



Dear Shareholders:

You may have seen news reports about a “research report” published on January 5, 2011, that accused China Green Agriculture of misrepresenting information relevant to our market and our sales. We have carefully analyzed that report and found that it is largely inaccurate, as it contains numerous factual misstatements and also presents other information in ways that are seriously misleading.

The report was issued by a small, “independent” company called J Capital Research, which disclosed that it has clients with short positions in CGA stock and that it may also short our Company’s stock. That means, of course, the clients of J Capital and J Capital itself, the organization that published this report, will benefit financially if the price of our stock declines.

In keeping with our policy of communicating with our shareholders, we wanted to take you through the allegations made in this report and provide you with the facts.

The J Capital report alleges that CGA’s tax reports in China suggest that we have somehow inflated sales and revenue reports to the U.S. Securities and Exchange Commission (“SEC”). This is untrue.

CGA has and will continue to fully and accurately report its sales and revenue figures to the SEC. As anyone familiar with business in China knows, there are sharply different reporting schedules, procedures and practices in China and the U.S., and that it is misleading to compare taxable revenue and tax payments in partial form. We are not aware of any company in China that reports revenue the same way to the State Administration for Industry and Commerce (“SAIC”) as it does to the SEC. It is a widely-known and well-documented fact that reports filed with the SAIC, which is a general registry of companies in China, do not reflect the comprehensive income and financial condition of a company. SAIC is the designated government registrar for official corporate documents — such as articles of incorporation, business licenses, ownership, legal persons, and registered capital. In its review of these financial reports, the SAIC’s focus is on payment and authenticity of the Company’s registered capital. Given this focus, Chinese companies, particularly small or middle size companies, do not file all of their financial information in order to avoid disclosing their operating metrics to competitors, suppliers and customers. To suggest, as the J Capital report does, that a discrepancy here reflects any wrongdoing or misinformation is both false and misleading.

The J Capital report expressed “surprise” that they could not find any CGA sales offices or online sales. Either J Capital is being intentionally misleading or they do not understand our business.

CGA uses a network of distributors to sell most of its products. We do not rely on sales offices. CGA has found it more cost-effective to use distributors instead of sales offices because humic acid based fertilizers are sold mainly in liquid or powdered form that are far more expensive and compact than traditional NPK fertilizers. Our distributors need to be able to explain the advantages of humic acid and educate farmers about its benefits and applications. This is the reason we don’t simply sell online.

The J Capital report citing anonymous sources, states that the market for humic acid is “collapsing.” Again, this is not true.

The market for humic acid products is growing, and is reflected by published sales figures at CGA, where fertilizer sales rose 58.6 per cent in FY2010, and also at CGA’s peers. Humic acid is, in the farming world, a relatively high-end product that requires professional education about its benefits and special training for proper application. It is currently used by a relatively small percentage of farmers in China’s vast countryside, which means there is a tremendous opportunity for growth. Anyone who has smelled a rose, or tasted an apple, grown in a properly-tended garden using humic acid can tell you about the noticeable advantages of premium fertilizer. In addition to its improvement of crop yields and quality, it helps balance the soil and enhance sustainability. This is critical in China, which must feed 22 per cent of the world’s population with only 7 per cent of global arable land. A survey released by China’s Ministry of Land and Resources revealed that the country has lost 8 million hectares, or 6.6 percent, of its arable land in the past decade due to urbanization, pollution and soil degradation. With a rising food crisis, China’s government is actively supporting smarter farming techniques, likely to further fuel the market for humic acid fertilizer. A “Humic Acid Green Fertilizer System” was approved by experts in a China Humic Acid Association conference, establishing the First Preparation Project in Rural Areas as part of the government’s ‘Twelfth Five-Year Plan.’ There are many independent research reports and articles that confirm the growing market in China for humic acid fertilizer. We will mention two recent reports here, for those interested in more information: “Market Research Report of Humic Acid Based Organic Liquid Fertilizer, 2008-2010,” by the Huajing Zongheng Economic Information Center of Beijing; and “Report on Market Investigation of Humic Acid Based Fertilizer in 2010” by S& P Consulting.

The suggestion by J Capital that CGA did not fully pay its VAT taxes, and was hiding money that had been accrued, is also wrong.

CGA has fully paid its local taxes, as evidenced by the Company's financial statements filed with the SEC. These filings with the SEC correctly and accurately report corporate income tax payments made in China to the State Administration of Taxation. CGA's fertilizers were not granted a VAT exemption in 2008, as alleged in the J Capital report. What happened was this: In April, 2008, China's State Administration of Taxation ("SAT"), together with the Ministry of Finance, issued a Notice of Value Added Tax Exemption on Organic Fertilizer Products. However, there was confusion at the local SAT over exactly which type of fertilizers were entitled to the VAT exemption. The local SAT for Shaanxi Province did not allow applicants to apply for an exemption until it received clarification from the SAT in Spring 2009 on what kind of fertilizers were exempt. After such clarification was given, CGA promptly filed its formal application to the local authorities. The exemption was granted in September 2009. So CGA was required to accrue VAT (and pay VAT) on almost all of its products until the exemption took effect in September 2009.

CGA also paid its corporate income taxes. During the course of the year, CGA subsidiaries record deferred tax liabilities and/or assets, just as many U.S. companies do, but do not make payments until year-end. From a GAAP standpoint, that looks like a delayed payment. But in the Chinese system it is common practice. The fact is that CGA did pay its corporate income taxes in full. And it did so on an annual basis, with the full knowledge of the SAT. Again, the filings submitted to SEC are consistent with the filings to SAT.

The J Capital report insinuates that because we did not name the seller with respect to a property transaction in Xi'an, we may be "self dealing." Again, this is not true.

CGA fully reported all aspects of the property transaction in Xi'an Hu County in its 2010 SEC filings, including the total cost of approximately \$10.8 million. The previous tenant was also clearly named in real estate documents that were publicized in a 2010 report by an organization called "IFRA" (which does not have any business registration in China, Hong Kong or the U.S.), and which was widely quoted by J Capital. As anyone who is familiar with the way land sales occur in China knows, land is owned by the government in China and land-use rights are transferable for a price. In the case of CGA's Xi'an property purchase, there are three distinct elements: (1) Payment of a land transfer fee to the previous owner, a state-owned enterprise, of approximately \$8.1 million for giving up its current land-use rights; (2) Payment to the local government (including deed tax and registration fees) of approximately \$2.7 million for land use rights, a standard fee assessed to compensate the government to obtain approval for the land use rights; and (3) Appraisal and survey fees of about \$10,000. The land in question was independently appraised at \$11.2 million, or approximately 3.6% more than CGA paid. Comparable transactions in the same area attest to a relatively consistent market.

The J Capital report alleged that CGA overpaid for its Gufeng subsidiary. It erroneously reported that CGA paid \$48 million for the Gufeng acquisition. The facts show these statements are not true.

CGA acquired Beijing Gufeng Chemical Products Co. for a fair market price of \$8.8 million in cash plus 2,275,931 shares of CGA common stock, as it reported to the SEC. The only way we can figure that J Capital came up with their \$48 million price for the Gufeng subsidiary acquisition was to multiply the 2.275 million shares by \$17 (which was close to the all-time high price of CGA), rather than using the price determined on the transaction date, roughly half of that. In addition, CGA's management constructed the terms for the deal specifying 40% of the shares to be placed in escrow pending satisfaction of certain conditions such as "make good" targets of \$88.4 million in revenue and \$10.6 million in net profit for Gufeng for the fiscal year ended June 30, 2011. As a result, if the earn-out conditions are not met, and the escrowed shares are forfeited, the total consideration would be significantly less. J Capital alleged we paid a "huge" multiple for Gufeng. The multiple was actually well under 3x.

J Capital's mathematical error aside, CGA did not, in our view, overpay for this acquisition. There were several compelling reasons for our acquiring this company: Gufeng provides a complimentary product line, which greatly expands CGA's sales abilities; Gufeng has good production facilities; Gufeng has a strong management team; Gufeng's headquarters in Beijing offers increased penetration into markets in northern China. In fact, on Jan. 6, 2011, Gufeng finalized a contract to export 165,000 metric tons of fertilizer with Sino-Agri, to buyers in India, reflecting a sharp increase in CGA's export capacity.

CGA did not, as the J Capital report alleged, pay working capital to Gufeng as purchase price payments. A Supplementary Agreement on July 1, 2010, specified that CGA would lend RMB 100 million (approximately \$14.7 million) of working capital to Gufeng after the acquisition in order to facilitate its expansion by helping to reach full utilization of production capacity, purchase more raw materials and enhance marketing activities. To date, CGA has loaned Gufeng RMB 50 million, which was expected to be paid back in the future. That amount is separate from the purchase price.

J Capital suggested the CGA's margins were "improbable." Once again, the only way we can figure they came to this conclusion was that they don't understand our Company. We assume they looked at our financials as though we were a conventional compound fertilizer manufacturer.

In fact, humic acid fertilizers come in a variety of concentrated forms and are not a plain commodity like traditional fertilizers, which have standard content specifications and require negligible education before application. As a result, gross margins for

humic acid fertilizer suppliers are far higher than those for traditional fertilizer suppliers, which are typically 5-15%. It is misleading to compare an old-fashioned commodity business model that needs little explanation or education for its users with a more modern business model based on quality, brand-name awareness and customer service. CGA's gross margins are higher still, above those of its peers in the humic acid business, largely because of CGA's value-added, higher-margin liquid based humic acid fertilizers and its fully-automated production line. In addition, CGA's more efficient business model, with central control of cash, inventory and operations, contributes to the higher net margin that CGA has over its peers who generally operate in multiple locations with smaller capacity at each plant. Here is yet another example of how the J Capital report demonstrates it doesn't understand CGA or the industry in which CGA operates. We don't understand how J Capital came up with a net margin of 30% for Gufeng. It was certainly not from Gufeng's historical financials in our SEC filings, nor from the "make good" targets of \$88.4 million in revenue and \$10.6 million in net profit as expected for fiscal 2011, which would convert to a net margin of less than 12%.

The J Capital report states that CGA engages in dubious related-party transactions. This is not true. There have been no "dubious" transactions between CGA and Kingtone Wireless Information Inc. One is an agriculture products company, while the other is a technology company. One of Kingtone's specialties is automation technology for offices as well as factories. The two companies have co-existed in an office building in Xi'an for 10 years; there have been only three material transactions between them during that time, and they were conducted at market prices: (1) Kingtone technology was used in the system integration of high-efficiency, high-capacity agriculture facilities; (2) It was used to create automated fertilizer production lines; and (3) It is being used for the development of new electronic control systems for "smart greenhouses."

The J Capital Report states that CGA executives receive excessive stock-based compensation. This statement is not true. As the founder of CGA, I was issued 3,156,808 "make good" shares and 6,535,675 call option shares in December 2007, which were recorded properly as part of the purchase price under the reverse merger but not a compensation expense at the time of its issuance. All these shares, according to the "make good" escrow agreement and call option agreement, represent a return of shares in compliance with China's laws and regulations. I gave up my controlling equity interest in Shaanxi TechTeam Jinong, which is now a wholly-owned subsidiary of CGA, without receiving any compensation. These shares formed my only consideration in the disposal of my controlling entity which had revenue and net income of \$15.1 million and \$6.9 million, respectively, in the year ended June 30, 2007. These shares were issued in December 2007 and were then considered as part of the outstanding shares in the earnings per share ("EPS") calculation. Anyone who knows basic accounting would understand that there is no future dilution to shareholders when shares were returned, much less the 30% dilution that J Capital alleged.

Other incentive shares issued to other directors, staffs and service providers were within the normal compensation arrangement based on the compensation study provided by an independent compensation consulting firm engaged by the compensation committee.

Despite assertions in the J Capital report to the contrary, CGA did not misrepresent who our suppliers are, or misreport the technology we use. CGA holds two significant technology patents, which give it an edge over competitors. One patent is related to the method for preparing water-soluble fertilizer containing humic acid; the other is related to the apparatus that produces it. J Capital accuses CGA of purchasing humic acid from another Chinese company, Taiyuan Meibang Biotech Development Company. This is true. We bought fertilizer products not only from Meibang, but also from other fertilizer rivals. As a leading humic acid fertilizer manufacturer, we monitor the development of products by other companies in the market and constantly procure sample quantities for comparative analysis and experimental testing with our own products. In the Meibang case, CGA started to purchase humic acid potassium from Meibang in August 2009, and CGA only used it in fertilizer research and development of humic acid potassium for comparative field testing and experimental design of a new fertilizer formula. We have not bought any products from Meibang since June 2010.

J Capital also alleged that Shanghai Luyeyuan said it was not selling CGA-branded products. In fact, Shanghai Luyeyuan's branch in Henan Province has been selling CGA's products for over seven years and is one of the prime distributors in CGA's distribution network. After the J Capital report came out, at least one U.S. analyst asked to interview senior management at Shanghai Luyeyuan, and executives at Shanghai Luyeyuan agreed to speak with the analyst directly to confirm their working relationship with CGA.

J Capital also said it was "perplexed" that CGA's annual report in FY2010 cited that weathered coals constituted only 0.37 per cent of the Company's raw material costs. That figure is accurate, and it represents the particularly low price of weathered coal, which is a waste product of coal mining companies. While it is a valuable source of humic acid for CGA, coal miners are happy to get rid of it, hence the low price. Furthermore, the author of the J Capital report apparently confused the percentage of weathered coal costs with the percentage of humic acid concentration in finished products. All of CGA's humic acid based fertilizers have clear specifications about the humic acid concentration along with other ingredients on the packaging label. It is the same with common multi-vitamin supplements, where a tiny percentage of raw material costs do not correlate to the percentage of nutrients listed in the table on a vitamin bottle.

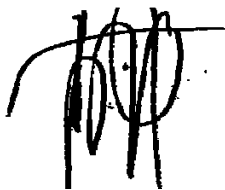
J Capital alleges that they were blocked from obtaining information. This is not true. CGA has consistently welcomed inquiries and visitors to our headquarters and transparently provides information about all relevant aspects of our production, management and sales. Any number of shareholders, analysts and potential investors can attest to that. The author of the report in fact attended meetings with Company executives. She did not call ahead, but showed up unannounced, refusing to identify herself and surreptitiously and disruptively tried to interview Company employees, and to obtain proprietary customer information. Just prior to releasing her report, she emailed the Company during a holiday period and then reported that “repeated requests” for information were rebuffed. It is interesting to note that when Rene Vanguestaine, CEO of CGA’s investor relations firm, referred to the IFRA allegations and the company’s rebuttal in press releases during the meeting with her in Beijing a few hours before she published the report, the author denied knowing about the IFRA report. Yet her report relies on and cites the IFRA report repeatedly.

The foregoing are the main issues raised in the report, but there are other factual errors littered throughout. Whether from a lack of accounting knowledge, a poor understanding of Chinese business practices, or an intent to mislead, the author makes countless errors, including on information which is readily available in public filings or press releases.

On September 13, 2010, CGA received a letter from the SEC requesting that it voluntarily provide information in connection with an informal inquiry. Since being contacted by the SEC, CGA has provided the SEC with all the information it has requested. The Company’s U.S.-based lawyers have also made a voluntary presentation to the SEC. CGA is fully cooperating with the SEC in its informal inquiry. CGA has not received any subpoenas.

I hope you find this letter helpful. We remain open to any questions you may have, and are happy to hear from you at any time. We want to thank you for your continued interest in and support of our Company. Please be assured that we are working very hard to maximize shareholder value.

Sincerely,

A handwritten signature in black ink, appearing to be 'Tao Li', written over a horizontal line.

Tao Li

Chairman, President and Chief Executive Officer

China Green Agriculture, Inc.