

Origin Agritech LTD  
Form 8-K  
November 14, 2005

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 8-K**

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

Date of Report:  
(Date of earliest event reported)  
**November 8, 2005**

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**ORIGIN AGRITECH LIMITED**  
(Exact name of registrant as specified in charter)

**BRITISH VIRGIN ISLANDS**  
(State or other Jurisdiction of Incorporation or Organization)

(Commission File Number)		(IRS Employer Identification No.)
<b>000-51576</b>	<b>625 Broadway, Suite 1111 San Diego, CA 92101</b> (Address of Principal Executive Offices and zip code)	<b>N/A</b>

**(619) 795-4627**  
(Registrant's telephone number, including area code)

**N/A**  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12(b) under the Exchange Act (17 CFR 240.14a-12(b))
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

- o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## Section 2 Financial Information

*The financial statements of Origin are prepared using Renminbi, the currency of the Peoples Republic of China ("PRC"). For convenience, the Renminbi amounts have been converted throughout the text of this Form 8-K Report into United States dollars. Until recently, the Renminbi was a controlled currency, and the exchange rate maintained by the PRC was approximately 8.27 Renminbi to one United States dollar. This is the exchange rate used for the translated dollar amounts in the text of this proxy statement/prospectus. The Chinese government has recently altered its policy toward the rate of exchange of the Renminbi versus the US dollar. Changing from a previously fixed rate policy regarding the dollar, the Renminbi has recently been permitted to float within a fixed range against a basket of currencies, including the US dollar, Japanese Yen and European Euro, which has resulted in the Renminbi being allowed to appreciate 2% +/- 0.3% vs. the dollar. Since the company's business is presently 100 percent within the PRC, this change will have no effect on the company's business, but will result in a concomitant increase in its after-tax earnings when stated in dollar terms. In the future, the company's earnings stated in US dollars will fluctuate in accordance with the change in exchange rate.*

*Under the law of the British Virgin Islands, Agritech is authorized to issue "ordinary shares" and holders of ordinary shares are "members." References to ordinary shares and members have been translated to common stock stockholders, which are terms more familiar to United States persons.*

*The following company names for the PRC related entities are used in this document: (1) State Harvest Holdings Ltd. is referred to either as "Origin" or "State Harvest," (ii) Beijing Origin Seed Limited is referred to as "Beijing Origin" throughout this document, (iii) Henan Origin Cotton Technology Development Limited, sometimes written He Nan Origin Cotton Technology Limited, is referred to as "Henan Origin" in the text or "He Nan Cotton" in the Origin financial statements, and (iv) Changchun Origin Seed Technology Development Limited is referred to as "Changchun Origin" in the text or "Chang Chun Origin" in the Origin financial statements. The differences in names, in part, arise from the difference in writing Chinese names in English for which there are no uniform rules.*

### Item 2.01 Completion of Acquisition or Disposition of Assets.

On November 8, 2005, Origin Agritech Limited, a company organized under the laws of the British Virgin Islands ("Agritech"), consummated the merger with Chardan China Acquisition Corp., a Delaware corporation ("Chardan"), in which merger Agritech was the survivor, and immediately thereafter it consummated the acquisition of State Harvest Holding Limited, a company organized under the laws of the British Virgin Islands ("State Harvest"), which acquisition included the controlled affiliated operating corporations, Beijing Origin Seed Limited ("Beijing Origin"), Henan Origin Cotton Technology Development Limited ("Henan Origin"), Changchun Origin Seed Technology Development Limited ("Changchun Origin") and Beijing Origin State Harvest Biotechnology Limited ("Origin Biotechnology") (these four companies are referred to as the "Origin Operating Companies"). (Together the Origin Operating Companies and State Harvest are sometimes referred to on a fully consolidated basis as "Origin".)

The merger of Chardan with and into Agritech was pursuant to a Certificate of Merger and Plan of Merger between Chardan and Agritech, dated November 8, 2005.

The acquisition of State Harvest was pursuant to the Stock Purchase Agreement dated as of December 20, 2004, as amended.

At the closing, the State Harvest stockholders and their designee were paid an aggregate of \$10,000,000 in cash, using the funds held in the trust account of Chardan, and were issued an aggregate of 10,000,000 shares of Agritech common stock for all the outstanding common stock of Origin. Of the cash portion of the purchase price, \$250,000 has been held back for one year by Agritech to secure certain indemnification obligations of the State Harvest

stockholders.

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Additional purchase price payments will be made to the State Harvest stockholders and their designee, up to an aggregate of \$15,000,000, 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:

A. If Agritech receives at least \$40,000,000 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 \$15,000,000 to the State Harvest stockholders and their designee; or

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

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

As further additional purchase price, certain State Harvest stockholders 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:

Year ending June 30,	After-Tax Profit
2006	\$11,000,000
2007	\$16,000,000
2008	\$21,000,000
2009	\$29,000,000

The designee, A Plus Resources Limited, a company formed under the laws of the British Virgin Islands, is owned by Ms. Song Baoqing and provided financial advisory services to the Origin Parties.

In connection with the above described acquisition, 200,000 shares of common stock were issued to a consultant to Chardan and Agritech.

All the above-mentioned shares were issued pursuant to Section 4(2) of the Securities Act of 1933 and are "restricted shares."

On November 8, 2005, Agritech, State Harvest and the Origin Companies issued a press release announcing the closing of the above transactions ("Closing"), a copy of which is attached to this Current Report on Form 8-K as Exhibit 99.1.

In connection with the approval of the above described transaction, the Chardan stockholders adopted the 2005 Performance Equity Plan, which authorizes a total of 1,500,000 shares of common stock available for awards under the plan. As a result of the merger of Chardan with and into Agritech, the plan became the 2005 Performance Equity Plan of Agritech. The purpose of the plan is to enable Agritech to offer its and its affiliated companies' employees, officers, directors and consultants whose past, present and/or potential contributions to the company have been, are or will be important to the success of Agritech, an opportunity to acquire a proprietary interest in Agritech. The various types of incentive awards that may be provided under the stock option plan will enable Agritech to respond to changes in compensation practices, tax laws, accounting regulations and the size and diversity of its business.

#### **Item 2.02 Results of Operations and Financial Condition.**

Reference is made to the disclosure set forth under Item 8.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference, concerning the management's discussion and analysis of financial statements of Origin.

### **Section 3 Securities and Trading Markets**

#### **Item 3.02 Unregistered Sales of Equity Securities.**

Reference is made to the disclosure set forth under Item 2.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference, concerning the stock portion of the consideration issued to the State Harvest stockholders and a designee and to a consultant to Chardan and Agritech.

#### **Item 3.03 Material Modification to Rights of Security Holders**

Incorporated by reference from the Form S-4 (No. 333-124709), effective September 27, 2005, are the following: (A) "Chardan Redomestication Merger" found at pages 75 - 87, including the "Plan of Reincorporation and Redomestication Merger," "Differences of Stockholders Rights," "Indemnification of Officer and Directors," "Defenses Against Hostile Takeovers," "Rights of Minority Shareholders," and "Transfer of Agritech Securities upon Death of Holder," (B) "Description of the Combined Company's Securities Following the Stock Purchase" found at pages 149 -151 and (C) the Articles and Memorandum of Association of Agritech included as Exhibits B and C to the proxy statement/prospectus.

### **Section 5 Corporate Governance and Management**

#### **Item 5.01 Changes in Control of Registrant.**

Reference is made to the disclosure set forth under Items 2.01 and 8.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference.

#### **Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.**

Reference is made to the disclosure set forth under Items 2.01 and 8.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference.

Effective as of the Closing, and as a result of the merger of Chardan with and into Agritech, the officer positions of Chardan were eliminated and the directors of Chardan (other than Kerry Propper, Remo Richli, Steven Urbach and Michael Chermak) resigned. Messrs. Propper, Richli, Urbach and Chermak will continue as directors of Agritech. In

connection with the acquisition of State Harvest, five additional persons were appointed as directors of Agritech, who are Messrs. Gengchen Han, Yashang Yang, Liang Yuan, Bailiang Zhang and DaFang Huang.

### **Item 5.03 Amendments to Articles of Incorporation or Bylaws.**

As a result of the merger of Chardan with and into Agritech, the Articles and Memorandum of Association of Agritech are the constituent documents of the company governing shareholders rights. The forms of Articles and Memorandum of Association were filed as Exhibits B and C to the Form S-4 (No. 333-124709), effective September 27, 2005, and are incorporated herein by reference.

### **Item 5.06 Change in Shell Company Status**

The filing that describes the material terms of the transaction by which Chardan merged with and into Agritech and Agritech acquired Origin are described in the Form S-4 (No. 333-124709), effective September 27, 2005.

## **Section 8**

### **Item 8.01 Other Events.**

Incorporated by reference from the Form S-4 (No. 333-124709), as effective on September 27, 2005, are the following: (A) "Enforcement of Civil Liabilities Against Foreign Persons" found at pages 11 - 12, (B) "Selected Historical Financial Information - The Origin Parties Historical Financial Information" found at page 24, (C) "Market Price Information" found at pages 28 - 29, (D) "2005 Performance Equity Plan" found at pages 88 - 96, (E) "Certain Relationships and Related Transactions" found at pages 140 - 142, (F) "Shares Eligible for Future Sale" found at page 148, and (G) "Where You Can Find More Information" found at pages 153-154.

## **BUSINESS OF ORIGIN**

### *General*

State Harvest was established on October 6, 2004. On December 25, 2004, it entered into stock consignment agreements for the control of the Origin Operating Companies, other than Origin Biotechnology of which it owns 100% of the outstanding stock. Through the control of the four Origin Operating Companies, it will conduct operations in the field of hybrid crop seed development, production and distribution through its subsidiaries, which are Beijing Origin, Changchun Origin, Henan Origin and Origin Biotechnology, the technology-intellectual property holding and licensing company. All of the Origin Operating Companies are organized under the laws of the PRC.

The first Origin Operating Company formed was Beijing Origin, which was founded in Beijing in 1997 and began operations in 1998. The initial operations consisted of licensing existing proprietary hybrid corn seeds for development and production and initial commercial distribution of its first hybrid corn seed, YuYu 22. Although Beijing Origin and the other Origin Operating Companies have continued to license hybrid seeds from others, it is increasingly relying on its own proprietary hybrid seed varieties which it began to develop in 1998. In 2003, it began commercial distribution of OS 19, the first of Origin's products to be entirely internally developed. To date, the majority of its revenues have depended on licensed seed. The loss of the right to grow and distribute licensed seed would result in a substantial loss of revenues to Origin and affect its ability to continue in business as it is currently operating.



### *The Chinese Crop Seed Market*

The Chinese agricultural sector is primarily made up of small, family-owned farms. Increasingly, corn is becoming an important crop in China because it has a number of uses, including as livestock feed and a source of fuel in the form of ethanol. In addition, rice is an important human food crop and cotton is an important industrial crop.

The Chinese agricultural seed industry is fragmented, with the corn seed market being served by approximately 5,000 small, local seed suppliers. Most of these seed companies were established in the 1960s and 1970s by local county governments to address Chinese central government agricultural initiatives. They were designed at the time to provide service and support to local farmers. These local seed providers usually sell varieties of agricultural seed that have been grown in their respective locales for years.

Improved seed products have been generally available in China through large multinational suppliers, the largest being Pioneer International, Monsanto and Sygenta, each of which established operations in China more than a decade ago. These multinational companies, however, have not yet penetrated the Chinese market to any appreciable extent.

Origin was founded with a business strategy that would meet what it believes to be the needs of the small Chinese farmers. That business strategy consisted of the following elements:

- (i) Relying on proprietary seed products, initially licensed and increasingly internally developed, to deliver superior value to customers and establish barriers to competition;
- (ii) Devising a process for obtaining regulatory approvals for new crop seeds (a Chinese legal requirement) that has proven efficient and effective;
- (iii) Establishing a broad network of farmers in several regions to participate in the seed development process and to produce crop seeds for commercial distribution once approval is received;
- (iv) Creating an effective distribution system using a relatively small network of primary distributors, only one in each county with exclusive territories, with which it can deal directly and efficiently which, in turn, develop their own secondary distribution network to reach out directly to the family farmers. This distribution network is not only a means for securing and fulfilling orders, but it acts as a conduit for Origin's marketing and technical support activities.
- (v) Relying on a number of marketing activities to retain existing customers and attract new ones. These marketing activities include:
  - a demonstration program that provides technical assistance to customers regarding the correct seed choice and proper cultivation methods;
  - television advertising and a newsletter published three times per year that reaches nearly 2 million seed customers and provides them with information on the benefits of Origin's products and the techniques for maximizing yields;
  - a database of over 1 million customers that Origin uses to keep repeat sales at a high level, an important component of revenue growth.
- (vi) Delivering service and technical support to customers throughout the growing season for its products. Customers can contact Origin through a dedicated call center that handles up to 6,000 calls per day. Field service representatives are dispatched within 48 hours of a customer's request for help.



This business model and strategy has proven effective. Origin has increased its annual revenues by an average of more than 30% over the three year period of fiscal 2002 through fiscal 2004. Management believes that it will also increase revenues for fiscal 2005, based on the fact that Origin receives orders with deposits well in advance of the next year's growing season, which enables it to calculate demand and make estimates of its sales volume and revenue.

Generally, Beijing Origin products carry a premium price. As explained in the Government Regulation section, approval of new seeds is granted only if seeds have an 8% or higher yield compared to control seeds and also rank in the top six of all seeds being tested in that cycle, based on monitored production in at least five different locations. Further, in China, corn, rice, cotton and other major crop seeds cannot be sold unless they pass government variety registration trials and obtain a certificate of "Authorized Crop Variety" from the Crop Variety Authorizing Committee. The committee sets standards about yields, grain quality, disease and insect resistance and requires approved seeds to meet these standards, as well as a yield increase of greater than 5% over selected base hybrids or varieties. There is no assurance that Origin's seeds are the best in any one year or that others will not be developed that are better. By reason of this government regulation, however, it is likely that new hybrids offered in China will supplant prior approved ones in terms of quality. In addition, Beijing Origin currently provides dealers a higher profit margin, and management finds that they therefore tend to promote Origin products more actively in the market place.

### Intellectual Property Base

Origin has a growing portfolio of its own seed hybrids and varieties, some of which are subject to Chinese patents and patent applications. Origin considers its proprietary products and patents to be important to its business. The basis for a patent on a seed is the use of DNA fingerprinting. The presence of a DNA fingerprint enables identification of the seed and can be used to determine if others are infringing on the patent. Origin also uses additional measures of identification, including holographic coding of each bag of seed, to limit infringement and support enforcement of its rights. Farmers can call the technical support line to verify the code, ensuring the seed is a genuine Origin product. Operators note each time a code is verified, negating the possibility of a counterfeiter's repeatedly using the same number. Origin receives as many as 6,000 phone calls per day for technical assistance and code verification.

The patented seeds are as follows:

Patent	Name of Patent	Patent Number	Proprietor of Patent	Effective Period*
Design Patent	Packing bag	ZL 993 14865.4	Beijing Origin Limited	November 1, 1999 to October 31, 2009
Invention Patent	A method of producing hybrid corn seed	ZL 02146510.X	Beijing Origin Limited** Henan Agriculture University**	October 18, 2002 to October 17, 2022
Seed	LinAol	CAN 19990108.2	Beijing Origin Limited	March 1, 2003 to February 28, 2018

\* Effective period means the period from approval of the patent until its expiration.

\*\*Henan Agricultural University and Origin share this patent relating to a proprietary method of producing hybrid corn seed. Both parties may use the method to produce seed and are not required to pay any sum to the other.

Neither party has the right to allow a third party to use the patent. Those provisions are embodied in the patent and not in a separate agreement.

The following is a list of patents for which Origin has made application.

Name of Seed	Applicant	Date Filed	Date of Announcement	Filing Number
OS 3101	Beijing Origin Limited	January 13, 2004	May 1, 2004	20040020.7
OS 3102	Beijing Origin Limited	January 13, 2004	July 1, 2004	20040021.5
Zhongyou 85 (rice seed)	Beijing Origin Limited	August 24, 2004	January 1, 2005	20040347.8
OS (silage com) 5102	Beijing Origin Limited	April 7, 2005	September 1, 2005	20050215.8
OS 3108	Beijing Origin Limited	April 7, 2005	July 1, 2005	20050214.X
OS 3202	Beijing Origin Limited	April 7, 2005	July 1, 2005	20050213.1
OS 3111	Beijing Origin Limited	April 7, 2005	July 1, 2005	20050212.3

In addition, Origin has seven trademarks that have been registered in the PRC, which registrations cover periods expiring between 2009 through 2015. These trademarks include names and artwork and are used in connection with all their seed products and packaging.

Origin launched its first proprietary product in 2003 after six years of research and development. In 2004, Origin delivered three new proprietary seed products, and in 2005, to date, it has delivered four new proprietary seed products. With its research, breeding system and management, Origin is planning to introduce approximately 40 new proprietary products into the government testing and approval cycle in the calendar years 2005 through 2008. The testing and approval process takes three full years. Currently, Origin has seven products in the third and last year of the testing and approval cycle, 16 products in the second and 23 products in the first.

In addition to the development of its own proprietary seeds, Origin licenses the distribution of seeds developed by independent research and development institutions which have no commercialization ability or distribution channels of their own. Currently, Origin licenses 14 varieties of corn and two varieties of cotton seed which currently account for the majority of its sales. Under the typical license agreement, one of the Origin Operating Companies will license a designated product for exclusive production and marketing within China. The license fees vary in their method of determination, but generally they are a percentage of revenues from the sale of the variety or are a flat fee arrangement. No agreement either in the past or currently results in a payment in excess of 1% of the revenues of Origin. Beijing Origin has these types of agreements with Hubei Province Shiyan Agricultural Sciences Institute, China Academy of Sciences Microbiology Institute, and Corn Research Institution of Li County in Hebei Province and Henan Agricultural University. Except for the agreement with Hubei Province Shiyan Research Institute, which has a term expiring on January 10, 2008, these agreements generally have no term. The agreements may be terminated for breaches by either party. Origin may terminate the agreements at any time, in effect, by not producing seeds thereunder, without penalty.

Origin has joint development agreements with the Corn Research Institute of Li County, Hebei Province, under which Origin and the Institute are to develop several varieties of corn seed. Under these two agreements, Origin has developed and produced five seeds, which together have represented a substantial amount of sales in each of 2003 and 2004 as follows:



Seed Name	Percentage of 2003 Sales	Percentage of 2004 Sales
Liao No. 1	49.00%	50.50%
OS 17	1.14%	7.44%
Liyu 16	0.00%	0.11%
OS 19	0.09%	0.57%
Liyu 26	0.00%	0.02%
<b>Total</b>	<b>50.23%</b>	<b>58.64%</b>

The seeds developed under the agreements are exclusive to Origin until the agreements are terminated, and the Institute has agreed that it will not develop any derivative hybrids from these seeds. Moreover, the Institute will pay the government fees to protect the exclusivity rights of Origin. Origin must promote the seeds licensed under the agreements and is obligated to pay 0.4 RMB for each kilogram of seed produced by Origin, as a license fee, which has been less than 4.01% of the cost of goods sold. The agreement has no termination date, hence it continues until the parties jointly agree to terminate or the breach of the agreement by one party or the other.

Only one corn seed product, YuYu 22, is licensed on a non-exclusive basis. The YuYu 22 variety is licensed from Henan Agricultural University for an indefinite term. The university has granted Beijing Origin the right to produce, distribute and propagate the variety. The university also will provide technical materials and instructions, supervise seed quality and evaluate growing areas. It will also pursue the PRC New Plant Variety Notification for YuYu 22. Beijing Origin pays a technology license fee of 20RMB for each mu (unit of area equivalent to .164 of an acre) of seed production area per year which has been less than 1% the cost of goods sold. Beijing Origin is responsible for all the propagation costs, maintaining quality standards, and safeguarding the variety reputation and rights of the university. The YuYu22 seed product represented approximately 37% and 13% of sales in each of the fiscal years 2003 and 2004, respectively. There is no term for this agreement.

Except as discussed immediately above, no other seed products represented more than 10% of sales in these years. In addition, except as disclosed above, no one entity is responsible for a seed product or group of seed products that represent more than one percent of the revenues of Origin.

As Origin has developed and received approval for its own seeds, the number of seeds that it licenses from others has declined. Origin expects that this decline in licensing from others will continue. Origin does not consider that it is dependent on any single licensed seed product. The revenue related to licensed hybrid seeds for 2002, 2003 and 2004 was \$11,682,128, \$22,933,841, \$35,993,245, respectively. Licensed hybrid seeds accounted for 100% of the total seed revenue in 2002 and 2003, and 98.97% of the total seed revenue in 2004. There were no revenues related to proprietary hybrid seeds in 2002 and 2003. The amount of revenue related to proprietary hybrid seeds in 2004 was \$375,929, which accounted for 1.03% of the total 2004 seed revenue. For 2005, Origin projects that approximately 85% of its seed sales will be licensed seeds and approximately 15% will be its proprietary seeds. The basis for this projection is the advanced orders accompanied by deposits received to date and the inventories of seeds currently carried. Origin is currently dependent on licensed seeds for its revenues, which presents the risk that if it should not have access to the license arrangements, its revenues will be reduced substantially, and it will incur losses. In the future, Origin will pursue licensing of its own proprietary seeds to other producers as an additional source of revenue. One of the goals of the reorganization and establishment of Origin Biotechnology is to hold all of the intellectual property assets of the Origin Operating Companies. To date, Origin has not engaged in any meaningful licensing arrangements of its seeds for the production and sale by others.





Origin has also sought and received court protection of its branded seeds. In an action commenced in the Nanzhou courts in July 2004 against 12 seed companies that sold one of its corn seed products without a license, the first tribunal level ordered the defendants to cease and desist their infringement of Origin's product and awarded damages in the amount of RMB 4,700,000 (US\$567,873). The case was appealed by the defendants on the issue of the damages only, which appeal was dismissed. This case is unique in China and has demonstrated support for protecting seed production and ownership rights under the Regulations of the PRC on the Protection of New Varieties of Plants, which protects the right of an owner of a plant variety to produce and sell the varieties and propagating material.

Genetically modified (GM) seeds have not enjoyed a large share of the Chinese crop seed market to date. The timing and rate of acceptance of GM seeds in China are not yet clear. However, Origin believes that the advantages of GM seeds potentially make them a significant component of the Chinese crop seed market. As a result, it has begun its own biotech research program to develop GM seeds, giving it the future capability to enter the market as acceptance of those products grows.

### **Origin's Commercial Product Development.**

Origin believes that it maintains a strict seed quality control system. It was the first Chinese seed company to gain ISO9001-2000 certification. This certification is important in China because it assures that a certain quality standard is present. Also, ISO certification means that a system for monitoring customer satisfaction is in place.

To continue its position as a quality producer, the company budgets approximately 5% of its gross revenues based on the prior year results on research and development. Because of the increase in gross revenues, the actual amount spent in any year has generally been 3% of gross revenues in that year. Origin has spent RMB6,773,621 (US\$818,416), RMB5,287,964 (US\$638,913) and RMB5,371,954 (US\$649,061) in each of the years ended December 31, 2004, 2003, and 2002, respectively and RMB3,596,471 (US\$434,456) for the six months ended June 30, 2005.

Also, Origin established its own stable of seed production bases in Gansu and Inner Mongolia by providing seed-producing farmers with technical training and field quality control practices. Origin believes that it has significant processing capability and uses advanced equipment for efficiency and maintaining a high quality of hybrid seeds. By employing these practices, Origin believes that it has achieved a product quality on par with that of its foreign counterparts that is consistently well received by its customers.

Origin has relationships with several academic research institutions in China, including the Chinese Academy of Science, China Agricultural Academy of Science, Beijing Agricultural Academy of Science, Henan Agricultural University and Liaoning Agricultural Academy. Origin has cooperated with these institutions through contractual research, partnering relationships and by joint-licensing various varieties of their hybrid seeds. These agreements are discussed above. One of Origin's subsidiaries is 2.04% owned by Henan Agricultural University.

These relationships were important to Origin in its early stages to help it get started in the crop seed business, as they made available to Origin already developed and approved seeds that Origin could then put into production and distribution. As Origin has developed its internal capabilities to perform research and develop hybrid and genetically modified seeds, the importance of these relationships has diminished significantly, but they remain helpful to Origin continuing its efforts to expand its product offering and its market share.

The development of the science of genetics has permitted the creation of new species of corn, rice and cotton, rather than just new hybrid varieties. Genetically modified (GM) corn, soybean and cotton have been widely used in the United States and many other countries to guard against insect damage and to increase yields. The future potential for GM corn and rice in China exists. Since receiving Chinese government approval, cotton modified to guard against

borer damage is now widely planted. Because the Chinese market has widely accepted GM cotton and the Ministry of Agriculture is beginning to promote GM rice seed as well, Origin believes that GM products will eventually be fully promoted and accepted in the Chinese market. In response to these developments, Origin initiated its own biotech program in 2000 to ensure that its technology will be ready when the market is ready.

Once approval for distribution of a new seed is obtained, the producer must turn to commercial development of the seed variety. Origin does this by distributing the seed to its network of more than 60,000 farmers, each of whom plants the hybrid to produce seeds for commercial distribution the following season. This network of local farmers who produce Origin's seeds is an important element of Origin's strategy to produce an increasing number of products with consistent quality.

Origin depends on this network of farmers to grow and develop its seeds for commercial distribution. A problem in this network could disrupt the introduction of a new product or the continued availability of an existing one. However, Origin has taken several measures to reduce those risks and to convert its commercial product development network into a reliable source of its products. Those measures include obtaining the cooperation of local government officials in converting land to crop seed production and offering the farmers who produce the seeds attractive returns relative to those they would receive from growing crops for sale or consumption.

### **National Marketing and Distribution**

Origin has its own sales organization consisting of 142 persons that oversee all aspects of the distribution and retail sale network and promote the company sales to the expanding distribution chain.

Origin has established a nationwide distribution network with over 1,200 first-level distributors and over 20,000 second-level distributors and some retailers. The distributors in turn sell to the retailers and retailers sell to the farmers. This distribution network covers almost all the provinces of the PRC, excluding only Qinghai and Tibet. The top five provinces in terms of sales volume are Jilin, Sichuan, Liaoning, Chongqin and Hunan, representing 42.51% of Origin's 2003 annual sales volume.

The terms of the Origin distributor agreement provide for territorial exclusivity, usually on a county-wide basis. To enforce exclusivity and monitor product locations, Origin assigns a code to each distributor and marks all packaging sent to the distributor with this code. Vigilant monitoring of territory integrity and enforcement of contractual penalties, which may include termination of distribution rights, provides stability and profitability within the distribution network, ensuring quality services and product availability. Origin believes that it enjoys a very positive reputation for its implementation and enforcement of this exclusive distribution system. Distributors buy Beijing Origin's products at a wholesale price established by Origin and are required to make full payment prior to delivery. Distributors that place orders and make deposits on an order in the period August - October for sales to be made the following year are generally offered a discount. At the end of the annual sales season, Origin sets a final sales price that often is below the suggested retail price. Normally, Origin will defer recognition of revenue from deposits until services have been rendered, the price is fixed or determinable, collectibility is reasonably assured and the right of return has expired. In the seed industry in the PRC, the selling price will be determined around April or May for seeds sold during the several prior months. Advance deposit orders represent between 70% and 80% of Origin's sales. The term of a typical distributor agreement varies depending on negotiations and the nature of the distributor and its prospective territory. There usually is an initial payment for the distribution right which is applied in whole or in part to future orders, depending upon compliance with the terms of the agreement. The agreement also delineates pricing adherence requirements and permissible discounting practices, territory, ordering and supply obligations, returns, market support and other regular business terms and dispute resolution provisions. No one distributor accounts for more than 1% of sales.

On an annual basis, Origin's sales team assists distributors in writing monthly sales plans. These sales plans are then submitted to Origin via facsimile 30 days prior to the required seed delivery dates. Every year during the harvest season, Origin organizes corn production demonstrations in cooperation with local villages and seed distributors, to which are invited farmers and others in the seed distribution chain. At these demonstrations, Origin's teams show their hybrid corn, explain planting techniques, discuss industry best practices and disseminate promotional materials. These marketing and production demonstrations help create new demand, not only in each village where demonstrations are held, but also in nearby villages, for both the current season and for succeeding years.

The technical service department of Origin has a 24-hour toll-free number available for farmers and distributors, through which they can obtain solutions to specific technical problems and issues of seed piracy. If on-site help is required, a Technical Assistant will arrive on location within 48 hours of a call. Origin also enlists the help of its distributors to provide help and advice to the farmer. Origin believes that its focus on customer service and technical support have helped it to build brand identity and loyalty, contributing to its total sales growth over the last several years.

Using local TV and radio broadcasts, Origin promotes its brand to over 70% of its geographic market, reaching over fourteen million individual farmer households. Additionally, Origin publishes a seasonal newspaper, "Origin News," with a distribution to about twenty million farmers in which it addresses technical issues, shares success stories and further promotes the Origin brand. Origin News is the de facto source of product and technical information for the Chinese peasant farmer. Origin maintains a database of over 1,000,000 farmers to track buying habits and contact information.

Product and technical service brochures are provided throughout the distribution network and prove a valuable tool in promoting the sale of the corn seed product and the recognition of the Origin brand. The Origin slogan, "When buying seed, quality is paramount — trust Origin," appears on all promotional material, helping to build the brand in all the local markets.

### **Future Strategy: Entering the Cottonseed and Rice Seed Markets**

Since its inception in 1998, Origin has been working to develop its own hybrid cottonseed. Currently, it has two cotton products in government testing programs. After its success with corn seed sales in the Southwest of China (a primary agricultural area for rice), Origin decided to enter the rice business by taking advantage of its existing sales channels and corporate brand image. Since the business models for corn, cotton and rice production are very similar, and they share similar sales channels, part of Origin's strategic plan is to participate in the cotton and rice seed business. To facilitate a quick start to this program, Origin plans to license a hybrid rice seed from a partner research institute for resale by the end of this year.

### **Government Regulation**

Participation in the crop seed business is a highly regulated activity in the PRC. For a company to enter the seed business, it must obtain two licenses. One is issued at the provincial level, entitling the holder to engage in seed production in that province. This license specifies the types of seeds that may be produced. The second is a license to distribute seeds. As described below, the level of the licensee's registered capital determines if the distribution license is issued at the national or provincial level:

- To obtain a national distribution license, the licensee must have registered capital of at least RMB 30 million (approximately \$3,750,000);



- To obtain a provincial license to distribute hybrid seeds, the licensee requires registered capital of not less than RMB 5 million (approximately \$645,000); and
- To obtain a provincial license to distribute non-hybrid seed varieties, the licensee requires registered capital of not less than RMB 1 million (approximately \$125,000).

A separate license is required to import and export seeds. To obtain this license, the applicant must have minimum registered capital of RMB 10 million (approximately \$1,250,000).

Origin has a national distribution license, which entitles it to sell approved seeds in any province in the PRC.

In addition to the license(s) needed to engage in the seed production and distribution business, each seed must undergo a stringent regulatory review before it may be sold in China. A seed production company cannot receive a license to engage in seed production, regardless of the level of its registered capital, until it has secured rights to an approved seed product.

The testing of seeds for approval can be conducted at the provincial level or the national level. However, seeds that have been approved at the provincial level can only be distributed in the province in which the approval was issued. An approval at the national level means the approved seed can be distributed nationwide.

The procedure for provincial examination and approval requires the applicant to:

· Submit the application to provincial government;

- Go through two cycles of monitored growth in at least five different locations in the province. Seeds submitted for testing are planted together with control seeds, which is typically the most popular seed with farmers in the testing locations. Only seeds that have an increased yield of 8% or higher versus the control seeds and that rank in the top 6 among all seeds then being tested are cleared to proceed to the second year of testing, during which the results of the initial test season must be confirmed;

· Go through one successful cycle of trial production, also in at least five different locations.

If successful, a provincial examination certificate is granted and a public announcement is made.

The procedure for national examination and approval requires the applicant to:

· Submit the application to the Ministry of Agriculture;

- Go through two cycles of monitored production in at least five different locations. Only seeds that have 8% or higher yield compared to control seeds and that also rank in the top 6 among all seeds being tested in that cycle can proceed to the second year of testing; and

· Go through one successful cycle of trial production in at least five different locations.

Seeds developed outside of China must also follow the above procedures before they can be distributed in China.

The ability to process an application for approval is an important element of success, especially in view of the long timeframe associated with obtaining approval after the seed has been developed. Failures and delays in getting the

approvals on a timely basis can seriously disrupt the planning that is critical to begin commercial production. A minimum of six years - three to obtain approval and three to develop the first crop of seed for commercial distribution - is required to bring a seed to market after it has been developed. Because of its extensive network of seed-producing farmers, Origin has been able to bring a new product to market consistently in the minimum time. Other seed companies often take an additional season or more to bring an approved product to market. This loss of an entire growing season can be a significant disadvantage.

Origin has been able to process successfully 12 applications for approval through the required agencies, including one in 2003, four in 2004 and seven in 2005. While no approval is assured until granted, Origin believes that it can expect to have a high number of successful product approvals for its upcoming products, and thus ensure that it will have a product base that will enable it to continue to expand its market presence.

Origin believes that it is currently in compliance with all applicable regulations relating to its business.

### **Stock Consignment Agreements**

Under Chinese law, the initial stockholder of a Chinese joint stock corporation may not transfer its shares for three years, beginning with the date the company is incorporated. In addition, foreign ownership of businesses engaged in the development, production, marketing, distribution and sale of food crop hybrid 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 Guidance Catalogue.” The Origin Operating Companies have been incorporated less than three years; therefore, Origin could not directly acquire their stock. In addition, Origin, as a non-Chinese corporation, could not directly own more than 49% of any of the Origin Operating Companies. However, Chinese law permits the owner of stock subject to those restrictions to consign rights associated with the restricted stock, as long as the owner does not transfer title ownership to the stock.

To gain control over the Origin Operating Companies (other than Origin Biotechnology, which Origin already directly owns entirely), Origin entered into a series of stock consignment agreements with shareholders of those companies. These agreements consign to Origin all of the incidents of ownership of the shares involved other than legal title, effectively transferring the control of the shares subject to the agreements to Origin. Those rights include the right to manage in all respects the shares held in title by the stockholders that are parties to them, including all stockholder rights to call meetings of stockholders, to submit stockholder proposals, to elect directors, to vote the shares on all matters and to exercise all other rights of a stockholder in respect of the shares consigned. More specifically, the consignment agreements include giving the right to select, replace and increase the number of the directors, supervisors and recommend new directors and supervisory personnel and to exercise management rights, controlling rights and decision-making power over the shares or the subject company.

The title holder of the shares has agreed not to interfere with Origin’s exercise of its rights and to cooperate fully and promptly to permit Origin to exercise its authority over the consigned shares. This includes all limitations on the ability of the consignee to transfer or dispose of the shares to someone other than Origin, give guarantees using the shares, consign the shares to another, alter the ownership proportion in any way, dispose of any rights in the ownership of the shares, and agree to any debt or restructuring of the shares. Origin has the right to take all action in respect of the consigned shares to avoid any damage or infringement of its rights, including in the event of the consigning stockholder’s bankruptcy. Origin, under the agreements, has virtually all property rights in the consigned shares, including the profits, interests, dividends, bonuses and residue assets, except for legal title. If in the future any stock subject to the consignment agreements can be legally transferred to Origin then, without further action by Origin, it shall be transferred to Origin in whole or in part for no additional consideration to the consigning stockholder.



As a result, when the 3-year restriction against transfer of the initial stockholders shares ends, 49% of the title ownership of the shares subject to the consignment agreements will automatically be reissued to Origin in its name. If and when the restriction on foreign ownership of food production companies to 49% is removed or the percentage is increased, additional shares will then be transferred to Origin. If not, the consignment agreements continue in full force and govern Origin's rights over the shares.

The agreements are subject to force majeure limitations. The term of the agreements is initially three years, but they are automatically renewed indefinitely until both Origin and the consignor agree to terminate. There is no unilateral right of termination except in the event of a breach, in which event the non-breaching party may cancel the consignment agreement after notice and a reasonable cure period has passed and the breach continues. The consigning stockholders have warranted their authority to enter into the agreements and that Origin has the exclusive rights to control the shares that are subject to the consignment agreements. The agreements are binding on the heirs of the respective consigning stockholders.

The import of the stock consignment agreements is that Origin, and subsequently Agritech, may consolidate the financial reporting of the Origin Operating Companies whose shares are subject to stock consignment agreements in the manner of wholly and majority owned subsidiaries and enjoy the economic benefits of such subsidiaries. Each stock consignment agreement is subject to enforceability and limitations of the laws and rules of PRC. Origin may not transfer the consignment agreement, except as permitted by PRC law, such that the consignee cannot do indirectly what the title owner cannot do directly. However, Agritech may transfer its interest in Origin without limitation. If there is non-performance by the stockholder or some or all of an agreement is unenforceable, Origin and Agritech may lose the benefits of the agreements and suffer severe economic loss as a result. No assurance can be given that Origin will be able to enforce its rights vis-à-vis the consigning stockholders in the courts of the PRC, and Chardan is not aware of any cases where these types of stock consignment agreements have been interpreted by PRC courts.

Notwithstanding the foregoing, PRC counsel to the Origin Parties have opined that these agreements are enforceable under current PRC law. They have noted, however, that none of these kinds of agreements have yet been subject to judicial review or interpretation. The consignment agreements provide that if there is any interpretation of the terms by a PRC court, the agreements should be construed in such a way as to give Origin as much of the full and actual ownership and full beneficial rights and benefits of the consigned stock as is possible, so as to approximate full ownership under all applicable law.

In the event that the consignment agreement is not enforced or is terminated because of a breach by Origin that is not cured, the right to the stock would be lost and the economic rights would be terminated. However, such a termination would not terminate the technology assignment agreements, so notwithstanding the termination of a consignment agreement, Origin would continue to own the technology and intellectual property. Also, the termination of one stockholder's consignment agreement does not cause the termination of any of the other consignment agreements, so it would only result in a reduction in consigned shares under Origin's control.

The following is a table of the parties to the consignment agreements:

Consigned Stock	Consigning Owner	% of Shares Consigned
Beijing Origin	Han Gengchen	34.4%
	Yang Yasheng	28.675%
	Yuan Liang	25.8%
	Zhao Yuping	3.995%
	Zhang Weidong	3.13%
	Chen Weicheng	1.96%
		97.96%
Changchun Origin	Beijing Origin	99.0%
	Han Gengchen	1.0%
		100.0%
Henan Origin	Beijing Origin	90.0%
	Zhang Yingli	4.1%
	Yang Yasheng	3.86%
		97.96%

### Technology Service Agreements

As part of the reorganization of the Origin Operating Companies, all of the intellectual property rights of Beijing Origin, Changchun Origin and Henan Origin are being transferred to Origin Biotechnology pursuant to technology service agreements dated December 25, 2004. The purpose of this was to permit the better management and licensing of the intellectual property that the three assignors have developed. Under the technology agreements, Origin Biotechnology will provide technical research and production and distribution services for the seeds produced by the group. These services will include support in the research and development of agricultural seeds, analysis of breeding technologies, environment and feasibility suggestions, technical tutorials and breeding field supervision, market analysis and seed promotion, insect prevention and technical education to distributors and farmers. The initial term is for three years, but the agreements are automatically renewed unless both parties agree to a termination. The fees payable under the agreements are variable, depending on differing formulae for different categories of seeds. Generally, the fees will be as follows: 1.20 Yuan RMB per kilogram of corn sold by the party receiving the technical services; 6 Yuan RMB per kilogram of rice sold by the party receiving the technical service and 12 Yuan RMB per kilogram of cotton sold by the party receiving the technical services. The fees are to be confirmed and paid at the end of each growing season.

### Protections of Shareholders Against the Loss of Consigned and Assigned Assets

The structure of the consignment and technology agreements is intended to protect the assets of Origin for the shareholders of Agritech. This is a method used in China to protect the investors in a company that cannot own all the stock of a PRC company because of the laws limiting ownerships. Placing the intellectual property of the other Origin Operating Companies in Origin Biotechnology, a wholly-owned subsidiary of Origin, which is in turn a wholly-owned subsidiary of Agritech, helps to assure that Agritech will be the effective owner of the intellectual property.

Additional measures have been taken to protect the interests of Agritech. A majority of the board of directors of Agritech will be comprised of independent persons, four of which initially will be designees of Chardan. There is a voting agreement that will continue for three years pursuant to which two directors will be either Mr. Kerry Propper

and one designee of his or both of his designees. The board of directors will be maintained pursuant to the listing rules of NASDAQ, which require that a majority of persons on the board of directors be independent directors and that transactions with insiders must be approved by a committee comprised of independent directors. The consignees do not qualify as independent persons under the rules of NASDAQ, and therefore they will not be eligible to be members of the audit committee. Moreover, Agritech has a code of ethics that requires fair dealing by officers and directors in transactions with the company.

Although three of the consignors of shares of the three operating companies will be officers and directors of Agritech, the above corporate governance requirements will help to prevent them from terminating the consignment agreements for their own benefit. Because a termination of a consignment agreement would be a material event, it would be disclosed in an 8-K report.

A termination of the consignment agreements would be a transfer of a substantial asset of Agritech. Pursuant to the law of the British Virgin Islands applicable to Agritech, the sale or transfer of 50% or more of the assets of the company requires approval of the shareholders. Such approval would require a meeting of the shareholders to be called and held. U.S. securities laws require that a proxy statement describing the action to be approved and the consequences of the approval must be submitted to and approved by the SEC.

Pursuant to the consignment agreements, 49% of the stock of the consigned companies will be transferred to Origin when the restrictions imposed on initial stockholder transfers terminate. Once consigned stock is transferred to Origin, it will no longer be subject to the consignment agreements and a termination of the consignment agreements will not affect ownership of that stock. Achieving that level of direct ownership will be important, as PRC law provides protection of minority shareholders against improper dealings by the majority shareholders.

Three of the consignees, Messrs. Han, Yang and Yuan, will be officers and directors of Agritech and Origin after the acquisition transaction. These three persons own 8,619,350 shares of Agritech common stock after the acquisition, representing 57% of the outstanding common stock. The other consigning parties will own an aggregate of 880,650 shares of Agritech common stock after the acquisition representing 5.8% of the outstanding common stock. Together the consigning parties own 9,500,000 shares or 62.9% of the outstanding shares. Messrs. Han, Yang and Yuan, because of their percentage ownership of shares, could influence the election of directors who would approve a cancellation of the consignment agreements resulting in a disposition of assets and could control or greatly influence the vote of shareholders in approving a disposition of assets under British Virgin Islands Law. The other consigning shareholders, because of their smaller ownership percentage, are not in a position to control a determination to cancel the consignment agreement or cause a disposition of the consigned shares by themselves, and to do so would have to be joined by at least both of Messrs. Han and Yuan to achieve an absolute majority percentage, immediately after the acquisition.

In the event that the consignment agreements are cancelled sometime in the future, then Agritech would lose the control of the three operating companies to the extent that the stock had not been transferred to Agritech previously under the terms of the consignment agreements. Such transfer due to termination would likely be for no value, and could be as a result of a breach by Agritech and Origin, although there are no material obligations for Agritech and Origin to discharge under the agreements. A termination could have an adverse impact on the entitlement of Origin to the profits of the operating companies whose stock was involved in the termination. In such event, Agritech's profitability would be impaired, and would lose at least some of the value of their investment.

## Competition

Origin faces competition at several different levels, ranging from several other private Chinese companies, local seed companies that are often extensions of the local government, and large multinational hybrid and genetically modified seed producers. Origin believes that it can compete effectively with each of these and believes that it can continue to do so into the future. Each of these groups of competitors is discussed in turn, below.

*Other Large Chinese Seed Companies.* Origin believes there are eight seed companies that control about 25% of the corn seed market of China. The majority of the largest crop seed companies have been in existence for considerably longer periods of time than Origin. Many of them have greater financial resources than Origin. Some of these larger entities are state owned enterprises. Origin competes within this group on the basis of its consistent product quality, brand identity, customer and technical support, enforcement of its intellectual property rights and a pipeline of proprietary products.

*Local Seed Companies.* The local seed companies in China are the legacy of the centrally planned agricultural economy that was predominant in China until recently. Most of these are, or were, affiliated with county governments, which played a role in determining what crops would be grown and by whom. As was often the case with planned economies, these extensions of the bureaucracy had no profit motive, and no incentive to improve efficiencies, increase sales or innovate with new products. Market expansion was limited by the tight geographic boundaries within which they were designed to operate.

The majority of these local companies lack the scale and the resources to compete with Origin in a number of ways. They lack access to the improved, proprietary hybrids that are the core of Origin's business. For the most part they do not have effective marketing, advertising, technical support or customer service operations. The majority of Origin's recent growth has come from acquiring customers from these operations. Origin believes that the existing trend will continue, and that eventually some of these smaller, local distributors can be integrated into Origin's distribution network.

*Multinational Seed Companies.* At the opposite end of the competitive spectrum from the local seed companies are the large multinational companies, of which Pioneer International, Monsanto and Sygenta are just three. These companies present a formidable competitive threat from the standpoint of their financial resources and the high quality of their seed products. However, the unique aspects of the Chinese crop seed market, which distinguish it from the market in western countries, have proven a significant barrier to entry for these very large companies, even though they have come to the market through joint ventures formed with existing Chinese seed companies.

The principal difference between the Chinese and Western markets is that in China a large number of low volumes sales are made to local farmers, while in the West, relatively few sales of very large volumes make up the majority of product sales. As a result, Success in China depends on marketing and distributing effectively to a very large number of small customers. Relatively few Chinese companies have achieved any degree of success in doing so, and the international competitors, despite several years of trying, have not succeeded to any meaningful degree.

Another important factor limiting the competitiveness of these multinationals within the PRC is their heavy reliance on genetically modified seed products. Origin's market research indicates that most of the superior products that the multinationals have to offer are genetically modified. GM products have not yet achieved acceptance in China. To date, a cotton seed is the only genetically modified seed product to have received approval for sale in China.



Origin relies primarily on standard hybridizing techniques to produce its improved seed varieties for the Chinese marketplace. However, Origin recognizes that genetically modified crop seeds will gain acceptance in China, and for that reason it has begun a biotech seed development program that relies on genetic modifications to improve the quality of seeds and their yields. As a result, Origin believes it is in a position to compete in the genetically modified portion of the seed market when it becomes meaningful to do so.

Should genetically modified seeds begin to gain broader acceptance in the market, as expected, the large biotech companies would become more serious competitors. However, they will also continue to face numerous obstacles in competing with Origin, including the significant lead time associated with obtaining approval of a new seed (at least six years?) and the need to establish effective sales, marketing and distribution networks to manage the large volume of small purchases that is characteristic of the Chinese market.

### **Employees**

As of December 31, 2004, Origin and the Origin Operating Companies had approximately 400 full-time employees. Origin and the Origin Operating Companies expect to employ additional personnel as they expand their operations. Origin believes that its employee relations are good.

Origin currently has 32 research and development specialists, 142 sales people, 59 administrative staff, and 183 technicians in its production plants.

### **Facilities**

The Origin Operating Companies own or lease manufacturing facilities, laboratories, seed production and other agricultural facilities, office space, warehouses, research stations and breeding centers in Beijing and Gansu, Henan, Helongjiang, Liaoning, Jilin, Hainan and Sichuan Provinces. The leased facilities are rented at regular commercial rates, and management believes other facilities are available at competitive rates should it be required to change locations or add facilities.

Origin owns three seed conditioning plants located in Linze (in northwest China), Changchun (in northeast China) and Zhengzhou (in central China), and leases one seed conditioning plant located in Chengdu (in southwest China). At these properties are seed processing equipment, bleachers, warehouses and other production facilities.

Origin also leases land as maize breeding stations in Harbin, Tieling (northwest China), Beijing, Zhengzhou), Chengdu, and Hainan island.

Origin has recently moved into a new corporate headquarters in Beijing. It also plans to build new space for the Linze in the Linze branch office and for Changchun Origin.

Together, the owned, leased and proposed facilities are adequate to conduct the business operations of Origin.

**DIRECTORS AND MANAGEMENT**

The board of directors, executive officers and key employees of Agritech are as follows:

Name	Age	Position
Gengchen Han	49	Chairman of the Board and Chief Executive Officer
Yasheng Yang	41	Director and President, Treasurer and Chief Operating Officer
Liang Yuan	47	Director and Executive Vice Chairman
Bailiang Zhang	63	Director
Da Fang Huang	63	Director
Kerry S. Propper	30	Director
Steven Urbach	29	Director
Michael D. Chermak	45	Director
Remo Richli	42	Director
Richard D. Propper, M.D.	58	Vice President for Corporate Development

*Gengchen Han* is the Chairman and Chief Executive Officer of Agritech and the chief executive officer of each of the Origin Operating Companies and Origin. Mr. Han is also the Executive Chairman of Beijing Origin and its affiliated companies, a position that he has held since founding the business in 1997. Dr. Han has more than 20 years of experience in research and development of hybrid seed products, particularly corn seed. From 1982 until 1984, Dr. Han was a lecturer at the Henan Agriculture University. From 1984 to 1987, Dr. Han studied at Iowa State University and received his PhD degree in Plant Breeding and Cytogenetics. From 1989 until 1990 he was with the International Maize and Wheat Improvement Center (CIMMYT) in Mexico. He then went to Pioneer Hi-bred International from 1990 to 1996; his positions there having included Regional Technical Coordinator for Asia/Pacific and Regional Supervisor for China Business.

*Yasheng Yang* is a director and the president, treasurer and chief operating officer of Agritech and is an executive officer of each of the Origin Operating Companies and Origin. He has been the President and Chief Operating Officer of Beijing Origin in its affiliated companies since 1998, principally responsible for advertising and marketing. Prior to joining Beijing Origin, from 1995 to 1997, he worked in the Fujian government as an officer, where he specialized in technology, medical and educational areas.

*Liang Yuan* is a director and the executive vice chairman of Agritech and is an executive officer of the Origin Operating Companies and Origin. Mr. Yuan has been the chairman of Beijing Origin and its affiliated companies since 1997, principally responsible for infrastructure and public relations. Prior to joining Beijing Origin, Mr. Yuan was at the Fujian Economic Research Institute from 1985 to 1997, where he was in charge of the research and development of the regional economy in Fujian province.

*Bailiang Zhang* is a director of Agritech. Mr. Zhang served a president of Henan Agriculture University from 1994 to 2003, and occupied other positions in the University since 1985. As a result of his work in the field of agriculture, he has received numerous honors, including acting as a representative to the National People's Congress, and the 51 Labor Medal, one of the highest awards given to Chinese citizens in recognition of significant contributions to the welfare of the country.

*Da Fang Huang* is a director of Agritech. Mr. Huang has been the director and CAAS Professor of the Biotechnology Research Institute located in Beijing, PRC since 1995. From 1993 to 1995, Mr. Huang was the Deputy Director and



CAAS Professor of the Institute of Plant Protection. From 1986 to 1988 and in 1992, Mr. Huang was a visiting scientist at Cornell University and the Boyce Thompson Institute. From 1960 to 1965, Mr. Huang was working at the Beijing Agricultural University in the Department of Plant Pathology.

*Kerry S. Propper* is a continuing director of Agritech, the successor to Chardan. He was a founder and has been the executive vice president and a director of Chardan since its inception in December 2003. Mr. Propper is the chief executive officer and a director of each of Chardan China Acquisition Corp. II and Chardan China Acquisition Corp. III, blank check companies organized to locate and consummate business combinations in the PRC. Mr. Propper is also a principal and CEO of Chardan Capital Markets, LLC, a broker dealer, which he founded with Steven Urbach in February 2003. Mr. Propper has been the owner and chief executive officer of The Gramercy Group LLC, a New York based broker/dealer, since July 2003. From February 1999 until March 2003 Mr. Propper was a founder, owner and managing director of Windsor Capital Advisors, LLC, an investment advisory and investment banking firm located in New York. Mr. Propper also founded The Private Capital Group LLC, a small private investment firm specializing in loans and convertible preferred debt and equity offerings for small public companies, in May 2000 and was affiliated with it until December 2003. From July 1997 until February 1999, Mr. Propper served as a senior trader of Aegis Capital Corp, a broker dealer and member firm of the NASD. Mr. Propper is also currently serving as a board member of Source Atlantic, Inc., a Boston based health care technology company.

*Steven Urbach* is a director of Agritech. He is currently a principal in and President and Chief Financial Officer of Chardan Capital Markets, LLC, which he founded with Kerry Propper in February 2003. From February 1999 to February 2003, Mr. Urbach was a Senior Trader at Windsor Capital Advisors, LLC, a firm specializing in making markets in Nasdaq securities. From September 1997 until February 2000, Mr. Urbach worked at Chase Manhattan Bank as an analyst and portfolio manager.

*Michael D. Chermak* is a continuing director of Agritech, the successor to Chardan. He is currently the Chairman and Chief Executive Officer of Retail Pilot, the parent of ShopGuard USA, a private company located in San Diego, California, which he joined in 2004. ShopGuard markets tracking and security devices to the retail industry. From August 2003 to June 2004, Mr. Chermak was the Chief Executive Officer Carttronics, LLC, which made and marketed devices that prevent unauthorized removal of shopping carts from retailers' premises. From June 2001 to July 2002, Mr. Chermak was the chief executive officer of First Opinion Corp. which develops software used to assist healthcare providers in making differential diagnoses of patients. From mid-1999 through July 2000, Mr. Chermak was a principal of eByz, LLC, a software development company that he co-founded. eByz was focused on supply chain simplification and automation software products.

*Remo Richli* is a director of Agritech. Mr. Richli has been engaged since 2001 in corporate finance activities through his firm, Richli Consulting, located in Switzerland and Los Angeles, California. From 1999 to 2001, Mr. Richli was a financial expert at RP Associates, a firm of finance and accounting task consultants. During his time with RP Associates, Mr. Richli was also the Chief Financial Officer of one of its clients. From 1993 to 1999, Mr. Richli had another consulting firm engaged in corporate finance consultancy for mid-sized companies in financial distress and acted as the Chief Executive Officer of client companies on a consulting basis. From 1991 to 1993, Mr. Richli worked with the Department of Finance of the City of Luzern, Switzerland.