

10-Q 1 f10q0615_skypeoplefruit.htm QUARTERLY REPORT

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

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission file number: 001-34502

SKYPEOPLE FRUIT JUICE, INC.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of
incorporation or organization)

98-0222013

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

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

(Address of principal executive offices including zip code)

86-29-88377161

(Registrant's telephone number, including area code)

N/A

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

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

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

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

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

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

Class

Common Stock, \$0.001 par value per share

Outstanding at August 14, 2015

26,661,499

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

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

	June 30, 2015	December 31, 2014
	<u>(Unaudited)</u>	<u></u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 60,370,972	\$ 25,130,302
Restricted cash	3,271,395	6,537,016
Accounts receivable, net of allowance of \$34,002 and \$837,200 as of June 30, 2015 and December 31, 2014, respectively	26,659,988	66,570,314
Other receivables	67,458	371,995
Inventories	4,484,889	4,118,630
Deferred tax assets	1,671,563	1,410,690
Advances to suppliers and other current assets	250,116	472,578
TOTAL CURRENT ASSETS	<u>96,776,381</u>	<u>104,611,525</u>
Property, plant and equipment, net	101,376,282	96,279,068
Land use right, net	6,125,025	6,502,420
Long term assets	3,165,075	3,162,281
Deposits	62,137,972	68,878,798
TOTAL ASSETS	<u>\$269,580,735</u>	<u>\$279,434,092</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 10,885,535	\$ 18,381,263
Accrued expenses	8,867,898	10,085,152
Income tax payable	238,922	1,457,258
Advances from customers	390,767	469,007
Notes payable -bank	-	8,171,270
Short-term bank loans	32,144,782	28,243,373
Obligations under capital leases	3,940,172	2,954,401
TOTAL CURRENT LIABILITIES	<u>56,468,076</u>	<u>69,761,724</u>
NON-CURRENT LIABILITIES		
Long-term loan - related party	7,959,107	7,959,143
Obligations under capital leases	15,172,791	15,625,435
TOTAL NON-CURRENT LIABILITIES	<u>23,131,898</u>	<u>23,584,578</u>
TOTAL LIABILITIES	<u>79,599,974</u>	<u>93,346,302</u>
EQUITY		
SkyPeople Fruit Juice, Inc. Stockholders' equity		
Series B Preferred stock, \$0.001 par value; 10,000,000 shares authorized; None issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	-	-
Common stock, \$0.001 par value; 66,666,666 shares authorized; 26,661,499 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	26,661	26,661
Additional paid-in capital	59,189,860	59,189,860
Retained earnings	106,422,605	102,833,747
Accumulated other comprehensive income	19,379,532	19,351,703
Total SkyPeople Fruit Juice, Inc. Stockholders' equity	<u>185,018,658</u>	<u>181,401,971</u>
Non-controlling interests	4,962,103	4,685,819
TOTAL EQUITY	<u>189,980,761</u>	<u>186,087,790</u>

TOTAL LIABILITIES AND EQUITY

\$269,580,735

\$ 279,434,092

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

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Revenue	\$ 12,165,269	\$ 11,978,652	\$ 28,736,308	\$ 23,761,819
Cost of goods sold	7,054,539	7,424,302	16,466,217	15,536,234
Gross profit	5,110,730	4,554,350	12,270,091	8,225,585
Operating Expenses				
General and administrative expenses	273,646	995,830	3,258,128	2,188,951
Selling expenses	1,271,227	1,384,991	2,323,881	2,249,489
Total operating expenses	1,544,873	2,380,821	5,582,009	4,438,440
Income from operations	3,565,857	2,173,529	6,688,082	3,787,145
Other income (expense)				
Interest income	230,473	238,212	264,026	311,873
Subsidy income	49,426	37,374	238,187	470,971
Interest expenses	(598,090)	(1,749,783)	(1,697,160)	(2,562,204)
Consulting fee related to capital lease	-	(439,908)	-	(882,700)
Total other expenses	(318,191)	(1,914,105)	(1,194,947)	(2,662,060)
Income before income tax	3,247,666	259,424	5,493,135	1,125,085
Income tax provision	1,070,171	102,608	1,632,740	331,210
Net income	2,177,495	156,816	3,860,395	793,875
Less: Net income attributable to non-controlling interests	(88,247)	(107,948)	(271,537)	(241,335)
NET INCOME ATTRIBUTABLE TO SKYPEOPLE FRUIT JUICE, INC.	2,089,248	48,868	3,588,858	552,540
Other comprehensive income				
Foreign currency translation adjustment	1,334,006	(11,592)	575,650	(1,717,080)
Comprehensive income (loss)	3,511,501	145,224	4,436,045	(923,205)
Comprehensive income (loss) attributable to non-controlling interests	(109,877)	(156,907)	(276,284)	(135,938)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO SKYPEOPLE FRUIT JUICE, INC.	\$ 3,401,624	\$ (11,683)	\$ 4,159,761	\$ (1,059,143)
Earnings per share:				
Basic and diluted net income per share	\$ 0.08	\$ -	\$ 0.13	\$ 0.02
Weighted average number of shares outstanding				
Basic and diluted	26,661,499	26,661,499	26,661,499	26,661,499

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

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

	Six Months Ended	
	June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,860,395	\$ 793,875
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	3,180,201	1,572,175
Deferred income tax assets	(260,873)	(944,977)
Reverse of provision for bad debt	(803,200)	-
Changes in operating assets and liabilities		
Accounts receivable	40,671,942	16,111,019
Other receivable	304,109	(352,389)
Advances to suppliers and other current assets	222,326	640,892
Inventories	(361,721)	(438,715)
Accounts payable	(7,602,038)	1,801,177
Accrued expenses	(1,258,368)	4,461,534
Income tax payable	(1,216,599)	(1,178,899)
Advances from customers	(78,459)	(113,301)
Net cash provided by operating activities	<u>36,657,715</u>	<u>22,352,391</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Refund of purchase deposit	-	7,506,207
Additions to property, plant and equipment	(2,036,888)	(9,966,212)
Prepayment for other assets	296,959	(18,652)
Prepayments for deposit on equipment	(143,822)	-
Net cash used in investing activities	<u>(1,883,751)</u>	<u>(2,478,657)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to non-controlling interest	-	(4,414,820)
Decrease (Increased) in restricted cash	3,263,282	(12,950,836)
(Repayment) Proceeds from short-term notes	(8,158,204)	14,254,064
Proceeds from short-term bank loans	18,752,908	19,489,005
Repayment of short-term bank loans	(13,492,076)	(19,595,955)
Payment for capital lease	-	(3,152,185)
Repayment of related party loans	-	(24,970)
Net cash provided (used in) by financing activities	<u>365,910</u>	<u>(6,395,697)</u>
Effect of change in exchange rate	100,796	(643,036)
NET CHANGE IN CASH AND CASH EQUIVALENTS	35,240,670	12,835,001
Cash and cash equivalents, beginning of period	<u>25,130,302</u>	<u>66,888,954</u>
Cash and cash equivalents, end of period	<u>\$ 60,370,972</u>	<u>\$ 79,723,955</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 1,697,160	\$ 2,159,600
Cash paid for income taxes	\$ 1,648,425	\$ 2,455,086
SUPPLEMENTARY DISCLOSURE OF SIGNIFICANT NON-CASH TRANSACTION		
Transferred from other assets to property, plant and equipment and construction in process	\$ 6,928,619	\$ 1,325,819
Equipment acquired by capital lease	\$ -	\$ 21,014,564

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

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

1. Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position as of June 30, 2015 and the results of operations and cash flows for the periods ended June 30, 2015 and 2014. The financial data and other information disclosed in these notes to the interim financial statements related to these periods are unaudited. The results for the period ended June 30, 2015 are not necessarily indicative of the results to be expected for any subsequent periods or for the entire year ending December 31, 2015. The balance sheet at December 31, 2014 has been derived from the audited financial statements at that date.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the Securities and Exchange Commission's rules and regulations. These unaudited financial statements should be read in conjunction with our audited financial statements and notes thereto for the year ended December 31, 2014 as included in our Annual Report on Form 10-K.

2. Business Description and Significant Accounting Policies

The principal activities of SkyPeople Fruit Juice, Inc. (together with our direct or indirect subsidiaries, "we," "us," "our" or "the Company") consist of production and sales of fruit juice concentrates, fruit juice beverages, and other fruit-related products in the People's Republic of China ("PRC", or "China"), and overseas markets. All activities of the Company are principally conducted by subsidiaries operating in the PRC.

Organizational Structure

Please refer to "organizational structure" section of the Company's quarterly report on Form 10-Q for periods ended March 31, 2015.

Principles of Consolidation

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

The consolidated financial statements are prepared in accordance with U.S. GAAP. This basis differs from that used in the statutory accounts of SkyPeople (China) and its subsidiaries, which were prepared in accordance with the accounting principles and relevant financial regulations applicable to enterprises in the PRC. All necessary adjustments have been made to present the financial statements in accordance with U.S. GAAP.

Uses of estimates in the preparation of financial statements

The Company's condensed 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 condensed 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, 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.

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

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 \$936,414 and \$437,756 for three months ended June 30, 2015 and 2014, respectively; and \$1,893,067 and \$794,151 for the six months ended June 30, 2015 and 2014, respectively; are reported in the Consolidated Statements of Income and Comprehensive Income (Loss) as a component of selling expenses.

Leases

In January 2014, the Company entered into various five years equipment leasing agreements with Xinda Financial Leasing Co., Ltd. (“Xinda”). The total cost of equipment under this lease agreement is RMB129 million (approximately \$21 million). Estimated lease payment will be approximately RMB 8 million per quarter (approximately \$1.3 million). The Company has the right to purchase the equipment for \$161 at the end of the lease. The Company has classified the leases as capital leases in accordance with ASC 840 “Leases”. The Company also agreed to pay consulting fees of \$831,100 (RMB 5,160,000) for two-year consulting services and \$414,492 (RMB 2,580,000) services fees to Xinda, both of which were fully expensed in 2014.

Earnings per share

The diluted earnings per share calculation for the three and six months ended June 30, 2015 did not include the warrants to purchase up to 175,000 shares of common stock, because their effect was anti-dilutive. Such warrants expired during fiscal 2014.

3. Inventories

Inventories by major categories are summarized as follows:

	June 30, 2015	December 31, 2014
Raw materials and packaging	\$ 2,178,014	\$ 1,249,599
Finished goods	2,306,875	2,869,031
Inventories	\$ 4,484,889	\$ 4,118,630

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

4. Related Party Transaction

Sales to related party

The company's subsidiary sold fruit beverages to a related entity, Shaanxi Fullmart Convenient Chain Supermarket Co., Ltd. ("Fullmart") for approximately \$790,500 and \$1,350,000 for the six months ended June 30, 2015 and 2014, respectively. The accounts receivable balances were approximately \$548,900 and \$1,546,000 as of June 30, 2015 and December 31, 2014, respectively. Fullmart is a company indirectly owned by our Chairman and Chief Executive Officer, Mr. Yongke Xue.

Long-term loan – related party

On February 18, 2013, SkyPeople (China) entered into a loan agreement with SkyPeople International Holdings Group Limited (the "Lender"). The Lender indirectly holds 50.2% interest in the Company. Mr. Yongke Xue ("Y. K. Xue"), the Chairman of the board of directors of the Company (the "Board") and also the Chief Executive Officer, and Mr. Hongke Xue, director of the Board, indirectly and beneficially own 80.0% and 9.4% of equity interest in the Lender, respectively. Pursuant to the Agreement, the Lender agreed to extend to the Company a one-year unsecured term loan with a principal amount of \$8.0 million at an interest rate of 6% per annum. During 2013, the Company received \$8.0 million from the Lender. In February 2014, both parties extended this loan for another two years under the original terms of the agreement.

The Company recorded interest expense in connection with these related party loans of approximately \$120,000 for three months ended June 30, 2015 and 2014, respectively; and approximately \$240,000 for the six months ended June 30, 2015 and 2014, respectively.

5. Concentrations

(1) Concentration of customers

Sales to five largest customers accounted for approximately 29% and 19% of our net sales during the six months ended June 30, 2015 and 2014, respectively. There was no single customer represented over 10% of total sales for the six months ended June 30, 2015 and 2014, respectively.

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

Sales to our five largest customers accounted for approximately 27% and 19% of our net sales during the three months ended June 30, 2015 and 2014, respectively. There was no single customer representing 10% of total sale for the three months ended June 30, 2015 and 2014, respectively.

(2) Concentration of suppliers

Two suppliers accounted for 13% and 11% of our purchase for six months ended June 30, 2015, no other single supplier accounted for over 10% of our purchase. During six months ended June 30, 2014, three suppliers accounted for 18%, 15% and 10% of our purchases. There was no other single supplier representing 10% of purchase during both periods.

During the three months ended June 30, 2015, two suppliers accounted for 13% and 11% of our purchases. During the three months ended June 30, 2014, three suppliers accounted for 18%, 13% and 13% of our purchases. There was no other single supplier representing 10% of purchase during both periods.

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

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.

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

For the Three Months Ended June 30, 2015

(Dollars in 000's)

	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	\$ 63	\$ 41	\$ 988	\$ 28,424	\$ -	1	\$ 29,517
Inter-segment revenue	(13)	-	-	(17,339)	-	-	(17,352)
Revenue from external customers	50	41	988	11,085	-	1	12,165
Segment gross profit	\$ -	\$ 11	\$ 324	\$ 4,797	\$ -	1	\$ 5,111

For the Three Months Ended June 30, 2014

(Dollars in 000's)

	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	\$ 773	\$ 5	\$ 246	\$ 11,079	\$ -	20	\$ 12,123
Inter-segment revenue	-	-	(56)	(88)	-	-	(144)
Revenue from external customers	773	5	190	10,991	-	20	11,979
Segment gross profit	\$ 153	\$ 1	\$ 90	\$ 4,302	\$ -	8	\$ 4,554

For the Six Months Ended June 30, 2015

(Dollars in 000's)

	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	\$ 88	\$ 3,603	\$ 5,752	\$ 50,455	\$ -	1	\$ 59,899
Inter-segment revenue	(13)	(1,674)	(101)	(29,375)	-	-	(31,163)
Revenue from external customers	75	1,929	5,651	21,080	-	1	28,736
Segment gross profit	\$ 8	\$ 675	\$ 2,210	\$ 9,376	\$ -	1	\$ 12,270

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

For the Six Months Ended June 30, 2014
(Dollars in 000's)

	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	\$ 1,535	\$ 1,861	\$ 2,481	\$ 18,567	\$ 5	83	\$ 24,532
Inter-segment revenue	(488)	(22)	(78)	(136)	(1)	(45)	(770)
Revenue from external customers	1,047	1,839	2,403	18,431	4	38	23,762
Segment gross profit	\$ 81	\$ 754	\$ 666	\$ 6,719	\$ 4	2	\$ 8,226

The following table reconciles reportable segment profit to the Company's condensed consolidated income before income tax provision for the six months ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Segment profit	\$ 12,270,091	\$ 8,225,585
Unallocated amounts:		
Operating expenses	(5,582,008)	(4,438,440)
Other expenses	(1,194,947)	(2,662,060)
Income before tax provision	\$ 5,493,136	\$ 1,125,085

7. Subsequent Events

On August 11, 2015, the People Bank of China, which is acting as the central bank of China made the Announcement on Improving Quotation of the Central Parity of RMB against US Dollar, pursuant to which, "Effective from 11 August 2015, the quotes of central parity that market makers report to the CFETS daily before market opens should refer to the closing rate of the inter-bank foreign exchange market on the previous day, in conjunction with demand and supply condition in the foreign exchange market and exchange rate movement of the major currencies."

As a result of the announcement, the Chinese currency ("Yuan") weakened from RMB6.2097 to USD1 to RMB6.3080 to USD1.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

DISCLAIMER REGARDING FORWARD-LOOKING STATEMENTS

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

Overview of Our Business

We are engaged in the production and sales of fruit juice concentrates (including fruit purees, concentrated fruit purees and concentrated fruit juices), fruit beverages (including fruit juice beverages and fruit cider beverages), and other fruit related products (including organic and non-organic fresh fruits) in and from the PRC. Our fruit juice concentrates, which include apple, pear and kiwifruit concentrates, are sold to domestic customers and exported directly or via distributors. We sell our Hedetang branded bottled fruit beverages domestically primarily to supermarkets in the PRC. For the three months ended June 30, 2015, sales of our fruit concentrates, fruit beverages, fresh fruits and other fruit related products represented 9%, 91% and 0% of our revenue, respectively, compared to 8%, 92% and 0%, respectively, for the same period of 2014.

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

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

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

We believe that continuous investment in research and development is a key component to being a leader in fruit juice concentrate and fruit beverage quality. As of June 30, 2015, we are in the process of building up an internal research and development team; we will use external experts and research institutions for additional consultation when necessary. During the three months ended June 30, 2015 and 2014, our research and development expenses were \$nil.

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

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

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

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

Capital Investment Projects

Investment/Service Agreement with Yidu Municipal People's Government

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

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

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

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

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

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

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

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

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

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

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

As of the date of this report, the Company is in the process of building up facilities and purchasing equipment, it is expected that trial production will begin in the second half of 2015.

Suizhong Project

On July 15, 2011, SkyPeople entered into a Letter of Intent with the People's Government of Suizhong County, Liaoning Province, to establish a fruit and vegetable industry chain and further processing demonstration zone in Suizhong County, Liaoning Province (the "Suizhong project").

The Suizhong project may include one or more of the following: the construction and operation of fruit juice production lines, vegetable and fruit flash freeze facility, refrigeration storage facility and warehouse, a world class food safety testing center, fruit and vegetable modern supply chain and e-commerce platform, fruit and vegetable finished products processing center and exhibition center, etc. The implementation of the project is subject to government approval of the project.

The Company has made partial payment to acquire land use right from the local government, purchase equipment and build facilities. The Company is in the process of building up facilities and purchasing equipment. As of date of this report, the Company has finished building office building, dormitory, refrigeration storage facility and warehouse.

Results of Operations

Comparison of Three Months ended June 30, 2015 and 2014:

Revenue

The following table presents our consolidated revenues for each of our main products for the three months ended June 30, 2015 and 2014, respectively (dollars in thousands):

	Three month ended		Change	
	June 30,		Amount	%
	2015	2014		
Concentrated apple juice and apple aroma	\$ 50	\$ 773	\$ (723)	(94%)
Concentrated kiwifruit juice and kiwifruit puree	42	5	37	740%
Concentrated pear juice	988	190	798	420%
Fruit juice beverages	11,085	10,991	94	1%
Others	-	20	(20)	(100%)
Total	\$ 12,165	\$ 11,979	\$ 186	2%

The increase in gross revenue for the three months ended June 30, 2015 was primarily due to increased sales of all of our product lines except decreased revenue from concentrated apple juice and apple aroma and other fruit related products.

Sales from apple related products decreased for the three months ended June 30, 2015, as the Company sold approximately 11 tons of concentrated apple juice versus 480 tons of concentrated apple juice sold in the same period of 2014. Such decrease was partially offset by increase in unit price of concentrated apple juice. During the second quarter of 2015, due to reduced market demands revenue generated from this segment were lower than that of the same period of previous year, however the unit price of concentrated apple juice increased.

Sales from concentrated kiwifruit juice and kiwifruit puree increased during the second quarter of 2015 as compared to net sales of kiwi-related product line in the same quarter of 2014, primarily as a result of the increased unit selling prices and increase in amount of products sold in second quarter of 2015 as compare to same period of 2014. During the three months ended June 30, 2015 and 2014, the Company sold approximately 9 and 2.7 tons of kiwi-related products, respectively.

Sales of concentrated pear juice increased in the second quarter of 2015 as we sold 578 and 100 tons of concentrated pear juice during second quarter of 2015 and 2014. However the increase in amount of concentrated pear juice sold was partially offset by the decrease in unit selling price.

Sales from our fruit juice beverages increased for the second quarter of 2015, primarily due to bigger market share gained from our continuous efforts of expanding sales channel.

Gross Margin

The following table presents the consolidated gross profit of each of our main products and the consolidated gross profit margin, which is gross profit as a percentage of the related revenues, for the three months ended June 30, 2015 and 2014, respectively (dollars in thousands):

	Three months ended June 30,			
	2015		2014	
	Gross profit	Gross margin	Gross profit	Gross margin
Concentrated apple juice and apple aroma	\$ -	-	\$ 153	20%
Concentrated kiwifruit juice and kiwifruit puree	(10)	(27%)	1	20%
Concentrated pear juice	324	33%	90	47%
Fruit juice beverages	4,797	43%	4,302	39%
Others	-	-	8	40%
Total/Overall (for gross margin)	\$ 5,111	42%	\$ 4,554	38%

The consolidated gross profit for the three months ended June 30, 2015 was \$5.1 million, an increase of \$0.5 million, or 11%, from \$4.6 million for the same period of 2014, primarily due to increase of profit margin of all of our products except kiwi-related products segment. The consolidated gross profit margin for the second quarter of 2015 and 2014 were 42% and 38%, respectively.

The Company did not generate gross profit from sales of concentrated apple juice and apple aroma during the second quarter of 2015. Comparably, during the same period of 2014, the Company generated approximately \$153,000 during the same period of 2014, representing gross profit margin of 20%.

The gross profit margin of the concentrated kiwifruit juice and kiwifruit puree decreased from 20% for the three months ended June 30, 2014 to gross loss margin of 27% for the same period of 2015, primarily due to higher cost of fresh kiwi purchased in the last squeezing season, which caused higher cost of concentrated kiwifruit juice and kiwifruit puree sold during the current period as compared to the cost of concentrated kiwifruit juice and kiwifruit puree sold in the same period of 2014.

The gross profit margin of the concentrated pear juice decreased from 47% to 33% for second quarter of 2014 to 2015, primarily due to higher cost of concentrated pear juice sold during current quarter than those of same period previous year.

The gross profit margin of our fruit juice beverages increased from 39% for the three months ended June 30, 2014, to 43% for the same period of 2015. The increase of gross margin of fruit juice beverages was primarily due to higher unit selling price in the second quarter of 2015 as compared to same period of 2014.

Operating Expenses

The following table presents our consolidated operating expenses and operating expenses as a percentage of revenue for the three months ended June 30, 2015 and 2014, respectively:

	Second quarter of 2015		Second quarter of 2014	
	Amount	% of revenue	Amount	% of revenue
General and administrative	\$ 273,646	2%	\$ 995,830	8%
Selling expenses	1,271,227	11%	1,384,991	12%
Total operating expenses	<u>\$ 1,544,873</u>	<u>13%</u>	<u>\$ 2,380,821</u>	<u>20%</u>

Operating expenses decreased for the three months ended June 30, 2015 compared to the corresponding period in 2014.

During the second quarter of 2015, the Company executed stronger control over accounts receivables. Since the outstanding balance of account receivables decreased as compared with that of the year end, based on management's estimation of collectability of account receivables, the Company reduced bad debt provisions from \$837,200, as of the year end to \$34,002, as of the end of the second quarter. As a result, general and administrative expenses for the second quarter of 2015 was significantly lower than that of the first quarter, when the Company accrued \$1,452,096 of bad debt provisions. Selling expenses decreased slightly for the three months ended June 30, 2015.

Other Income (Expense), Net

Other expense for the quarter ended June 30, 2015 and 2014 was \$318,191 and \$1,914,105, respectively. The reduction of other income was mainly due to reduced amount of interest expense. Interest expense decreased from \$1,749,783 to \$598,090, representing a decrease of \$1,151,693, or 66%. The reduction of interest expense resulted from lower amount of expenses relating to financial leasing. The People's Bank of China lowered bench mark interest rate on November 22, 2014. All financial institutions therefore adjusted their lending rates accordingly. The Company received notification of reducing interests in connection with financial leasing obligations in 2015.

The average balances on interest bearing liabilities were \$58 million in the second quarter of 2015 compared to \$59 million for the same quarter in 2014. The lower balances did not significantly impact the overall interest expense as the volume had very little impact on the decrease in interest expense. The primary decrease in interest expense relates to lower interest rates.

The People's Bank of China lowered bench mark interest rate on November 22, 2014. All financial institutions therefore adjusted their lending rates accordingly. The Company received notification of reducing interests in connection with financial leasing obligations in 2015.

Interest income decreased slightly from \$238,212 to \$230,473, representing a decrease of \$7,739 during the current period.

Income Tax

Our provision for income taxes increased for the three months ended June 30, 2015 versus same period of 2014, due to higher income before taxes in the second quarter of 2015. Our consolidated income tax rates were 26% for both the three months ended June 30, 2015 and 2014.

Noncontrolling Interests

As of June 30, 2015, SkyPeople (China) held a 91.15% interest in Shaanxi Qiyiwangguo and Pacific held a 99.78% interest in SkyPeople (China). Net income attributable to noncontrolling interests increased mainly due to the increase in the net income generated from Shaanxi Qiyiwangguo.

Net Income Attributable to SkyPeople Fruit Juice, Inc.

Net Income Attributable to SkyPeople Fruit Juice, Inc. for the three months ended June 30, 2015 and 2014 was \$2,089,248 and \$48,868, respectively; representing an increase of \$2,040,380, or 4175% for the reasons discussed above.

Comparison of Six Months ended June 30, 2015 and 2014:

Revenue

The following table presents our consolidated revenues for each of our main products for the six months ended June 30, 2015 and 2014, respectively (Dollars in thousands):

	Three month ended		Change	
	2015	2014	Amount	%
Concentrated apple juice and apple aroma	\$ 75	\$ 1,047	\$ (972)	(93%)
Concentrated kiwifruit juice and kiwifruit puree	1,929	1,839	90	5%
Concentrated pear juice	5,651	2,403	3,248	135%
Fruit juice beverages	21,080	18,431	2,649	14%
Others	1	38	(37)	(97%)
Total	\$ 28,736	\$ 23,762	\$ 4,974	

The increase in gross revenue for the six months ended June 30, 2015 and 2014 was primarily due to increased sales of all of our product lines except decreased revenue from concentrated apple juice and apple aroma and other fruit related products.

Sales from apple related products decreased for the six months ended June 30, 2015. The Company sold approximately 33 tons of concentrated apple juice versus 691 tons of concentrated apple juice sold in the same period of 2014. Such decrease was coupled with a decrease in unit price of concentrated apple juice. During the first half of 2015, due to reduced market demands revenue generated from this segment were lower than that of the same period of previous year, however unit selling price of concentrated apple juice increased during the first half of 2015 as compare with that of 2014.

Sales from concentrated kiwifruit juice and kiwifruit puree increased during the first half of 2015 as compared to net sales of kiwi-related product line in the same quarter of 2014, primarily as a result of the increased selling prices, which was partially offset by the decrease in amount of products sold in second quarter of 2015 as compare to same period of 2014. During the three months ended June 30, 2015 and 2014, the Company sold approximately 1,359 and 1,567 tons of kiwi-related products, respectively.

Sales of concentrated pear juice increased in the first half of 2015 as we sold 4,412 and 1,619 tons of concentrated pear juice during first half of 2015 and 2014. However the increase in amount of concentrated pear juice sold was partially offset by the decrease in unit selling price.

Sales from our fruit juice beverages increased for the first half of 2015, primarily due to bigger market share gained from our continuous efforts of expanding sales channel.

Gross Margin

The following table presents the consolidated gross profit of each of our main products and the consolidated gross profit margin, which is gross profit as a percentage of the related revenues, for the six months ended June 30, 2015 and 2014, respectively (Dollars in thousands):

	Six Months Ended June 30,			
	2015		2014	
	Gross profit	Gross margin	Gross profit	Gross margin
Concentrated apple juice and apple aroma	\$ 8	11%	\$ 81	8%
Concentrated kiwifruit juice and kiwifruit puree	675	35%	754	41%
Concentrated pear juice	2,210	39%	666	28%
Fruit juice beverages	9,376	44%	6,719	36%
Others	1	-	6	8%
Total/Overall (for gross margin)	<u>\$ 12,270</u>	<u>43%</u>	<u>\$ 8,226</u>	<u>35%</u>

The consolidated gross profit for the six months ended June 30, 2015 was \$12.3 million, an increase of \$4.1 million, or 50%, from \$8.2 million for the same period of 2014, primarily due to increase of profit margin of all of our products. The consolidated gross profit margin for the second quarter of 2015 and 2014 were 43% and 35%, respectively.

The Company generated gross profit \$8,000 from sales of concentrated apple juice and apple aroma during the first half of 2015. Comparably, during the same period of 2014, the Company generated approximately \$81,000 during the same period of 2014, representing gross profit margin of 8%.

The gross profit margin of the concentrated kiwifruit juice and kiwifruit puree decreased from 41% for the six months ended June 30, 2014 to 35% for the same period of 2015, primarily due to higher cost of fresh kiwi purchased in the last squeezing season, which caused higher cost of concentrated kiwifruit juice and kiwifruit puree sold during the current period as compared to the cost of concentrated kiwifruit juice and kiwifruit puree sold in the same period of 2014.

The gross profit margin of the concentrated pear juice increased from 28% to 39% for first half of 2014 to 2015, primarily due to higher cost of concentrated pear juice sold during current quarter than those of same period previous year.

The gross profit margin of our fruit juice beverages increased from 36% for the six months ended June 30, 2014, to 44% for the same period of 2015. The increase of gross margin of fruit juice beverages was primarily due to higher unit selling price in the second quarter of 2015 as compared to same period of 2014.

Operating Expenses

The following table presents our consolidated operating expenses and operating expenses as a percentage of revenue for the six months ended June 30, 2015 and 2014, respectively:

	First half of 2015		First half of 2014	
	Amount	% of revenue	Amount	% of revenue
General and administrative	\$ 3,258,128	11%	\$ 2,188,951	9%
Selling expenses	2,323,881	8%	2,249,489	10%
Total operating expenses	<u>\$ 5,582,009</u>	<u>19%</u>	<u>\$ 4,438,440</u>	<u>19%</u>

Operating expenses increased for the six months ended June 30, 2015 compared to the corresponding period in 2014.

During the second quarter of 2015, the Company executed stronger control over accounts receivables. Since the outstanding balance of account receivables decreased as compared with that of the year end, based on management's estimation of collectability of account receivables, the Company reduced bad debt provisions from \$837,200, as of the year end to \$34,002, as of the end of the second quarter. As a result, general and administrative expenses for the second quarter of 2015 were significantly lower than that of the first quarter, when the Company accrued \$1,452,096 of bad debt provisions.

Selling expenses increased slightly for the six months ended June 30, 2015.

Other Income (Expense), Net

Other expense for the first half of 2015 and 2014 were \$1,194,947 and \$2,662,060, respectively. The reduction of other income was mainly due to reduced amount of interest expenses. Interest expense decreased from \$2,562,204 to \$1,697,160, representing a decrease of \$865,044, or 34%. The reduction of interest expense resulted from lower amount of expenses relating to financial leasing. The People's Bank of China lowered bench mark interest rate on November 22, 2014. All financial institutions therefore adjusted their lending rates accordingly. The Company received notification of reducing interests in connection with financial leasing obligations in 2015.

The average balances on interest bearing liabilities were \$61 million and \$59 million in the first half of 2015 and 2014, respectively. The lower balances did not significantly impact the overall interest expense as the volume had very little impact on the decrease in interest expense. The primary decrease in interest expense relates to lower interest rates.

The People's Bank of China lowered bench mark interest rate on November 22, 2014. All financial institutions therefore adjusted their lending rates accordingly. The Company received notification of reducing interests in connection with financial leasing obligations in 2015.

Interest income decreased slightly from \$311,873 to \$264,026, representing a decrease of \$47,847 during the current period.

Income Tax

Our provision for income taxes increased for the six months ended June 30, 2015 versus same period of 2014, due to higher income before taxes in the second quarter of 2015. Our consolidated income tax rates were 26% for both the three months ended June 30, 2015 and 2014.

Noncontrolling Interests

As of June 30, 2015, SkyPeople (China) held a 91.15% interest in Shaanxi Qiyiwangguo and Pacific held a 99.78% interest in SkyPeople (China). Net income attributable to noncontrolling interests increased mainly due to the increase in the net income generated from Shaanxi Qiyiwangguo.

Net Income Attributable to SkyPeople Fruit Juice, Inc.

Net Income Attributable to SkyPeople Fruit Juice, Inc. for the six months ended June 30, 2015 and 2014 were \$3,588,858 and \$552,540, respectively; representing an increase of \$3,036,318, or 550% for the reasons discussed above.

Liquidity and Capital Resources

As of June 30, 2015, we had cash, cash equivalents and restricted cash of \$63,642,367, an increase of \$31,975,049 from \$31,667,318 as of December 31, 2014. We expect the projected cash flows from operation, anticipated cash receipts, cash on hand, and trade credit to provide necessary capital to meet our projected operating cash requirements at least for the next 12 months, which does not take into account any potential expenditures related to the potential expansion of our current production capacity.

Our working capital has historically been generated from our operating cash flows, advances from our customers and loans from bank facilities. Our working capital was \$40,054,228 as of June 30, 2015, an increase of \$5,204,427 from working capital of \$34,849,801 as of December 31, 2014. During the first half of 2015, our operating activities generated net cash inflow of \$36,686,532, an increase of \$14,334,141 or 64% from \$22,352,391, net cash inflow from operating activities of same period of 2014.

During the six months ended June 30, 2015 and 2014, our investing activities used net cash of \$1,883,751 and 2,478,657, respectively. During first half of 2015 and 2014, net cash used in investing activities included \$2,036,888 and \$9,966,212 of additions to property, plant and equipment.

During the six months ended June 30, 2015 and 2014, our financing activities used net cash inflow of \$365,910; during the same period of 2014, financing activities incurred net cash outflow of \$6,395,697.

On February 18, 2013, SkyPeople (China) entered into a loan agreement with SkyPeople International Holdings Group Limited (the "Lender"). The Lender indirectly holds 50.2% interest in the Company. Mr. Yongke Xue ("Y. K. Xue"), the Chairman of the board of directors and Chief Executive Officer of the Company (the "Board"), and Mr. Hongke Xue, director of the Board, indirectly and beneficially own 80.0% and 9.4% of equity interest in the Lender, respectively. Pursuant to the Agreement, the Lender agrees to extend to the Company a one-year unsecured term loan with a principal amount of \$8.0 million at an interest rate of 6% per annum. During 2013, the Company received \$8.0 million from the Lender. The maturity date on this loan was extended to February 17, 2016.

Off-balance sheet arrangements

As of June 30, 2015, we did not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

An evaluation was carried out by the Company's Chief Executive Officer and Chief Financial Officer of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of June 30, 2015, the end of the period covered by this Quarterly Report on Form 10-Q. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2015, and as of the date that the evaluation of the effectiveness of our disclosure controls and procedures were completed, our disclosure controls and procedures were effective in providing reasonable assurance of achieving their objectives for the three months ended June 30, 2015.

Changes in Internal Controls Over Financial Reporting

There have been no changes to the Company's internal control over financial reporting during the three months ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Not applicable.

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

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosure

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

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

* filed herewith

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

SIGNATURES

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

SKYPEOPLE FRUIT JUICE, INC.By: /s/ **YONGKE XUE**

Yongke Xue
Chief Executive Officer
(Principal Executive Officer)
August 14, 2015

By: /s/ **XIN MA**

Xin Ma
Chief Financial Officer
(Principal Financial and Accounting Officer)
August 14, 2015