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## *CGA Accused of Fraud as the SEC Conducts an Informal Inquiry*

Shares of China Green Agriculture, Inc. (NYSE: CGA) fell as much as 25% following the release of a research report that accused CGA of significantly overstating revenues and earnings. CGA issued a [press release](http://www.asensio.com/CGA/cga11211.pdf) in response to the report stating that CGA is cooperating with an informal inquiry by the Securities and Exchange Commission (SEC). CGA is a Chinese reverse merger purportedly engaged in the production of organic fertilizer.

The report on CGA, issued by J Capital Research on January 5th, suggests that CGA's revenues in fiscal 2010 were really only 25% of the figure reported in CGA's SEC-filed financial statements. The report also suggests that CGA's claims of possessing proprietary technology are false, that CGA's reported margins are implausible, and that CGA may have engaged in undisclosed related party transactions.

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[first reported on CGA](http://www.asensio.com/Reports/ReportView.aspx?ReportId=1046&CompanyId=169&CompanyName=NASDAQ&ReportTitle=CGA) in September 2010 as part of research on a network of promoters tied to NASDAQ and a Chinese national reportedly convicted of criminal charges in China while heading a NASDAQ-listed company. [Barron's](http://www.asensio.com/CGA/cga-barrons.pdf) also published a report on the matter.

CGA's response to the J Capital report states simply that it is "largely inaccurate," and disclosed that the SEC had initiated an informal inquiry. The CGA release states that its counsel "voluntarily provided a comprehensive report on selected issues that were of interest to the SEC." CGA did not describe the "selected issues." CGA also hired Sitrick & Co., a PR firm specializing in ["crisis management."](http://www.asensio.com/china/street11211.pdf)

In September of last year CGA issued [two press releases](http://www.asensio.com/CGA/cga-releases.pdf) responding to "a number of bloggers believed to be short sellers or affiliated with short sellers." In the face of class action lawsuits, CGA announced in November that it had retained [Ernst & Young](http://www.asensio.com/CGA/cga-ey.pdf) as an "advisor," but not as its auditor, [China Sky One Medical, Inc. \(NASDAQ: CSKI\)](http://www.asensio.com/Reports/ReportView.aspx?ReportId=946&CompanyId=165&CompanyName=China+Sky+Medical).

CGA follows a growing number of Chinese reverse mergers that have been the subject of fraud accusations in recent months: e.g., RINO International Corp. (OTC: RINO), Orient Paper, Inc. (AMEX: ONP), Universal Travel Group (NYSE: UTA), Fuqi International, Inc. (NASDAQ: FUQI), Duoyuan Printing, Inc. (NYSE: DYP), China-Biotics, Inc. (NASDAQ: CHBT), and China Valves Technology, Inc. (NASDAQ: CVVT). Other Chinese reverse mergers that have failed, been delisted, or faced substantial fraud accusations include China Expert Technology, Inc. (OTC: CXTI), Tongxin International Ltd. (OTC: TXIC), China Energy Savings Technology, Inc. (defunct), Bodisen Biotech, Inc. (OTC: BBCZ), Shanghai Medical Technology (defunct), Fuwei Films (Holdings) Co., Ltd. (NASDAQ: FFHL), China Yingxia International, Inc. (OTC: CYXI), Asia Time Corp. (OTC: ATYM), and China Water & Drinks Inc. [now part of [Heckmann Corporation](http://www.asensio.com/china/street6.pdf) (NYSE: HEK)].

asensio.com began releasing research on Chinese reverse mergers in early 2009, with reports on [China Sky One M](http://asensio.com/Reports/CompleteRecordCompany.aspx?CompanyId=165&CompanyName=China+Sky+One+M) and [American Oriental](http://asensio.com/Reports/CompleteRecordCompany.aspx?CompanyId=167&CompanyName=American+Oriental+) American Oriental Bioengineering, Inc. (NYSE: AOB).