



Dear Shareholders:

Certain Short sellers published an article on October 1, 2014, that falsely alleged us of misrepresenting results of our operations and our sales. We have carefully analyzed that article and found it contains numerous factual misstatements. The article was a malicious attack to our Company's operations and business model with largely distorted and inaccurate information. Certain presentations in the article were obtained by the short sellers via criminal means of corporate espionage and sabotage. The law enforcement in China had already taken the case and is currently prosecuting against this espionage crime.

Our Company operates with high ethical and quality standards while our management constantly reviews our business practices and products. We also hire independent, outside experts to ensure our operations are in full compliance with laws and regulations.

The allegations against us are frivolous. On October 1, we have updated progresses on our development of new business model in a press release, in keeping with our policy of communicating with our shareholders, we hereby provide rebuttal to the shorts' article.

To begin with, an extraordinary number of puts on our stock are due to expire this month while the short sellers had shorted our stock for the past 10 to 12 months. We learned that this activity was pegged to some kind of "significant event".

We all know that October 1 is the National Day in China followed by a 7-day-long holidays week. On October 1, 2014, we announced a dividend payment to our shareholders with the record date set on October 31, 2014. Short sellers' abruptly publishing the article post to our dividend announcement reveals their desperate attempt to illegally manipulate the market through overzealous short-sellers before their puts expire.

We subsequently refuted the allegations on October 2 during the holidays. After that, we also announced investor days on October 7 and hosted the two-day-investor-day event in Xi'an and Beijing on October 15 and 17, respectively. On October 16, short sellers alleged the Company with false presentation again. Apparently, shorts made another desperate move to damage the Company before their put options expire on October 18.

We have been in the agriculture business for over 14 years. We have numerous customers worldwide. We have one of the finest fertilizer product lines in China and are currently engaged in an exciting new business model at the internet era. I am incredibly proud of our Company. I condemn the short sellers' scheme as the capital market's terrorism. Just like our governments, I don't and will never negotiate with terrorists.

The shorts said they did 344 days of time-lapse surveillance of the Company's fertilizer factory which showed we only shipped around 10% of the sales volume reported. They also said they did 51 days of time-lapse surveillance of Gufeng factory and found 24% to 34% less volume shipped compared to sales volume reported. This is untrue.

Not only being untrue (which will be explained below), unauthorized video surveillance over a corporation is

illegal serious crime espionage in China where the Company's operations are based. The surveillance, over time, was part of the short sellers' deliberate and destructive scheme aimed at weakening the Company's performance in the capital market. By publishing fraudulent allegations on internet, the short sellers had spread misleading presentations via illegal surveillance. The short sellers' business model is to disrupt the public with misleading information, sabotage the Company during holidays, profit from the drops of the Company's share price, and destroy the Company with unprecedented tactics. The short sellers, who had engaged in corporate espionage, are saboteurs. They concealed their identities because they are afraid of the consequence of their malicious actions. The law enforcement in China does not take the espionage crime lightly. The city's police department in Xi'an had already taken the case. The anti-business-crime task force in the police department is currently pursuing this espionage, and will actively prosecute the liable saboteurs.

To fulfill the shipping requirement in production process, we used various means of transportation such as vehicles, railroad trains, air cargo carriers, third parties, and pipelines to move raw materials, inventories, finished goods, as well as supply of parts and logistics from one location to another. Our sales of products were shipped, recorded, collected, summarized, concluded, reported, and evidenced in complete set of records, documents, invoices, receipts, payments, statements, and papers. We use a network of distributors to sell products. Our distributors are well capable of making the best of our products as well as their benefits via various shipping methods. The video clips recorded by the illegal surveillance do not contain the complete sales. If the video clips from illegal surveillance over one location had been sufficient to examine a Company's sales, video surveillance shall have been adopted as an efficient and sufficient procedure in the accounting and auditing standard. There is no way that the video clips can be relied upon to measure a Company's revenue. We also do not consider the clips are genuine. These clips are currently in the evidence room under forensic analysis, and will be for the law enforcement's use to prosecute the espionage case.

As a Nevada corporation with operating subsidiaries in China, we are obliged to timely report our financial results including revenues and earnings to the regulators and tax authorities in both China and U.S. Our financial reports, tax payments and filings, as well as other registration statements, are subject to all means of comprehensive examinations and audits from various entities in both China and U.S, including but not limited to, auditors, state administration of industries and commerce, tax agencies, and credit lenders. We had paid all taxes including income taxes and always fulfilled our reporting duties in both countries. We firmly stand by the consistent information contained in all our filings in both China and U.S. and we are fully committed to the reliability and transparency of financial reporting.

It had been a widely-known and well-documented fact that reports filed with certain authorities in China do not reflect the comprehensive income and financial condition for many companies, and might be different from reports to the authorities in U.S. The difference in reporting occurs particularly on small or middle size companies, who choose not to reveal all financial information in order to avoid disclosing their operating metrics to competitors, suppliers and customers. Albeit the different reporting schedules, procedures and practices in China and the U.S., we had managed to reconcile the historical difference between the reported results to the authorities in China and U.S., i.e., any of our reported filings in both China and U.S. are accurate and consistent. We will continue to fully, consistently, and accurately report our sales and revenue figures to all authorities in both countries.

In the shorts' article, the shorts said they interviewed current and former employees, one of whom was an ex-manager and said that the Company's factory exaggerated production. Again, this is outrageous.

In the first so-called interview, the short sellers purported themselves as beverage salesmen. They solicited with disguise on the Company's premise at daylight time. By committing such unauthorized acts, the short sellers purposely disregarded of the Company's official visitor policy and trespassed to the Company's property. Their intentionally wrongful interference violated the Company's security codes. The disguised intrusion constituted another crime of corporate espionage. We believe the interview was a scheme of setup and the content was false. The law enforcement is currently pursuing this case. The prosecutors in China had detained the so-called interviewee related to the scheme and will hold the parties who were involved in the espionage liable and will prosecute the espionage crime with no lenience.

In the second interview, the short sellers claimed that they interviewed Chen Lianpeng, an alleged former warehouse director of the Company who started working for the Company since 2008. That is impertinent. Contrary to the short's claim, Mr. Chen was never a manager of the Company. Instead, he joined the Company as an entry-level employee in 2010. After having worked at the Company for 10 months, Mr. Chen was convicted of committing a series of professional misconducts in his non-managerial role. During the 10-month period, he had violated the Company's ethic codes badly numerous times. After reviewing his misdemeanors, human resource division took disciplinary action and terminated Mr. Chen's employment in 2011. During his tenure at the Company, Mr. Chen had never acted in any managerial role and was never hired again by the Company. The discharge was the penalty to his misconducts. The law enforcement in China had detained Mr. Chen. We strongly condemn that the so-called "interviews" for them being both malevolent and manipulative. In addition to the centralized volume productions, we conduct pilot production and rapid production in locations closer to markets and clients with proprietary formulas, technologies, and oversights. The truthfulness of such interview should never be relied upon.

On October 16, the shorts distorted the comments from the Company's employee, Ms Qi Hongli. Ms. Qi is a current member of the Company's design team and had been involved in some improvement projects during the Company's numerous campaigns for its marketing infrastructure development. The number of outlets that Ms. Qi had been working on does not necessarily equal to the number of all the premises that we had supported, including but not limited to, franchise units, proprietary outlets, retail stores, and retail stands etc. Relating only a subset of the entire outlet family, which one employee had been working on, as the population size of the whole sales outlets, is misleading.

The shorts alleged "the auditor, Kabani, signed off on \$113 million of outrageous PP&E reclassifications and deferred marketing assets wiping out CGA's cash.",

Our auditor performed extensive audit procedures on the Company's financial statements per the auditing standards, and they communicated with the Audit Committee with the procedures performed and the results found.

None of the auditors' audit reports on our financial statements for the past fiscal years regarding the effectiveness of internal control over financial reporting contained an adverse opinion or a disclaimer of opinion since 2012, nor was any such reports has ever been modified as to uncertainty, audit scope or accounting principles. In addition, at no point during the past fiscal years, were there any disagreements between our auditors on any matter of accounting principles or practices, financial statement disclosure, auditing scope or procedures, where disagreement(s), if not resolved to the satisfaction of our auditors, would result in "reportable events" as such term

is defined in Item 304(a)(1)(v) of Regulation S-K, and cause an reporting obligation to make reference

The Company's audit committee and management believe that the Company's financial statements have always fairly presented, in all material aspects, the Company's financial condition and results of operations during the past fiscal years, and that the Company's internal control over financial reporting always remains effective.

Regarding the deferred assets, it represents the amounts that the distributors owed to the Company in their marketing efforts, as well as the cost for developing the promotion equipment to be displayed at the distributors' stores, including product counters and shelves, and the signs of Jinong brand on the shop facades. Such cost is recorded as deferred asset which is reported on the balance sheet as a long-term asset. Such marketing and promotion costs are expensed as selling expense over three years as per the term as stated in the co-operation agreement. The process of systematically reducing this deferred asset is known as amortizing the marketing and promotion costs.

The shorts erroneously claimed that the PP&E reclassifications constitute a capex fraud that is serious enough to halt and delist the Company. Again, facts show that these laughable statements are deceitful.

I cannot help but laughing at how poor the shorts are in understanding basic accounting principles and how ignorant they were by making irresponsible and idiotic claims. Such poor claims illustrate the shorts know nothing about financial reporting. Instead of "professional analysts" they claimed to be, they are no more than bogus liars.

The Company had disclosed the deferred asset timely in quarterly and annual reports since the beginning fiscal year 2014. Deploying deferred assets had been an integral part of the Company's marketing strategy in five-to-ten-year time line. We had been implementing such marketing tactics as early as 2010. Historically, the cost of developing the promotion equipment was recorded as part of the Jinong's PP&E. In fiscal year 2014, we scaled up the deployment of such marketing asset to support marketing campaign. Based on the fact that such promotion equipment are displayed at the distributors' stores instead of utilized by the Company directly, we determined that it is more appropriate to reclassify such costs into deferred assets and present them separately on the balance sheet due to their nature and significance. We deployed \$72MM, \$31MM, and \$9MM in 2014, 2013, and 2012 respectively, and got reported in cash flows from investing activities in the financial statement. It is typical in financial reporting for issuers to represent historical assets out of seasoned categories to newly added categories as a result of asset or liability reclassification to fairly compare the similar assets year over year.

While the short seller blamed us that "for fiscal year 2015, the Company estimates another \$41,807,390 amortization expenses of deferred assets", "resulting in a huge negative impact on earnings", with accordance that growth of amortization is "far more than management's sales growth forecast", we never take sales expansion lightly -- the hefty investments in marketing endorsed our decisive commitments to our products and our clients. When we made investment decision in expanding the deferred assets, we aim at supporting our distributors in a period of five years or longer, and we are affirmative to help our distributors in promoting their sales by developing retail franchise stores. Such corporation action was intended to build our marketing infrastructure systematically countrywide.

As mentioned above, we amortize the deferred asset over a three-year use life. The amortization period is based on term of our co-operation agreement with the distributors involved in our marketing campaign and we timely

disclosed an estimated \$31MM and \$10MM amortization expenses of the deferred assets for the fiscal year 2016 and 2017 in Row 9, paragraph "Deferred assets" on page F-8 of the Company's annual report of fiscal year 2014. We expect the marketing efforts will introduce improvement in sales over time concurrently with the decrease in amortization expenses in the next fiscal years.

The short sellers stated that "\$26,890,321 at June 30, 2014" "subtracting \$25,700,586 of customer deposits leaves the Company with only \$1,189,735." This statement is simply incorrect as it does not include any consideration of other current assets such as account receivable with \$88,781,608, advances to suppliers with \$32,630,865, and inventory with \$75,486,898 which are reported on the financial statement as of fiscal year 2014.,

The shorts alleged that they were blocked from obtaining information. That is also fictitious. We have consistently welcomed inquiries and visitors to our offices and transparently provided information about all relevant aspects of our production, management and sales through every possible channels. Any number of shareholders, analysts and potential investors can attest to that.

On October 1, we updated our progress in the business strategy development in a press release and provided our Company's new corporate website (<http://900cga.com>), along with our peer strategy partner's website (<http://900lh.com>) for reference. Since the release, in less an hour, these corporate websites got hacked severely by concentrated attacks from U.S. The cyber attackers had tried to paralyze these websites with numerous attempts since then up to date. While currently under beta testing on full scale, these websites will become live and fully operational after the conclusion of test.

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

In the new fiscal year, we will focus on building comprehensive framework of offline, online and online-to-offline business strategies to better transform our business model in the new competition landscape of agriculture industry. I will lead my team to enrich the Company with more businesses, deliver better earnings so as to greatly reward our shareholders. As usual, I encourage all parties that are genuinely interested in obtaining a better understanding of the Company's business model, financial performance, and the agriculture industry, to visit the Company and meet our management team.

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 would like to thank you for your continued interests in and supports for our Company. Please be assured that we are working very hard to maximize shareholder value.

Sincerely,

A handwritten signature in black ink, consisting of several vertical strokes and a horizontal line at the top, forming a stylized representation of the name 'Tao Li'.

Tao Li
Chairman, President and Chief Executive Officer
China Green Agriculture, Inc.