

August 28, 2013

Dear Shareholders,

I am pleased to report that 2012 was a record year for SkyPeople Fruit Juice that generated robust revenues and earnings for the year. We have also undertaken several market expansion initiatives that are particularly exciting and will further the company's growth. We continue to see China as a tremendous growth market as the country's unprecedented economic development and rising incomes are causing a transition in consumer tastes towards healthier lifestyles and improved nutrition.

### **Company Growth Initiatives**

We have undertaken to substantially broaden our fruit product segments to expand our market share and to meet the expected rise global and domestic market demand for our products in the years ahead.

Consequently, in 2012, we began operation of a new fruit juice beverage production line in Liaoning province of northeastern China. This strategically situated production line is designed to have a maximum production capacity of 6,000 bottles per hour.

To maintain and further the technological edge, we were granted several new patents last year in production technology. We believe that our continued efforts to obtain new patents via our commitment to research and development (R&D) are an essential part of our growth strategy. Further, in the second quarter of 2013, we made the decision to build up our R&D team internally rather than to contract R&D to outside parties.

We announced a significant growth initiative in October of 2012, where we announced an agreement to manufacture orange juice products with the Yidu Municipal Government in Hubei Province, China. Our diversification into the orange products sector represents an important strategic move driven by our belief that there is a shortage of such products in the market. This project fits with our strategy of mitigating both the regional and seasonal cyclicalities of our major fruit products.

In a more recent project update, in April of 2013, SkyPeople announced an agreement to manufacture and market kiwi-related products with the Managing Committee of Mei County National Kiwi Fruit Wholesale Trading Center, which has been authorized by the People's Government of Mei County to be in charge of the construction and administration of the Mei County National Kiwi Fruit Wholesale Trading Center for the development of production lines and a trading zone for the deep processing, marketing and distribution of kiwi-related products.

### **Sound Financial Performance for 2012 and First Six Months Results for 2013**

In fiscal 2012, we achieved robust financial results even as we explored new market opportunities and initiatives. We believe that our diversified product mix is a key to our success as it provides us with flexibility to shift our manufacturing towards fruit products that have better growing seasons as well as those with better market receptivity which, in turn, optimizes our performance.

For fiscal year 2012, total revenue was \$102.4 million, up 22% from fiscal 2011, primarily due to an increase in sales of our concentrated pear juice, fruit juice beverages and fresh fruit and vegetables sectors. Further, our gross profit in fiscal 2012 was \$33.1 million and operating income was \$25.2 million, representing 20% and 33% increases, respectively, from fiscal 2011. Our fiscal 2012 net income attributable to common stockholders grew 38% to \$18.2 million from fiscal 2011 and our earnings per share was \$0.68, a 36% rise from the previous fiscal year.

In terms of our first six months for fiscal 2013, total revenue was up 4% to \$28.9 million from the comparable first six months of fiscal 2013, with the fruit juice beverages segment accounting for 59.2% of this amount, gross profit was up 22% to \$11.0 million, operating income was up 16% to \$6.4 million, net income attributable to common stockholders was up 4% to \$4.5 million and our earnings per share was \$0.17 versus \$0.16 from the year-ago first six months.

As an update of our financial condition, we ended the second quarter of 2013 with \$80.3 million in cash and cash equivalents, approximately \$73.4 million in working capital, \$14.0 million in short-term bank loans, and SkyPeople stockholders' equity of \$163.7 million.

### **Our Value Proposition**

We believe that we have a strong foundation for future growth and the potential to additional market share in the domestic and international markets for our fruit concentrates and branded fruit beverages. SkyPeople is dedicated to delivering world-class fruit juice products to global customers made from fresh fruit that represent the highest in quality and nutritional value. We will also continue to innovate to ensure that our products are not only competitive, but set the standard in the fruit concentrate and fruit juice industries.

### **A Transitioned Board and Strengthened Management Team**

In February of 2013, we announced that Hongke Xue has been appointed to serve as Chief Executive Officer and director of the Company, replacing myself. However, I will continue my role as the Chairman of the Board of the Company and continue to lead the company in this capacity.

In an unrelated event, the Company announced that Ms. Xiaoqin Yan has resigned as a member of the Company's Board of Directors effective February 18, 2013 for personal reasons. The Company thanks Ms. Yan for her service to the Company in this capacity. The newly appointed CEO, Mr. Hongke Xue, has been elected by the Board to serve as a director of the Company, replacing Ms. Yan.

### **In Appreciation**

I would like to personally thank all of our partners, customers and employees who have contributed to our success in 2012 and so far in 2013. Going forward, we will strengthen our product portfolio, improve our manufacturing technologies, enhance our R&D capabilities, and further expand our marketing and distribution channels. As we further expand our business, we are eager to build long-term relationship with our customers. Our goal is to realize our potential as a leading fresh fruit processing and distribution company as we focus upon maximizing shareholder value.

Sincerely,

Yongke Xue  
Chairman