

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

**FORM 10-K/A
Amendment No. 1**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012

OR

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 Number)

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

(Address of principal executive offices)

710075

(Zip Code)

Registrant's Telephone Number: **86-29-88377161**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common Stock, \$0.001 par value

Name of each exchange on which registered

Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

[Table of Contents](#)

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy statement or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definition of "large accelerated filer" "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a 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

The aggregate market value of voting and nonvoting stock held by non-affiliates of the registrant, based upon the closing price of \$1.60 per share for shares of the registrant's Common Stock on June 30, 2012, the last business day of the registrant's most recently completed second fiscal quarter as reported by the NASDAQ Global Market, was approximately \$21.3 million. In calculating such aggregate market value, shares of Common Stock held by each officer, director and holder of 5% or more of the outstanding Common Stock (including outstanding shares with respect to which a holder has the right to acquire beneficial ownership within 60 days) were excluded because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of Common Stock outstanding as of March 29, 2013 was 26,661,499.

[Table of Contents](#)

EXPLANATORY NOTE

The purpose of the Amendment No. 1 on Form 10-K/A to SkyPeople Fruit Juice, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission on March 29, 2013 (the "Original Form 10-K"), is to (1) provide 2012 compensation information of our former Chief Financial Officer, (2) revise our Security Ownership of Certain Beneficial Owners and Management table to include an omitted shareholder (3) revise the date of our Report of Independent Registered Public Accounting Firm contained in the Original Form 10-K and (4) update the Exhibit Index.

No other changes have been made to the Original Form 10-K. This Amendment No. 1 speaks as of the original filing date of the Original Form 10-K, does not reflect events that may have occurred subsequent to the original filing date.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Part III, Items 11 and 12 of the Original Form 10-K are hereby amended and restated in their entirety, and Part IV, Item 15 of the Original Filing is hereby amended and restated in its entirety, with the only changes being the date of our Report of Independent Registered Public Accounting Firm contained in the Original Form 10-K and the correction of a typographical error and to update the Exhibit Index. This Amendment No. 1 does not amend or otherwise update any other information in the Original Form 10-K. Accordingly, this Amendment No. 1 should be read in conjunction with the Original Form 10-K and with our filings with the SEC subsequent to the Original Form 10-K.

TABLE OF CONTENTS

	<u>Page</u>
PART III	
ITEM 11 - EXECUTIVE COMPENSATION	1
ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	4
PART IV	
ITEM 15 - EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	6
SIGNATURES	10

PART III

ITEM 11 – EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Objectives

We operate in a highly competitive and rapidly changing industry. The key objectives of our executive compensation programs are to:

- attract, motivate and retain executives who drive our success and industry leadership; and
- provide each executive, from vice president to CEO, with a base salary on the market value of that role, and the individual's demonstrated ability to perform that role.

2011 Stock Incentive Plan

On August 18, 2011, upon board recommendation, at the annual meeting of our the shareholders, our shareholder approved a Stock Incentive Plan (the "Plan"). The purpose of the Plan is to provide an additional inducement for selected employees, consultants and non-employee directors who provide services to the Company, to reward such selected individuals by providing an opportunity to acquire incentive awards, and to provide a means through which we may attract able persons to enter the employment of or engagement with the Company. Up to 1,000,000 shares of Stock (subject to adjustment in the event of Stock splits and other similar events) may be issued pursuant to awards granted under the Plan.

The Plan provides for the grant of stock options, restricted stock, restricted stock units, stock appreciation rights and incentive compensation awards paid in cash or Stock to selected employees, consultants and non-employee directors of the Company. Options granted under the Plan may be "incentive stock options" as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or nonqualified options, and will be designated as such. At present, there are approximately 400 employees and consultants and three non-employee directors eligible to participate in the Plan. The Plan will be administered by the Board of Directors or a committee of the Board. The administrator will have complete discretion to select the optionees and to establish the terms and conditions of each option, subject to the provisions of the Plan.

We believe that the future success of the Company depends, in large part, upon the ability of the Company to maintain a competitive position in attracting, retaining and motivating key personnel. As of the date of this report, no decisions have been made regarding future awards under the Plan.

What Our Compensation Program is Designed to Reward

Our compensation program is designed to reward each individually named executive officer's contribution to the advancement of our overall performance and execution of our goals, ideas and objectives. It is designed to reward and encourage exceptional performance at the individual level in the areas of organization, creativity and responsibility while supporting our core values and ambitions. This in turn aligns the interest of our executive officers with the interests of our shareholders, and thus with our interests.

Determining Executive Compensation

The Board's compensation committee reviews and approves the compensation program for executive officers annually after the close of each year. Reviewing the compensation program at such time allows the compensation committee to consider the overall performance of the past year and the financial and operating plans for the upcoming year in determining the compensation program for the upcoming year.

Our compensation program only contains base annual salary in 2012 and 2011.

[Table of Contents](#)

A named executive officer's base salary is determined by an assessment of his sustained performance against individual job responsibilities, including, where appropriate, the impact of his performance on our business results, current salary in relation to the salary range designated for the job, experience and mastery, and potential for advancement. The compensation committee also annually reviews market compensation levels with comparable jobs in the industry to determine whether the total compensation for our officers remains in the targeted median pay range.

Role of Executive Officers in Determining Executive Compensation

The compensation committee determines the compensation for the CEO, which is based on various factors, such as level of responsibility and contributions to our performance. The CFO recommends the compensation for our executive officers (other than the compensation of the CEO) to the compensation committee. The compensation committee reviews the recommendations made by the CEO and determines the compensation of the CFO and the other executive officers.

Employment Agreements

We do not currently have an employment agreement with any of our executive officers.

Summary Compensation of Named Executive Officers

Our executive officers do not receive any compensation for serving as executive officers of Pacific or us. However, except for our former CEO, the remaining executive officers are compensated by and through SkyPeople (China). Our former CEO, Yongke Xue, has not received any compensation from us or any of our subsidiaries for his services in the past three years. The following table sets forth information concerning cash and non-cash compensation paid by SkyPeople (China) to our named executive officers for 2012 and 2011, respectively.

Name and Principal Position	Year Ended	Salary (\$)	Bonus (\$)	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Yongke Xue (1)	12/31/2012	\$200,000	-	-	-	-	-	-	\$200,000
	12/31/2011	\$200,000	-	-	-	-	-	-	\$200,000
Xin Ma (2)	12/31/2012	\$ 58,000	-	-	-	-	-	-	\$ 58,000
Cunxia Xie (3)	12/31/2012	\$ 7,000	-	-	-	-	-	-	\$ 7,000
	12/31/2011	\$ 18,000	-	-	-	-	-	-	\$ 18,000
Spring Liu (4)	12/31/2011	\$120,000	-	-	-	-	-	-	\$120,000

(1) Mr. Yongke Xue resigned as CEO of the Company on February 18, 2013.

(2) Mr. Xin Ma was appointed as the CFO of the Company on April 30, 2012.

(3) Ms. Cunxia Xie was the CFO of the Company from September 21, 2011 to April 30, 2012.

(4) Ms. Spring Liu resigned from her position as the CFO of the Company on September 21, 2011.

(5) On December 9, 2009, we issued Ms. Liu a warrant to purchase an aggregate of 100,000 shares of our Common Stock at an exercise price of \$4.50 per share. As of December 31, 2012, Ms. Spring Liu had exercised no warrants.

[Table of Contents](#)**Outstanding equity awards at December 31, 2012**

The following table presents certain information concerning outstanding equity awards held by each of our named executive officers at December 31, 2012.

Name	Option Awards			Option exercise price (\$)	Option expiration date
	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity incentive plan awards: number of securities underlying unexercised unearned options (#)		
Yongke Xue	-	-	-	N/A	N/A
Hongke Xue	-	-	-	N/A	N/A
Xin Ma	-	-	-	N/A	N/A
Cunxia Xie	-	-	-	N/A	N/A
Spring Liu	100,000	-	-	4.50	December 9, 2014

Compensation of Directors

Our directors did not receive compensation for their service on the board of directors for 2006 and 2007.

Starting in 2008, we began (i) paying each of our nonemployee directors residing in the United States an annual fee of \$25,000, (ii) reimbursing our directors for actual, reasonable and customary expenses incurred in connection with the performance of their duties as board members and (iii) paying the chairman of our audit committee a fee of \$25,000 for his or her service as chairman.

In November 2011, the Board of Directors adopted a resolution to compensate each of Messrs. Tao Wang and Baosheng Lu at RMB 50,000 per annum for their services as directors. The following table sets forth information concerning cash and non-cash compensation paid by us to our directors during 2011.

Name	Fees Paid in Cash (\$)	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Yongke Xue	—	—	—	—	—	—	—
Hongke Xue	—	—	—	—	—	—	—
Guolin Wang	—	—	—	—	—	—	—
Norman Ko	\$ 36,000	—	—	—	—	—	\$ 36,000
John Smagula	\$ 36,000	—	—	—	—	—	\$ 36,000
Tao Wang	\$ 8,030	—	—	—	—	—	\$ 8,030
Baosheng Lu	\$ 8,030	—	—	—	—	—	\$ 8,030

[Table of Contents](#)**ITEM 12 – SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Set forth below is our equity compensation plan information:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	-	N/A (2)	1,000,000
Equity compensation plans not approved by security holders (3)	175,000	\$ 4.50	-
Total	175,000	N/A	1,000,000

- (1) Consists of Stock Incentive Plan, which was approved by the Company's annual meeting of shareholders on August 18, 2011.
- (2) The exercise price of options granted and stock appreciation rights under the Plan may be no less than the fair market value of the Company's Stock on the date of grant. Since no options have been granted under the plan, the weighted-average exercise price is not available.
- (3) Consists of a warrant held by our former CFO, Ms. Spring Liu exercisable for up to 100,000 shares of the Company's Common Stock at an exercise price of \$4.50 per share. These warrants will expire on December 9, 2014; and warrants to purchase 75,000 shares of the Company's common stock at the exercise price of \$4.50 during the period from July 25, 2011 to July 25, 2014 as partial compensation to HCI on July 25, 2011, pursuant to Investor Relations Consulting Agreement with Hayden Communications International, Inc. ("HCI") dated December 1, 2009.

Security Ownership of Certain Beneficial Owners and Management

The following table provides information concerning beneficial ownership of our capital stock as of March 28, 2013 by:

- each shareholder or group of affiliated shareholders who owns more than 5% of our outstanding capital stock;
- each of our named executive officers;
- each of our directors; and
- all of our directors and executive officers as a group.

The following table lists the number of shares and percentage of shares beneficially owned based on 26,661,499 shares of our Common Stock outstanding as of March 28, 2013.

[Table of Contents](#)

Beneficial ownership is determined in accordance with the SEC rules, and generally includes voting power and/or investment power with respect to the securities held. Shares of Common Stock subject to options and warrants currently exercisable or exercisable within 60 days of March 28, 2013 or issuable upon conversion of convertible securities which are currently convertible or convertible within 60 days of March 28, 2013 are deemed outstanding and beneficially owned by the person holding those options, warrants or convertible securities for purposes of computing the number of shares and percentage of shares beneficially owned by that person, but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person. Except as indicated in the footnotes to this table, and subject to applicable community property laws, the persons or entities named have sole voting and investment power with respect to all shares of our Common Stock shown as beneficially owned by them.

Unless otherwise indicated in the footnotes, the principal address of each of the shareholders below is c/o SkyPeople Fruit Juice, Inc., 16/F, China Development Bank Tower, No. 2 Gaoxin 1st Road, Xi'an, Shaanxi Province, PRC 710075.

Name of Beneficial Owner	<u>Shares Beneficially Owned Number</u>	<u>Percent</u>
Directors, Named Executive Officers and 5% Shareholders		
Yongke Xue (1)	13,375,639(2)	50.2%
Hongke Xue (1)	—	—
Morgan Stanley (3)	2,427,180	9.1%
Xin Ma	—	—
Guolin Wang	—	—
Norman Ko	2,820	*
John Smagula	—	—
Tao Wang	—	—
Baosheng Lu	—	—
All current directors and executive officers as a group (8 persons)	13,378,459	50.2%

- (1) Consists of 13,375,639 owned by Golden Dawn International Limited and Everlasting Rich Limited, both wholly-owned subsidiaries of SkyPeople International Holdings Group Limited ("SP International"), a Cayman Islands company. Yongke Xue and Hongke Xue indirectly own 80.0% and 9.4% equity interests in SP International, respectively. SP International is controlled by Yongke Xue, the Chairman of the Board of Directors of the Company, who indirectly and beneficially owns 80% equity interest in SP International and also serves as the sole director of SP International.
- (2) Includes 1,467,078 shares owned by China Tianren Organic Food Holding, an indirect wholly-owned subsidiary of SP International. Lin Bai is the sole director of China Tianren Organic Food Holding and joined a Schedule 13D filed with SEC on January 4, 2013 in which Lin Bai claimed beneficial ownership of such shares. However, due to its 100% indirect ownership of China Tianren Organic Food Holding, the Company believes that SP International and not Lin Bai is the beneficial owner of such shares.
- (3) Information based solely on Amendment No. 2 to Schedule 13G filed with the SEC on January 30, 2013. The address of Morgan Stanley is 1585 Broadway, New York, New York, 10036, (212) 761-4000

* Less than one percent.

PART IV**ITEM 15 – EXHIBITS AND FINANCIAL STATEMENT SCHEDULES****(a) (1) FINANCIAL STATEMENTS:**

The following financial statements, including notes thereto and the independent auditors' report with respect thereto, are filed as part of this Annual Report on Form 10-K, starting on page F-1 hereof:

1. Management's Report on Internal Control over Financial Reporting
2. Report of Independent Public Registered Accounting Firm
3. Consolidated Balance Sheets
4. Consolidated Statements of Income and Comprehensive Income
5. Consolidated Statements of Shareholders' Equity
6. Consolidated Statements of Cash Flows
7. Notes to Consolidated Financial Statements

b) EXHIBITS:**Exhibit Index**

<u>Exhibit Number</u>	<u>Description</u>
2.1	Share Exchange Agreement, dated as of February 22, 2008 by and among Pacific Industry Holding Group Co., Ltd., "Pacific," Terrence Leong, SkyPeople Fruit Juice, Inc., the "Registrant," and the shareholders of Pacific. Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed with the Commission on February 28, 2008, the "February 28, 2008 8-K".
3.1	Amended and Restated Articles of Incorporation of the Registrant. Incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed with the Commission on March 3, 2008, the "March 3, 2008 8-K."
3.2	Articles of Amendment to Articles of Incorporation dated October 28, 2009. Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed with the Commission on October 29, 2009.
3.3	Certificate of Designations, Preferences and Rights of the Registrant's Series A Convertible Preferred Stock. Incorporated by reference to Exhibit 3.1 to the February 28, 2008 8-K.
3.4	Certificate of Designations, Preferences, Rights and Limitations of the Registrant's Series B Convertible Preferred Stock. Incorporated by reference to Exhibit 3.2 to the February 28, 2008 8-K.
3.5	Bylaws of Entech, Inc. Incorporated by reference to Exhibit 3.5 to the March 3, 2008 8-K.
3.6	Articles of Amendment to the Articles of Incorporation of the Registrant filed with the Department of State of Florida on May 23, 2008. Incorporated by reference to Exhibit 3.6 to our Annual Report on Form 10-K for the year ended December 31, 2008, the "2008 10-K."
3.7	Amendment of Article VII of the By-law. Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed with the Commission on July 14, 2011.
3.8	Bylaws of SkyPeople Juice, Inc. Incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q filed with the Commission on August 15, 2011.
4.1	Warrant to purchase 5,338,236 shares of the Registrant's Common Stock issued to Barron Partners LP, dated June 2, 2009, Incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1 (File No. 333-159959, filed with the Commission on June 12, 2009, the "June 2009 S-1,"), as amended by Warrant to purchase 1,192,883 shares of the Registrant's Common Stock issued to Barron Partners LP, dated June 2, 2009, Incorporated by reference to Exhibit 4.5 to our Current Report on Form 8-K filed with the Commission on January 13, 2010.

[Table of Contents](#)

- 4.2 Warrant to purchase 970,588 shares of the Registrant's Common Stock issued to Barron Partners LP, dated June 2, 2009, Incorporated by reference to Exhibit 4.2 to the June 2009 S-1, as amended by Warrant to purchase 1,192,883 shares of the Registrant's Common Stock issued to Barron Partners LP, dated June 2, 2009, Incorporated by reference to Exhibit 4.5 to our Current Report on Form 8-K filed with the Commission on January 13, 2010.
- 4.3 Warrant to purchase 161,764 shares of the Registrant's Common Stock issued to Eos Holdings, LLC, dated June 2, 2009, Incorporated by reference to Exhibit 4.3 to the June 2009 S-1, as amended by Warrant to purchase 35,451 shares of the Registrant's Common Stock issued to Eos Holdings, LLC, dated June 2, 2009, Incorporated by reference to Exhibit 4.6 to our Current Report on Form 8-K filed with the Commission on January 13, 2010.
- 4.4 Warrant to purchase 29,412 shares of the Registrant's Common Stock issued to Eos Holdings, LLC, dated June 2, 2009, Incorporated by reference to Exhibit 4.4 to the June 2009 S-1, as amended by Warrants to purchase 35,451 shares of the Registrant's Common Stock issued to Eos Holdings, LLC, dated June 2, 2009, Incorporated by reference to Exhibit 4.6 to our Current Report on Form 8-K filed with the Commission on January 13, 2010.
- 9.1 Voting Trust Agreement, dated as of February 25, 2008, by and among Fancylight Limited and Hongke Xue. Incorporated by reference to Exhibit 9.1 to the March 3, 2008 8-K.
- 9.2 Voting Trust and Escrow Agreement, dated as of February 25, 2008, by and among Winsun Limited and Sixiao An. Incorporated by reference to Exhibit 9.2 to the March 3, 2008 8-K.
- 9.3 Voting Trust and Escrow Agreement, dated as of February 25, 2008, by and among China Tianren Organic Food Holding Company Limited and Lin Bai. Incorporated by reference to Exhibit 9.3 to the March 3, 2008 8-K.
- 10.1 Call Option Agreement between Hongke Xue and Fancylight Limited, dated as of February 25, 2008. Incorporated by reference to Exhibit 10.5 to the March 3, 2008 8-K.
- 10.2 Share Transfer Agreement by and among Shaanxi Hede Investment Management Co., Ltd. Niu Hongling, Wang Qifu, Wang Jianping, Zhang Wei, Cui Youming and Yuan Ye, dated as of May 31, 2007. Incorporated by reference to Exhibit 10.6 to the March 3, 2008 8-K.
- 10.3 Exchange Agreement, dated as of May 28, 2009 between the Registrant, Barron Partners LP and Eos Holdings, LLC. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on June 3, 2009, the "June 2009 8-K."
- 10.4 Waiver and Release, dated as of May 28, 2009 by Barron Partners LP in favor of the Registrant. Incorporated by reference to Exhibit 10.2 to the June 2009 8-K.
- 10.5 Waiver and Release, dated as of May 28, 2009 by Eos Holdings, LLC in favor of the Registrant. Incorporated by reference to Exhibit 10.3 to the June 2009 8-K.
- 10.6 Underwriting Agreement, dated as of October 28, 2009, by and among the Registrant, Roth Capital Partners, LLC, Maxim Group LLC, Barron Partners LP and Eos Holdings, LLC. Incorporated by reference to Exhibit 1.1 to the Current Report on Form 8-K filed with the Commission on October 29, 2009.
- 10.7 English translation of the Stock Purchase Agreement dated as of November 18, 2009, by and between Shaanxi Tianren Organic Food Co., Ltd. and Xi'an Dehao Investment & Consulting Co., Ltd. Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K filed with the Commission on November 20, 2009 and to the Current Report on Form 8-K/A filed with the Commission on November 25, 2009.
- 10.8 Warrant to purchase 100,000 of the Registrant's Common Stock issued to Spring Liu, dated December 9, 2009. Incorporated by reference to Exhibit 4.7 to our Current Report on Form 8-K filed with the Commission on January 13, 2010.
- 10.9 English translation of the Distribution Agreement dated as of January 8, 2010, by and between Shaanxi Qiyiwangguo Modern Organic Agriculture Co. Ltd. and Beijing Ni'aode Trading Co., Ltd. Incorporated by reference to Exhibit 10.01 to our Current Report on Form 8-K filed with the Commission on January 13, 2010.
- 10.10 English Translation of Credit Facility Agreement dated June 30, 2009 between Shaanxi Tianren Organic Food Co., Ltd. and Hi-tech Industrial Development Zone, Xi'an branch of China Construction Bank Incorporated by reference to Exhibit 10.29 of the 2009 10-K.
- 10.11 English Translation of Credit Facility Agreement dated November 6, 2009 between Shaanxi Tianren Organic Food Co., Ltd. and Hi-tech Industrial Development Zone, Xi'an branch of China Construction Bank. Incorporated by reference to Exhibit 10.30 of the 2009 10-K.

[Table of Contents](#)

- 10.12 English Translation of Credit Facility Agreement dated November 24, 2009 between Shaanxi Tianren Organic Food Co., Ltd. and Hi-tech Industrial Development Zone, Xi'an branch of China Construction Bank. Incorporated by reference to Exhibit 10.31 of the 2009 10-K.
- 10.13 English Translation of Credit Facility Agreement dated June 26, 2009 between Huludao Wonder Fruit Co., Ltd. and Suizhong Branch, Commercial Bank of Huludao. Incorporated by reference to Exhibit 10.32 of the 2009 10-K.
- 10.14 English Translation of Pledge Agreement dated June 26, 2009 between Huludao Wonder Fruit Co., Ltd. and Suizhong Branch, Commercial Bank of Huludao. Incorporated by reference to Exhibit 10.33 of the 2009 10-K.
- 10.15 English Translation of Credit Facility Agreement dated August 12, 2009 between Shaanxi Tianren Organic Food Co., Ltd. and Hi-tech Industrial Development Zone, Xi'an branch of China Construction Bank Incorporated by reference to Exhibit 10.34 of the 2009 10-K.
- 10.16 English Translation of Credit Facility Agreement dated July 19, 2010 between Huludao Wonder Fruit Co., Ltd. and Suizhong Branch, Huludao Bank Co., Ltd.*
- 10.17 English Translation of Credit Facility Agreement dated September 9, 2010 between SkyPeople Juice Group Co. Ltd. And Xi'an Kejilu Branch of China Merchants Bank.*
- 10.18 English Translation of Credit Facility Agreement dated May 10, 2010 between SkyPeople Juice Group Co. Ltd. and Hi-tech Industrial Development Zone, Xi'an branch of China Construction Bank. *
- 10.19 English Translation of Credit Facility Agreement dated February 3, 2010 between SkyPeople Juice Group Co. Ltd. and Hi-tech Industrial Development Zone, Xi'an branch of China Construction Bank. *
- 10.20 English Translation of Credit Facility Agreement dated December 6, 2010 between SkyPeople Juice Group Co. Ltd. and Hi-tech Industrial Development Zone, Xi'an branch of China Construction Bank. *
- 10.21 English Translation of Credit Facility Agreement dated December 7, 2010 between SkyPeople Juice Group Co. Ltd. and China CITIC Bank, Xi'an Kejilu Branch.*
- 10.22 English Translation Of Credit Facility Agreement dated December 30, 2010 Between SkyPeople Juice Group Co. Ltd. and Hi-Tech Industrial Development Zone, Xi' A Branch Of China Construction Bank. Incorporated by reference to Exhibit 10.22 to our Quarterly Report on Form 10-Q filed with the Commission on May 16, 2011.
- 10.23 A copy of the complaint for the civil action against Absaroka Capital and Kevin Barns as filed by the Company with the United States District Court for the District of Wyoming. Incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K filed with the Commission on July 8, 2011.
- 10.24 Indemnification Agreement. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Commission on July 14, 2011.
- 10.25 Indemnification Agreement Between SkyPeople Juice, Inc. and Yongke Xue. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the Commission on August 15, 2011
- 10.26 Indemnification Agreement Between SkyPeople Juice, Inc. and Xiaoqin Yan. Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed with the Commission on August 15, 2011
- 10.27 Indemnification Agreement Between SkyPeople Juice, Inc. and Guolin Wang. Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed with the Commission on August 15, 2011
- 10.28 Indemnification Agreement Between SkyPeople Juice, Inc. and Spring Liu. Incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q filed with the Commission on August 15, 2011
- 10.29 Indemnification Agreement Between SkyPeople Juice, Inc. and John W. Smagula. Incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q filed with the Commission on August 15, 2011
- 10.30 Indemnification Agreement Between SkyPeople Juice, Inc. and Norman Ko. Incorporated by reference to Exhibit 10.6 to our Quarterly Report on Form 10-Q filed with the Commission on August 15, 2011
- 10.31 English translation of Investment/Service Agreement The Yidu Orange Comprehensive Deep Processing Zone (the "Zone") between Yidu Municipal People's Government and SkyPeople Juice Group Company Limited dated October 29, 2012. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Commission on October 29, 2012

[Table of Contents](#)

- 10.32 English translation of Loan Agreement between SkyPeople Juice Group Co., Ltd. and SkyPeople International Holdings Group Limited dated February 18, 2013. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Commission on February 19, 2013
- 10.33 Share Exchange Agreement among SkyPeople International Holdings Group Limited, Golden Dawn International Limited, Hongke Xue, Yongke Xue, V.X. Fortune Capital Limited and Kingline International Limited dated September 14, 2012. Incorporated by reference to Exhibit 99.3 to our Current Report on Form 8-K filed with the Commission on January 4, 2013.
- 10.34 Share Charge between China Tianren Organic Food Holding Company Limited, Golden Dawn International Limited and Vandi Investments Limited dated December 28, 2012. Incorporated by reference to Exhibit 99.3 to our Current Report on Form 8-K filed with the Commission on January 4, 2013.
- 10.35 Share Charge between China Tianren Organic Food Holding Company Limited, Golden Dawn International Limited and COFCO (Beijing) Agricultural Industrial Equity Investment Fund dated December 28, 2012. Incorporated by reference to Exhibit 99.4 to our Current Report on Form 8-K filed with the Commission on January 4, 2013.
- 16.1 Letter from Tavorsan Askelson & Registrant LLP dated March 6, 2008. Incorporated by reference to Exhibit 16.1 to our Current Report on Form 8-K filed with the Commission on March 6, 2008
- 16.2 Letter from Child, Van Wagoner & Bradshaw, PLLC dated December 14, 2009. Incorporated by reference to Exhibit 16.1 to our Current Report on Form 8-K filed with the Commission on December 14, 2009.
- 16.3 Letter from BDO Limited to dated December 23, 2011. Incorporated by reference to Exhibit 16.1 to our Current Report on Form 8-K filed with the Commission on December 30, 2011.
- 21.1 Description of Subsidiaries of the Registrant. Incorporated by reference to Exhibit 21.1 to our Annual Report on Form 10-K filed with the Commission on March 23, 2013.
- 31.1 Rule 13a-14(a) Certification of Principal Executive Officer of Registrant*
- 31.2 Rule 13a-14(a) Certification of Principal Financial Officer of Registrant*
- 32.1 Section 1350 Certification of Principal Executive Officer of Registrant. *
- 32.2 Section 1350 Certification of Principal Financial Officer of Registrant. *

*Filed herewith

(c) Other Financial Statement Schedules - None.

[Table of Contents](#)

Pursuant to the requirements of Section 13 or 15(d) 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.

/s/ Hongke Xue

By: Hongke Xue
Chief Executive Officer and Director
(principal executive officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Hongke Xue and Xin Ma, and each of them, their attorneys-in-fact and agents, each with the power of substitution, for them in any and all capacities, to sign any and all amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorneys-in-fact, or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacity and on the dates indicated.

Signatures

Name and Title	Date
<u>/s/ Yongke Xue</u> Yongke Xue Chairman of Board of Directors	September 27, 2013
<u>/s/ Hongke Xue</u> Hongke Xue Chief Executive Officer and Director (principal executive officer)	September 27, 2013
<u>/s/ Xin Ma</u> Xin Ma Chief Financial Officer (principal financial officer and accounting officer)	September 27, 2013
<u>/s/ Guolin Wang</u> Guolin Wang, Director	September 27, 2013
<u>/s/ John Smagula</u> John Smagula, Director	September 27, 2013
<u>/s/ Norman Ko</u> Norman Ko, Director	September 27, 2013
<u>/s/ Tao Wang</u> Tao Wang, Director	September 27, 2013
<u>/s/ Baosheng Lu</u> Baosheng Lu, Director	September 27, 2013

[Table of Contents](#)**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of
SkyPeople Fruit Juice, Inc.

We have audited the accompanying consolidated balance sheets of SkyPeople Fruit Juice, Inc. as of December 31, 2012 and 2011 and the related consolidated statement of income and comprehensive income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SkyPeople Fruit Juice, Inc. as of December 31, 2012 and 2011 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/Paritz & Company, P.A.

Hackensack, New Jersey
March 29, 2013

[Table of Contents](#)

[Table of Contents](#)

**SKYPEOPLE FRUIT JUICE, INC.
CONSOLIDATED BALANCE SHEETS**

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 77,560,278	\$ 61,154,007
Restricted cash	-	316,396
Accounts receivables, net of allowance of \$46,643 and \$46,529 as of December 31, 2012 and December 31, 2011, respectively	49,435,961	35,999,858
Other receivables	201,417	192,032
Inventories	7,278,191	6,126,376
Deferred tax assets	90,576	174,285
Advances to suppliers and other current assets	71,536	66,528
TOTAL CURRENT ASSETS	<u>134,637,959</u>	<u>104,029,482</u>
PROPERTY, PLANT AND EQUIPMENT, NET	52,180,097	44,277,228
LAND USE RIGHT, NET	7,718,363	6,673,496
OTHER ASSETS	682,592	5,323,162
TOTAL ASSETS	<u>\$ 195,219,011</u>	<u>\$ 160,303,368</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 14,399,282	\$ 2,972,916
Accrued expenses	2,050,675	4,701,054
Income tax payable	3,127,245	1,910,779
Advances from customers	530,437	178,857
Short-term bank loans	11,661,761	6,425,713
Short-term notes payable	-	284,654
TOTAL CURRENT LIABILITIES	<u>31,769,400</u>	<u>16,473,973</u>
STOCKHOLDERS' EQUITY		
SkyPeople Fruit Juice, Inc. Stockholders' equity		
Series B Preferred stock, \$0.001 par value; 10,000,000 shares authorized; Nil shares and 1,456,647 shares issued and outstanding as of, December 31, 2012 and 2011, respectively.	-	1,457
Common stock, \$0.001 par value; 66,666,666 shares authorized; 26,661,499 shares and 25,690,402 shares issued and outstanding as of, December 31, 2012 and 2011, respectively	26,661	25,690
Additional paid-in capital	59,189,860	59,189,374
Retained earnings	82,793,585	64,623,453
Accumulated other comprehensive income	14,500,860	14,086,620
Total SkyPeople Fruit Juice, Inc. stockholders' equity	<u>156,510,966</u>	<u>137,926,594</u>
Non-controlling interests	6,938,645	5,902,801
TOTAL STOCKHOLDERS' EQUITY	<u>163,449,611</u>	<u>143,829,395</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 195,219,011</u>	<u>\$ 160,303,368</u>

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

[Table of Contents](#)

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

	For the Year Ended Dec 31,	
	2012	2011
Revenue	\$ 102,356,001	\$ 84,021,429
Cost of goods sold	69,283,010	56,548,845
Gross profit	33,072,991	27,472,584
Operating Expenses		
General and administrative expenses	4,409,055	5,138,388
Selling expenses	2,899,141	2,728,129
Research and development expenses	570,278	557,361
Total operating expenses	7,878,474	8,423,878
Income from operations	25,194,517	19,048,706
Other income (expenses)		
Interest income	314,628	277,458
Subsidy income	1,908,802	893,241
Interest expenses	(888,574)	(849,743)
Other expenses	-	(149,015)
Settlement relating to prior acquisition	(475,248)	-
Total other income (expenses)	859,608	171,941
Income before income tax	26,054,125	19,220,647
Income tax provision	6,871,238	5,089,285
Net income	19,182,887	14,131,362
Less: Net income attributable to non-controlling interests	1,012,755	926,192
NET INCOME ATTRIBUTABLE TO SKYPEOPLE FRUIT JUICE, INC.	\$ 18,170,132	\$ 13,205,170
Earnings per share:		
Basic earnings per share	\$ 0.68	\$ 0.50
Diluted earnings per share	\$ 0.68	\$ 0.50
Weighted average number of shares outstanding		
Basic	26,107,264	25,690,402
Diluted	26,661,500	26,661,500
Comprehensive Income		
Net income	\$ 19,182,887	\$ 14,131,362
Foreign currency translation adjustment	437,329	6,511,990
Total Comprehensive income	\$ 19,620,216	\$ 20,643,352
Comprehensive income attributable to non-controlling interests	1,035,844	1,175,529
Comprehensive income attributable to SkyPeople Fruit Juice, Inc.	\$ 18,584,372	\$ 19,467,823

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

[Table of Contents](#)

SKYPEOPLE FRUIT JUICE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock		Common Stock		Additional paid-in capital	Retained earnings	Accumulative other comprehensive income	Non- controlling interests	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2010	1,456,647	\$ 1,457	25,690,402	\$ 25,690	\$ 59,189,374	\$ 51,418,283	\$ 7,823,967	\$ 4,727,272	\$123,186,043
Net income	-	-	-	-	-	13,205,170	-	926,192	14,131,362
Foreign currency translation adjustment	-	-	-	-	-	-	6,262,653	249,337	6,511,990
Balance at December 31, 2011	<u>1,456,647</u>	<u>1,457</u>	<u>25,690,402</u>	<u>25,690</u>	<u>59,189,374</u>	<u>64,623,453</u>	<u>14,086,620</u>	<u>5,902,801</u>	<u>143,829,395</u>
Net income	-	-	-	-	-	18,170,132	-	1,012,755	19,182,887
Preferred stock converted into common stock	(1,456,647)	(1,457)	971,097	971	486	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	414,240	23,089	437,329
Balance at Dec 31, 2012	<u>-</u>	<u>\$ -</u>	<u>26,661,499</u>	<u>\$ 26,661</u>	<u>\$ 59,189,860</u>	<u>\$ 82,793,585</u>	<u>\$ 14,500,860</u>	<u>\$ 6,938,645</u>	<u>\$163,449,611</u>

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

SKYPEOPLE FRUIT JUICE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended Dec 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 19,182,887	\$ 14,131,362
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	4,596,276	3,552,740
Loss on disposal of properties and equipment	-	142,380
Deferred tax assets	83,709	(174,285)
Changes in operating assets and liabilities		
Accounts receivable	(13,290,808)	11,932,885
Other receivable	(8,900)	1,113,111
Advances to suppliers and other current assets	(4,861)	(34,243)
Inventories	(1,131,943)	(419,708)
Accounts payable	11,370,240	(623,141)
Accrued expenses	(2,648,963)	(382,650)
Short-term notes payable	(284,131)	(239,119)
Income tax payable	1,206,559	(2,609,659)
Advances from customers	349,640	(411,869)
Net cash provided by operating activities	19,419,705	25,977,804
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(6,954,476)	(7,791,997)
Additions to land use right	(1,205,038)	-
Prepayment for other assets	(591,518)	(5,147,903)
Net cash used in investing activities	(8,751,032)	(12,939,900)
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in restricted cash	315,814	208,154
Proceeds from short-term bank loans	6,336,634	4,235,865
Repayment of short-term bank loans	(1,138,658)	(8,433,584)
Net cash provided by (used in) financing activities	5,513,790	(3,989,565)
Effect of change in exchange rate	223,808	2,755,283
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,406,271	11,803,622
Cash and cash equivalents, beginning of year	61,154,007	49,350,385
Cash and cash equivalents, end of year	\$ 77,560,278	\$ 61,154,007
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 888,574	\$ 849,743
Cash paid for income taxes	\$ 5,556,241	\$ 7,853,661
SUPPLEMENTARY DISCLOSURE OF SIGNIFICANT NON-CASH TRANSACTION		
Change in fair value of warrant liability		
Transferred from other assets to property, plant and equipment and construction in process	\$ 5,221,925	\$ 1,687,012

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

SKYPEOPLE FRUIT JUICE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2012 AND 2011

1. CORPORATE INFORMATION

SkyPeople Fruit Juice, Inc. (“SkyPeople” or the “Company”), formerly known as Entech Environmental Technologies, Inc. (“Entech”) and Cyber Public Relations, Inc. (“Cyber Public Relations”), was initially incorporated on June 29, 1998 under the laws of the State of Florida.

The Company, through its wholly owned subsidiary Pacific Industry Holding Group Co., Ltd. (“Pacific”) and SkyPeople Juice International Holding (HK) Ltd. (“SkyPeople International”) is a holding company for SkyPeople Juice Group Co., Ltd. (“SkyPeople (China)”), a company organized under the laws of the People’s Republic of China (“PRC”), in which SkyPeople International holds a 99.78% ownership interest (which was increased from 99% on December 7, 2010), SkyPeople (China) is engaged in the business of producing and selling a wide variety of fruit products, including fruit juice concentrates, fruit juice drinks, fruit-related products.

SkyPeople (China) holds a 91.15% interest in Shaanxi Qiyiwangguo Modern Organic Agriculture Co., Ltd. (“Shaanxi Qiyiwangguo”) since June 2006, after it acquired 21.05% of the shares held by Shaanxi Xirui Co. Ltd. In July 2009, the Company canceled the registration of Shaanxi Qiyiwangguo with Xi’an SAIC and registered with Zhouzhi County SAIC.

SkyPeople (China) also holds a 100% interest in Huludao Wonder Fruit Co., Ltd. (“Huludao Wonder”). Before the acquisition, Huludao Wonder had been a variable interest entity of SkyPeople (China) for accounting purposes since June 1, 2007, and the financial statements of SkyPeople (China) and Huludao Wonder have been consolidated as of June 1, 2007 and forward.

On June 17, 2009, the Company incorporated a new Delaware corporation called Harmony MN Inc. (“HMN”) to be a wholly-owned subsidiary of the Company with offices initially in California to act as a sales company. The Company has not yet commenced operating business.

On November 25, 2009, SkyPeople (China) completed the Acquisition of Yingkou Trusty Fruits Co., Ltd. (“Yingkou”) for an aggregate cash purchase price of RMB 22,700,000 (approximately \$3,325,520 based on the exchange rate of November 18, 2009) pursuant to a Stock Purchase Agreement dated November 18, 2009. Yingkou commenced operating activities in the fourth quarter of 2010.

On March 13, 2012, the Company established SkyPeople Juice Group Yidu Orange Products Co., Ltd. (“Orange Products”) to engage in the business deep processing and sales of oranges. As of December 2012, Orange Products has not yet commenced operations.

On March 13, 2012, the Company established Hedetang Fruit Juice Beverages (Yidu) Co., Ltd. (Hedetang Juice Beverages”) to engage the business of production and sales of fruit juice beverages. As of December 2012, Hedetang Juice Beverages has not yet commenced operations.

On April 26, 2012, the Company established SkyPeople (Suizhong) Fruit and Vegetable Products Co., Ltd. (“SkyPeople Suizhong”) to engage in the business of initial processing, quick-frozen and sales of agricultural products and related by-products. As of December 2012, SkyPeople Suizhong has not yet commenced operations.

The principal activities of the Company and its subsidiaries consist of production and sales of fruit concentrate, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

[Table of Contents](#)

The Company's functional currency is the Chinese Renminbi (RMB); however, the accompanying consolidated financial statements have been translated and presented in United States Dollars (USD).

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company accounts and transactions have been eliminated.

Use of Estimates

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.

Fair Value of Financial Instruments

The Company adopted FASB Accounting Standard Codification Topic on Fair Value Measurements and Disclosures ("ASC 820"), which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. ASC 820 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. In February 2008, FASB deferred the effective date of ASC 820 by one year for certain non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

ASC 820 establishes a three-level valuation hierarchy of valuation techniques based on observable and unobservable input, which may be used to measure fair value and include the following:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Input other than Level 1 that is observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other input that is observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable input that is supported by little or no market activity and that is significant to the fair value of the assets or liabilities.

Classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement.

[Table of Contents](#)**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.

	Year Ended December 31,	
	2012	2011
NUMERATOR FOR BASIC AND DILUTED EPS		
Net income (numerator for Diluted EPS)	\$ 18,170,132	\$ 13,205,170
Net income allocated to Preferred Stock holders	(377,718)	(480,668)
Net income allocated to Common Stock holders	<u>17,792,414</u>	<u>12,724,502</u>
DENOMINATORS FOR BASIC AND DILUTED EPS		
Weighted average Common Stock outstanding	<u>26,107,264</u>	25,690,402
DENOMINATOR FOR BASIC EPS	<u>26,107,264</u>	25,690,402
Add: Weighted average Preferred Stock, as if converted	554,236	971,098
Add: Weighted average stock warrants outstanding	-	-
DENOMINATOR FOR DILUTED EPS	<u>26,661,500</u>	<u>26,661,500</u>
EPS - Basic	\$ 0.68	\$ 0.50
EPS - Diluted	\$ 0.68	\$ 0.50

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

Cash and Cash Equivalents

Cash and cash equivalents included cash on hand and demand deposits placed with banks or other financial institutions, which are unrestricted as to withdrawal and use and with an original maturity of three months or less.

Deposits in banks in the PRC are not insured by any government entity or agency, and are consequently exposed to risk of loss. The Company believes the probability of a bank failure, causing loss to the Company, is remote.

Restricted Cash

Restricted cash consists of cash equivalents used as collateral to secure short-term notes payable.

[Table of Contents](#)**Accounts Receivable**

Accounts receivable are recognized and carried at the original invoice amount less an allowance for any uncollectible amount. We have a policy of reserving for uncollectible accounts based on our best estimate of the amount of probable credit losses in our existing accounts receivable. We extend credit to our customers based on an evaluation of their financial condition and other factors. We generally do not require collateral or other security to support accounts receivable. We perform ongoing credit evaluations of our customers and maintain an allowance for potential bad debts if required.

We determine whether an allowance for doubtful accounts is required by evaluating specific accounts where information indicates the customers may have an inability to meet financial obligations. In these cases, we use assumptions and judgment, based on the best available facts and circumstances, to record a specific allowance for those customers against amounts due to reduce the receivable to the amount expected to be collected. These specific allowances are re-evaluated and adjusted as additional information is received. The amounts calculated are analyzed to determine the total amount of the allowance. We may also record a general allowance as necessary.

Direct write-offs are taken in the period when we have exhausted our efforts to collect overdue and unpaid receivables or otherwise evaluate other circumstances that indicate that we should abandon such efforts.

The Company has not experienced any significant difficulty in collecting its accounts receivable in the past and is not aware of any financial difficulties being experienced by its major customers. There was no bad debt expense during the years ended December 31, 2012 and 2011, respectively. Our credit term for distributors with good credit history is from 30 days to 120 days.

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 \$1,642,317 and \$1,420,043 for 2012 and 2011, respectively, are reported in the Consolidated Statements of Income and Comprehensive Income as a component of selling expenses.

Government Subsidies

A government subsidy is recognized only when the Company complies with any conditions attached to the grant and there is reasonable assurance that the grant will be received.

The government subsidies recognized were \$1,908,802 and \$893,241 for the years ended December 31, 2012 and 2011, respectively, and are included in other income of the consolidated statements of income and comprehensive income.

[Table of Contents](#)

Common Stock Purchase Warrants and Other Derivative Financial Instruments

The Company classifies as equity any contracts that require physical settlement or net-share settlement or provide a choice of net-cash settlement or settlement in the Company's own shares (physical settlement or net-share settlement) provided that such contracts are indexed to the Company's stock as defined in ASC 815-40 ("Contracts in Entity's Own Equity"). The Company classifies as assets or liabilities any contracts that require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the Company's control) or give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). The Company assesses classification of common stock purchase warrants and other free standing derivatives at each reporting date to determine whether a change in classification between assets and liabilities is required.

Stock-Based Compensation

The Company recognizes compensation expense for stock-based compensation in accordance with ASC Topic 718. For employee stock-based awards, the Company calculates the fair value of the award on the date of grant using the Black-Scholes method for stock options and the quoted price of common stock for unrestricted shares; the expense is recognized over the service period for awards expected to vest. For non-employee stock-based awards, the fair value of the award on the date of grant is calculated in the same manner as employee awards, however, the awards are revalued at the end of each reporting period and the pro rata compensation expense is adjusted accordingly until such time the nonemployee award is fully vested, at which time the total compensation recognized to date equals the fair value of the stock-based award as calculated on the measurement date, which is the date at which the award recipient's performance is complete. The estimation of stock-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from original estimates, such amounts are recorded as a cumulative adjustment in the period estimates are revised. The Company considers many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience.

Advertising and Promotional Expense

Advertising and promotional costs are expensed as incurred and are included in selling expenses. The Company incurred \$135,817 and \$45,825 in advertising and promotional costs for the years ended December 31, 2012 and 2011, respectively.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is computed using the straight-line method over the useful lives of the assets. Major renewals and betterments are capitalized and depreciated; maintenance and repairs that do not extend the life of the respective assets are expensed as incurred. Upon disposal of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statements of income and comprehensive income.

Construction in progress primarily represents the renovation costs of plant, machinery and equipment stated at cost less any accumulated impairment loss, which is not depreciated. Costs and interest on borrowings incurred are capitalized and transferred to property and equipment upon completion, at which time depreciation commences. Cost of repairs and maintenance is expensed as incurred.

Depreciation related to property, plant and equipment used in production is reported in cost of sales. We estimated that the residual value of the Company's property and equipment ranges from 3% to 5%. Property, plant and equipment are depreciated over their estimated useful lives as follows:

Buildings	20-30 years
Machinery and equipment	5-10 years
Furniture and office equipment	3-5 years
Motor vehicles	5 years

[Table of Contents](#)

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 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 the year ended December 31, 2012 and 2011 represented foreign currency translation adjustments and were included in the consolidated statements of income and 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.

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.

Land Use Right

The Company paid in advance for land use rights according to Chinese law. Prepaid land use rights are being amortized and recorded as lease expenses using the straight-line method over the use terms of the lease, which are 40 to 50 years.

Reportable Segments

We have six operating segments for financial reporting purposes for all periods presented in our consolidated financial statements in accordance with FASB ASC 280 "Segment Reporting."

Research and Development

Research and development costs are expensed when incurred and are included in operating expenses.

[Table of Contents](#)**Retirement Costs**

Retirement cost contributions relating to defined contribution plans are made based on a percentage of the relevant employees' salaries and are included in the consolidated Statement of Income and Comprehensive Income as they become payable. The assumptions used in calculating the obligation for retirement cost contributions depend on the local economic environment, interpretations and practices in respect thereof.

New Accounting Pronouncements

In July 2012, the FASB issued Accounting Standards Update No. 2012-02 Intangibles — Goodwill and Other (Topic 350): The amendments in this update will allow an entity to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. Under these amendments, an entity would not be required to calculate the fair value of an indefinite-lived intangible asset unless the entity determines, based on a qualitative assessment, that it is not more likely than not, the indefinite-lived intangible asset is impaired. The amendments include a number of events and circumstances for an entity to consider in conducting the qualitative assessment. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity's financial statements for the most recent annual or interim period have not yet been issued. The Company does not expect the adoption of the provisions in this update will have a significant impact on its consolidated financial statements.

In February 2013, the FASB issued Accounting Standards Update No. 2013-02 Comprehensive Income (Topic 220): The objective of this update is to improve the reporting of reclassifications out of accumulated other comprehensive income. The amendments in this update seek to attain that objective by requiring an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. generally accepted accounting principles (GAAP) to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. This would be the case when a portion of the amount reclassified out of accumulated other comprehensive income is reclassified to a balance sheet account (for example, inventory) instead of directly to income or expense in the same reporting period. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. The Company does not expect the adoption of the provisions in this update will have a significant impact on its consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's consolidated financial statements upon adoption.

3. INVENTORIES

Inventories by major categories are summarized as follows:

	December 31,	
	2012	2011
Raw materials and packaging	\$ 973,139	\$ 576,028
Finished goods	6,305,052	5,550,348
Inventories	<u>\$ 7,278,191</u>	<u>\$ 6,126,376</u>

[Table of Contents](#)**4. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following:

	December 31,	
	<u>2012</u>	<u>2011</u>
Machinery and equipment	\$ 33,393,352	\$ 30,856,247
Furniture and office equipment	278,853	178,045
Motor vehicles	528,137	443,870
Buildings	32,346,098	25,777,820
Construction in progress	3,078,514	-
Subtotal	<u>69,624,954</u>	<u>57,255,982</u>
Less: accumulated depreciation	<u>(17,444,857)</u>	<u>(12,978,754)</u>
Net property and equipment	<u>\$ 52,180,097</u>	<u>\$ 44,277,228</u>

There were no impairment provisions made at December 31, 2012 and 2011.

Depreciation expense included in general and administration expenses for the year ended December 31, 2012 and 2011 was \$391,532 and \$444,877, respectively. Depreciation expense included in cost of sales for the year ended December 31, 2012 and 2011 was \$4,023,824 and \$2,931,041, respectively.

5. LAND USAGE RIGHTS

According to the laws of the PRC, the government owns all of the land in the PRC. The government of the PRC, its agencies and collectives hold all land ownership. Companies or individuals are authorized to use the land only through land usage rights granted by the PRC government. Land usage rights can be transferred upon approval by the land administrative authorities of the PRC (State Land Administration Bureau) upon payment of the required land transfer fee. Accordingly, the Company paid in advance for land usage rights. Prepaid land usage rights are being amortized and recorded as lease expenses using the straight-line method over the terms of the leases, which range from 40 to 50 years. The amortization expense was \$180,920 and \$176,822 for fiscal years 2012 and 2011, respectively. The following table sets forth land usage rights of the Company as of December 31, 2012 and 2011, respectively.

	December 31	
	<u>2012</u>	<u>2011</u>
Cost	\$ 9,007,199	\$ 7,777,929
Less: Accumulated amortisation	<u>(1,288,836)</u>	<u>(1,104,433)</u>
	<u>\$ 7,718,363</u>	<u>\$ 6,673,496</u>

6. SETTLEMENT RELATING TO PRIOR ACQUISITION

Pursuant to an agreement between the Company and Shaanxi Xirui Co., Ltd., the former owner of Shaanxi Qiyiwangguo Modern Organic Food., Co., Ltd., the Company agreed to pay RMB 3 million (approximately \$481,000) as additional consideration relating to the acquisition of 21.05% in Shaanxi Qiyiwangguo Modern Organic Food., Co., Ltd. Since the agreement was entered into subsequent to the measurement date to record the fair value of the acquisition, this payment has been recorded as an expense in the accompanying consolidated statement of comprehensive income for the year ended December 31, 2012.

7. INCOME TAX

The Company is incorporated in the United States of America and is subject to United States federal taxation. No provisions for income taxes have been made, as the Company had no U.S. taxable income for the year ended December 31, 2012 and 2011. The applicable income tax rate for the Company for both of the years ended December 31, 2012 and 2011 was 26%. The amount of unrecognized deferred tax liabilities for temporary differences related to the dividend from foreign subsidiaries is not determined because such determination is not practical.

The Company has not provided deferred taxes on undistributed earnings attributable to its PRC subsidiaries as they are to be permanently reinvested. On February 22, 2008, MOF, and SAT, jointly issued Cai Shui 2008 Circular 1, "Circular 1." According to Article 4 of Circular 1, distributions of accumulated profits earned by foreign investment enterprises, ("FIE") prior to January 1, 2008 to their foreign investors

will be exempt from withholding tax, (“WHT”) while distribution of the profits earned by a FIE after January 1, 2008 to its foreign investors shall be subject to WHT.

[Table of Contents](#)

Dividend payments by PRC subsidiaries are limited by certain statutory regulations in the PRC. No dividends may be paid by PRC subsidiaries without first receiving prior approval from SAFE. Dividend payments are restricted to 90% of after tax profits.

Since the Company intends to reinvest its earnings to further expand its businesses in mainland China, its PRC subsidiaries do not intend to declare dividends to their immediate foreign holding companies in the foreseeable future. Accordingly, the Company has not recorded any deferred taxes in relation to WHT on the cumulative amount of undistributed retained earnings since January 1, 2008.

Should the Company's PRC subsidiaries distribute all their profits generated after December 31, 2007, the aggregate withholding tax amount will be \$8,726,331 and \$6,817,768 as of December 31, 2012 and 2011, respectively.

The Company had no material adjustments to its liabilities for unrecognized income tax benefits according to the provisions of ASC Topic 740, Income Taxes. Since SkyPeople (China) intends to reinvest its earnings to further expand its businesses in mainland China, its PRC subsidiaries do not intend to declare dividends to their immediate foreign holding companies in the foreseeable future. Accordingly, the Company has not recorded any deferred taxes in relation to US tax on the cumulative amount of undistributed retained earnings since January 1, 2008.

Effective on January 1, 2008, the PRC Enterprise Income Tax Law, EIT Law, and Implementing Rules imposed a unified enterprise income tax rate of 25% on all domestic-invested enterprises and foreign-invested enterprises in the PRC, unless they qualify under certain limited exceptions. In December 2006, SkyPeople (China) was awarded the status of a nationally recognized High and New Technology Enterprise in Shaanxi Province, which entitled SkyPeople (China) to a tax-free treatment from January 2007 to December 2008. As such, starting from January 1, 2009, four of the Company's subsidiaries in the PRC, including SkyPeople (China), Shaanxi Qiyiwangguo, Yingkou and Huludao Wonder, were subject to an enterprise income tax rate of 25%.

The reconciliation of income tax expense at the U.S. statutory rate of 35% in 2012 and 2011, to the Company's effective tax rate is as follows:

	Year ended December 31,	
	2012	2011
U.S. Statutory rate	\$ 9,118,943	\$ 6,727,227
Tax rate difference between China and U.S.	(2,703,421)	(2,037,985)
Change in Valuation Allowance	322,510	405,721
Permanent difference	133,206	(5,678)
Effective tax rate	<u>\$ 6,871,238</u>	<u>\$ 5,089,285</u>

The provisions for income taxes are summarized as follows:

	Year ended December 31,	
	2012	2011
Current	\$ 6,787,529	\$ 5,263,570
Deferred	83,709	(174,285)
Total	<u>\$ 6,871,238</u>	<u>\$ 5,089,285</u>

The tax effects of temporary differences that give rise to the Company's net deferred tax asset as of December 31, 2012 and 2011 are as follows:

	December 31,	
	2012	2011
Net operating loss carryforward - United States	\$ 748,750	\$ 405,721
Accrued expenses	46,527	172,844
Others	23,529	1,441
	818,806	580,006
Less valuation allowance	(728,230)	(405,721)
Deferred tax assets	<u>\$ 90,576</u>	<u>\$ 174,285</u>

[Table of Contents](#)**8. SHORT-TERM BANK LOANS**

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

	<u>12/31/2012</u>	<u>12/31/2011</u>
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	\$ 5,297,907	\$ 5,284,959
Loan payable to China Construction Bank due on February 4, 2012, bearing interest at 4.4794% per annum, collateralized by certain accounts receivable of SkyPeople (China), which was paid off in January 2012	-	420,387
Loan payable to China Citic Bank due on February 3, 2012, bearing interest at 4.19465% per annum, collateralized by certain accounts receivable of SkyPeople (China), which was paid off in February 2012	-	720,367
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.	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).	2,386,445	-
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). This loan has been repaid on March 25, 2013.	3,181,927	-
Total	<u>\$ 11,661,761</u>	<u>\$ 6,425,713</u>

9. COMMON STOCK

As of December 31, 2012, the Company had 26,661,499 shares of Common Stock issued and outstanding. As of December 31, 2012, the Company had outstanding warrants to purchase 175,000 shares of the Company's Common Stock.

As of December 31, 2011, the Company had 25,690,402 shares of Common Stock issued and outstanding and 3,456,647 shares of Series B Convertible Preferred Stock issued and outstanding, including (i) 2,000,000 shares held in escrow as make good escrow shares in connection with our 2008 private placement, which were cancelled on July 17, 2012; and (ii) 1,456,647 shares, which were converted into Common Stock during twelve months ended December 31, 2012.

The following table reconciles the number of Common Stock and Series B Convertible Preferred Stock as to the date of this report.

Date		B Series Preferred Stock	Common Stock
December 31, 2011	Issued and outstanding	3,456,647	25,690,402
May 17, 2012	Conversion of shares of Series B Preferred Stock into shares of Common Stock	(405,000)	270,000
July 17, 2012	Cancellation of shares of Series B Preferred Stock	(2,000,000)	-
July 25, 2012	Conversion of shares of Series B Preferred Stock into shares of Common Stock	(410,000)	273,333
August 28, 2012	Conversion of shares of Series B Preferred Stock into shares of Common Stock	(411,500)	274,333
October 1, 2012	Conversion of shares of Series B Preferred Stock into shares of Common Stock	(230,147)	153,431
December 31, 2012		<u>-</u>	<u>26,661,499</u>

10. COMMITMENTS AND CONTINGENCIES

Litigation

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, 2011, 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.

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.

[Table of Contents](#)

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.

11. CONCENTRATIONS

The Company did not have concentrations of customers constituting more than 10% of our sales in 2012 and 2011, respectively.

	Years Ended December 31,	
	2012	2011
Sales		
- Shaanxi Jiedong Commerce Co., Ltd.	7.22%	6.0%
- Shaanxi Zhongdian Import and Export Co., Ltd.	7.78%	5.1%
Accounts Receivable		
- Shaanxi Jiedong Commerce Co., Ltd.	6.6%	9.3%
- Shaanxi Zhongdian Import and Export Co., Ltd.	7.3%	7.8%

Sales to our five largest customers accounted for approximately 29% and 21% of our net sales during the years ended December 31, 2012 and 2011, respectively.

The Company changed its packing glass bottle supplier in 2011. The largest packing glass bottle supplier for our fruit beverages accounted for 14% and 13% of our total purchases in 2012 and 2011, respectively. Except the packing glass bottle supplier, we did not have concentrations of business with other vendors constituting more than 10% of the Company's total purchases in 2012 and 2011.

12. OTHER ASSETS

Other assets include deposits to purchase property, plant and equipment and construction project.

13. 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 Jiangyang 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 Jianyang 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 turnjujube juice, and other by products, such as kiwifruit seeds.

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.

[Table of Contents](#)

(In Thousand) For the Year Ended December 31, 2012	Concentrated apple juice and apple aroma	Concentrated kiwifruit juice and kiwifruit puree	Concentrated pear juice	Fruit juice beverages	Fresh fruits and vegetables	Others	Total
Reportable segment revenue	\$ 26,629	\$ 10,668	\$ 29,087	\$ 27,276	\$ 8,417	\$ 5,853	\$ 107,930
Inter-segment revenue	<u>(3,742)</u>	<u>(1,516)</u>	<u>(162)</u>	<u>(139)</u>	<u>-</u>	<u>(15)</u>	<u>(5,574)</u>
Revenue from external customers	<u>22,887</u>	<u>9,152</u>	<u>28,925</u>	<u>27,137</u>	<u>8,417</u>	<u>5,838</u>	<u>102,356</u>
Segment gross profit	<u>\$ 4,640</u>	<u>\$ 4,535</u>	<u>\$ 8,507</u>	<u>\$ 9,288</u>	<u>\$ 4,663</u>	<u>\$ 1,440</u>	<u>\$ 33,073</u>

(In Thousand) For the Year Ended December 31, 2011	Concentrated apple juice and apple aroma	Concentrated kiwifruit juice and kiwifruit puree	Concentrated pear juice	Fruit juice beverages	Fresh fruits and vegetables	Others	Total
Reportable segment revenue	\$ 29,502	\$ 15,614	\$ 14,187	\$ 20,974	\$ 7,880	\$ 1,423	\$ 89,580
Inter-segment revenue	<u>(4,665)</u>	<u>(70)</u>	<u>(766)</u>	<u>-</u>	<u>-</u>	<u>(58)</u>	<u>(5,559)</u>
Revenue from external customers	<u>24,837</u>	<u>15,544</u>	<u>13,421</u>	<u>20,974</u>	<u>7,880</u>	<u>1,365</u>	<u>84,021</u>
Segment gross profit	<u>\$ 4,412</u>	<u>\$ 7,661</u>	<u>\$ 3,182</u>	<u>\$ 7,905</u>	<u>\$ 3,746</u>	<u>\$ 567</u>	<u>\$ 27,473</u>

The following table reconciles reportable segment profit to the Company's consolidated income before income tax provision for the years ended December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Segment profit	\$ 33,072,991	\$ 27,472,584
Unallocated amounts:		
Operating expenses	7,878,474	8,423,881
Other (income)/expenses	<u>(859,608)</u>	<u>(171,944)</u>
Income before tax provision	<u>\$ 26,054,125</u>	<u>\$ 19,220,647</u>

The Company's export business is primarily comprised of fruit juice concentrates. As most of the export sales are through distributors and therefore we are not certain exactly where the Company's products are ultimately sold, revenue by geographical location is not presented. However, the Company estimates that our main export markets are the United States, the European Union, South Korea, Russia and the Middle East.

Our major customers are disclosed under Note 11 "Concentrations."

14. RELATED PARTY TRANSACTIONS

The company's subsidiary sold fruit beverages to a related entity, Shaanxi Fullmart Convenient Chain Supermarket Co., Ltd. ("Fullmart") for approximately \$2,176,000 and \$13,000 for the year ended December 31, 2012 and 2011, respectively. The accounts receivable balances were approximately \$624,000 and \$16,000 as of December 31, 2012 and 2011, respectively. Fullmart is a company indirectly owned by our Chairman, Mr. Yongke Xue.

15. SUBSEQUENT EVENT

In accordance with ASC 855, "Subsequent Events," the Company has evaluated subsequent events that have occurred through the date of issuance of these financial statements and has determined that there was no material event that occurred after the date of the balance sheets included in this report.

F-18