technology usage fee.

Revenue is recognized in the statement of income when earned. The technology usage agreements contain the conditions to be fulfilled, the fee is considered earned when the conditions attached to the agreements are being fulfilled, otherwise, the amounts received in advance from the customers are deferred and recorded as "deferred revenue" under current liabilities in the balance sheet.

Cost of revenues

Cost of revenues consists of expenses directly related to sales, including rent, breeding auxiliary materials, supplies and salary and compensation, during the fiscal years ended September 30, 2010, 2011 and 2012.

Allowance for doubtful account

The Company regularly monitors and assesses the risk of not collecting amounts owed to the Company by customers. This evaluation is based upon a variety of factors including: an analysis of amounts current and past due along with relevant history and facts particular to the customer. Based upon the results of this analysis, the Company records allowance for uncollectible accounts for this risk.

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NOTES TO FINANCIAL STATEMENTS

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2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income taxes

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. Any tax paid by the Company during the year is recorded.

The Company follows FASB ASC 740, *Income Taxes*, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates, applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company also adopts FASB ASC 740-10-25 to provide criteria for the recognition, measurement, presentation and disclosure of uncertain tax position. The Company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Company did not recognize any additional liability for uncertain tax positions as a result of the implementation of FASB ASC 740-10-25.

Recently issued accounting pronouncements

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This pronouncement is an authoritative guidance to amend certain measurement and disclosure requirements related to fair value measurements to improve consistency with international reporting standards. This guidance is effective prospectively for public entities for interim and annual reporting periods beginning after December 15, 2011, with early adoption prohibited. The Company is currently evaluating the effect of ASU No. 2011-04, but does not expect its adoption will have a material effect on its financial statements.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*, which is a new guidance on the presentation of comprehensive income that will require a company to present components of net income and other comprehensive income in one continuous statement or in two separate, but consecutive statements. There are no changes to the components that are recognized in net income or other comprehensive income under current GAAP. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011, with early adoption permitted. It is applicable to the Company's fiscal year beginning January 1, 2012. Currently, the Company evaluated the effect of ASU 2011-05 on its financial statements and does not expect its adoption will have a material effect on its financial statements.

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2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, which specifies that an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit, as described in FASB ASC 350-20-35-4. If the carrying amount of a reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any, as described in FASB ASC 350-20-35-9. Under the amendments in ASU No. 2011-08, an entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. An entity may resume performing the qualitative assessment in any subsequent period. ASU No. 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The adoption of ASU No. 2010-28 is not expected to have any impact on the Company's financial position, results of operations and cash flows.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): disclosures about Offsetting Assets and Liabilities*, which requires entities to disclose both gross and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting agreement. The objective of the disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of International Financial Reporting Standards ("IFRS"). This ASU is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. Retrospective presentation for all comparative periods presented is required. Its adoption of ASU 2011-11 is not expected to have material impact on its financial statements.

ASU 2011-05 was modified by the issuance of ASU 2011-12, *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 in December 2011*, which indefinitely deferred certain provisions of ASU 2011-05, including the requirement to present reclassification adjustments out of

accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. This amendment is effective for both annual and interim financial statements beginning after December 15, 2011. The Company believes that its adoption of ASU 2011-12 will not have any material impact on its financial statements.

In July 2012, the FASB issued ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*, which allows companies to perform a qualitative assessment to determine whether further impairment testing of indefinite-lived intangible assets is necessary, similar in approach to the goodwill impairment test. The new guidance allows an entity the option to first assess qualitatively whether it is more likely than not (that is, a likelihood of more than 50 percent) that an indefinite-lived intangible asset is impaired, thus necessitating that it perform the quantitative impairment test. An entity is not required to calculate the fair value of an indefinite-lived intangible asset and perform the quantitative impairment test unless the entity determines that it is more likely than not that the asset is impaired. The new guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted for annual and interim impairment tests performed as of a date before July 27, 2012, if the financial statements for the most recent annual or interim period have not yet been issued. The Company will adopt the provisions of this new guidance on October 1, 2012. The Company believes that its adoption of ASU 2012-02 will not have any material impact on its financial statements.

In October 2012, the FASB issued ASU 2012-04, *Technical Corrections and Improvements*, which makes certain technical corrections and “conforming fair value amendments” to the FASB Accounting Standards Codification. The amendments affect various codification topics and apply to all reporting entities within the scope of those topics. These provisions of the amendment are effective upon issuance, except for amendments that are subject to transition guidance, which will be effective for fiscal periods beginning after December 15, 2012. The Company believes that its adoption of ASU 2012-04 will not have any material impact on its financial statements.

SHIJIAZHUANG LIYU TECHNOLOGY DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS

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3. RELATED PARTY BALANCES AND TRANSACTIONS

(1) **Related party relationships**

Name of related parties	Relationship
Shijiazhuang High-Tech Zone Yuanshen Science and Technology Co., Ltd ("Shijiazhuang Yuanshen")	Being an equity investment of the Company (note 7)
Beijing Origin Seed Limited	Being a shareholder of the Company

(2) Due from related party

September
30,
2011 2012
RMBRMB

Beijing Origin Seed Limited 90 297

(3) Due to related party

September
30,
2011 2012
RMB RMB

Shijiazhuang Yuanshen 560 1,460

(4) Transactions with related party

(a) Sales to

Year ended
September 30,
2010 2011 2012
RMB RMB RMB

Beijing Origin Seed Limited 240 90 -

(b) *Technology usage fee received from*

Year ended
September 30,
2010 2011 2012
RMB RMB RMB

Beijing Origin Seed Limited 5,471 5,953 9,541

(c) *Dividend paid to*

Year ended
September 30,
2010 2011 2012
RMB RMB RMB

Beijing Origin Seed Limited 1,200 2,467 2,100

F -50

SHIJIAZHUANG LIYU TECHNOLOGY DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS

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4. ACCOUNTS RECEIVABLE

Accounts receivable consists of trade receivables resulting from the technology usage fee charged to the customers during the normal course of business.

Allowance for doubtful account is as follows:

	Year ended September 30,		
	2010	2011	2012
	RMB	RMB	RMB
Balance at beginning of year	520	520	520
Additions	-	-	-
Balance at end of year	520	520	520

5. ADVANCES TO SUPPLIERS

Advances to suppliers consist of the following:

	September 30, 2011	2012
	RMB	RMB
Prepaid lease	1,079	-

Others	37	84
	1,116	84

6. PLANT AND EQUIPMENT, NET

Plant and equipment, net consist of the following:

	September 30,	
	2011	2012
	RMB	RMB
Plant and building	1,890	1,890
Furniture and office equipment	447	636
Motor vehicles	1,003	1,132
Total	3,340	3,658
Accumulated depreciation	(1,029)	(1,108)
Plant and equipment, net	2,311	2,550

The depreciation expenses for the years ended September 30, 2010, 2011 and 2012 were RMB230, RMB282, and RMB291, respectively.

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NOTES TO FINANCIAL STATEMENTS

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7.EQUITY INVESTMENTS

Equity investments consist of the following:

	September 30, 2011	2012
	RMB	RMB
Equity method investment	301	433

Shijiazhuang High-Tech Zone Yuanshen Science and Technology Co., Ltd

The Company owns 30% equity interest in Shijiazhuang Yuanshen and accounts for the investment under the equity method. For the years ended September 30, 2010, 2011 and 2012, the Company recorded its pro-rata share of earnings (loss) in Shijiazhuang Yuanshen of RMB14, RMB(13) and RMB132 respectively.

8.OTHER ASSETS

Other assets consist of the following:

	September 30, 2011	2012
	RMB	RMB
Deposit for plant and equipment	1,677	2,799

9. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses consist of:

	September 30, 2012	
		RMBMB
Rental payable	- 1,000	
Others	1 1	
		1 1,001

10. INCOME TAXES

The Company was incorporated in the PRC and governed by the PRC laws. The applicable tax rate of the PRC EIT was changed from 33% to 25% on January 1, 2008, according to the PRC EIT Law. In addition, Article 28 of the new tax law stated that the income tax rate of a “high technology” company (high-tech status) is to remain at 15%.

Preferential tax treatment of the Company as “high technology” company (High-tech Status) has been agreed with the relevant PRC Tax Authorities. The Company is entitled to a preferential tax rate of 15% which is subject to annual review. As a result of these preferential tax treatments, the reduced tax rates applicable to the Company for 2010, 2011 and 2012 are 15%.

In accordance with Section 27 of PRC EIT Law and Article 86 of the related Implementation Regulations, the Company is engaged in the business of “breeding of new varieties of crops”, which is entitled to EIT exemption that subject to the validation and approval from the PRC Tax Authority.

SHIJIAZHANG LIYU TECHNOLOGY DEVELOPMENT CO., LTD.**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2010, 2011 AND 2012****(In thousands, except number of share, per share data and unless otherwise stated)****10. INCOME TAXES - Continued**

The Company's provision for income taxes benefit (expense) for the years ended September 30, 2010, 2011 and 2012 were RMB(103), RMB(1,465) and RMB1,452, respectively, only consist of current tax benefit (expense). The Company did not have any significant temporary differences relating to deferred tax assets/ liabilities as of September 30, 2011 and 2012.

Reconciliation between total income tax expenses (benefit) and the amount computed by applying the statutory income tax rate to income before taxes is as follows:

	Year ended September 30,		
	2010	2011	2012
	%	%	%
Statutory rate	25	25	25
Effect of preferential tax treatment	(10)	(10)	(10)
Effect of income for which no income tax is chargeable	(9)	(1)	(15)
Over provision in prior year	-	(1)	(12)
Effective income tax rate	6	13	(12)

The Company performed self-assessment on the liability for unrecognized tax benefits, interests and penalties, which relate to the tax years still subject to review by taxing authorities. Audit periods remain open for review until the statute of limitations has passed, which in the PRC is usually 5 years. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the Company's liability for income taxes. Any such adjustment could be material to the Company's results of operations for any given annual period based, in part, upon the results of operations for the given period. As of September 30, 2011 and 2012, management considered that the Company had no uncertain tax positions affecting its financial position and results of operations or cash flows, and will continue to evaluate for any uncertain position in future. There is no estimated interest cost and penalty provided in the Company's financial statements for the years ended September 30, 2010, 2011 and 2012, respectively. The Company's tax positions related to open tax years are subject to examination by the relevant tax

authorities and the major one is the China Tax Authority.

11 EMPLOYEE BENEFIT PLAN AND PROFIT APPROPRIATION

Full time employees of the PRC entities participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require the Company to accrue for these benefits based on certain percentages of the employees' salaries. The total provisions for such employee benefits were RMB nil, RMB59 and RMB85 for the years ended September 30, 2010, 2011 and 2012, respectively.

Pursuant to the laws applicable to the PRC, domestic PRC entities must make appropriations from after-tax profit to non-distributable reserves funds including: (i) the statutory surplus reserve and; (ii) the statutory public welfare fund. Subject to the limits of 50% of the entity's registered capital, the statutory surplus reserve fund requires annual appropriations of 10% of after-tax profit (as determined under accounting principles generally accepted in the PRC ("PRC GAAP") at each year-end). These reserve funds can only be used for specific purposes of enterprise expansion and staff welfare and are not distributable as cash dividends. The appropriation has been made for the years ended September 30, 2010, 2011 and 2012 were RMB167, RMB336 and RMB nil. On the other hand, the amount set aside as of September 30, 2011 and 2012 were RMB1,500 and RMB1,500.

SHIJIAZHUANG LIYU TECHNOLOGY DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS

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12. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

As of September 30, 2011 and 2012, the Company's capital commitments for the purchase of long-term assets are RMB1,928 and RMB806, respectively.

(b) Operating lease

The Company leased certain land use rights for seed development and office premises under non-cancellable leases. Rental expenses under operating leases for the years ended September 30, 2010, 2011 and 2012 were RMB5,856, RMB4,705 and RMB4,611 respectively.

The Company has no future minimum lease payments under non-cancellable operating leases as of September 30, 2011 and 2012.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable are reasonable estimates of their fair value. All the financial instruments are for trade purposes. No level 2 or 3 fair value assessment has been made.

14. OPERATING RISK

Concentrations of credit risk

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains its cash and cash equivalents with high-quality institutions. Generally these deposits may be redeemed upon demand and therefore bear minimal risk.

Concentrations of customers

A substantial percentage of the Company's revenues are made from a shareholder, Beijing Origin, approximated to 51%, 31% and 49% of total revenue for the years ended September 30, 2010, 2011 and 2012, respectively. If our major customers experience a decline in the demand for their products as a result of the prevailing economic environment or other factors, the technology usage fee we receive could be reduced, which would adversely impact our revenues and operating results.

Liquidity risk

We believe our working capital is sufficient to meet our present requirements. We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. In the long-term, we intend to rely primarily on cash flow from operations to meet our anticipated cash needs. If our anticipated cash flow is insufficient to meet our requirements, we may also seek to sell additional equity, debt or equity-linked securities.

Country risk

The Company has significant investments in the PRC. The operating results of the Company may be adversely affected by changes in the political and social conditions in the PRC and by changes in Chinese government policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods taxation, among other things. There can be no assurance; however, those changes in political and other conditions will not result in any adverse impact.