



23F, China Development Bank Tower  
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## **SkyPeople Fruit Juice Reports Record Results for the Fourth Quarter and Full Year 2009**

XI'AN, China, March 31 /PRNewswire-Asia-FirstCall/ -- SkyPeople Fruit Juice, Inc. (NYSE:SPU) ("SkyPeople" or "the Company"), a processor and manufacturer of kiwifruit, apple, and pear fruit juice concentrates for sale in international and domestic markets, and a distributor of fresh kiwifruits and manufacturer of Hedetang(R)-branded fruit beverages for sale in domestic markets, today announced record financial results for its fourth quarter and fiscal year ended December 31, 2009.

### **Fourth Quarter 2009 Highlights**

- Revenue was \$35.8 million, up 86.5% from \$19.2 million for the quarter ended December 31, 2008.
- Gross profit was \$16.7 million, up 63.7% from \$10.2 million for the previous year.
- Operating income was \$15.1 million, up 84.1% from \$8.2 million for the previous year.
- GAAP net income was \$10.8 million, up 77.0% from \$6.1 million for 2008, with EPS of \$0.59 based on 18.6 million fully diluted shares.
- Non-GAAP\*, adjusted net income was \$10.2 million, up 67.2% from \$6.1 million for 2008, with EPS of \$0.58 based on 18.7 million fully diluted shares.

### **Full Year 2009 Highlights**

- Revenue was \$59.2 million, up 42.3% from 2008.
- Kiwifruit concentrates increased 55.3% YOY while the company's branded Hedetang(R) fruit beverages increased 87.3% to \$10.0 million.
- Operating income was \$20.9 million, up 60.3% from 2008 with operating margins of 35.3% versus 31.5%.
- GAAP net income was \$15.8 million, up 57.9% from 2008, with diluted EPS of \$0.85 on 18.7 million diluted shares.
- Non-GAAP\* net income was \$15.2 million, up 51.7% from 2008, with diluted EPS of \$0.84 on 18.7 million diluted shares.

\*Adjusted net income and EPS in Q4 2009 and Fiscal Year 2009 are non-GAAP calculations and includes other expense of \$615,417 of non-cash, change in fair value of warrant liability related to the approximately 1,228,333 warrants outstanding as of December 31, 2009. For more information about the non-GAAP financial measures contained in this press release, please see "About Non-GAAP Financial Measures" below.

"Driven primarily by sales of our higher margin kiwifruit concentrates and Hedetang(R) fruit beverages, we are pleased to report 2009 financial results of \$59.2 million in revenues



and \$15.2 million in earnings met our guidance of \$58 to \$60 million in revenues and \$15.0 to \$16.0 million in net income," began Mr. Yongku Xue, Chairman and CEO of SkyPeople. "The fourth quarter of 2009 was the largest quarter in our Company's history and produced revenues anticipated from our added capacity and accurate customer forecasting. Our decision to focus on domestic sales of our concentrates and branded juices helped us weather the downturn in the export markets during 2009 and confirmed demand for our products in China. As export markets continue to rebound, we are encouraged by the momentum, however remain focused on strategies and plans to increase sales of concentrates and Hedetang(R) juices in China," Chairman Xue stated.

#### **Fourth Quarter 2009 Results**

Total revenue for the fourth quarter ended December 31, 2009 was \$35.8 million, up 86.5% from \$19.2 million for the quarter ended December 31, 2008. The strong increase in revenues was directly attributable to the increase in price of fruit juice concentrates in the market and the increase in production volume. SkyPeople did not reach full production capacity in 2008 because of the negative effects from the worldwide economic crisis. However, as the world economy began recovery, the price and demand of fruit juice concentrates increased in 2009. The fourth quarter represented a significant portion of SkyPeople's yearly revenues as the Company entered its harvest season of July to April of any year. Adding to the Company's revenues in the fourth quarter were sales of its Tianren Kiwifruit, which witnessed record orders late in the fourth quarter as China prepared for the Chinese New Year.

Gross profit was \$16.7 million in 2009, a 63.7% increase from \$10.2 million in 2008. Overall gross profit margin was 46.6% for the fourth quarter compared to 53.3% for the fourth quarter in 2008. The decrease in gross margin for the quarter was primarily attributable to a decrease in the gross margin of fresh kiwifruit, which decreased to 49.2% for 2009 compared to 64.4% for 2008 as a result of an increase in the price paid for higher quality fruit that was sold in the domestic PRC market.

Operating income totaled \$15.1 million in 2009, an increase of 84.1% from \$8.2 million in the previous fiscal year. The Company's operating margin was 42.2% compared to 42.5% in the prior year.

GAAP net income for the fourth quarter ended December 31, 2009 was \$10.8 million versus \$6.1 million in the fourth quarter of 2008, an increase of 77.0%. Earnings per share were \$0.59 per diluted share in the quarter, compared to \$0.36 per diluted share in the fourth quarter of 2008. The Company reported 18.7 million diluted shares outstanding for 2009, compared to 17.9 million shares in 2008. Non-GAAP net income for the fourth quarter ended December 31, 2009 was \$10.2 million versus \$6.1 million in the fourth quarter of 2008, an increase of 67.2%. Earnings per share were \$0.58 per diluted share in the quarter, compared to \$0.36 per diluted share in the fourth quarter of 2008.



## Full Year 2009 Results

Total revenue for fiscal year 2009 was \$59.2 million, up 42.3% from \$41.6 million for the year ended December 31, 2008. Sales of the Company's kiwifruit juice concentrates increased 55.3% year over year. Also contributing to growth in revenues were sales of fresh kiwifruit, packaged and sold under the Company's SkyPeople Juice Group brand, to domestic supermarket chains and distributors throughout China.

Due to the effects of the global recession in 2009, reduced demand from the Company's network of 133 international distributors for fruit juice concentrates (SkyPeople's primary exports) resulted in a year-over-year decrease in exports of 20.0%. Exports represented 21.7% of total sales in 2009, down from 33.9% in 2008. Anticipating a downturn in export sales and as part of its overall long-term growth plan, SkyPeople management focused its product development, marketing, and sales efforts on higher-margin domestic sales of its concentrates and juice beverages. In the first quarter of 2009, SkyPeople launched its Hedetang(R) brand of cider beverages and continued to market its Hedetang(R) juices it launched in 2008. SkyPeople manufactures a total of four products under the Hedetang(R) brand which include pure kiwifruit juice, pure mulberry juice, kiwifruit cider beverage and mulberry cider beverage. Domestic sales of Hedetang(R) products increased 87.3% to \$10.0 million in 2009 year over year, and accounted for 16.8% of 2009 revenues compared to 12.8% of 2008 revenues. Sales of kiwifruit seedless concentrates also increased in 2009 as domestic customers favored the quality of SkyPeople's products over competitors.

Gross profit was \$25.4 million in 2009, a 41.1% increase from \$18.0 million in 2008. Gross profits were driven by the Company's sales of its highest margin product lines which include kiwifruit concentrates (47.3% gross margin), fresh kiwifruit (49.2% gross margin), Hedetang(R) pure fruit juices (28.0% gross margin) and Hedetang(R) fruit cider beverages (48.6% gross margin). Overall gross profit margin was 42.8% for the year compared to 43.3% in 2008.

Operating income totaled \$20.9 million in 2009, a 59.5% increase from \$13.1 million in the previous fiscal year. The Company's operating margin was 35.3% compared to 31.5% in the prior year. The increase in operating income margin was caused by prudent management of expenses including sales, general, and administration ("SG&A") costs. SG&A costs were \$4.5 million in 2009 versus \$5.0 million in 2008. The reasons for the decrease in expense were attributable to depreciation expenses and reduced transportation costs in 2009.

GAAP net income for the 2009 year was \$15.8 million, a 58.0% increase from \$10.0 million for 2008. Net margin was 26.7% in 2009 and 24.0% in 2008. Earnings per share were \$0.85 per diluted share in 2009, compared to \$0.56 per diluted share in 2008. The Company reported 18.7 million diluted shares outstanding for 2009, compared to 17.9 million shares in 2008. Non-GAAP net income for the 2009 year was \$15.2 million, a 52.0% increase



from \$10.0 million for 2008. Net margin was 25.6% in 2009 and 24.0% in 2008. Earnings per share were \$0.84 per diluted share in 2009, compared to \$0.56 per diluted share in 2008.

### **Financial Condition**

As of December 31, 2009, the Company had \$14.4 million in cash. Working capital was \$32.4 million, up from \$13.4 million as of December 31, 2008, with a current ratio of 3.0 based on GAAP numbers. Working capital was \$29.0 million, up from \$13.4 million as of December 31, 2008, with a current ratio of 2.5 based on non-GAAP numbers. Accounts receivable were \$27.4 million, compared to \$11.6 million as of December 31, 2008, which was attributable to increased sales volume during the year. Accounts receivable turnover in days for fiscal year 2009 was 120 days compared to 85 days in 2008. During the Company's peak selling season, the July through April harvesting season, receivables increased along with increased revenues. The Company's standard sales terms are 30 to 90 days. Current liabilities were \$16.1 million compared to \$16.7 million as of December 31, 2008 based on GAAP numbers. Current liabilities were \$19.5 million compared to \$16.7 million as of December 31, 2008 based on non-GAAP numbers. Shareholder's equity was \$67.6 million, a 58.7% increase from \$42.6 million as of December 31, 2008 based on GAAP numbers. Shareholder's equity was \$64.2 million, a 50.7% increase from \$42.6 million as of December 31, 2008 based on non-GAAP numbers. The Company had \$5.4 million in short term loans as of December 31, 2009.

### **Recent Highlights and 2010 Guidance**

In the fourth quarter of 2009, the investors of SkyPeople exercised 3.1 million warrants which yielded \$7.9 million in gross proceeds for the Company. Proceeds were used to close on the acquisition of the Yingkou Trusty Fruits Co., Ltd., which produces apple concentrate, and add a pear concentrate production line in the current facility, thus increasing the overall capacity of SkyPeople's production facilities to 50,000 tons in 2010 from 30,000 tons.

In January of 2010, SkyPeople engaged a distributor of Hedetang(R) juices and ciders in Beijing and forecasted \$7.0 million in sales from the new distribution partner. Previously, SkyPeople was marketing its products primarily in the Shaanxi Province and in close proximity to the Company's headquarters in Xi'an.

On January 19th, SkyPeople supported its sales and marketing strategies for the Hedetang(R) fruit juice and cider product lines by providing 2010 revenue guidance of \$92.0 to \$102.0 million, and net income guidance of \$19.0 to \$21.0 million. Growth is expected to be driven by enhanced distribution of its high-margin Hedetang(R) juices, leveraging its capacity expansion during its 2010 harvest seasons and increased orders from domestic and international customers of concentrates in China and from international markets as they continue to rebound.



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

SkyPeople Fruit Juice, Inc., a Florida company, through its wholly-owned subsidiary Pacific Industry Holding Group Co., Ltd., a Vanuatu company, holds 99% ownership interest in Shaanxi Tianren Organic Food Co., Ltd. ("Shaanxi Tianren"). Shaanxi Tianren is a company organized according to the laws of the People's Republic of China. Shaanxi Tianren's main products are concentrated apple, kiwifruit, pear and other fruit juices for domestic and international consumers. Its brand, Hedetang(R), is positioned as a high quality, healthy and nutritious juice concentrate and clear juice product used both as an ingredient component in other products and an end-use juice concentrate product. Shaanxi Tianren utilizes the largest kiwifruit plantation in China and is a leading producer of concentrated kiwifruit juice in Asia. For more information, please visit <http://www.skypeoplefruitjuice.com> .

### **Forward-Looking Statements**

This press release contains certain "forward-looking statements" that involve a number of risks and uncertainties. There can be no assurance that such statements will prove to be accurate and the actual results and future events could differ materially from management's current expectations. Such factors include, but are not limited to, the Company's ability to obtain the necessary financing to continue and expand operations, to market its products in new markets and to offer products at competitive pricing, to attract and retain management, and to integrate and maintain technical information and management information systems, political and economic factors in the People's Republic of China, compliance requirement of laws and regulations of the PRC, the effects of currency policies and fluctuations, general economic conditions and other factors detailed from time to time in the Company's filings with the United States Securities and Exchange Commission and other regulatory authorities. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **About Non-GAAP Financial Measures**

To supplement our consolidated financial statements, which statements are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: non-GAAP net income, and non-GAAP EPS. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. We use these non-GAAP financial measures for financial and operational decision making and as a means to evaluate period-to-period comparisons. Our management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain expenses and expenditures that may not be indicative of our "recurring core business operating results," meaning our operating performance excluding not only non-cash charges, such as stock-based compensation, but also discrete cash charges that are infrequent in nature. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. These non-GAAP financial measures also



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facilitate management's internal comparisons to our historical performance and liquidity as well as comparisons to our competitors' operating results. We believe these non-GAAP financial measures are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision making and (2) they are used by our institutional investors and the analyst community to help them analyze the health of our business.

**For more information, please contact:**

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

	December 31, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$14,404,500	\$15,274,171
Accounts receivable, net of allowance	27,398,821	11,610,506
Other receivables	222,932	297,394
Inventories	4,925,625	1,844,397
Advances to suppliers and other current assets	1,536,042	1,087,076
Total current assets	48,487,920	30,113,544
PROPERTY, PLANT AND EQUIPMENT, Net	23,855,648	20,406,967
LAND USAGE RIGHTS	6,577,834	6,404,771
OTHER ASSETS	4,740,242	2,362,049



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TOTAL ASSETS		\$--
	\$83,661,644	59,287,331

## LIABILITIES

### CURRENT LIABILITIES

Accounts payable	\$2,684,113	\$663,092
Accrued expenses	4,368,852	1,657,437
Accrued liquidated damages	--	254,301
Related party payables	--	23,452
Income taxes payable	2,592,493	1,450,433
Advances from customers	1,009,624	1,375,460
Short-term notes payable	5,420,531	11,256,871
Warrant liability	3,377,917	--
Total current liabilities	19,453,530	16,681,046

Commitments and contingencies

### STOCKHOLDERS' EQUITY

SkyPeople Fruit Juice, Inc.

stockholders' equity:

Preferred Stock, \$0.001 par value; 10,000,000 shares authorized; 3,448,480 Series B Preferred Stock issued and outstanding as of December 31, 2009 and December 31, 2008, respectively	3,448	3,448
Common Stock, \$0.001 par value; 66,666,666 shares authorized; 17,952,894 and 14,847,857 shares issued and outstanding as of December 31, 2009 and December 31, 2008, respectively	17,953	14,848
Additional paid-in capital	26,699,154	13,999,593
Retained earnings	30,237,707	22,468,934
Accumulated other comprehensive income	4,487,706	4,573,143
Total SkyPeople Fruit Juice, Inc. stockholders' equity	61,445,968	41,059,966
Noncontrolling interests	2,762,146	1,546,319
TOTAL EQUITY	64,208,114	42,606,285
TOTAL LIABILITIES AND EQUITY	\$83,661,644	\$59,287,331



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

	For the Years Ended December 31,	
	2009	2008
Revenue	\$59,249,950	\$41,648,605
Cost of Sales	33,869,358	23,607,409
Gross Margin	25,380,592	18,041,196
Operating Expenses		
General and administrative expenses	2,433,205	2,830,739
Selling expenses	918,406	1,453,461
Research and development expenses	1,102,658	449,695
Liquidated damages	--	254,301
Total operating expenses	4,454,269	4,988,196
Income from Operations	20,926,323	13,053,000
Other Income (Expenses)		
Interest income	68,495	63,775
Subsidy income	2,169,380	316,152
Interest expense	(817,759)	(932,048)
Change in fair value of warrant liability	(615,417)	--
Other income	699,253	353,698
Total other income (expenses)	1,503,952	(198,423)
Income Before Income Tax	22,430,275	12,854,577
Income Tax Provision	6,025,675	2,231,140
Net Income	16,404,600	10,623,437
Less: Net income attributable to noncontrolling interests	1,215,827	613,135
NET INCOME ATTRIBUTABLE TO SKYPEOPLE FRUIT JUICE, INC.	\$15,188,773	\$10,010,302



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Earnings Per Share:		
Basic earnings per share	\$0.84	\$0.56
Diluted earnings per share	*\$0.84	\$0.56
Weighted Average Shares		
Outstanding		
Basic	15,333,419	14,820,223
Diluted	18,682,755	17,887,974
Comprehensive Income		
Net income	\$16,404,600	\$10,623,437
Foreign currency translation adjustment	(114,730)	1,688,725
Comprehensive Income	\$16,289,870	\$12,312,162
Comprehensive income attributable to the noncontrolling interest	1,186,534	613,135
Comprehensive Income Attributable to SkyPeople Fruit Juice, Inc.	\$15,103,336	\$11,699,027

-- The effect of change in fair value of warrant liability was not included for the computation of diluted earnings per share for the year ended as the inclusion would be anti-dilutive.

**SKYPEOPLE FRUIT JUICE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**

For the Years Ended December 31,

	2009	2008
Cash Flows from Operating Activities		
Net income	\$16,404,600	\$10,623,437
Adjustments to reconcile net income to net cash flow provided by operating activities		
Bad debt	24,903	17,690
Depreciation and amortization	2,012,212	1,903,117



Change in fair value of warrant liability	615,417	--
Loss on sale of property, plant and equipment	--	1,282
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	(15,810,828)	(1,798,369)
Other receivables	436,717	(233,740)
Prepaid expenses and other current assets	1,056,202	(1,052,874)
Inventories	(3,068,506)	2,873,565
Accounts payable	1,912,764	(2,512,196)
Accrued expenses	(1,019,432)	291,347
Accrued liquidated damages	--	254,301
Income tax payable	1,142,214	2,048,172
Advances from customers	(364,969)	605,042
Net cash provided by operating activities	3,341,294	13,020,774
Cash Flows from Investing Activities		
Purchase of Yingkou	(3,323,913)	--
Prepayment for other assets	(2,323,779)	(359,264)
Paid off Huludao Wonder's debt	--	(2,220,394)
Deposits to purchase target company	--	(2,155,583)
Additions to fixed assets	(454,997)	(2,924,217)
Loan repayment from related parties	--	600,335
Loan advanced to related parties	--	(101,966)
Proceeds from sale of property, plant and equipment	--	5,030
Net cash used in investing activities	(6,102,689)	(7,156,059)
Cash Flows from Financing Activities		
Proceeds from stock issuance	7,790,865	3,115,072
Repayment of short-term loans	(19,006,340)	(14,198,105)
Proceeds from short-term loans	13,178,510	16,353,688
Prepayments of related party loans	--	(121,752)
Advanced from related party	--	--
Payment of dividends to noncontrolling interests	--	(311,984)
Net cash provided by (used in) financing activities	1,963,035	4,836,919
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(798,360)	10,701,634



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CASH AND CASH EQUIVALENTS, BEGINNING		
OF YEAR	15,274,171	4,094,238
Effect of Changes in Exchange Rate	(71,311)	478,299
CASH AND CASH EQUIVALENTS, END OF		
YEAR	\$14,404,500	\$15,274,171
Supplemental disclosures of cash flow		
information:		
Cash paid for interest	\$817,759	\$951,888
Cash paid for income taxes	\$4,765,198	\$2,231,133
Purchase of Huludao, offset by		
related party receivables	\$--	\$6,887,391
Supplementary disclosures of		
significant non-cash transactions:		
(Reversal of)/provision for		
liquidated damages	\$(254,301)	\$254,301
Change in fair value of warrant		
liability	\$615,417	\$--