

Origin Agritech LTD  
Form 20-F  
January 09, 2017

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 20-F**

**(Mark One)**

**.. REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

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

For the fiscal year ended September 30, 2016

**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)

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(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**

(Title of Class)

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 (September 30, 2016) covered by the annual report: 22,873,541 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

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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

**ORIGIN AGRITECH LIMITED**

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## INTRODUCTION

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

“we,” “us,” “our company,” “our,” the “Company” and “Origin” refer to Origin Agritech Limited and, in the context of describing our operations, also includes State Harvest Holdings Limited and the following, which are collectively described in this Annual Report as “our PRC Operating Companies”: Beijing Origin State Harvest Biotechnology Limited, or Origin Biotechnology, Beijing Origin Seed Limited, or Beijing Origin, and its five subsidiaries, Changchun Origin Seed Technology Development Limited, or Changchun Origin, Henan Origin Cotton Technology Development Limited, or Henan Origin, Denong Zhengcheng Seed Limited, or Denong, Linze Origin Seed Limited, or Linze Origin, Xinjiang Originbo Seed Limited, or Xinjiang Origin.

“last year,” “fiscal year 2016,” “the year ended September 30, 2016” and “the fiscal year ended “September 30, 2016” refer to the twelve months ended September 30, 2016, which is the period covered by this Annual Report;

all references to “Renminbi,” “RMB” or “yuan” are to the legal currency of China; all references to “U.S. dollars,” “dollars,” “\$” or “US\$” are to the legal currency of the United States. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding. The translation of Renminbi amounts into United States dollar amounts has been made for the convenience of the reader. Such translation amounts should not be construed as representations that the Renminbi amounts could be readily converted into United States dollar amounts at that rate or any other rate;

- “China” or “PRC” refers to the People’s Republic of China, excluding Taiwan, Hong Kong, and Macau;
- “Hong Kong” refers to the Hong Kong Special Administrative Region of the People’s Republic of China; and
- “shares” and “ordinary shares” refer to our ordinary shares, “preferred shares” refers to our preferred shares

## FORWARD-LOOKING INFORMATION

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

our goals and strategies which includes the sales of specific PRC assets used in the marketing and distribution of seeds and the international and North America expansion, including how we implement our goals and strategies and use the asset sale proceeds;

our expectations for our future business and product development, business prospects, results of business operations and current financial condition;

- expected changes in our margins and certain costs or expenditures, inclusive of changes in our costs;

- our future pricing and licensing strategies or policies;

- our ability to successfully anticipate market demand for our seed products;

our ability to acquire and integrate acquisitions into our growth strategies and to generate sufficient value to justify their acquisition and development cost and any reorganization we undertake with respect to the Company;



our plans for seed development, including our ability to successfully develop and produce seeds, and receive regulatory approval for and distribute proprietary seed products;

our expectations regarding our seed development and other biotechnology activities under licenses from third parties, and production results of our contracted farming production base;

future development of agricultural biotechnology as a whole and the impact and acceptance of genetically modified crop seeds in our industry;

address the scope and impact of the governing and regulatory policies and laws regarding genetically modified seed products in our market, and our ability to apply for and receive necessary approvals and to develop, produce, market and distribute genetically modified crop seeds;

· compliance with government registration and regulation;

· our plans to license or co-develop seed products or technologies;

our plans to expand our business-level or corporate-level operations and product offerings in China and North America, in particular the United States;

· likelihood of recurrence of accounting charges or impairments;

· expected changes in our sources of revenues and income base from our business operations or other sources;

· competition in the crop seed industry in China and other international markets;

· future development of the crop seed industry in China and other international markets;

· our plans for current staffing requirements and research and development;

our ability to successfully raise capital to accommodate company needs which are under acceptable terms and at an acceptable share price; and

· adequacy of our facilities for our operations.

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

· changing interpretations of Generally Accepted Accounting Principles and the adoption or use of International Accounting Standards in the future;

· outcomes of PRC and international government reviews, inquiries, investigations and related litigations;

· continued compliance with government regulations of PRC and other governments;

· legislative and regulatory environments, requirements or changes adversely affecting the businesses in which we and our PRC operating companies are engaged;

· fluctuations in our customer demand;

· management of the growth of our business and introduction of genetically modified products;

· timing of approval, production, and market acceptance of new products, inclusive of our genetically modified products;

general economic conditions in the PRC and worldwide; and

geopolitical events and regulatory changes.

The forward-looking statements in this Annual Report involve various risks, assumptions, and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, we cannot be certain that our expectations will materialize. Our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in the risk factors included in this Annual Report.

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

This Annual Report also contains information regarding the sale of certain assets of Origin. The transactions being disclosed in this Annual Report are subject to various pre-closing conditions and there is no guarantee that the transactions will be closed or will be closed under the same terms and conditions as we have previously disclosed.

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

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

**PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS**

Not Applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not Applicable.

**ITEM 3. KEY INFORMATION****A. Selected financial data.**

The following selected consolidated financial information was derived from our fiscal year end consolidated financial statements. The following information should be read in conjunction with those statements and Item 5, “Operating and Financial Review and Prospects.” Our summary consolidated statements of operations and comprehensive income data for the fiscal years ended September 30, 2014, 2015 and 2016 and our summary consolidated balance sheet data as of September 30, 2015 and 2016, as set forth below, are derived from, and are qualified in their entirety by reference to, our audited consolidated financial statements, including the notes thereto, which are included in this Annual Report. The summary statement of operations and comprehensive income data for the fiscal years ended September 30, 2012 and 2013 and the summary balance sheet data as of September 30, 2012, 2013 and 2014, set forth below are derived from our audited consolidated financial statements which are not included herein.

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

	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	USD'000(1)
Consolidated statement of income and comprehensive income data:						
Net revenues	552,111	481,694	415,177	376,553	335,251	50,204

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Cost of revenues	(387,783 )	(315,082 )	(301,148 )	(264,039 )	(259,253 )	(38,823 )
Gross profit	164,328	166,612	114,029	112,514	75,998	11,381
Selling and marketing	(56,437 )	(55,375 )	(58,972 )	(39,987 )	(38,079 )	(5,702 )
General and administrative	(77,585 )	(66,153 )	(46,428 )	(40,684 )	(62,159 )	(9,308 )
Research and development	(37,629 )	(42,162 )	(40,377 )	(48,741 )	(44,032 )	(6,594 )
Other income, net	3,852	15,241	7,269	18,238	6,964	1,042
Total operating expenses	(167,799 )	(148,449 )	(138,508 )	(111,174 )	(137,306 )	(20,562 )
Income (loss) from operations	(3,471 )	18,163	(24,479 )	1,340	(61,308 )	(9,181 )
Interest income	2,547	1,776	596	775	162	24
Interest expenses	(4,029 )	(11,326 )	(19,743 )	(18,634 )	(14,251 )	(2,134 )
Equity in earnings / Loss on disposal of associated company	4,030	5,161	(2,274 )	-	-	-
Loss on disposal of subsidiary	-	-	(2,623 )	-	-	-
Income (loss) before income taxes	(923 )	13,774	(48,523 )	(16,519 )	(75,397 )	(11,291 )
Income tax (expense) benefit	(1,862 )	(4,462 )	38,383	(1,295 )	(1,436 )	(215 )
Net income (loss) before non-controlling interests	(2,785 )	9,312	(10,140 )	(17,814 )	(76,833 )	(11,506 )
Non-controlling interests	(1,351 )	1,818	(613 )	(4,006 )	(11,255 )	(1,686 )
Net income (loss) attributable to Origin Agritech Limited	(1,434 )	7,494	(9,527 )	(13,808 )	(65,578 )	(9,820 )
Net income (loss) per share:						
Basic	(0.06 )	0.32	(0.42 )	(0.61 )	(2.87 )	(0.43 )
Diluted	(0.06 )	0.32	(0.42 )	(0.61 )	(2.87 )	(0.43 )
Shares used in computation:						
Basic	23,382,812	23,259,127	22,743,853	22,794,791	22,858,541	22,858,541
Diluted	23,382,812	23,278,443	22,743,853	22,794,791	22,858,541	22,858,541

	Sept 30 2012	Sept 30 2013	Sept 30 2014	Sept 30 2015	Sept 30 2016	USD'000(1)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Consolidated balance sheet data:						
Cash and cash equivalents	152,789	131,978	46,268	66,025	54,509	8,163
Current working capital (2)	(46,153 )	(67,436 )	(79,660 )	(90,381 )	(136,399)	(20,426 )
Total assets	975,437	1,158,072	1,064,870	985,829	880,626	131,874
Deferred revenues	23,243	22,069	19,029	11,248	7,008	1,049
Total current liabilities	605,195	751,978	704,611	634,140	614,502	92,022
Total liabilities	662,005	837,827	755,283	695,091	662,009	99,136
Non-controlling interests	52,385	54,203	53,590	49,584	38,329	5,740
Total Origin Agritech Limited shareholders' equity	261,047	266,042	255,997	241,194	180,288	26,998

(1) Translation of Renminbi amounts into United States dollar amounts has been made for the convenience of the reader for the year ended September 30, 2016 and has been made at the exchange rate quoted by the closing rate by the State Administration of Foreign Exchange in China on September 30, 2016 of RMB6.6778 to US\$1.00. Such translation amounts should not be construed as representations that the Renminbi amounts could be readily converted into United States dollar amounts at that rate or any other rate.

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

### Exchange Rate Information

The conversion of Renminbi into U.S. dollars in this Annual Report is based on the statistics of the State Administration of Foreign Exchange with respect to our historical financial statements. The consolidated financial statements are presented in Renminbi as the reporting currency. The translation of Renminbi amounts into United States dollar amounts has been made for the convenience of the reader and has been made at the exchange rate quoted by the closing rate by the State Administration of Foreign Exchange in China on September 30, 2016 of RMB6.6778 to US\$1.00. Unless otherwise noted, for the years ended September 30, 2012, 2013, 2014, 2015 and 2016, all translations from Renminbi to U.S. dollars in this Annual Report were made at RMB6.3410, RMB6.1480, RMB6.1525, RMB6.3613 and RMB6.6778 per US \$1.00, respectively, which were the prevailing year or period end closing rates for those periods. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes controls over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this Annual Report or will use in the preparation of our periodic reports or any other information to be provided to you. The source of the rates is the State Administration of Foreign Exchange in China. At September 30, 2015 the closing exchange rate was RMB6.3613 for one U.S. dollar. As of January 9, 2017, the closing exchange rate was RMB6.9262 for one U.S. dollar.

	Average (1)	High	Low	Period-end
2011	6.4576	6.6349	6.3165	6.3549
2012	6.3189	6.3482	6.2787	6.3410
2013	6.2318	6.3449	6.1475	6.1480
2014	6.1446	6.1710	6.0930	6.1525
2015	6.1644	6.4085	6.1079	6.3613
2016	6.5377	6.6971	6.3154	6.6778
April 2016	6.4762	6.5120	6.4579	6.4589
May 2016	6.5315	6.5790	6.4565	6.5790
June 2016	6.5874	6.6528	6.5497	6.6312
July 2016	6.6774	6.6971	6.6472	6.6511
August 2016	6.6474	6.6908	6.6056	6.6908
September 2016	6.6715	6.6908	6.6513	6.6778
October 2016	6.7442	6.7858	6.7008	6.7641
November 2016	6.8375	6.9168	6.7491	6.8865
December 2016	6.9182	6.9508	6.8575	6.9370

(1) Annual averages are calculated from month-end rates. Monthly averages are calculated using the average of the daily rates during the month.

**B. Capitalization and indebtedness.**

Not Applicable

**C. Reasons for the offer and use of proceeds.**

Not Applicable.

**D. Risk factors.**

**Risks relating to our business**

*If we do not manage our ongoing growth successfully, our growth and chances for profitability may be hindered or impeded.*



We continue to be a growth orientated company, with a focus on researching and developing our corn seeds and biotechnology, and licensing our traits and seed germplasm characteristics within China and around the globe. All these activities are expected to create significant demands on our corporate administrative, operational, and financial personnel and other human resources and on our cash flow needs and the requirement for additional working capital. Our current resources may not be adequate to support our planned operations and expansion. These demands and ongoing industry factors, such as overproduction or government policy changes, the increase in cost of seed distribution, may hinder our cash flow as our profit margins and sales may be adversely affected. For other reasons our expansion efforts may also not be successful.

***We require short-term financing to fund our working capital.***

The nature of the agricultural seed production industry involves expenses and revenues cycles that are seasonal in nature. In the third and fourth quarters of our fiscal year, we may face seed production costs that are in excess of our cash flow sources. The advance payments we make to our seed producing farmers may exceed the amount of deposits we receive from our customers, the seed distributors and end users. We have customarily relied upon short term bridge loans to cover our expenses pending receipt of cash payment from farmers at the time of seed purchases. Although historically we have had access to sufficient financing to manage our cash flow cycles, we cannot be certain that we will be able to obtain sufficient debt financing on terms that are satisfactory to us to maintain consistent operating results. Downgrades in our credit rating, tightening of related credit facilities or financial markets or other limitations on our ability to access short-term financing would increase our interest costs and adversely affect our operating results and operations.

***Because of the nature of our business, which has seasonal variation, it is likely that our future financial performance will fluctuate from period to period.***

The industry in which we operate is seasonal in nature. The sales season of corn and rice seeds lasts from October to June; the sales season of canola seeds lasts from July to September. We generally do not have significant sales revenues from July to September, which results in cyclical changes of our cash flow and operating activities. As a result, if we are unable to generate sufficient working capital from operations and working capital facilities, we may encounter liquidity difficulties from the period of July through September, which may harm our operations. The seasonal nature of our business causes our operating results to fluctuate from quarter to quarter. Any unexpected seasonal or other fluctuations could cause the price of our common shares to fall. As a result, you may not rely on comparisons of our quarterly operating results as an indication of our future performance.

In addition, as a seed producer our profits depend on our ability to secure sufficient orders from customers and sufficient seed production from the seed production farms. We also have to manage our inventory levels and respond to competitive forces in our markets. An adverse change in the seed market conditions may have material adverse effects on our operating results if we cannot adjust our operating and marketing strategy to respond to such changes. The results of our operations will be adversely affected by reduced orders and profit margins in the event of a slowdown in market demand, constraint on the market supply, an increase in business competition, a decrease in government subsidies to farmers, increased costs, or for other reasons. As such, there is a risk that we will not be able to achieve or maintain profitability or our historical results.

***Aged inventory may result in an increase of our expenses and cause operating losses.***

We normally produce seeds according to our annualized production estimate that is developed at least one year before delivery to our customers. If our production plan is too aggressive, we could produce more seeds than the market demands, resulting in larger amounts of inventory that remain unsold. We may decide not to sell these aged seeds as crop seed products, taking into account factors such as the quality of the seeds and commodity pricing. In that case, the aged inventory may be sold as common feed products at greatly reduced prices. Aged inventory could result in asset impairment risk, in which case we would suffer a loss and incur an increase in our cost of revenues and a decrease in gross profit. Over the last several years, due to competition and our production levels, we have experienced larger amounts of inventory and had to liquidate our aged seeds resulting in unanticipated losses, which has affected our operating results.

***If we are unable to match our production to customer demand, our business, financial condition and results of operations may be adversely affected.***

We attempt to produce seeds according to an annualized production plan based on estimated customer demand, our assessment of industry wide inventory, and growing capacities that is developed before we sell and deliver crop seeds to distributors. Chinese farmers, the end users of our crop seeds, generally decide to purchase our products based on market prices, eco