



23F, China Development Bank Tower  
No.2, Gaoxin 1st Road  
Xi'an, Shaanxi, China 710075

## **SkyPeople Fruit Juice Reports Third Quarter 2013 Financial Results**

XI'AN, China, Nov. 13, 2013 /PRNewswire/ -- SkyPeople Fruit Juice, Inc. (NASDAQ: SPU) ("SkyPeople" or "the Company"), a producer of fruit juice concentrates, fruit juice beverages and other fruit-related products, today announced its financial results for the third quarter ended September 30, 2013.

### **Third Quarter 2013 Summary:**

Revenue was \$19.5 million, a decrease of 32% year-over-year

Gross profit was \$7.2 million, a decrease of 15% year-over-year

Gross profit margin was 37% as compared to 30% for the same period of 2012

Income from operations was \$4.6 million, a decrease of 31% year-over-year

Net income attributable to the Company was \$3.0 million, a decrease of 40% year-over-year

Revenue from the fruit juice beverage segment was \$12.8 million, an increase of 23% year-over-year

Cash and cash equivalents were \$87.2 million as of September 30, 2013

"We recorded disappointing financial results for the third quarter of 2013 attributable to the limited supply of fresh fruit needed for the production of our products. As each of our manufacturing facilities generally focus on fruit products made from specific fruit grown in those proximities, we have been able to lock-in supply when possible. However, difficult growing seasons that limited raw materials for several of our product lines made this a challenge in the current quarter," said Mr. Hongke Xue, Chief Executive Officer of SkyPeople.

"Our fruit juice beverages segment continued to perform well in the quarter and is a key growth area that we intend to expand even further. For the third quarter, revenue from our fruit juice beverages segment grew 23% year over year which contributed substantially to the quarter's aggregate gross profit level. We currently sell our fruit juices to over 100 distributors and more than 20,000 retail stores in approximately 20 provinces in China.

"We are making progress with all of our new and exciting projects so as to ensure the company's future growth. Our projects to establish facilities to produce kiwi fruit in Mei County, develop an orange processing zone in Yidu, Hubei Province and to establish a vegetable and fruit processing facility in Suizhong, Liaoning Province are all on track. These growth initiatives are a key element of our strategic plan to diversify our product platform, leverage our core competencies and secure future cash flow.

"With rising incomes and younger demographics, we continue to believe that a transition in consumer tastes in China towards healthier lifestyles and improved nutrition will occur. Given the relatively low domestic consumption rate of fruit juice beverages, we believe that our



branded fruit juice beverages are very well positioned to meet this potentially fast growing market demand," Mr. Hongke Xue concluded.

### Third Quarter 2013 Financial Results

Revenue. Revenue for the three months ended September 30, 2013 was \$19.5 million, a decrease of 32% from \$28.6 million for the same period in 2012. This was primarily due a decrease in sales from product lines except fruit juice beverages. The fruit juice beverages segment rose 23% in the third quarter of 2013 as compared to the year ago quarter in 2012. The fruit juice beverage and concentrated pear juice segments comprised substantially all of the Company's revenue for the third quarter.

	Third Quarter 2013 and 2012 Revenue by Segment (In \$000's)		
	Three Months Ended September 30		
	2013	2012	% of change
Concentrated apple juice and apple aroma	55	3,962	(99%)
Concentrated kiwifruit juice and kiwi puree	269	399	(33%)
Concentrated pear juice	6,156	11,382	(46%)
Fruit juice beverages	12,844	10,460	23%
Fresh fruits and vegetables	1	707	NA
Other	147	1,653	(91%)
Total	19,472	28,563	(32%)

Revenue by Segment. The fruit juice beverages segment comprised 66% of the Company's total revenue for the third quarter for 2013 as compared to 37% for the same period of 2012, and was a large factor in mitigating the decrease in total revenue from the Company's other product segments for the third quarter of 2013. The concentrated pear juice segment comprised 32% of total revenue for the third quarter, a decrease from the 40% it comprised for the same period of 2012. These two segments accounted for 98% of the third quarter's total revenue.

Revenue from our fruit juice beverages were \$12.8 million in the third quarter of 2013, an increase of 23% from \$10.5 million for the same period of 2012, primarily due to market share gains attributable to our continued sales channel expansion efforts.

Sales of concentrated pear juice were \$6.2 million in the third quarter of 2013, a decrease of 46% from \$11.4 million in the same quarter of 2012.

Sales from concentrated kiwifruit juice and kiwifruit puree were \$0.269 million for the third quarter of 2013, a decrease of 33% from \$0.399 million in the same quarter of 2012.



Sales from apple related products decreased by \$3.9 million to \$0.055 million for the three months ended September 30, 2013 from \$4.0 million for the same period of 2012.

Gross Profit. The consolidated gross profit for the three months ended September 30, 2013 was \$7.2 million, a decrease of 15% from \$8.5 million generated for the same period of 2012 primarily due to lower gross profit generated from our concentrated pear juice and apple-related products segments.

The consolidated gross profit margin for the three months ended September 30, 2013 was 37% as compared to 30% for the same period of 2012, primarily due the fruit beverage and concentrated pear juice segments, which comprised substantially all of the Company's total gross profit for the third quarter.

Third Quarter 2013 and 2012 Gross Profit by Segment  
(In \$000's)

	Three Months Ended September 30		2012	
	2013		Gross profit	Gross margin
Concentrated apple juice and apple aroma	(20)	(36%)	679	17%
Concentrated kiwifruit juice and kiwi puree	187	70%	189	47%
Concentrated pear juice	2,213	36%	3,469	30%
Fruit juice beverages	4,846	38%	3,951	38%
Fresh fruits and vegetables	-	-	218	31%
Other	(9)	(6%)	19	1%
Total	7,217	37%	8,525	30%

Gross Profit by Segment. The gross profit margin of the concentrated pear juice segment rose to 36% in the third quarter of 2013 from 30% in the year-ago period of 2012 mainly due to the lower cost of raw materials for the current period as compared to the same period of 2012. The gross profit margin of the fruit juice segment of 38% had remained stable in the third quarter of 2013 from the year-ago quarter. These two product segments comprised substantially all of the Company's gross profit for the third quarter of 2013, resulting in an increase in the overall gross margin for the Company.

The gross profit margin of the concentrated kiwifruit juice and kiwifruit puree increased to 70% for the third quarter of 2013 from 47% for the comparable period of 2012, primarily due to the lower cost of fresh kiwi purchased in the current quarter as compared to the same period of 2012.



The gross loss margin of concentrated apple juice and apple aroma was 36% for the three months ended September 30, 2013 compared to a gross profit margin of 17% for the same period of 2012 primarily due to a significantly lower selling price of concentrated apple juice.

**Operating Expenses.** Operating expenses for the third quarter of fiscal 2013 was \$2.6 million, or 13% of sales, which were higher than that of the same period of 2012, when operating expenses represented 6% of sales. General and administrative expenses increased 70% to \$1.6 million in the third quarter of 2013 as compared to \$1.0 million for the same period of 2012, mainly due depreciation for property, plant and equipment in Yingkou of approximately \$548,000 that was incurred during the current period and charged into general and administrative expenses. Selling expenses increased 36% to \$1.0 million as compared to \$0.7 million in the same period of 2012, mainly due to an increase in the payroll and related expenses as a result of an increase in the Company's headcount to the handle an increased sales of fruit juice beverages. During the third quarter of 2013, the Company suspended research and development work and thus did not incur any research and development costs; the Company incurred \$142,077 incurred in research and development expenses for the three months ended September 30, 2012.

**Income from Operations.** Income from operations was \$4.6 million for the third quarter of 2013, a decrease of 31% from \$6.7 million for the same period in 2012. The decrease in the income from operations was mainly due to a decrease in both revenue as well as gross margin and an increase in operating expenses.

**Net Income and Earnings per Share.** Net income attributable to SkyPeople Fruit Juice was \$3.0 million for the third quarter of 2013, a decrease of 40% as compared to \$5.0 million for the same period in 2012, while diluted earnings per share was \$0.11 as compared to \$0.19 for the same period in 2012.

### **Financial Condition**

As of September 30, 2013, the Company had \$87.2 million in cash and cash equivalents, up from \$77.6 million as of fiscal year end 2012. The Company's working capital was \$77.8 million. As of September 30, 2013, the Company had total liabilities of \$37.8 million, which included \$18.9 million in a short-term bank loan, \$1.5 million in notes payable to a bank and an \$8.0 million short-term payable to a related party. As of September 30, 2013, stockholders' equity attributable to SkyPeople Fruit Juice was \$167.5 million as compared to \$156.5 million as of fiscal year end 2012.

During the nine months ended September 30, 2013, the Company's operating activities generated a net cash inflow of \$31.4 million, as compared to \$20.3 million for the same period in 2012. Net cash used in investing activities were \$39.2 million for the nine months ended September 30, 2013 as compared to \$5.3 million for the same period in 2012. For the nine months ended September 30, 2013, cash flow generated from financing activities totaled \$15.6 million as compared to \$5.2 million for the same period in 2012. Historically, the



Company has financed its capital expenditures and other operating expenses through cash on hand, operating cash flows and bank loans.

### **Project Updates**

In the third quarter of 2011, SkyPeople entered into a Letter of Intent with the People's Government of Suizhong County, Liaoning Province, to establish a fruit and vegetable industry chain and processing zone in Suizhong County, Liaoning Province. The Suizhong project may include the construction and operation of fruit juice production lines, a vegetable and fruit flash freeze facility, a refrigeration storage facility and warehouse, a world-class food safety testing center, fruit and vegetable finished products processing center, etc. The implementation of the project is subject to government approval of the project.

During the nine months ended September 30, 2013, the Company finished the feasibility study of the project and submitted a detailed project proposal to the local government. Both parties decided to continue with the project. The Company paid RMB 52 million (approximately \$8.5 million) as partial payment to acquire the land use rights from the local government.

In the fourth quarter of 2012, SkyPeople (China) entered into an investment/service agreement with the Yidu Municipal People's Government in Hubei Province of China. The total amount of RMB 300 million (approximately \$48 million) will be mainly used to establish the distribution center and the deep processing zone on the project land of approximately 280 mu (approximately 46 acres). The Yidu Municipal People's Government is in the process of demolition buildings on land designated for the project.

During the nine months ended September 30, 2013, the Company has made partial payment of RMB 75 million (approximately \$12 million) as consideration to acquire the land use rights. The Company is actively working with various bodies of the Yidu Municipal People's Government and making preparations for the start of the project.

In the second quarter of 2013, SkyPeople (China) announced an agreement to manufacture and market kiwi products, entering entered into an investment agreement with the Managing Committee of Mei County National Kiwi Fruit Wholesale Trading Center, which 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. Pursuant to the investment agreement, the Company will be responsible for construction and financing with a total investment of approximately \$71.9 million in buildings and equipment. In addition, the Company agreed to pay a fee of RMB 0.3 million per mu for the land use rights.

During the nine months ended September 30, 2013, the Company has made partial payment of RMB 98 million (approximately \$16 million) as consideration to acquire the land use right



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and construction facilities. The Company is actively working with the Committee to make preparations for the start of the project.

### **Conference Call**

The Company will hold a conference call on Friday, November 15, 2013 at 9:00 am Eastern Time to discuss its financial results for the third quarter ended September 30, 2013. The Company's Chief Executive Officer, Mr. Hongke Xue, and Chief Financial Officer, Mr. Xin Ma, will host the call.

To attend the live conference call, please dial in at least 10 minutes before the call to ensure timely participation. Please use the dial-in information below.

Date:	Friday, November 15, 2013
Time:	9:00 am Eastern Time, US
Conference Line Dial-In:	+1-877-407-0778
International Dial-In:	+1-201-689-8565

To access the replay, please dial 1-877-660-6853 within the United States or 1-201-612-7415 when dialing internationally and enter the pass code 13572505 for the replay. The replay will be available on November 15 at 12:00 pm.

### **About SkyPeople Fruit Juice, Inc.**

SkyPeople Fruit Juice, Inc., a Florida company, through its wholly-owned subsidiary Pacific Industry Holding Group Co., Ltd. ("Pacific"), a Vanuatu company, and SkyPeople Juice International Holding (HK) Ltd., a company organized under the laws of Hong Kong Special Administrative Region of the People's Republic of China and a wholly owned subsidiary of Pacific, holds 99.78% ownership interest in SkyPeople Juice Group Co., Ltd. ("SkyPeople (China)"). SkyPeople (China), together with its operating subsidiaries in China, is engaged in the production and sales of fruit juice concentrates, fruit beverages, and other fruit related products in the PRC and overseas markets. Its fruit juice concentrates are sold to domestic customers and exported directly or via distributors. Fruit juice concentrates are used as a basic ingredient component in the food industry. Its brands, "Hedetang" and "SkyPeople," which are registered trademarks in the PRC, are positioned as high quality, healthy and nutritious end-use juice beverages. For more information, please visit <http://www.skypeoplefruitjuice.com>.

### **Safe Harbor Statement**

Certain of the statements made in this press release are "forward-looking statements" within the meaning and protections of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions, and future performance,





and involve known and unknown risks, uncertainties and other factors, which may be beyond our control, and which may cause the actual results, performance, capital, ownership or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as "may," "will," "anticipate," "assume," "should," "indicate," "would," "believe," "contemplate," "expect," "estimate," "continue," "plan," "point to," "project," "could," "intend," "target" and other similar words and expressions of the future.

All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary notice, including, without limitation, those risks and uncertainties described in our annual report on Form 10-K for the year ended December 31, 2012 and otherwise in our SEC reports and filings, including the final prospectus for our offering. Such reports are available upon request from the Company, or from the Securities and Exchange Commission, including through the SEC's Internet website at <http://www.sec.gov>. We have no obligation and do not undertake to update, revise or correct any of the forward-looking statements after the date hereof, or after the respective dates on which any such statements otherwise are made.

**- Financial Tables Follow -  
SKYPEOPLE FRUIT JUICE, INC.  
CONSOLIDATED BALANCE SHEETS**

	September 30, 2013 (Unaudited)	December 31, 2012
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 87,176,550	\$ 77,560,278
Restricted cash	813,273	-
Accounts receivables, net of allowance of \$47,686 and \$46,643 as of September 30, 2013 and December 31, 2012, respectively	17,895,932	49,435,961
Other receivables	938,203	201,417
Inventories	8,351,708	7,278,191
Deferred tax assets	419,345	90,576
Advances to suppliers and other current assets	58,239	71,536
<b>TOTAL CURRENT ASSETS</b>	<b>115,653,250</b>	<b>134,637,959</b>



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PROPERTY, PLANT AND EQUIPMENT, NET	50,583,734	52,180,097
LAND USE RIGHT, NET	6,514,383	6,508,149
OTHER ASSETS	40,565,792	1,892,806
TOTAL ASSETS	\$ 213,317,159	\$ 195,219,011

## LIABILITIES

### CURRENT LIABILITIES

Accounts payable	\$ 4,873,919	\$ 14,399,282
Accrued expenses	2,316,302	2,050,675
Income tax payable	1,147,095	3,127,245
Advances from customers	1,068,004	530,437
Notes payable – bank	1,496,422	-
Short-term loan - related parties	8,000,000	-
Short-term bank loans	18,932,986	11,661,761
TOTAL CURRENT LIABILITIES	\$ 37,834,728	\$ 31,769,400

## STOCKHOLDERS' EQUITY

### SkyPeople Fruit Juice, Inc. Stockholders' equity

Series B Preferred stock, \$0.001 par value; 10,000,000 shares authorized; none issued and outstanding as of September 30, 2013 and December 31, 2012	-	-
Common stock, \$0.001 par value; 66,666,666 shares authorized; 26,661,499 issued and outstanding as of, September 30, 2013 and December 31, 2012, respectively	26,661	26,661
Additional paid-in capital	59,189,860	59,189,860
Retained earnings	90,305,651	82,793,585
Accumulated other comprehensive income	17,988,439	14,500,860
Total SkyPeople Fruit Juice, Inc. stockholders' equity	167,510,611	156,510,966
Non-controlling interests	7,971,820	6,938,645
TOTAL STOCKHOLDERS' EQUITY	175,482,431	163,449,611
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 213,317,159	\$ 195,219,011





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**SKYPEOPLE FRUIT JUICE, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Revenue	\$19,472,130	\$28,563,469	\$48,433,495	\$56,394,242
Cost of sales	12,254,866	20,038,559	30,221,343	38,861,942
Gross Margin	7,217,264	8,524,910	18,212,152	17,532,300
Operating Expenses				
General and administrative expenses	1,628,699	960,617	4,216,128	3,092,992
Selling expenses	997,213	732,751	2,951,300	1,779,867
Research and development expenses	-	142,077	18,980	427,447
Total operating expenses	2,625,912	1,835,445	7,186,408	5,300,306
Income from Operations	4,591,352	6,689,465	11,025,744	12,231,994
Other income (expense)				
Interest income	76,775	77,846	231,295	234,551
Subsidy income	194,587	615,997	981,400	1,699,108
Interest expense	(475,190)	(213,847)	(1,103,246)	(616,991)
Total other income (expenses)	(203,828)	479,996	109,449	1,316,668
Income before income tax	4,387,524	7,169,461	11,135,193	13,518,662
Income tax provision	1,130,388	1,917,425	2,937,007	3,710,098
Net Income	3,257,136	5,252,036	8,198,186	9,838,564
Less: Net income attributable to non-controlling interests	243,260	219,934	686,120	486,563
NET INCOME ATTRIBUTABLE TO SKYPEOPLE FRUIT JUICE, INC.	3,013,876	5,032,102	7,512,066	9,351,911
Other comprehensive income				
Foreign currency translation	904,683	(382,371)	3,834,634	(940,896)



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adjustment				
Comprehensive income	3,918,559	4,649,731	11,346,700	8,411,015
Other Comprehensive income (loss) attributable to non-controlling interests	81,879	(47,755)	347,055	(70,891)

COMPREHENSIVE INCOME ATTRIBUTABLE TO SKYPEOPLE FRUIT JUICE, INC.	\$3,836,680	\$4,697,486	\$10,999,645	\$8,481,906
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Earnings Per Share:				
Basic earnings per share	\$0.11	\$0.19	\$0.28	\$0.35
Diluted earnings per share	\$0.11	\$0.19	\$0.28	\$0.35

Weighted Average Shares Outstanding				
Basic	26,661,499	26,251,920	26,661,499	25,922,298
Diluted	26,661,499	26,661,499	26,661,499	26,661,499

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

For the Nine Months Ended  
September 30,  
2013                      2012

**CASH FLOW FROM OPERATING ACTIVITIES**

Net income	\$ 8,198,186	\$ 9,838,564
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	3,084,199	3,376,671
Deferred income tax	(328,769)	142,638
Changes in operating assets and liabilities		
Accounts receivable	32,292,692	6,551,325
Other receivable	(724,588)	(113,858)
Advances to suppliers and other current assets	14,436	(47,955)
Inventories	(131,997)	(296,284)
Accounts payable	(9,740,930)	3,849,078
Accrued expenses	227,166	(2,683,737)
Income tax payable	(2,027,925)	(170,942)
Advances from customers	520,020	(178,401)



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Net cash provided by operating activities	31,382,490	20,267,099
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#### **CASH FLOW FROM INVESTING ACTIVITIES**

Additions to property, plant and equipment	(663,182)	(3,829,822)
Prepayment for other assets	38,531,578	(1,460,764)
Net cash used in investing activities	(39,194,760)	(5,290,586)

#### **CASH FLOWS FROM FINANCING ACTIVITIES**

Increase in restricted cash	(804,480)	283,929
Short-term notes payable	1,480,242	(283,929)
Proceeds from related party loan	8,000,000	-
Proceeds from short-term loan bank loans	13,649,887	6,332,120
Repayment of short-term bank loans	(6,715,275)	(1,137,847)
Net cash provided by financing activities	15,610,374	5,194,273

Effect of change in exchange rate	1,818,168	(455,603)
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NET INCREASE IN CASH AND CASH EQUIVALENTS	9,616,272	19,715,183
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Cash and cash equivalents, beginning of period	77,560,278	61,154,007
Cash and cash equivalents, end of period	\$ 87,176,550	\$ 80,869,190

#### **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid for interest	\$ 852,705	\$ 640,184
Cash paid for income taxes	\$ 5,293,700	\$ 3,740,987

#### **SUPPLEMENTAL DISCLOSURE OF SIGNIFICANT NON-CASH TRANSACTION**

Transferred from other assets to property, plant and equipment and construction in progress	\$ 318,606	\$ 5,217,366
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The notes in the Company's 10-Q are an integral part of these consolidated financial statements.



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