

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2013

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____ to ____

Commission file number: 001-34502

SKYPEOPLE FRUIT JUICE, INC.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of incorporation or organization)

98-0222013

(I.R.S. Employer Identification No.)

**16F, China Development Bank Tower, No.
2, Gaoxin 1st Road, Xi'an, PRC
710075**

(Address of principal executive offices including zip code)

86-29-88377161

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Class

Outstanding at May 14, 2013

Common Stock, \$0.001 par value per share

26,661,499

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[Table of Contents](#)**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****SKYPEOPLE FRUIT JUICE, INC.
CONSOLIDATED BALANCE SHEETS**

	March 31, 2013	December 31, 2012
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 91,320,803	\$ 77,560,278
Accounts receivables, net of allowance of \$46,766 and \$46,643 as of March 31, 2013 and December 31, 2012, respectively	31,083,435	49,435,961
Other receivables	465,725	201,417
Inventories	7,582,226	7,278,191
Deferred tax assets	147,126	90,576
Advances to suppliers and other current assets	141,158	71,536
TOTAL CURRENT ASSETS	<u>130,740,473</u>	<u>134,637,959</u>
PROPERTY, PLANT AND EQUIPMENT, NET	51,851,976	52,180,097
LAND USE RIGHT, NET	7,693,256	7,718,363
OTHER ASSETS	378,137	682,592
TOTAL ASSETS	<u>\$ 190,663,842</u>	<u>\$ 195,219,011</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 7,127,984	\$ 14,399,282
Accrued expenses	1,540,894	2,050,675
Income tax payable	1,347,111	3,127,245
Advances from customers	127,861	530,437
Short-term loan - related party	4,000,000	-
Short-term bank loans	8,502,289	11,661,761
TOTAL CURRENT LIABILITIES	<u>\$ 22,646,139</u>	<u>\$ 31,769,400</u>
STOCKHOLDERS' EQUITY		
SkyPeople Fruit Juice, Inc, Stockholders' equity		
Series B Preferred stock, \$0.001 par value, 10,000,000 shares authorized, Nil shares issued and outstanding as of March 31, 2013 and December 31, 2012, respectively	-	-
Common stock, \$0.001 par value; 66,666,666 shares authorized; 26,661,499 shares issued and outstanding as of March 31, 2013 and December 31, 2012	26,661	26,661
Additional paid-in capital	59,189,860	59,189,860
Retained earnings	86,611,733	82,793,585
Accumulated other comprehensive income	14,874,872	14,500,860
Total SkyPeople Fruit Juice, Inc. stockholders' equity	<u>160,703,126</u>	<u>156,510,966</u>
Non-controlling interests	7,314,577	6,938,645
TOTAL STOCKHOLDERS' EQUITY	<u>168,017,703</u>	<u>163,449,611</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 190,663,842</u>	<u>\$ 195,219,011</u>

The accompanying notes are an integral part of these consolidated financial statements.

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SKYPEOPLE FRUIT JUICE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	For the Three Months Ended March 31,	
	2013	2012
Revenue	\$ 18,611,456	\$ 14,993,500
Cost of goods sold	10,970,558	10,207,501
Gross profit	7,640,898	4,785,999
Operating Expenses		
General and administrative expenses	1,305,914	1,477,604
Selling expenses	741,166	525,334
Research and development expenses	98,622	142,685
Total operating expenses	2,145,702	2,145,623
Income from operations	5,495,196	2,640,376
Other income (expenses)		
Interest income	71,579	69,689
Subsidy income	350,974	433,504
Interest expenses	(277,023)	(154,812)
Others incomes	-	(968)
Total other income	145,530	347,413
Income before income tax	5,640,726	2,987,789
Income tax provision	1,483,865	928,380
Net income	4,156,861	2,059,409
Less: Net income attributable to non-controlling interests	338,713	140,251
NET INCOME ATTRIBUTABLE TO SKYPEOPLE FRUIT JUICE, INC.	\$ 3,818,148	\$ 1,919,158
Earnings per share:		
Basic earnings per share	\$ 0.14	\$ 0.07
Diluted earnings per share	\$ 0.14	\$ 0.07
Weighted average number of shares outstanding		
Basic	26,661,499	25,690,402
Diluted	26,661,499	26,661,499
Comprehensive Income		
Net income	\$ 4,156,861	\$ 2,059,409
Foreign currency translation adjustment	411,231	156,571
Total Comprehensive income	4,568,092	2,215,980
Comprehensive income attributable to non-controlling interests	375,932	146,732
Comprehensive income attributable to SkyPeople Fruit Juice, Inc.	\$ 4,192,160	\$ 2,069,248

The accompanying notes are an integral part of these consolidated financial statements.

SKYPEOPLE FRUIT JUICE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended March 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 4,156,861	\$ 2,059,409
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	863,343	706,064
Deferred income tax assets	(56,550)	60,515
Changes in operating assets and liabilities		
Accounts receivable	18,455,170	14,225,403
Other receivable	(263,398)	2,009
Advances to suppliers and other current assets	(69,496)	(109,276)
Inventories	107,472	1,163,961
Accounts payable	(7,298,251)	(875,022)
Accrued expenses	(513,157)	(1,233,484)
Income tax payable	(1,785,680)	(1,055,393)
Advances from customers	(403,363)	(178,673)
Net cash provided by operating activities	<u>13,192,951</u>	<u>14,765,513</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(428,692)	(1,320,608)
Prepayment for other assets	(9,600)	(13,621)
Net cash used in investing activities	<u>(438,292)</u>	<u>(1,334,229)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increased in restricted cash	-	284,361
Short-term notes payable	-	(284,361)
Proceeds from related party loan	4,000,000	-
Proceeds from short-term bank loans	-	3,170,879
Repayment of short-term bank loans	(3,185,474)	(1,139,578)
Net cash provided by financing activities	<u>814,526</u>	<u>2,031,301</u>
Effect of change in exchange rate	191,340	96,897
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,760,525	15,559,482
Cash and cash equivalents, beginning of period	<u>77,560,278</u>	<u>61,154,007</u>
Cash and cash equivalents, end of period	<u>\$ 91,320,803</u>	<u>\$ 76,713,489</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 250,722	\$ 154,812
Cash paid for income taxes	\$ 3,326,095	\$ 1,923,258
SUPPLEMENTARY DISCLOSURE OF SIGNIFICANT NON-CASH TRANSACTION		
Transferred from other assets to property, plant and equipment and construction in process	\$ 315,394	\$ 5,158,425

The accompanying notes are an integral part of these consolidated financial statements.

SKYPEOPLE FRUIT JUICE, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position as of March 31, 2013 and the results of operations and cash flows for the three month periods ended March 31, 2013 and 2012. The financial data and other information disclosed in these notes to the interim financial statements related to these periods are unaudited. The results for the three months ended March 31, 2013 are not necessarily indicative of the results to be expected for any subsequent periods or for the entire year ending December 31, 2013. The balance sheet at December 31, 2012 has been derived from the audited financial statements at that date.

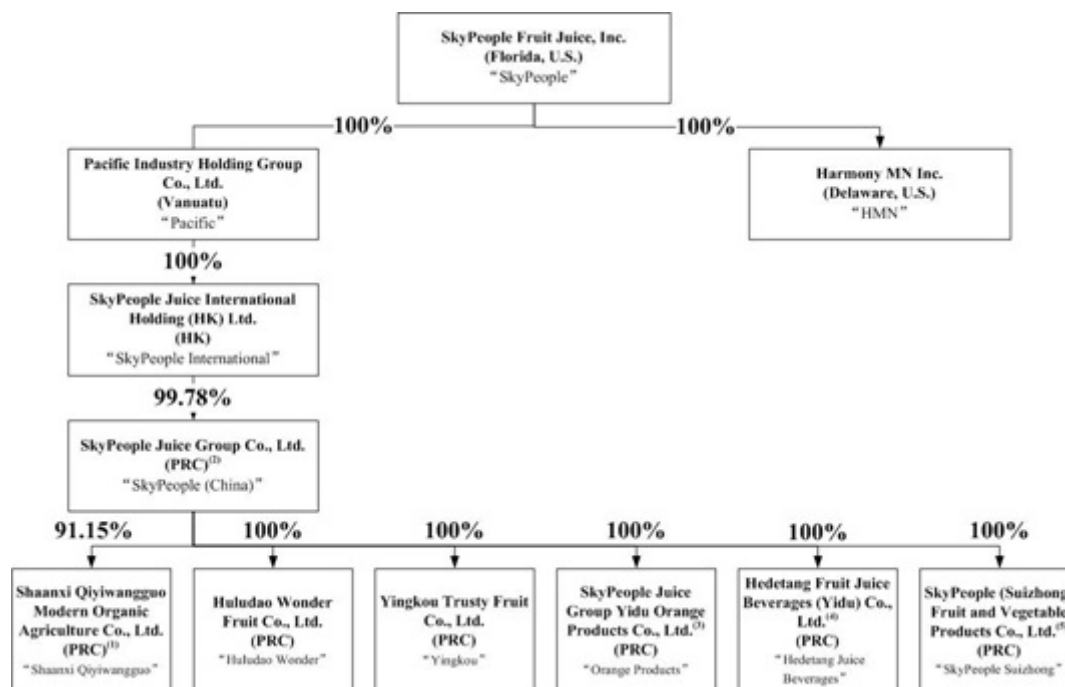
Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the Securities and Exchange Commission's rules and regulations. These unaudited financial statements should be read in conjunction with our audited financial statements and notes thereto for the year ended December 31, 2012 as included in our Annual Report on Form 10-K.

2. Business Description and Significant Accounting Policies

The principal activities of the Company consist of production and sales of fruit juice concentrates, fruit juice beverages, and other fruit-related products in the PRC and overseas markets. All activities of the Company are principally conducted by subsidiaries operating in the PRC.

Organizational Structure

Current organizational structure is set forth in the diagram below:



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- (1) Xi'an Qinmei Food Co., Ltd., an entity not affiliated with the Company, owns the other 8.85% of the equity interest in Shaanxi Qiyiwangguo.
- (2) Formerly known as Shaanxi Tianren Organic Food Co. Ltd.
- (3) SkyPeople Juice Group Yidu Orange Products Co., Ltd. was established on March 13, 2012. Its scope of business includes deep processing and sales of oranges.
- (4) Hedetang Fruit Juice Beverages (Yidu) Co., Ltd. was established on March 13, 2012. Its scope of business includes production and sales of fruit juice beverages.
- (5) SkyPeople (Suizhong) Fruit and Vegetable Products Co., Ltd. was established on April 26, 2012. Its scope of business includes initial processing, quick-frozen and sales of agricultural products and related by-products.

Principles of Consolidation

Our consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements are prepared in accordance with U.S. GAAP. This basis differs from that used in the statutory accounts of SkyPeople (China), Shaanxi Qiyiwangguo, Huludao Wonder, Yingkou, Hedetang Juice Beverages and Orange Products, SkyPeople Suizhong, which were prepared in accordance with the accounting principles and relevant financial regulations applicable to enterprises in the PRC. All necessary adjustments have been made to present the financial statements in accordance with U.S. GAAP.

Uses of estimates in the preparation of financial statements

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and this requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. The significant areas requiring the use of management estimates include, but not limited to, the allowance for doubtful accounts receivable, estimated useful life and residual value of property, plant and equipment, provision for staff benefit, valuation of change in fair value of warrant liability, recognition and measurement of deferred income taxes and valuation allowance for deferred tax assets. Although these estimates are based on management's knowledge of current events and actions management may undertake in the future, actual results may ultimately differ from those estimates.

Impairment of long-lived assets

In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360-10, Accounting for the Impairment or Disposal of Long-Lived Assets, long-lived assets, such as property, plant and equipment and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, or it is reasonably possible that these assets could become impaired as a result of technological or other industrial changes. The determination of recoverability of assets to be held and used is made by comparing the carrying amount of an asset to future undiscounted cash flows to be generated by the assets.

If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. During the reporting periods there was no impairment loss of long-lived assets recognized.

[Table of Contents](#)**Inventories**

Inventories consist of raw materials, packaging materials (which include ingredients and supplies) and finished goods (which include finished juice in the bottling and canning operations). Inventories are valued at the lower of cost or market. We determine cost on the basis of the weighted average method. The Company periodically reviews inventories for obsolescence and any inventories identified as obsolete are reserved or written off.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 605, Revenue Recognition. Revenue from sales of products is recognized upon shipment or delivery to customers, provided that persuasive evidence of sales arrangements exist, title and risk of loss have been transferred to the customers, the sales amounts are fixed and determinable and collection of the revenue is reasonably assured. Customers have no contractual right to return products. Historically, the Company has not had any returned products. Accordingly, no provision has been made for returnable goods. The Company is not required to rebate or credit a portion of the original fee if it subsequently reduces the price of its product and the distributor still has rights with respect to that product.

Shipping and Handling Costs

Shipping and handling amounts billed to customers in related sales transactions are included in sales revenues and shipping expenses incurred by the Company are reported as a component of selling expenses. The shipping and handling expenses of \$306,149 and \$279,812 for three months ended March 31, 2013 and 2012, respectively, are reported in the Consolidated Statement of Comprehensive Income as a component of selling expenses.

Foreign Currency and Other Comprehensive Income

The financial statements of the Company's foreign subsidiaries are measured using the local currency as the functional currency; however, the functional currency and the reporting currency of the Company are the United States dollar ("USD"). Assets and liabilities of the Company's foreign subsidiaries have been translated into USD using the exchange rate at the balance sheet date while equity accounts are translated using the historical exchange rate. The average exchange rate for the period has been used to translate revenues and expenses. Translation adjustments are reported separately and accumulated in a separate component of equity (cumulative translation adjustment).

Other comprehensive income for three months ended March 31, 2013 and 2012 represented foreign currency translation adjustments and were included in the consolidated statement of comprehensive income.

Income Taxes

We use the asset and liability method of accounting for income taxes in accordance with ASC Topic 740, "Income Taxes." Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current year and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the deferred tax assets reported if based on the weight of the available positive and negative evidence, it is more likely than not some portion or all of the deferred tax assets will not be realized.

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ASC Topic 740.10.30 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740.10.40 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We have no material uncertain tax positions for any of the reporting periods presented.

Earnings per share

Under ASC 260-10, Earnings Per Share, basic EPS excludes dilution for Common Stock equivalents and is calculated by dividing net income available to common stockholders by the weighted-average number of Common Stock outstanding for the period. Our Series B Convertible Preferred Stock is a participating security. Consequently, the two-class method of income allocation is used in determining net income available to common stockholders.

Diluted EPS is calculated by using the treasury stock method, assuming conversion of all potentially dilutive securities, such as stock options and warrants. Under this method, (i) exercise of options and warrants is assumed at the beginning of the period and shares of Common Stock are assumed to be issued, (ii) the proceeds from exercise are assumed to be used to purchase Common Stock at the average market price during the period, and (iii) the incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) are included in the denominator of the diluted EPS computation. The numerators and denominators used in the computations of basic and diluted EPS are presented in the following table.

	For the three month March 31,	
	<u>2013</u>	<u>2012</u>
NUMERATOR FOR BASIC AND DILUTED EPS		
Net income (numerator for Diluted EPS)	\$ 3,818,148	\$ 1,919,158
Net income allocated to Preferred Stock holders	-	69,902
Net income allocated to Common Stock holders	<u>3,818,148</u>	<u>1,849,256</u>
DENOMINATORS FOR BASIC AND DILUTED EPS		
Weighted average Common Stock outstanding	<u>26,661,499</u>	<u>25,690,402</u>
DENOMINATOR FOR BASIC EPS	26,661,499	25,690,402
Add: Weighted average Preferred Stock, as if converted		971,097
Add: Weighted average stock warrants outstanding	-	
DENOMINATOR FOR DILUTED EPS	<u><u>26,661,499</u></u>	<u><u>26,661,499</u></u>
EPS - Basic	\$ 0.14	\$ 0.07
EPS - Diluted	\$ 0.14	\$ 0.07

The diluted earnings per share calculation for the three months ended March 31, 2013 and 2012 did not include the warrants to purchase up to 175,000 shares of common stock, because their effect was anti-dilutive.

[Table of Contents](#)**3. Inventories**

Inventories by major categories are summarized as follows:

	March 31, 2013	December 31, 2012
Raw materials	\$ 973,657	\$ 295,789
Packaging materials	868,757	677,350
Finished goods	5,739,812	6,305,052
Total	<u>\$ 7,582,226</u>	<u>\$ 7,278,191</u>

4. Short-term Loan - Related Party

On February 18, 2013, SkyPeople (China) entered into a loan agreement with SkyPeople International Holdings Group Limited (the "Lender"). The Lender indirectly holds 50.2% interest in the Company. Mr. Yongke Xue ("Y. K. Xue"), the Chairman of the board of directors of the Company (the "Board"), and Mr. Hongke Xue, the newly elected Chief Executive Officer of the Company and director of the Board, indirectly and beneficially own 80.0% and 9.4% of equity interest in the Lender, respectively. Pursuant to the Agreement, the Lender agrees to extend to the Company a one-year unsecured term loan with a principal amount of \$8.0 million at an interest rate of 6% per annum.

During first quarter of 2013, the Company received \$4.0 million from the Lender. As of March 31, 2013, amount payable to SkyPeople International Holdings Group Limited was \$4.0 million.

5. Short-term Bank Loans

Short-term bank loans consist of the following loans collateralized by assets of the Company:

	March 31, 2013	December 31, 2012
Loan payable to Bank of Huludao, Suizhong branch due on June 28, 2013, bearing interest at 9.465% per annum, collateralized by the buildings, machinery and land use rights of Huludao Wonder	\$ 5,311,937	\$ 5,297,907
Loan payable to Xian Bank Jiankang Road Branch due on May 22, 2013, bearing interest at 8.528% per annum, guaranteed by Shaanxi Boai Pharmaceutical Technology Development Co., LTD.	797,588	795,482
Loan payable to China Construction Bank due on May 15, 2013, bearing interest at 6.56% per annum, collateralized by the buildings and machinery of SkyPeople (China).	2,392,764	2,386,445
Loan payable to Bank of Chongqing, due on March 20, 2013, bearing interest at 8.528% per annum, collateralized by the buildings and land use rights of SkyPeople (China).	-	3,181,927
Total	<u>\$ 8,502,289</u>	<u>\$ 11,661,761</u>

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6. Related Party Transactions

The Company's subsidiary sold fruit beverages to a related entity, Shaanxi Fullmart Convenient Chain Supermarket Co., Ltd. ("Fullmart") for approximately \$481,000 and \$3,000 for the three months ended March 31, 2013 and 2012, respectively. The accounts receivable balances were approximately \$731,000 and \$624,000 as of March 31, 2013 and December 31, 2012, respectively. Fullmart is a company indirectly owned by our Chairman, Mr. Yongke Xue.

7. Commitments and Contingencies

On April 20, 2011, plaintiff Paul Kubala (on behalf of his minor child N.K.) filed a securities fraud class action lawsuit in the United States District Court, Southern District of New York against the Company, certain of its individual officers and/or directors, and Rodman & Renshaw, LLC, the underwriter of the Company's follow-on public offering consummated in August 2010, alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder. On June 20, 2011, plaintiff Benjamin Padnos filed a securities fraud class action lawsuit in the United States District Court, Southern District of New York against the Company, certain of its current and former officers and/or directors, the Company's former independent auditors Child Van Wagner & Bradshaw, PLLC and BDO Limited, and Rodman & Renshaw, LLC, the underwriter of the Company's follow-on public offering consummated in August 2010, alleging violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. On August 30, 2011, the Court consolidated the foregoing two actions and appointed Zachary Lewy as lead plaintiff. On September 30, 2011, pursuant to the Court's order, Lead Plaintiff filed a consolidated complaint, which names the Company, Rodman & Renshaw, LLC, BDO Limited, Child Van Wagoner & Bradshaw PLLC and certain of the Company's current and former directors and/or officers and majority shareholders as defendants, and alleges violations of Sections 11, 12 and 15 of the Securities Act of 1933 and Sections 10(b) and 20(a) of the Exchange Act, and the rules promulgated thereunder. The Consolidated Complaint seeks, among other things, compensatory damages, and reasonable costs and expenses incurred in the action. On December 21, 2011, the Company and certain of the individual defendants filed a motion to dismiss the Consolidated Complaint. On May 3, 2012, Lead Plaintiff voluntarily dismissed the claims against BDO Limited and Child Van Wagoner & Bradshaw PLLC. On September 10, 2012, the Court granted in part and denied in part the Company's motion to dismiss the Consolidated Complaint. On January 11, 2013, defendant Rodman & Renshaw LLC filed for Chapter 11 bankruptcy protection, and, on January 18, 2013, the court imposed an automatic stay on Plaintiff's claims against Rodman pursuant to Section 326(a) of the Bankruptcy Code. The Company believes the allegations against the Company are baseless and is contesting the case vigorously. The Company has made no accrual for any potential contingencies.

On August 5, 2011, we received a shareholder demand letter from counsel for a purported shareholder. The letter was addressed to the Company's Board of Directors and requested the Board of Directors to take a number of actions in order to repair the alleged "harm" caused to the Company by certain of its directors and officers, as well as its current and former auditors. The Board of Directors has been reviewing this shareholder demand letter and considering appropriate action that the Company should undertake. On November 7, 2011, Baosheng Lu and Tao Wang were appointed to serve as directors of the board and the independent directors of the board appointed them to serve as the members of the evaluation committee. The evaluation committee is in the process of evaluating the actions demanded by the shareholder and retaining counsel to respond to the shareholder inquiry. No formal shareholder derivative complaint has been filed to date on behalf of the Company. The Company believes any such suit would be without merit and would vigorously defend its position in this regard. The Company has made no accrual for any potential contingencies.

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On July 8, 2011, the Company brought suit against Absaroka Capital Management, LLC (“Absaroka”) and its principal Kevin Barnes in the U.S. District Court of Wyoming under the caption SkyPeople, Inc. v. Absaroka Capital Management, LLC, et al., No. 11-cv-238. Absaroka is a purported independent investment analyst who, while holding a short position in our stock, issued a so-called research report (the “Report”) asserting, inter alia, that the Company had inflated revenues. We brought suit alleging three causes of action for libel per se, libel per quod and intentional interference with a prospective business relationship. In or around November, 2011, Absaroka and Barnes brought counter claims against us for defamation per se, defamation per quod and abuse of process. On June 22, 2012, the Company and Absaroka reached an out-of-court settlement of litigation in the U.S. District Court for the District of Wyoming. The settlement includes a dismissal of all claims and counterclaims filed by the Parties, with neither party admitting any wrongdoing or liability. As part of the settlement agreement, Absaroka has agreed to remove the Report from its website, undertake best efforts to remove the Report from third-party sites, and refrain from issuing any further articles, public statements, or research reports concerning the Company.

Other than the above, from time to time we may be a party to various litigation proceedings arising in the ordinary course of our business, none of which, in the opinion of management, is likely to have a material adverse effect on our financial condition or results of operations.

8. Concentrations

(1) Concentration of customers

Sales to five largest customers accounted for approximately 22% and 28% of our net sales during the three months ended March 31, 2013 and 2012, respectively. No single customer represented over 10% of total sales for the three months ended March 31, 2013 and 2012.

(2) Concentration of suppliers

Our top two suppliers accounted for 18.4% and 10.8% of our purchases for the three months ended March 31, 2013, no other single supplier accounted for over 10% of our purchase. During the first quarter of 2012, top two of our suppliers accounted for 25.0% and 17.8% of our purchases, no other single supplier accounted for over 10% of our purchase.

9. Segment Reporting

The Company operates in six segments: concentrated apple juice and apple aroma, concentrated kiwifruit juice and kiwifruit puree, concentrated pear juice, fruit juice beverages and fresh fruits and vegetables, and others. Our concentrated apple juice and apple aroma is primarily produced by the Company’s Huludao Wonder factory; concentrated pear juice is primarily produced by the Company’s Jiayang factory. However, as the Company use the same production line to manufacture concentrated apple juice and concentrated pear juice. In addition, both Shaanxi Province, where the factory of Jiayang factory is located, and Liaoning Province, where the factory of Huludao Wonder is located, are rich in fresh apple and pear supplies, Jinagyang factory also produces concentrated apple juice and Huludao Wonder factory also produces concentrated pear juice when necessary. Concentrated kiwifruit juice and kiwifruit puree is primarily produced by the Company’s Qiyiwangguo factory, and fruit juice beverages is primarily produced by the Company’s Qiyiwangguo factory. The Company’s other products include fructose, concentrated turnjube juice, and other by products, such as kiwifruit seeds.

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Concentrated fruit juice is used as a basic ingredient for manufacturing juice drinks and as an additive to fruit wine and fruit jam, cosmetics and medicines. The Company sells its concentrated fruit juice to domestic customers and exported directly or via distributors. The Company believes that its main export markets are the United States, the European Union, South Korea, Russia and the Middle East to North America, Europe, Russia, South Korea and the Middle East. The Company sells its Hedetang branded bottled fruit beverages domestically primarily to supermarkets in the PRC. The Company sells its fresh fruit and vegetables to supermarkets and whole sellers in the PRC.

Some of these product segments might never individually meet the quantitative thresholds for determining reportable segments and we determine the reportable segments based on the discrete financial information provided to the chief operating decision maker. The chief operating decision maker evaluates the results of each segment in assessing performance and allocating resources among the segments. Since there is an overlap of services provided and products manufactured between different subsidiaries of the Company, the Company does not allocate operating expenses and assets based on the product segments. Therefore, operating expenses and assets information by segment are not presented. Segment profit represents the gross profit of each reportable segment.

	Concentrated apple juice and apple aroma	Concentrated kiwifruit juice and kiwifruit puree	Concentrated pear juice	Fruit juice beverages	Fresh fruits and vegetables	Total
For the Three Months Ended March 31, 2013						
Reportable segment revenue	\$ 733	\$ 3,473	\$ 5,184	\$ 8,647	\$ 798	\$ 18,835
Inter-segment revenue	(97)	(54)	(11)	(62)	-	(224)
Revenue from external customers	636	3,419	5,173	8,585	798	18,611
Segment gross profit	\$ 31	\$ 2,114	\$ 1,599	\$ 3,512	\$ 385	\$ 7,641
	Concentrated apple juice and apple aroma	Concentrated kiwifruit juice and kiwifruit puree	Concentrated pear juice	Fruit juice beverages	Fresh fruits and vegetables	Total
For the Three Months Ended March 31, 2012						
Reportable segment revenue	\$ 3,226	\$ 3,952	\$ 4,829	\$ 3,370	\$ 588	\$ 15,965
Inter-segment revenue	(718)	(191)	(62)	-	-	(971)
Revenue from external customers	2,508	3,761	4,767	3,370	588	14,994
Segment gross profit	\$ 414	\$ 1,687	\$ 1,534	\$ 855	\$ 296	\$ 4,786

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The following table reconciles reportable segment profit to the Company's condensed consolidated income before income tax provision for the three months ended March 31, 2013 and 2012:

	Three months ended March 31,	
	2013	2012
Segment profit	<u>\$ 7,640,898</u>	<u>\$ 4,785,999</u>
Unallocated amounts:		
Operating expenses	2,145,702	2,145,623
Other (income)/expenses	<u>(145,530)</u>	<u>(347,413)</u>
Income before tax provision	<u>\$ 5,640,726</u>	<u>\$ 2,987,789</u>

10. Subsequent Events

Investment/Service Agreement with Mei County National Kiwi Fruit Wholesale Trading Center

On April 3, 2013, SkyPeople (China) entered into an Investment Agreement (the "Agreement") with the Managing Committee of Mei County National Kiwi Fruit Wholesale Trading Center (the "Committee"). The Committee has been authorized by the People's Government of Mei County to be in charge of the construction and administration of the Mei County National Kiwi Fruit Wholesale Trading Center (the "Trading Center").

Under the Agreement, the parties agreed to invest and establish a kiwi fruit comprehensive deep processing zone and kiwi fruit and fruit-related materials trading zone in Yangjia Village, Changxing Town of Mei County with a total planned area of total planned area of 286 mu (approximately 47 acres) (the "Project").

Pursuant to the Agreement, the Company will be responsible for the construction and financing of the Project with a total investment of RMB 445.6 million (approximately \$ 71.9 million) in buildings and equipment. In addition, the Company agreed to pay for the land use rights for the Project land a fee of RMB 0.3 million per mu. The Committee is responsible for financing and constructing the basic infrastructure surrounding the Project, such as the main water supply, main water drainage, natural gas, electricity, sewage, access roads to the Project, natural gas and communications networks.

On April 19, 2013, the Company established SkyPeople Juice Group (Mei County) Kiwi Fruit and Farm Products Trading Market Co., Ltd., with the scope of business to include preliminary processing of agricultural and subsidiary products; establishment of trading market, etc.

On April 19, 2013, the Company also established Shaanxi Guo Wei Mei Kiwi Deep Processing Co., Ltd. with the scope of business to include producing kiwi fruit juice, kiwi puree and cider beverages, etc.

[Table of Contents](#)**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion should be read in conjunction with the Financial Statements and Notes thereto appearing elsewhere in this Form 10-Q.

DISCLAIMER REGARDING FORWARD-LOOKING STATEMENTS

The following discussion and analysis of the condensed consolidated financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and notes in Item I above and with the audited consolidated financial statements and notes, and with the information under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent Annual Report on Form 10-K. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results could differ materially from the results described in or implied by these forward-looking statements as a result of various factors, including those discussed in this report and under the heading "Risk Factors" in our most recent Annual Report on Form 10-K.

Overview of Our Business

We are engaged in the production and sales of fruit juice concentrates (including fruit purees, concentrated fruit purees and concentrated fruit juices), fruit beverages (including fruit juice beverages and fruit cider beverages), and other fruit related products (including organic and non-organic fresh fruits) in and from the PRC. Our fruit juice concentrates, which include apple, pear and kiwifruit concentrates, are sold to domestic customers and exported directly or via distributors. We sell our Hedetang branded bottled fruit beverages domestically primarily to supermarkets in the PRC. For the three months ended March 31, 2013, sales of our fruit concentrates, fruit beverages, fresh fruits and other fruit related products represented 51%, 44% and 5% of our revenue, respectively, compared to 74%, 23% and 3%, respectively, for the same period of 2012.

We export our products as well as sell them domestically. We sell our products either through distributors with good credit or to end users directly. We believe that our main export markets are the Asia, North America, Europe, Russia and the Middle East. We sell our other fruit related products to domestic customers.

During the first quarter of 2013, we exported our Hedetang-branded fruit juice beverages to Mongolia and Canada. We currently market our Hedetang brand fruit beverages in only certain regions of the PRC. We plan to expand the market presence of Hedetang over a broader geographic area in the PRC. In particular, we plan to expand our glass bottle production line to produce higher margin portable fruit juice beverages targeting consumers in more populated Chinese cities. Currently we produce six flavors of fruit beverages in 280 ml glass bottles, 418 ml glass and 500 ml glass bottles and BIB package, including apple juice, pear juice, kiwifruit juice, mulberry juice, kiwifruit cider and mulberry cider. We currently sell our fruit beverages to over 100 distributors and more than 20,000 retail stores in approximately 20 provinces. Our products are sold through distributors in stores such as Hualian Supermarket in Beijing, RT-Mart in Shenyang, Carrefour in Chongqing and Shenyang and Lianhua Supermarket in Shanghai, etc.

We plan to continue to focus on creating new products with high margins to supplement our current product offering.

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We believe that continuous investment in research and development is a key component to being a leader in fruit juice concentrate and fruit beverage quality. As of March 31, 2013, we had an internal research and development team of approximately 30 employees, and we retain external experts and research institutions for additional consultation when necessary. In three months ended March 31, 2013 and 2012, our research and development expenses were \$98,622 and \$142,685, respectively. As part of our research and development efforts, we routinely make contractual arrangements with outside research R&D institutes. Currently, we have four new R&D contracts with outside institutes. The following table sets forth details of the four contracts that are currently in effect.

Research Institute	R&D expenses per year		Period of validity		Project
	RMB	USD	From	To	
Shaanxi Normal University	2,705,760	431,616	March 12, 2013	March 12, 2015	Development of composite fruit juice beverages
Northwest Agriculture & Forestry University	3,224,640	514,387	March 5, 2013	March 5, 2015	Beverages with specific functions.
Northwest Agriculture & Forestry University	3,084,000	491,952	March 20, 2013	March 20, 2015	Development of kiwi fruit products
Northwest Agriculture & Forestry University	2,325,600	370,974	April 5, 2013	April 5, 2015	Distill specific substance from fruit draff
Total	<u>11,340,000</u>	<u>1,808,930</u>			

Our business is highly seasonal and can be greatly affected by weather because of the seasonal nature in the growing and harvesting of fruits and vegetables. Our core products are apple, pear and kiwifruit juice concentrates, which are produced from July or August to April of the following year. The squeezing season for (i) apples is from August to January or February; (ii) pears is from July or August until April of next year; and (iii) kiwifruit is from September through January. Typically, a substantial portion of our revenues is earned during our first and fourth quarters. To minimize the seasonality of our business, we make continued efforts in identifying new products with harvesting seasons complementary to our current product mix. Our goal is to lengthen our squeezing season, thus increasing our annual production of fruit juice concentrates and fruit beverages. In the first quarter of 2009, we introduced mulberry and kiwifruit cider beverages in the Chinese market. Unlike fruit juice concentrates, which can only be produced during the squeezing season, such fruit beverages are made out of fruit juice concentrates and can be produced and sold in all seasons. With continuous efforts in marketing of our beverages in domestic market, we believe that our seasonality will be reduced.

Fresh fruits are the primary raw materials needed for the production of our products. Our raw materials mainly consist of apples, pears and kiwifruits. Other raw materials used in our business include pectic enzyme, amylase, auxiliary power fuels and other power sources such as coal, electricity and water.

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We purchase raw materials from local markets and fruit growers that deliver directly to our plants. We have implemented a fruit-purchasing program in areas surrounding our factories. In addition, we organize purchasing centers in rich fruit production areas, helping farmers deliver fruit to our purchasing agents easily and in a timely manner. We are then able to deliver the fruit directly to our factory for production. We have assisted local farmers in their development of kiwifruit fields to help ensure a high quality product throughout the production channel. Our raw material supply chain is highly fragmented and raw fruit prices are highly volatile in China. Fruit concentrate and fruit juice beverage companies generally do not enter into purchasing agreements. In addition to raw materials, we purchase various ingredients and packaging materials such as sweeteners, glass and plastic bottles, cans and packing barrels. We generally purchase our materials or supplies from multiple suppliers.

Shaanxi and Liaoning Provinces, where our manufacturing facilities are located, are large fruit producing provinces. We own and operate four manufacturing facilities in the PRC, all of which are strategically located near fruit growing centers so that we can better preserve the freshness of the fruits and lower our transportation costs. To take advantage of economies of scale and to enhance our production efficiency, generally, each of our manufacturing facilities has a focus on products made from one particular fruit according to the proximity of such manufacturing to the sources of supply for that fruit. Our kiwifruit processing facilities are located in Zhouzhi County of Shaanxi Province, which has the largest planting area of apples and kiwifruit in the PRC. Our pear processing facilities are located in Shaanxi Province, which is the main pear-producing province in the PRC. Our apple processing facilities are located in Liaoning Province, a region that abounds with high acidity apples. As we use the same production line for concentrated apple juice and concentrated pear juice and both Shaanxi Province and Liaoning Province are rich in fresh apple and pear production, our Liaoning facilities also produced concentrated apple juice and our Shaanxi Province facilities also produced concentrated apple juice based on customer need. We believe that these regions provide adequate supply of raw materials for our production needs in the foreseeable future.

On August 30, 2010, we closed the public offering of 5,181,285 shares of our Common Stock at a price of \$5.00 per share for approximately \$25.9 million. We received an aggregate of approximately \$24 million as net proceeds after deducting underwriting discounts and commissions and offering expenses. As of March 31, 2013, we had spent approximately \$11 million on various capital projects in Huludao Wonder as described in projects (4) and (5) below. The following table presents the capital projects on which we currently plan to use the proceeds from this offering. We review these projects and capital expenditures on a quarterly basis based on the market conditions and associated costs of these projects.

[Table of Contents](#)**Capital Wonder Projects**

Subsidiary	No.	Priority Projects	Progress	Estimated capital expenditure (in Millions)
SkyPeople Suizhong	(1)	Construction of a refrigeration storage unit for the storage of concentrated fruit juices and fresh fruits and vegetables	The design of the facility has been completed. Construction has started during the third quarter of 2012. The Company suspended the construction of the refrigeration storage unit to apply land use right certificate from local government. It is expected that the certificate of land use right will be granted to the Company in the second quarter of 2013.	\$ 2.7
Huludao Wonder	(2)	Construction of concentrated fruit juice mixing center	The design of the facility has been completed. The first stage of construction has started. During the fourth quarter of 2012, the civil work has been completed. The Company is currently in the process of purchasing equipment. It is expected the entire project will be completed within 2013.	1.9
Huludao Wonder	(3)	Construction of a 30 ton/hour comprehensive fruits and vegetables processing line	The construction of this 30 ton/hour comprehensive fruits and vegetables processing line was delayed. The installation and adjustment of machinery has been completed during the fourth quarter of 2012. The newly installed machinery are under acceptance check.	3
Huludao Wonder	(4)	Construction of a fruit juice beverage production line of 6,000 bottles/hour	The construction of the production line was completed and the production line commenced operation in the second quarter of 2012.	3
Huludao Wonder	(5)	Environmental project (waste water treatment facility for concentrated apple juice production line)	The construction of the environmental project was completed in the third quarter of 2012.	8
Total Capital Expenditure				\$ 18.6

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- (1) Our initial plan was to construct both the refrigeration storage (see Project (1) above) and fruit juice mixing center (see Project (2) above) in Huludao, Liaoning Province, for which the original estimated total capital expenditure was \$4.4 million. We initially planned to start the construction of the refrigeration storage unit and a concentrated fruit juice-mixing center in the fourth quarter of 2011. However, the construction of the refrigeration storage unit has been delayed due to a change of plan. Management concluded that it is in the best interest of the Company to build the refrigeration storage unit in Suizhong, Liaoning Province, which is in close geographic proximity of Huludao Wonder in Liaoning Province. The total estimated capital expenditure for Projects (1) and (2) based on the changed plan is expected to be \$4.6 million. The Company is now in the process of evaluating the new plan and in negotiation with the local government to acquire land use right for approximately 7.8 acres for consideration of approximately \$290,000 per acre. In April 2012, the Company paid partial consideration of approximately \$1,200,000. As of the date of this report, the certificate of land use right has not been granted to the Company. The Company suspended the construction of the refrigeration storage unit to apply land use right certificate from local government. It is expected that the certificate of land use right will be granted to the Company in the second quarter of 2013.
- (2) The fruit juice-mixing center will be built in Huludao Wonder. The design of the fruit juice-mixing center has been completed. The first stage of construction has started. During the fourth quarter of 2012, the civil work has been completed. The Company is currently in the process of purchasing equipment. It is expected the entire project will be completed within 2013.
- (3) Our initial plan was to construct a 50 ton/hour concentrated apple juice production line in Huludao Wonder. We later decided to cancel the plan due to certain amendment to the Catalogue of Industry Structure Adjustment effective in June 2011, which classified concentrated apple juice business in the category of Restricted Industry. To avoid exposure to potential government restrictions on the expansion of this industry by, among other things, putting limitations on the increase in production capacity, increasing the product quality standard, reducing government financial support, we decided to change our existing 30 ton/hour concentrated apple juice line into a 30 ton/hour comprehensive fruits and vegetables processing line by adding additional equipment and machinery. The 30 ton/hour comprehensive fruits and vegetables processing line is expected to process a variety of fruits and vegetables (including apple, pear, and other fruits and vegetables) into juices. The estimated investment for this project is \$3.0 million. We believe that this project could provide us more flexibility. The newly installed machinery are under acceptance check.
- (4) We started the construction of infrastructure for the fruit juice beverage production line on September 28, 2010. The construction of a fruit juice beverage production line with maximum production capacity of 6,000 bottles per hour has been substantially finished. Trial operation of the new production line has been conducted. On April 25, 2012, "China Food Production License" for production of Beverage (including fruit juice and vegetable juice) has been granted to Huludao Wonder by Liaoning Bureau of Quality and Technical Supervision. Huludao Wonder commenced operation of this new production line on April 28, 2012.
- (5) The environmental project mainly consists of a wastewater processing facility that is required in our production of fruit and vegetable juice concentrates. The construction of the environmental project (waste water treatment facility for concentrated apple juice production line) has been completed in the third quarter of 2012.

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Shaanxi Qiyiwangguo Projects

We previously identified several projects for our Shaanxi Qiyiwangguo factory, which we expected to finance by using our operating cash flow. These projects included a 24,000 PET bottle/hour fruit juice beverage aseptic cold-filling line, and a PET bottle blowing machine system. Based on the current market conditions and other potential opportunities, management has decided to delay these projects to a future date when appropriate.

Other Projects

Investment/Service Agreement with Yidu Municipal People's Government

On October 29, 2012, SkyPeople (China) entered into an investment/service agreement (the "Investment Agreement") with Yidu Municipal People's Government in Hubei Province of China.

Under the Investment Agreement, the parties agree to invest and establish an orange comprehensive deep processing zone in Yidu.

The Company will be responsible for the establishment, construction and financing of the project with a total investment of RMB 300 million (approximately \$48 million), in fixed assets and the purchase of land use rights, while Yidu government agrees to provide a parcel of land for the project that is approximately 280 mu in size located at Gaobazhou Town of Yidu for a fee payable by the Company. The consideration for transferring the land use right for the project land shall be RMB 0.3 million per mu.

The main scope of the Yidu project includes the establishment of:

1. one modern orange distribution and sales center (the "distribution center");
2. one orange comprehensive utilization deep processing zone (the "deep processing zone"), including:
 - a) one 45 ton/hour concentrated orange juice and byproduct deep processing production line;
 - b) one bottled juice drink production line with a capacity to produce 6,000 glass bottles per hour;
 - c) one storage freezer facility with a capacity to store 20,000 tons of concentrated orange juice; and
 - d) general purpose facilities within the zone, office space, general research and development facilities, service area, living quarters and other ancillary support areas
3. one research and development center for orange varietal improvement and engineering technology (the "R&D center"); and
4. one standardized orange plantation (the "orange plantation").

The total amount of RMB 300 million (approximately \$48 million) will mainly be used to establish the distribution center and the deep processing zone on the project land of approximately 280 mu. SkyPeople and Yidu Municipal People's Government agreed to discuss the investment amount and location for establishing the R&D center and the orange plantation in the future.

Yidu Municipal People's Government is in the process of demolition buildings on project land. The Company is actively working with various bodies of Yidu Municipal People's Government making preparations for the start of the project.

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Investment/Service Agreement with Mei County National Kiwi Fruit Wholesale Trading Center

On April 3, 2013, SkyPeople (China) entered into an Investment Agreement (the "Agreement") with the Managing Committee of Mei County National Kiwi Fruit Wholesale Trading Center (the "Committee"). The Committee has been authorized by the People's Government of Mei County to be in charge of the construction and administration of the Mei County National Kiwi Fruit Wholesale Trading Center (the "Trading Center").

Under the Agreement, the parties agreed to invest and establish a kiwi fruit comprehensive deep processing zone and kiwi fruit and fruit-related materials trading zone in Yangjia Village, Changxing Town of Mei County with a total planned area of total planned area of 286 mu (approximately 47 acres) (the "Project").

Pursuant to the Agreement, the Company will be responsible for the construction and financing of the Project with a total investment of RMB 445.6 million (approximately \$ 71.9 million) in buildings and equipment. In addition, the Company agreed to pay for the land use rights for the Project land a fee of RMB 0.3 million per mu. The Committee is responsible for financing and constructing the basic infrastructure surrounding the Project, such as the main water supply, main water drainage, natural gas, electricity, sewage, access roads to the Project, natural gas and communications networks.

Results of Operations

Comparison of Three Months ended March 31, 2013 and 2012:

Revenue

The following table presents our consolidated revenues for each of our main products for the three months ended March 31, 2013 and 2012, respectively (in thousands):

	Three month ended March		Change	
	2013	2012	Amount	%
Concentrated apple juice and apple aroma	\$ 636	\$ 2,508	\$ (1,872)	(75%)
Concentrated kiwifruit juice and kiwifruit puree	3,419	3,761	(342)	(9%)
Concentrated pear juice	5,173	4,767	406	9%
Fruit juice beverages	8,585	3,370	5,215	155%
Fresh fruits and vegetables	798	588	210	36%
Total	<u>\$ 18,611</u>	<u>\$ 14,994</u>	<u>\$ 3,617</u>	<u>24%</u>

Our gross revenue for the three months ended March 31, 2013 was \$18.6 million, an increase of \$3.6 million, or 24%, from \$15.0 million for the same period of 2012. This increase was primarily due to an increase in sales of fruit juice beverages, concentrated pear juice and fresh fruits and vegetables, which was partially offset by a decrease in revenue generated from sales of the apple-related products and kiwi-related products.

Sales from apple related products decreased by \$1.9 million, or 75%, to \$0.6 million for the three months ended March 31, 2013, from \$2.5 million for the same period of 2012. During the first quarter of 2013, the Company sold approximately 461 tons of concentrated apple juice decreased from approximately 1,200 tons of concentrated apple juice sold in the same period of 2012. Such decrease was coupled with a decrease in unit price of concentrated apple juice.

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Sales from concentrated kiwifruit juice and kiwifruit puree were \$3.4 million for the first quarter of 2013, a decrease of \$0.4 million, or 9%, from \$3.8 million in the same quarter of 2012, primarily due to decrease in both amount sold and unit price. During the three months ended March 31, 2013 and 2012, the Company sold approximately 2,800 and 2,900 tons of kiwi-related products, respectively.

Sales of concentrated pear juice increased to \$5.2 million in the first quarter of 2013, an increase of \$0.4 million, or 9%, from \$4.8 million in the same quarter of 2012. During the first quarter of 2013, the unit selling price of concentrated pear juice decreased, which was partially offset by a increase of the amount of pear juice sold. During the first quarter of 2013 and 2012, the Company sold 3,400 and 2,900 tons of concentrated pear juice, respectively.

Revenue from our fruit juice beverages in the PRC increased to \$8.6 million, an increase of \$5.2 million or 155%, from \$3.4 million for the same period of 2012, primarily due to bigger market share gained from our continuous efforts of expanding sales channel.

Revenue from our fresh fruits and vegetables in the PRC were \$0.8 and \$0.6 million for the first quarter of 2013 and 2012, respectively.

Gross Margin

The following table presents the consolidated gross profit of each of our main products and the consolidated gross profit margin, which is gross profit as a percentage of the related revenues, for the three months ended March 31, 2013 and 2012, respectively (in thousands for the gross profit):

	Three months ended March 31,			
	2013		2012	
	Gross profit	Gross margin	Gross profit	Gross margin
Concentrated apple juice and apple aroma	\$ 31	5%	\$ 414	16%
Concentrated kiwifruit juice and kiwifruit puree	2,114	62%	1,687	45%
Concentrated pear juice	1,599	31%	1,534	32%
Fruit juice beverages	3,512	41%	855	25%
Fresh fruits and vegetables	385	48%	296	50%
Total/Overall (for gross margin)	<u>\$ 7,641</u>	<u>41%</u>	<u>\$ 4,786</u>	<u>32%</u>

The consolidated gross profit for the three months ended March 31, 2013 was \$7.6 million, an increase of \$2.8 million, or 60%, from \$4.8 million for the same period of 2012, primarily due to adjustment of products mix.

During the first quarter of 2013, revenue generated from sales of fruit juice beverages accounted for 46% of total revenue, as compare to 22% during the same period of 2012. The gross margin of fruit juice beverages were 41% and 25% for first quarter of 2013 and 2012, respectively.

The Company sold 75% less concentrated apple juice during first quarter of 2013 as compare to same period of 2012. The gross margin of concentrated apple juice for the first quarter of 2013 and 2012 were 5% and 16%, respectively.

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The consolidated gross profit margin for the three months ended March 31, 2013 was 41%, an increase of 9%, from 32% for the same period of 2012, primarily due to an increase in gross margin of all of the product lines, except concentrated apple juice, concentrated pear juice and fresh fruits and vegetable, which had decreased.

The gross margin of concentrated the apple juice and apple aroma decreased to 5% for the three months ended March 31, 2013 from 16% for the same period of 2012, primarily due to significantly lower selling price of concentrated apple juice.

The gross profit margin of the concentrated kiwifruit juice and kiwifruit puree increased from 45% for the three months ended March 31, 2012 to 62% for the same period of 2013, primarily due to lower cost of fresh kiwi purchased in three months ended March 31, 2013 as compared to the same period of 2012.

The gross margin of the concentrated pear juice decreased slightly from 32% to 31% for first quarter of 2012 to 2013.

The gross profit margin of our fruit juice beverages increased from 25% for the three months ended March 31, 2012, to 41% for the same period of 2013. The increase of gross margin of fruit juice beverages was primarily due to higher selling price our products.

Gross margin for the fruits and vegetables was 48% for the first quarter of 2013, similar to the gross profit margin of 50% for the same period of 2012.

Operating Expenses

The following table presents our consolidated operating expenses and operating expenses as a percentage of revenue for the three months ended March 31, 2013 and 2012, respectively:

	Three months ended March 31,			
	2013		2012	
	Amount	% of revenue	Amount	% of revenue
General and administrative	\$ 1,305,914	7%	\$ 1,477,604	10%
Selling expenses	741,166	4%	525,334	4%
Research and development	98,622	1%	142,685	1%
Total operating expenses	<u>\$ 2,145,702</u>	<u>12%</u>	<u>\$ 2,145,623</u>	<u>15%</u>

Our operating expenses consist of general and administrative expenses, selling expenses and research and development expenses. Operating expenses were at the same level for the three months ended March 31, 2013 compare to the corresponding period in 2012.

General and administrative expenses decreased by \$171,690, or 12%, to \$1,305,914 for the three months ended March 31, 2013, from \$1,477,604 for the same period of 2012. The decrease in general and administrative expenses was mainly due to decreased amount of legal fees related to our current pending litigation.

Selling expenses increased by \$215,832, or 41%, to \$741,166 for the three months ended March 31, 2013 from \$525,334 for the same period of 2012, mainly due to an increase in the payroll and related expenses as a result of an increase in our headcounts to the handle the increased sales work.

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Research and development expenses decreased by \$44,063, or 31%, to \$98,622 for the three months ended March 31, 2013, from \$142,685 for the same periods of fiscal 2012. Former research and development agreements the Company had with various institutions expired in January 2013. In 2013, the Company entered into four research and development agreements with research institutions. Thus the research and development expenses decreased in first quarter of 2013 as compared to same period of 2012.

Income from Operations

Income from operations increased to \$5,495,196, an increase of 108% or \$2,854,820, for the three months ended March 31, 2013 from \$2,640,376 for the same period of 2012. The increase in the income from operations was mainly due to an increase in both revenue as well as gross margin and increase in the operating expenses.

Other Income (Expense)

Other income, net was \$145,530 for the three months ended March 31, 2013, a decrease of \$201,883 or 58% from other income of \$347,413 in the same period of 2012, primarily due to a decrease of \$82,530 or 19% in the subsidy income and \$122,211 or 79% increase in the interest expense. The subsidy income was provided with respect to the value added tax rebates on our exports in the first quarters of 2013 and 2012.

Income Tax

Our provision for income taxes was \$1,483,865 and \$928,380 for the three months ended March 31, 2013 and 2012, respectively, an increase of \$555,485, or 60%. The increase in tax provision was due to more income before taxes in the first quarter of 2013. Our consolidated income tax rates were 26% and 31% for the three months ended March 31, 2013 and 2012, respectively.

Net Income

Net income was \$4,156,861 for the three months ended March 31, 2013, an increase of \$2,097,452, or 102%, from \$2,059,409 for same period of 2012, primarily due to the 60% increase in gross profit, which was partially offset by 58% decrease in other income, as previously discussed.

Noncontrolling Interests

As of March 31, 2013, SkyPeople (China) held a 91.15% interest in Shaanxi Qiyiwangguo and Pacific held a 99.78% interest in SkyPeople (China). Net income attributable to noncontrolling interests, which is deducted from our net income, was \$338,713 and \$140,251 for the three months ended March 31, 2013 and 2012, respectively. The increase in the net income attributable to noncontrolling interests was mainly due to the increase in the net income generated from SkyPeople (China).

Net Income Attributable to SkyPeople Fruit Juice, Inc.

Net income attributable to the Company was \$3,818,148 for the three months ended March 31, 2013, a \$1,898,990 or 99% increase from \$1,919,158 for the same period of 2012 for the reasons described above.

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Liquidity and Capital Resources

As of March 31, 2013, we had cash, cash equivalents and restricted cash of \$91,320,803, an increase of \$13,760,525, or 18%, from \$77,560,278 as of December 31, 2012. We expect the projected cash flows from operation, anticipated cash receipts, cash on hand, and trade credit to provide necessary capital to meet our projected operating cash requirements at least for the next 12 months, which does not take into account any potential expenditures related to the potential expansion of our current production capacity.

Our working capital has historically been generated from our operating cash flows, advances from our customers and loans from bank facilities. Our working capital was \$108,094,334 as of March 31, 2013, an increase of \$5,225,775, from working capital of \$102,868,559 as of December 31, 2012, mainly due to an increase in cash. During the first quarter of 2013, our operating activities generated net cash inflow of \$13,192,951, a decrease of \$1,572,562 or 11% from \$14,765,513, net cash inflow from operating activities of same period of 2012.

During the three months ended March 31, 2013, our investing activities used net cash of \$438,292, including \$428,692 of additions to property, plant and equipment as compared to \$1,334,229 in the same period of 2012.

During the three months ended March 31, 2013, our financing activities generated net cash inflow of \$814,526, as compare to \$2,031,301 in the same period of 2012.

On February 18, 2013, SkyPeople (China) entered into a loan agreement with SkyPeople International Holdings Group Limited (the "Lender"). The Lender indirectly holds 50.2% interest in the Company. Mr. Yongke Xue ("Y. K. Xue"), the Chairman of the board of directors of the Company (the "Board"), and Mr. Hongke Xue, the newly elected Chief Executive Officer of the Company and director of the Board, indirectly and beneficially own 80.0% and 9.4% of equity interest in the Lender, respectively. Pursuant to the Agreement, the Lender agrees to extend to the Company a one-year unsecured term loan with a principal amount of \$8.0 million at an interest rate of 6% per annum. During first quarter of 2013, the Company received \$4.0 million from the Lender.

During the first quarter of 2013, the Company repaid \$3,185,474 bank loans; comparably, during the same period of 2012, the Company borrowed \$3,170,879 and repaid \$1,139,578 bank loans.

Off-balance sheet arrangements

As of March 31, 2013, we did not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

[Table of Contents](#)**Item 4. Controls and Procedures****Disclosure Controls and Procedures**

An evaluation was carried out by the Company's Chief Executive Officer and Chief Financial Officer of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of March 31, 2013, the end of the period covered by this Quarterly Report on Form 10-Q. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2013, and as of the date that the evaluation of the effectiveness of our disclosure controls and procedures were completed, our disclosure controls and procedures were effective in providing reasonable assurance of achieving their objectives for the three months ended March 31, 2013.

Changes in Internal Controls Over Financial Reporting

There have been no changes to the Company's internal control over financial reporting during the three months ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On April 20, 2011, plaintiff Paul Kubala (on behalf of his minor child N.K.) filed a securities fraud class action lawsuit in the United States District Court, Southern District of New York against the Company, certain of its individual officers and/or directors, and Rodman & Renshaw, LLC, the underwriter of the Company's follow-on public offering consummated in August 2010, alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder. On June 20, 2011, plaintiff Benjamin Padnos filed a securities fraud class action lawsuit in the United States District Court, Southern District of New York against the Company, certain of its current and former officers and/or directors, the Company's former independent auditors Child Van Wagner & Bradshaw, PLLC and BDO Limited, and Rodman & Renshaw, LLC, the underwriter of the Company's follow-on public offering consummated in August 2010, alleging violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. On August 30, 2011, the Court consolidated the foregoing two actions and appointed Zachary Lewy as lead plaintiff. On September 30, 2011, pursuant to the Court's order, Lead Plaintiff filed a consolidated complaint, which names the Company, Rodman & Renshaw, LLC, BDO Limited, Child Van Wagoner & Bradshaw PLLC and certain of the Company's current and former directors and/or officers and majority shareholders as defendants, and alleges violations of Sections 11, 12 and 15 of the Securities Act of 1933 and Sections 10(b) and 20(a) of the Exchange Act, and the rules promulgated thereunder. The Consolidated Complaint seeks, among other things, compensatory damages, and reasonable costs and expenses incurred in the action. On December 21, 2011, the Company and certain of the individual defendants filed a motion to dismiss the Consolidated Complaint. On May 3, 2012, Lead Plaintiff voluntarily dismissed the claims against BDO Limited and Child Van Wagoner & Bradshaw PLLC. On September 10, 2012, the Court granted in part and denied in part the Company's motion to dismiss the Consolidated Complaint. On January 11, 2013, defendant Rodman & Renshaw LLC filed for Chapter 11 bankruptcy protection, and, on January 18, 2013, the court imposed an automatic stay on Plaintiffs claims against Rodman pursuant to Section 326(a) of the Bankruptcy Code. The Company believes the allegations against the Company are baseless and is contesting the case vigorously. The Company has made no accrual for any potential contingencies.

On August 5, 2011, we received a shareholder demand letter from counsel for a purported shareholder. The letter was addressed to the Company's Board of Directors and requested the Board of Directors to take a number of actions in order to repair the alleged "harm" caused to the Company by certain of its directors and officers, as well as its current and former auditors. The Board of Directors has been reviewing this shareholder demand letter and considering appropriate action that the Company should undertake. On November 7, 2011, Baosheng Lu and Tao Wang were appointed to serve as directors of the board and the independent directors of the board appointed them to serve as the members of the evaluation committee. The evaluation committee is in the process of evaluating the actions demanded by the shareholder and retaining counsel to respond to the shareholder inquiry. No formal shareholder derivative complaint has been filed to date on behalf of the Company. The Company believes any such suit would be without merit and would vigorously defend its position in this regard. The Company has made no accrual for any potential contingencies.

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On July 8, 2011, the Company brought suit against Absaroka Capital Management, LLC (“Absaroka”) and its principal Kevin Barnes in the U.S. District Court of Wyoming under the caption SkyPeople, Inc. v. Absaroka Capital Management, LLC, et al., No. 11-cv-238. Absaroka is a purported independent investment analyst who, while holding a short position in our stock, issued a so-called research report (the “Report”) asserting, inter alia, that the Company had inflated revenues. We brought suit alleging three causes of action for libel per se, libel per quod and intentional interference with a prospective business relationship. In or around November, 2011, Absaroka and Barnes brought counter claims against us for defamation per se, defamation per quod and abuse of process. On June 22, 2012, the Company and Absaroka reached an out-of-court settlement of litigation in the U.S. District Court for the District of Wyoming. The settlement includes a dismissal of all claims and counterclaims filed by the Parties, with neither party admitting any wrongdoing or liability. As part of the settlement agreement, Absaroka has agreed to remove the Report from its website, undertake best efforts to remove the Report from third-party sites, and refrain from issuing any further articles, public statements, or research reports concerning the Company.

Other than the above, from time to time we may be a party to various litigation proceedings arising in the ordinary course of our business, none of which, in the opinion of management, is likely to have a material adverse effect on our financial condition or results of operations.

Item 1A. Risk Factors

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. (Removed and Reserved)

Not applicable.

Item 5. Other Information

None.

[Table of Contents](#)**Item 6. Exhibits**

Exhibit No.	Description
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended*
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended*
32.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification of Principal Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.INS	XBRL Instance Document*+
101.SCH	XBRL Schema Document*+
101.CAL	XBRL Calculation Linkbase Document*+
101.DEF	XBRL Definition Linkbase Document*+
101.LAB	XBRL Label Linkbase Document*+
101.PRE	XBRL Presentation Linkbase Document*+

* filed herewith

+ As provided in Rule 406T of Regulation S-T, this information shall not be deemed “filed” for purposes of Section 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934 or otherwise subject to liability under those sections, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

[Table of Contents](#)**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SKYPEOPLE FRUIT JUICE, INC.

By: /s/HONGKE XUE
Hongke Xue
Chief Executive Officer
(Principal Executive Officer)
May 14, 2013

By: /s/ XIN MA
Xin Ma
Chief Financial Officer
(Principal Financial and Accounting Officer)
May 14, 2013