

SkyPeople Fruit Juice, Inc. *(NASDAQ: SPU) - Pulp Fiction*

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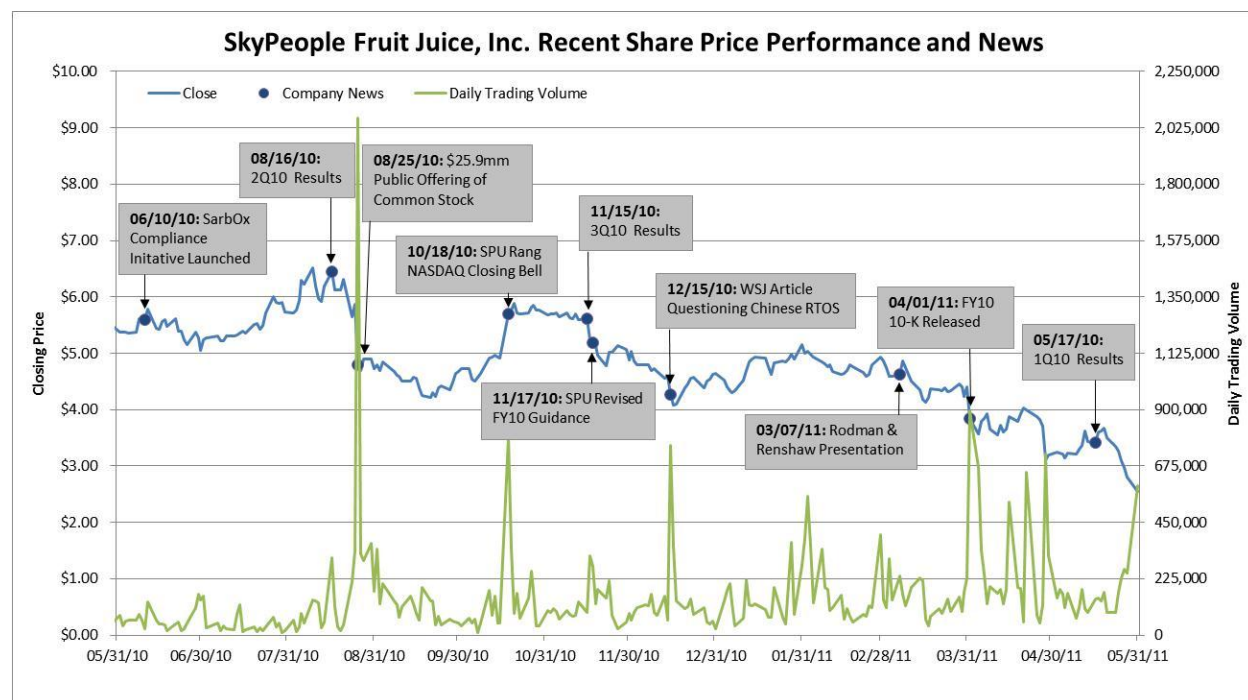
SkyPeople Fruit Juice, Inc.

(NASDAQ: SPU) Summary Financials & Trading Information

\$mm, except per share data	
NASDAQ Ticker:	SPU
Closing Price on 05/31/11	\$2.55
Market Capitalization	\$68.0
Diluted Shares Outstanding	26.7
Dividend Yield	0.0%
Average Volume (3-Months/10-Days)	0.2mm/0.2mm

SkyPeople Fruit Juice, Inc., produces and sells fruit juice concentrates, fruit beverages, and other fruit related products. The company is headquartered in Xi'an, People's Republic of China and went public in the United States via a reverse-merger transaction in 2008.

\$mm	FY05	FY06	FY07	FY08	FY09	FY10	1Q11-LTM
Summary Results							
Revenue	\$7.0	\$17.4	\$29.4	\$41.6	\$59.2	\$93.2	\$94.9
EBITDA	\$1.6	\$7.8	\$10.5	\$15.0	\$22.9	\$34.3	\$36.1
Net Income	\$1.0	\$3.8	\$7.6	\$10.0	\$15.1	\$21.2	\$23.8
Operating Cash Flow	\$4.6	\$2.1	\$6.2	\$13.0	\$3.3	\$10.7	\$18.2
CAPEX & Acquisitions	\$7.8	\$4.9	\$3.9	\$7.7	\$6.1	\$8.0	\$8.1
Current Trading Multiples							
FV/Revenue	2.9x	1.2x	0.7x	0.5x	0.3x	0.2x	0.2x
FV/EBITDA	12.5x	2.6x	1.9x	1.4x	0.9x	0.6x	0.6x
P/E	65.7x	17.7x	8.9x	6.8x	4.5x	3.2x	2.9x



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Executive Summary – SkyPeople Fruit Juice, Inc. (NASDAQ: SPU)

Absaroka Capital Management, LLC (“Absaroka”) is short SkyPeople Fruit Juice, Inc. (NASDAQ: “SPU” or “SkyPeople” or the “Company”). In this Initiating Coverage Report, Absaroka will present compelling evidence that SkyPeople has materially misrepresented its production volume, revenue, capital equipment, and profitability. SkyPeople’s management has been focused on stock promotion and thus SPU is massively overvalued by the market at this time.

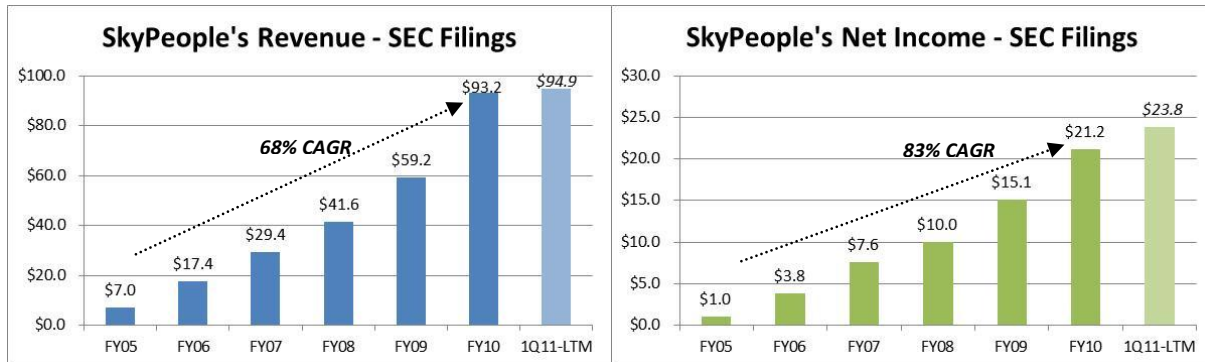
1. SkyPeople’s Chinese SAIC financials indicate the Company is less than 10% the size claimed in the United States SEC financials
2. Visits to all four of SkyPeople’s production factories found idle facilities with limited and antiquated production equipment; the facilities only operate in production mode for less than two months per year due to limited demand and inefficient production
3. SkyPeople does not own the largest kiwifruit plantation in Asia and is forced to source input fruits for its factories from local farmers at high costs due to its relatively small size
4. Retail channel checks and discussions with SkyPeople’s distributors and customers make the company’s claims regarding product distribution and sales volume unbelievable. Many of the Company’s “customers” claim to have done little or no business with the Company and Absaroka’s researchers struggled to find the Company’s beverage products on store shelves
5. EBITDA margins, inventory turnover, accounts receivables, and selling/marketing costs seem particularly dubious relative to peers and indicate potential accounting shenanigans
6. A history of low-quality auditors raises significant concerns about validity of published financials and future business prospects

Any of these serious issues on a stand-alone basis should be enough to convince public shareholders to question the current \$2.55/share valuation.

Introduction: Public Claims vs. Reality

SkyPeople supposedly manufactures fruit juice concentrate, markets branded beverages, and sells fresh kiwifruit. According to SkyPeople's SEC filings, the Company exports approximately 35% of its juice concentrate to North America, Europe and Asia, while its fresh fruit and beverage products are sold domestically in China.

SkyPeople went public in the United States in February 2008 via a reverse-merger transaction with a U.S.-listed OTC-BB shell before transitioning its listing to AMEX and then NASDAQ. The Company has ostensibly grown revenue from \$7.0mm in FY05 to \$93.2mm in FY10 and net income from \$1.0mm in FY05 to \$21.2mm in FY10. If SkyPeople continues this dramatic growth rate, it will be larger than Dole Food Company (NYSE: DOLE), the world's largest fresh fruit company, on a revenue basis in less than nine years; Dole has been in business since 1851, has a global production and distribution network in more than 90 countries, and generated \$6.9bn of revenue in FY10.



In this report, Absaroka will provide compelling evidence that the figures above are fiction and that SkyPeople is actually a marginal producer in the highly competitive, commodity apple juice concentrate market. The Company's beverage business is tiny, unsuccessful relative to its peers, and faces significant headwinds going forward.

1. SkyPeople’s SAIC vs. SEC Financials – Significant delta indicates SPU has massively overstated its financials and size of its business

SkyPeople’s financial statements filed in China are not in any way similar to its SEC financial statements and indicate the actual business is substantially smaller than claimed. These local financial statements, which SPU must file with the Xi’an branch of the State Administration for Industry and Commerce (“SAIC”), show that the Company generated revenue of less than \$5.3mm in FY09. This corroborates Absaroka’s belief that SPU is fraudulently misrepresenting its business in its United States Securities and Exchange Commission filings.

Absaroka believes that the company is providing accurate financial statements to its own government, but is providing fraudulent numbers to U.S. investors and the U.S. Securities and Exchange Commission. 2009 was the most recent year the Company’s SAIC financials were publicly available as of Absaroka’s last inquiry on May 30, 2011.

Below are hyperlinks to the 2009 SAIC filings of SPU’s main operational subsidiaries, as well as English translations:

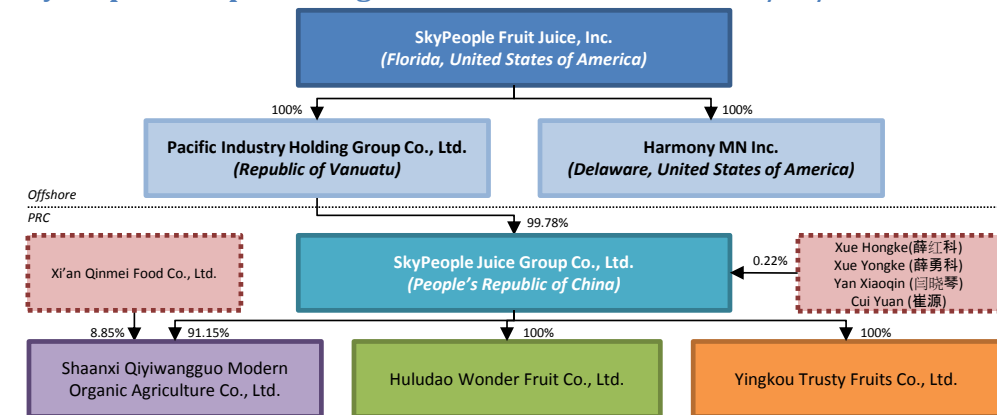
SAIC Reports:

[2009 SAIC Filings in Original Chinese](#)

[2009 SAIC Filings in English Translation](#)

For those new to the U.S.-listed Chinese reverse-merger space, all Chinese companies are required to file financial statements with the Chinese government. Specifically, all Chinese companies must file financial statements with the local branch of the State Administration for Industry and Commerce (“SAIC”), which is the Chinese government body that regulates industry and commerce in China and local county branches execute its provisions. Information filed with SAIC branches includes organizational bylaws/minutes; capital infusion/withdrawal data, the approved business description, information on active business licenses, land use rights, property leases, applications to form companies with personal information on the applying shareholders, the legal representatives, tax data, and annual financial statements.

SkyPeople’s Simplified Organizational Structure as of 12/31/10¹



¹ SPU 12/31/10 10-K, Page 3, available at: <http://www.sec.gov/Archives/edgar/data/1066923/000141588911000198/spu10k-dec312010.htm>

Chinese GAAP does not consolidate subsidiaries, and thus Absaroka has developed the following reconciliation of SkyPeople's 2009 SAIC financials in comparison to the SEC financials from the same time period.

Figure 1: SkyPeople's 2009 SAIC vs. SEC Financials

Thousands	SAIC Financials – Entity Level				Consolidated SAIC Financials		SEC Filings	SAIC vs. SEC Discrepancy	
	SkyPeople Juice Group Co.	Shaanxi Qiyiwangguo Modern Organic Agriculture Co.	Huludao Wonder Fruit Co.	Yingkou Trusty Fruits Co., Ltd.	Total	Total	SkyPeople Fruit Juice, Inc.	USD	Percentage
	CNY	CNY	CNY	CNY	CNY	USD	USD		
Income Statement									
Revenue	¥24,624	¥2,040	¥9,250	¥0	¥35,914	\$5,257	\$59,250	\$53,993	-91%
Cost of Revenue	¥21,574	¥1,680	¥9,770	¥0	¥33,024	\$4,834	\$33,869	\$29,035	-86%
Operating Expenses	¥16,629	¥3,220	¥8,290	¥0	¥28,139	\$4,119	\$4,454	\$335	-8%
Operating Income	¥-13,579	¥-2,860	¥-8,810	¥0	¥-25,249	-\$3,696	\$20,926	\$24,622	-118%
Tax	¥0	¥0	¥0	¥0	¥0	\$0	\$6,026	\$6,026	-100%
Net Income	¥-43,416	¥-2,860	¥-8,810	¥0	¥-55,086	-\$8,063	\$15,103	\$23,167	-153%
Balance Sheet									
Cash	¥1,539	¥220	¥130	¥0	¥1,889	\$277	\$14,405	\$14,128	-98%
Accounts Receivable	¥1,955	¥710	¥4,620	¥0	¥7,285	\$1,067	\$27,399	\$26,332	-96%
Inventory	¥161	¥10,880	¥12,770	¥0	¥23,811	\$3,488	\$4,926	\$1,438	-29%
Total Assets	¥197,425	¥46,920	¥106,090	¥0	¥350,435	\$51,330	\$83,662	\$32,332	-39%
Total Liabilities	¥124,772	¥33,150	¥64,900	¥0	¥222,822	\$32,638	\$19,454	(\$13,184)	68%

Please note that Yingkou Trusty Fruits Co., Ltd. did not commence operations until 4Q10, when the construction of the processing facility was supposedly completed.² Thus, Absaroka has assumed the Yingkou segment contribution for FY09 was zero. Absaroka's in-country investigators were unable to locate any FY09 SAIC financials for this segment.

In summary, the significant delta between the Company's SAIC and SEC financial statements are one of the many reasons Absaroka considers SkyPeople to be overvalued.

² SPU 12/31/10 10-K, Page F-15, available at: <http://www.sec.gov/Archives/edgar/data/1066923/000141588911000198/spu10k-dec312010.htm>

2. SkyPeople's Limited Actual Operations - *Significantly smaller than claimed in SEC filings*

As visible in the map below, SkyPeople's main production facilities are located a significant geographical distance from the main population centers of Beijing and the Southern Coast. In addition, after the recent Shanghai truckers strike, SPU's transportation costs to major markets will likely continue to rise.³



Main Facilities as per SPU Management

Operator	Location	Products	Size, m ³
SkyPeople Factory	Sanqu Town, Jingyang County, Xianyang City, Shaanxi Province	<ul style="list-style-type: none"> Concentrated pear juice Concentrated kiwifruit juice 	34,476
Shaanxi Qiyiwangguo	Siqun Village, Mazhao Town, Zhouzhi County, Xi'an City, Shaanxi Province	<ul style="list-style-type: none"> Kiwifruit puree Concentrated kiwifruit puree Kiwifruit seeds Fruit beverages 	57,935
Huludao Wonder	Yuton Village, Shizijie Town, Suizhong County, Huludao, Liaoning Province	<ul style="list-style-type: none"> Concentrated apple juice Apple aroma 	86,325
Yingkou Factory	Hujia Village, Gaotai Town, Gaizhou, Liaoning Province	<ul style="list-style-type: none"> Concentrated apple juice Apple aroma 	20,732
N/A	Xi'an, Shaanxi Province	Corporate Headquarters	1,400

³ "Truckers Protest, Adding to Chinese Fears of Unrest" *Michael Wines* The New York Times April 22, 2011, available at: <http://www.nytimes.com/2011/04/23/world/asia/23shanghai.html>

Seasonal Production Volume

After completing site visits to all four plants belonging to SkyPeople, Absaroka learned that the maximum length of the production season is August through December, but most of the plants generally operate only approximately two months per year. When Absaroka's in-country investigators visited the various production facilities in March, each plant was closed and dormant except for minor maintenance work.

Absaroka found managerial staff very guarded about speaking with investment researchers, and Absaroka's in-country investigators were not allowed to take photographs inside the plants. Absaroka's in-country investigators did, however, speak with local fruit pickers, neighbors and shopkeepers, maintenance workers and security personnel in order to get a fair picture of what normally occurs when these plants are in production.

Jingyang Production Facility

Located in Jingyang County north of Xi'an, the SkyPeople Jingyan production facility was acquired by SPU's predecessor company in 2004 from the local PRC state-owned enterprise. Originally named Shaanxi Fruit Products Processing Plant, the World Bank provided \$2.18mm in funding for the land, equipment, and construction of the facility. According to a former manager of the Jingyang plant, the 1992 World Bank funding was utilized to import Bertuzzi equipment (an Italian vendor of fruit-processing equipment), and enabled Shaanxi Fruit to produce 5,000 tons of pear concentrate per year at full capacity. While the exterior of the facility appeared to have been recently renovated when Absaroka's in-country investigator visited in March 2011, the production equipment was mostly the original Bertuzzi machinery acquired in 1992.

Although production at Jingyang had ended in December, three months prior to the site visit, the facility was filthy and unkempt. Absaroka's in-country investigator noted that the smell of decomposing pears permeated the entire plant and the equipment was dusty, overflowing with partially processed peels, and pear pulp was piled on the floor to rot. Based on the unsanitary condition of the plant, it is difficult to believe any foreign juice companies or distributors would be interested in sourcing concentrate from SkyPeople.

The factory manager confirmed during Absaroka's site visit that the Jingyang facility only produces pear concentrate. Also, according to the factory manager, in calendar year 2010 Jingyang production volume was only 2,000 tons, as the price of pears had risen without an increase in the price for pear concentrate. Also, there was no inventory on-site at the time of the visit. Finally, Jingyang staff confirmed that the plant intends to install new production equipment this year with an annual capacity of 20,000 tons, which should be ready for use in August.

Interestingly, photos on the Jingyang offices wall showed a March 9, 2011 plant tour for investors led by Rodman & Renshaw. However, Jingyang staff told Absaroka's in-country investigator that the plant was not actually in production during the investor tour. Instead, the seasonal production workers were called into work to appear as if they were busily involved in production and had to wear special outfits for the day.

In summary, below are SkyPeople's inconsistent production statistics for the Jingyang facility:

- Plant capacity as per SkyPeople SEC filings: 10,000 tons per year
- Plant capacity as per Bertuzzi equipment design: 5,000 tons per year
- Actual 2010 production as per factory manager: Approximately 2,000 tons per year

Qiyiwangguo Production Facility

According to SkyPeople's SEC filings, Qiyiwangguo is the kiwifruit concentrate and kiwifruit puree production facility. However, according to Qiyiwangguo's sales manager, no kiwifruit concentrate production currently occurs at the facility. The plant currently contains a PET-bottling line for Hedetang-brand juice drinks, kiwi/mulberry vinegar, and other beverages. According to SkyPeople's 12/31/10 10-K, Qiyiwangguo also has a glass-bottling production line, but it was not shown to Absaroka's in-country investigator during the March site visit.

The Qiyiwangguo facility was originally called Xi'an Qinmei Food Company and incorporated in 2002 by Xi'an Jiaotong University and Surea, the local flour company. Qiyiwangguo was sold in 2006 to SkyPeople. According to Qiyiwangguo's 2009 SAIC filings, Qinmei still retains 8.85% of the equity in the company and Shaanxi Surea Group owns a separate 21.05% stake, which implies SkyPeople's equity stake is only 70.1%, contrary to disclosure in the 2008-2010 10-Ks, which state that SkyPeople owns 91.15% of Qiyiwangguo.

Also, the Company does not currently have a title deed for the purportedly \$2.2mm Qiyiwangguo building, but supposedly plans to apply to the regional PRC authority for this important legal requirement in 2012.⁴ Absaroka is puzzled about SkyPeople's rationale in making a significant investment without even completing this basic legal requirement; this exposure means the Company could potentially lose the factory and the entire investment following any dispute over the land. Finally, since SkyPeople is listed in the United States and must comply with the Foreign Corrupt Practices Act of 1977, the Company cannot provide "facilitation payments" or other bribes that are common and necessary in China to obtain a favorable regulatory outcome.⁵

- Plant capacity as per SkyPeople SEC filings: 7,368 tons of kiwifruit puree and approximately 10,000+ of concentrated kiwifruit puree
- Maximum plant capacity as per Qiyiwangguo's sales manager: 5,000 tons per year
- Actual FY10 production as per Qiyiwangguo's sales manager: Approximately 1,000 tons of kiwi puree per year

Huludao Production Facility

SkyPeople acquired the Huludao production facility in June 2008 from the Shaanxi Hede Investment Management Co., for a total purchase price of \$6.3mm via the offset of a related party receivable. Shaanxi Hede Investment Management Co. was 80% owned by Mr. Yongke Xue, SPU's Chief Executive Officer and 20% owned by Ms. Xiaoqin Yan, a Director of SPU.⁶ Because of the significant related parties

⁴ SPU 12/31/10 10-K, page F-17, available at: <http://www.sec.gov/Archives/edgar/data/1066923/000141588911000198/spu10k-dec312010.htm>

⁵ "Foreign Corrupt Practices Act Overview" U.S. Department of Justice, available at: <http://www.justice.gov/criminal/fraud/fcpa/>

⁶ SPU 03/03/08 8-K, page 28, available at: http://www.sec.gov/Archives/edgar/data/1066923/000114420408012980/v105429_8k.htm

involved in this transaction, Absaroka finds it difficult to believe the transaction was in the best interests of public shareholders.

The Huludao facility is SkyPeople's largest production facility, yet there was little activity visible when Absaroka's in-country investigator visited in late March of this year. Absaroka's in-country investigator was not allowed on premises and only saw two employees on-site, a forklift driver and a guard at the gate, during a weekday, business hours observation of the facility

Absaroka's in-country investigator spoke with several shopkeepers, neighbors, and fruit farmers that historically sold fruit to the Huludao plant. In addition, one migrant worker who operates concentrate machinery at the plant, for example, stated that she is employed by Huludao during the production season, which lasts four months a year, starting in late August or early September. Also, according to this plant employee, SkyPeople has to pay approximately 1,500 RMB per month, which is slightly above the average blue-collar wage for the area, in order to attract workers during the short seasonal production period.

A shopkeeper near the plant stated that the plant goes into production for a little more than three months a year to produce bottled apple juice. This shopkeeper said that Huludao buys apples locally for about 800 RMB/ton for cultivated apples and around 360 RMB/ton for wild apples that have been gathered from the ground.

No production activity at Huludao plant when Absaroka's in-country investigator visited the facility in late March



- Plant capacity as per SkyPeople SEC filings: 7,000+ tons of apple juice concentrate
- Maximum plant capacity: 10,000 tons per year
- Estimated 2010 production: Approximately 2,000 tons of apple juice concentrate

Yingkou Production Facility

The Yingkou plant was actually located in the mountains in Gai County, Liaoning; there is no plant at the Yingkou address listed in SkyPeople's SEC filings



SkyPeople's newest production facility, Yingkou Trusty Fruits, was acquired by SPU for \$3.3mm in November 2009 from Shaanxi Boai, a firm with overlapping directors with the Company prior to the acquisition and was also partially owned by SPU's CEO prior to the acquisition. Despite the fact this transaction closed in FY09, the complete scope of this significant related party transaction was not fully disclosed until 03/25/11 in the footnotes of the FY10 10-K.⁷

Absaroka's in-country investigator attempted to locate the plant at the address published in SPU's SEC filings, but found nothing at this location. Instead, after investigation, Absaroka's in-country investigator was directed to a remote, mountainous area in Gai County where SkyPeople owns a previously county-owned concentrate plant. Although the physical buildings were relatively new, it was difficult to assess the production equipment inside because of the complete lack of production activity. Two former managerial employees of SkyPeople, however, told Absaroka that the plant has 10,000 tons per year of concentrate capacity.

Like the Qiyiwangguo facility, SkyPeople currently lacks a title deed for the \$7.1mm Yingkou factory; the company supposedly is in the process of applying for the deed with the relevant PRC authority.⁸ Absaroka is puzzled about SkyPeople's rationale for making a significant investment without even completing the basic legal requirement of title acquisition; this significant risk exposure means the Company could potentially lose the factory and the entire investment in any dispute over the land. Finally, since SkyPeople is listed in the United States and must comply with the Foreign Corrupt Practices Act of 1977, the Company cannot provide "facilitation payments" or the other bribes that are common and necessary in China to obtain a favorable regulatory outcome.⁹

⁷ SPU 12/31/10 10-K, page F-16, available at: <http://www.sec.gov/Archives/edgar/data/1066923/000141588911000198/spu10k-dec312010.htm>

⁸ SPU 12/31/10 10-K, page F-17, available at: <http://www.sec.gov/Archives/edgar/data/1066923/000141588911000198/spu10k-dec312010.htm>

⁹ "Foreign Corrupt Practices Act Overview" U.S. Department of Justice, available at: <http://www.justice.gov/criminal/fraud/fcpa/>

The Yingkou plant was idle in late March 2011



- Plant capacity as per SkyPeople SEC filings: 7,000+ tons of apple juice concentrate
- Maximum plant capacity: 10,000 tons per year
- Actual 2010 production as per plant managers: Approximately 2,000 tons of apple juice concentrate

3. SkyPeople Does Not Own the Largest Kiwifruit Plantation in Asia – Forced to purchase input fruits at high prices from local farmers

Contrary to SkyPeople’s prior statements in SEC filings that it “owns the largest kiwifruit plantation in Asia,” Absaroka can find no record of any fruit plantation owned by SkyPeople.¹⁰ SkyPeople’s financial statements do not include any indication the Company owns such an asset or finances the carrying costs associated with a large kiwifruit plantation.

In addition, local farmers in Shaanxi and Liaoning stated SkyPeople is forced to buy fruit from local distributors at prices higher than larger competitors because of the Company’s small production volume. Finally, farmers in Liaoning claimed that SkyPeople often delays payment to local farmers, making them reluctant to do business with SkyPeople.

4. SkyPeople’s Beverage Business – Limited distribution and slow sales

SkyPeople’s claims regarding the profitability and scope of its beverage business are completely preposterous. The Company has two beverage brands:

- Hedetang: kiwi, mulberry, kiwi vinegar and mulberry vinegar flavors sold in 280mL and 500mL glass bottles. From 2007 through 2010, Hedetang beverages were the only beverage product sold by SPU. These beverages are bottled at SPU’s Qiyiwangguo facility
- Qian Mei Duo: kiwi and mulberry juices in “Tetra Pak” packaging, blended and filled by Sanmenxia Prima, LLC, an OEM manufacturer in Henan

Hedetang:

In FY10, SkyPeople claims their Beijing-focused distributor generated \$10.7 million in revenue from sales of Hedetang in the Beijing area. Assuming retail prices consistent with the product Absaroka’s in-country investigator found for sale in Beijing, SPU claims to be selling approximately 10mm units of beverages in the Beijing area. Therefore, Absaroka assumed that retail distribution penetration in Beijing would be relatively strong. If actual sales volume corresponds with SPU management’s claims, it should have been far easier for Absaroka’s in-country investigators to find Hedetang beverages on the shelves of the retailers and distribution channels that SPU claims as customers. Finally, even at the locations that do carry Hedetang, the product does not sell well according to store and procurement managers.

Absaroka’s in-country investigators were only able to identify three Wal-Mart stores that carry the Hedetang beverages, SkyPeople’s original beverage product. For instance, the store manager at the Wal-Mart in Zhichun Lu (Haidian District, Beijing) told Absaroka’s in-country investigators that at best, the store sells ten bottles of the Hedetang beverage per week.

¹⁰ SPU 05/16/08 8-K (please note SkyPeople Juice Group Co., Ltd., was previously known as Shaanxi Tianren Organic Food Co., Ltd), available at: http://www.sec.gov/Archives/edgar/data/1066923/000114420408030344/v114954_ex99-1.htm

SPU's mulberry and kiwi Hedetang brand drinks at Wal-Mart in Beijing – please note the sub-optimal bottom row shelf placement, which is usually reserved for slow moving merchandise



Qian Mei Duo Juice:

SkyPeople doesn't produce mulberry juice concentrate, but instead purchases it for mixing from its contractor, Sanmenxia Prima in Henan. Based on discussions with Sanmenxia Prima, producers of mulberry concentrate, and retail channels, Absaroka estimates that SkyPeople is actually losing money on each beverage sale. In FY10, the Company claimed a 40% gross margin from its fruit beverages in its SEC filings.¹¹

Interviews with both Sanmenxia Prima managers and SkyPeople sales and production staff revealed that SkyPeople supplied 30 tons of concentrate to Sanmenxia Prima between December 2010 and March 2011 to produce approximately 60 tons of beverages, or 240,000 cartons, at a 50% concentrate level (somewhat less than the >60% claimed on the packaging). Absaroka's in-country investigators were told that, initially, the order size was expected to be for 100 tons of beverages, but was scaled back by SPU Management at the last moment. Sanmenxia Prima informed Absaroka that after the initial production run of 60 tons in February 2011, there now are no plans for further production because the current inventory has yet to be sold.

Retail Availability of Beverages

According to SkyPeople's recent 10-K filing, the Company has established relationships with major supermarkets in China's most populated cities and with beverage wholesalers to ensure broad distribution of its branded fruit juices. In April and May 2011, Absaroka's in-country investigators visited several large retailers in Xi'an, the company's hometown, and did not find any SkyPeople beverages. In addition, the investigators then carefully canvassed the retail outlets in Beijing that have at some point been identified by SkyPeople as distribution points.

Absaroka's in-country investigators visited the premises and spoke to store managers at a wide variety of grocery, retailers, and other stores in Beijing, Xi'an, Shanghai, and Di'anmen, as per Figure 1.

¹¹ SPU 12/31/10 10-K, Page 41, available at: <http://www.sec.gov/Archives/edgar/data/1066923/000141588911000198/spu10k-dec312010.htm>

Figure 1 – SkyPeople Juice Beverage Channel Checks

Retailer	Locations Checked	Commentary
Wal-Mart	<ul style="list-style-type: none"> • 3 Beijing locations • 4 Xi'an locations 	<ul style="list-style-type: none"> • Limited availability at three stores in Beijing (Wangjing, Zhichun Lu, Sunshine Plaza) • Product arrived in late December in Beijing, no inventory replenishment since then due to slow sales • No "Hedetang" or "Qian Mei Duo" products were found in Xi'an (Jinlianhua South, Wanda Plaza, Luomashi Walking, Jinhua)
La Cuisine Royale	<ul style="list-style-type: none"> • 3 Xi'an locations 	<ul style="list-style-type: none"> • No "Hedetang" or "Qian Mei Duo" products were found • Visited Beidajie, Kaiyuan and Jixiang Village stores
Xiguo	<ul style="list-style-type: none"> • 3 Xi'an locations 	<ul style="list-style-type: none"> • No "Hedetang" or "Qian Mei Duo" products were found • Visited Daxing, Xiwu and Fenghe stores
Renrenle	<ul style="list-style-type: none"> • Beiqijia store (advertised online as having Hedetang) • 3 Xi'an locations 	<ul style="list-style-type: none"> • Beiqijia store had been torn down and replaced with one called "Renrenjia," a small shop, no SkyPeople beverages • No "Hedetang" or "Qian Mei Duo" products were found in Xi'an (Beishaomen, Ximen, Yuxiangmen Store)
Lotus	<ul style="list-style-type: none"> • National procurement manager in Shanghai • Beijing stores 	<ul style="list-style-type: none"> • National procurement manager in Shanghai had never heard of SkyPeople and said the store had never stocked Hedetang, Qian Mei Duo, or other SkyPeople beverages • Physical checks found no SkyPeople products
CR Vanguard	<ul style="list-style-type: none"> • Beijing • Shanghai • 4 Xi'an locations 	<ul style="list-style-type: none"> • Nationwide procurement manager had never heard of SkyPeople and said company had not stocked SPU beverages during five years of his tenure • No SkyPeople products were found in Beijing and Shanghai stores • No "Hedetang" products were found in Xi'an (Taihu North, Beiguan, Fenghe #2, and Weiyang stores); 250ml bottles of Qian Mei Duo were available in Xi'an, but the juice had been marked down to a discount price of 3.9RMB from the 4.8RMB list price
Wankelong	<ul style="list-style-type: none"> • Hangtian Bridge store, Shunyi store 	<ul style="list-style-type: none"> • Manager had never heard of SkyPeople and said the store had never stocked Hedetang, Qian Mei Duo, or any other SkyPeople juices or beverages
Ito Yokado	<ul style="list-style-type: none"> • Xizhimen store 	<ul style="list-style-type: none"> • Manager had never heard of SkyPeople and said the store had never stocked Hedetang, Qian Mei Duo, or any other SkyPeople juices or beverages
Xidan Shopping Center	<ul style="list-style-type: none"> • Xidan 	<ul style="list-style-type: none"> • Manager had never heard of SkyPeople and said the store had never stocked Hedetang, Qian Mei Duo, or any other SkyPeople juices or beverages
Wanfang Supermarket	<ul style="list-style-type: none"> • Di'anmen 	<ul style="list-style-type: none"> • Manager had never heard of SkyPeople and said the store had never stocked Hedetang, Qian Mei Duo, or any other SkyPeople juices or beverages
Wumei	<ul style="list-style-type: none"> • Beijing 	<ul style="list-style-type: none"> • Manager had never heard of SkyPeople and said the store had never stocked Hedetang, Qian Mei Duo, or any other SkyPeople juices or beverages
MerryMart	<ul style="list-style-type: none"> • Beijing 	<ul style="list-style-type: none"> • Manager had never heard of SkyPeople and said the store had never stocked Hedetang, Qian Mei Duo, or any other SkyPeople juices or beverages
Carrefour	<ul style="list-style-type: none"> • Beijing 	<ul style="list-style-type: none"> • Manager had never heard of SkyPeople and said the store had never stocked Hedetang, Qian Mei Duo, or any other SkyPeople juices or beverages
Tiankelong	<ul style="list-style-type: none"> • Beijing 	<ul style="list-style-type: none"> • Manager had never heard of SkyPeople and said the store had never stocked Hedetang, Qian Mei Duo, or any other SkyPeople juices or beverages
Chaoshifa	<ul style="list-style-type: none"> • Beijing 	<ul style="list-style-type: none"> • Manager had never heard of SkyPeople and said the store had never stocked Hedetang, Qian Mei Duo, or any other SkyPeople juices or beverages
Huaguan	<ul style="list-style-type: none"> • Beijing 	<ul style="list-style-type: none"> • Manager had never heard of SkyPeople and said the store had never stocked Hedetang, Qian Mei Duo, or any other SkyPeople juices or beverages
Diandian	<ul style="list-style-type: none"> • Beijing 	<ul style="list-style-type: none"> • Manager had never heard of SkyPeople and said the store had never stocked Hedetang, Qian Mei Duo, or any other SkyPeople juices or beverages
Tiantian Convenience Store	<ul style="list-style-type: none"> • Beijing 	<ul style="list-style-type: none"> • Manager had never heard of SkyPeople and said the store had never stocked Hedetang, Qian Mei Duo, or any other SkyPeople juices or beverages
Dantong Convenience Store	<ul style="list-style-type: none"> • Beijing 	<ul style="list-style-type: none"> • Manager had never heard of SkyPeople and said the store had never stocked Hedetang, Qian Mei Duo, or any other SkyPeople juices or beverages

Absaroka's in-country investigators did not find any Qian Mei Duo drinks at all the retailers checked in Beijing. In addition, Absaroka's in-country investigators were only able to find Hedetang brand drinks in three Wal-Mart locations in Beijing: the Zhichun Lu, Wangjing, and Sunshine Plaza stores. At these three Wal-Mart locations, both individual bottles of mulberry and kiwi juice were displayed as well as six-packs. However, a Store Manager at the Wal-Mart in Zhichun Lu (Haidian District, Beijing) told Absaroka's in-country investigator that sales are very weak since the product is unknown in the Beijing market and the manufacturer does not provide any promotional support. The Store Manager estimated that ten bottles of Hedetang are sold each week at the Zhichun Lu Wal-Mart. The Zhichun Lu Wal-Mart Store Manager stated the store began stocking Hedetang beverages in December 2010 and believed Wal-Mart would likely stop carrying the beverages shortly due to poor sales.

The first two photos below are from SkyPeople's website and purportedly show Hedetang beverages at a Wal-Mart store in Beijing. A close look reveals other manufacturers' products stacked behind and pushed aside in order to make room for SkyPeople products for the photo shoot. The third photo was taken by Absaroka's in-country investigators at a Wal-Mart in Beijing. Please note the contrast in shelf space actually available for SkyPeople products versus the Company supplied photos.

Hedetang display at Wal-Mart, notice the other products behind the SPU bottles¹²



¹² SkyPeople's website, under the "Products" section and "In the Stores" sub-section, retrieved 05/30/11, available at: <http://a.eqcdn.com/spu/media/408e34c63a47e32e58c689957ce88cd8.jpg>

Other products appear cast aside to make room for SPU's products for the web photo shoot¹³



A recent photo from a Beijing Wal-Mart shows far less shelf space available for SPU juice

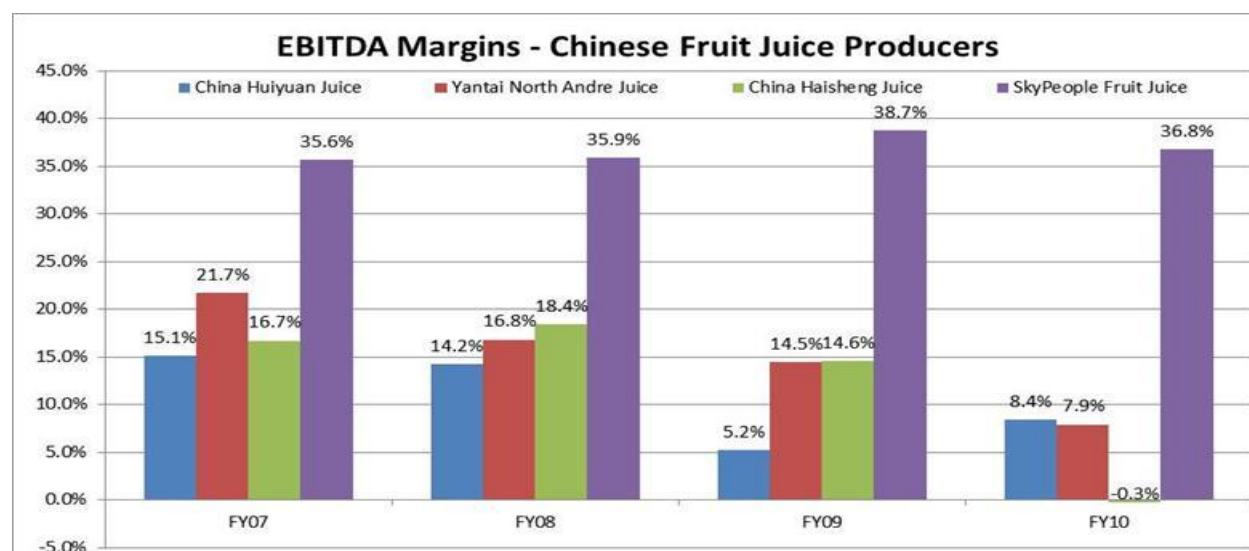


In summary, Absaroka believes it is highly unlikely that SkyPeople sells its beverages to “...84 distributors in approximately 17 cities...” Diligent attempts by Absaroka’s in-country investigators prove that it is quite difficult to find SkyPeople’s products at retailers and other consumer outlets.

¹³ SkyPeople’s website, under the “Products” section and “In the Stores” sub-section, retrieved 05/30/11, available at: <http://a.eqcdn.com/spu/media/89e8e97f0ec8d38081894ba892310ca3.jpg>

5. Margin Analysis and Financial Metrics - *Dubious relative to peers and indicative of potential accounting shenanigans*

After site visits to SkyPeople's plants and discussions with industry experts, it is clear the Company's primary business is the production of apple and pear juice concentrate, which are commodity products and even the largest and most efficient firms do not achieve margins as high as those reported by SkyPeople. The chart below compares SPU's EBITDA margins to its Chinese juice concentrate-manufacturing peers.¹⁴



SkyPeople's gross margins significantly exceed those of other public Chinese juice concentrate-manufacturing peers and SPU's EBITDA margins are double the median of their Chinese peers. Absaroka strongly believes this significant and inexplicable disparity is yet another indicator of fraud. SkyPeople's actual margins are likely lower than those of its peers because SPU suffers from the following structural disadvantages:

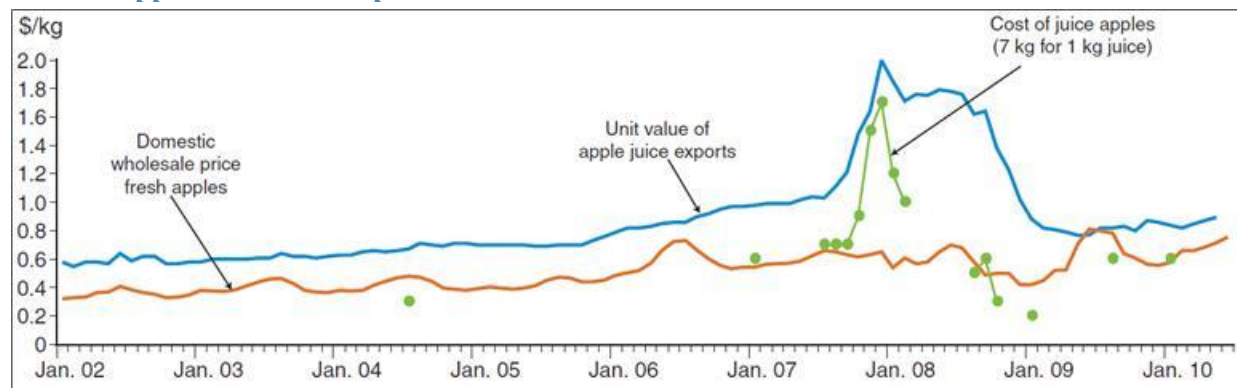
- SkyPeople sources fruit for concentrate production from local distributors that control the supply of fruit from regional farmers. Small manufacturers like SPU pay higher per-unit prices for fruit relative to their larger volume competitors.
- SkyPeople's outdated machinery and plants are less efficient than peers. Compared to the peer set in the chart above, Absaroka estimates that SPU's production process requires approximately one additional ton of fruit for each ton of concentrate produced due to pulp losses.
- According to a SkyPeople's sales manager, SPU's apple juice concentrate inventory is approximately 400% of 2010 apple juice concentrate revenue. Finished goods inventory for Haisheng and Yantai was 76% and 68% of revenue in 2010. Gross mismanagement of inventory would negatively impact margins if SPU's financial reporting were reliable.

¹⁴ Figures as per Capital IQ and Company filings

- Small manufacturers have less leverage when negotiating shipping prices relative to higher volume producers.

In addition, the competitive market environment for apple juice concentrate manufacturers was extremely challenging during 2007-2009, as supply was abundant, consumer demand was declining and apple prices were unusually high and volatile. According to SPU's unbelievable SEC filings, the Company managed to grow its revenue and EBITDA margin in a hostile economic environment without any deceleration of business growth or margin compression.

Chinese Apple Prices and Export Volume¹⁵



In FY10, SkyPeople's revenue from apple juice concentrate and apple aroma purportedly increased 287.4% from the prior year and SkyPeople was the only Chinese apple juice concentrate manufacturer drastically ramping up production. A slow recovery in market demand, increasing prices for input apples and a lagging increase in the average concentrate sale price dramatically hammered the margins of SkyPeople's competitors. But as the chart below shows, SkyPeople's EBITDA margin barely declined despite its greater reliance on apple juice concentrate. The Company's purported financial results for apple juice concentrate are not credible.

The following table compares SkyPeople's margins to those of comparable Chinese companies.

Company	SkyPeople	China Huiyuan Juice	China Haisheng Juice	Yantai North Andre Juice
Products	• Concentrates • Fruit Juices	• Fruit Juices	• Apple Juice Conc.	• Apple Juice Conc.
Gross Margin				
FY09	42.8%	36.0%	26.5%	14.9%
FY10	40.8%	36.7%	15.6%	13.7%
EBITDA Margin				
FY09	38.7%	5.2%	14.6%	14.5%
FY10	36.8%	8.4%	-0.3%	7.9%

Huiyuan brand juice products are among the most familiar and recognized fruit and vegetable juices among Chinese consumers. In China, Huiyuan are market share leaders for 100% juices and nectars

¹⁵ "Investment in Processing Industry Turns Chinese Apples Into Juice Exports" Fred Gale & Sophia Huang United States Department of Agriculture, October 2010, available online at: <http://www.ers.usda.gov/Publications/FTS/2010/10Oct/FTS34401/FTS34401.pdf>

(beverages comprised of 26-99% juice). Despite this superior brand recognition and significantly larger operational scale, the Huiyuan, Haisheng, and Yantai North Andre companies were unable to achieve EBITDA margins comparable to SkyPeople.

Unusually High Inventory Turnover

For a seasonal producer of juice beverages, SkyPeople has an unusually high inventory turnover rate relative to its peers. This further calls into question SPU's reported SEC financials

Annual Inventory Turnover	FY09	FY10
SkyPeople	10.0x	10.7x
China Huiyuan Juice	2.1x	2.3x
China Haisheng Juice	1.0x	1.0x
Yantai North Andre Juice	0.6x	1.1x

The primary juice pressing season for juice concentrate production occurs in the last three months and first three months of most fiscal years, which corresponds to the completion of the fall fruit harvests. For SPU's Chinese juice peers, inventory only turns over once to twice per year because of the seasonality of the business. Even compared to primary beverage producing peers, such as China Huiyuan Juice, SPU's inventory turnover still appears too high.

Due to the effects of the harvest season, juice concentrate manufacturers exhibit volatility in inventory levels, with inventory typically peaking during the fourth quarter, coincident with the end of the fall harvest. According to SkyPeople's filings, inventory fluctuates similarly to its concentrate-producing peers, but SPU's inventory as a percentage of cost of sales is extremely low.

Unusually Low Marketing Expenditures

Selling & Marketing Expense as a % of Revenue	FY09	FY10
SkyPeople	1.6%	1.7%
China Huiyuan Juice	28.9%	26.8%
China Haisheng Juice	6.9%	10.2%
Yantai North Andre Juice	7.4%	7.0%

The selling and marketing costs incurred by SkyPeople's competition in the juice concentrate business are significantly higher than SPU's annual expenses as a percentage of revenue. Despite the fact SkyPeople claims to be rapidly growing a new beverage business, SPU spends a shockingly low amount on marketing than its competition in the beverage business. As would be expected for a beverage manufacturer, China Huiyuan spends a greater portion of its revenue on marketing than concentrate manufacturers.

SkyPeople reportedly spent \$60,203 and \$12,167 on advertising and promotional costs in 2009 and 2010, respectively. Despite SPU's purported beverage revenue increasing 126% between 2009 and 2010, advertising and promotional costs decreased 80%. To put the numbers in perspective, Huiyuan spent approximately \$591 per ton of beverages sold on advertising and marketing expenses in 2009. That same year, SPU spent approximately \$9.75 per ton of beverages sold on advertising and marketing.

With its beverage business growing at an annual rate of approximately 86% from 2007 through 2010, and with the addition of a new product in 2009 (fruit cider beverages) it is hard to believe that SPU could be spending so little on marketing expenses, not to mention that the above assumptions leave SPU with \$0 per ton spent on advertising costs, promotional costs and sales team expenses for the remainder of their business in concentrate juice and fresh fruit.

Accounts Receivable Appear Inflated

Average Days Sales Outstanding	FY09	FY10
SkyPeople	120	144
China Huiyuan Juice	41	40
China Haisheng Juice	21	26
Yantai North Andre Juice	56	64

In trying to determine how SkyPeople’s average days sales outstanding could be so much higher than its peers, the first place to review is the Company’s credit sales policy. Unfortunately, disclosure is poor and conflicting. The percentage of sales taking place on credit is not disclosed. On one page of the 2010 annual report, credit terms are described as ranging from 30 to 90 days. On a different page, credit terms are described as ranging from 30 to 120 days. No explanation for this difference is provided.

Accounts receivable, as a percentage of revenue, have been rising, from 28% in 2008, to 46% in 2009 and 49% in 2010. Management provides no explanation. Apple juice concentrate manufacturers are faced with high working capital needs. The large apple juice producers pay the supplying farmers in cash, while the credit terms for their export customers range from two to six months.

The Biggest Squeeze: Margins

Though SPU attributed 36% of its 2009 revenue to the production of kiwifruit juice concentrates and purees, discussions with the company’s customers, industry experts, and plant managers, and two former executives indicated that both the market for kiwifruit concentrate and SkyPeople’s production are minuscule. Absaroka was unable to find evidence suggesting that SPU manufactures any meaningful quantity of kiwifruit juice concentrate. A best estimate of SkyPeople’s annual production is 60 tons or less. Based on comments from plant managers, we estimate that kiwifruit beverages make up at most 1% of SPU’s total revenue. A former executive said that SkyPeople had never exported any kiwi juice concentrate. This information is consistent with Absaroka’s discussions with SkyPeople customers and distributors, none of whom had ever purchased any kiwi juice concentrate from SPU.

Kiwifruit is a niche product that has no export market and is expensive to produce because of its tendency to spoil quickly and to lose its color in processing. Farmers are reluctant to sell kiwis to concentrate manufacturers because they receive higher prices for fresh fruit, and recent improvements in wholesale logistics and Chinese infrastructure make it possible to get fresh fruit to the market more efficiently.

The majority of SPU’s actual business is manufacturing apple juice concentrate and pear juice concentrate. Commercial Chinese concentrate production is focused on apple juice concentrate (“AJC”) with some pear concentrate production as well. Chinese AJC manufacturers export over 90% of their

output, mainly to North American and European beverage makers. Five large firms dominate the business, each with modern processing plants and high-quality imported equipment. Without any branding or product differentiation, SkyPeople faces fierce competition driven by price. Manufacturers are subject to swings in demand from their downstream customers and juice apple prices can exhibit short term volatility, but have been rising over the past eight years.

The other concentrate that SPU produces in any measurable quantity is pear juice concentrate. Originally marketed as offering unique nutritional benefits, pear concentrate is now primarily used as filler and is blended with AJC and other juices. In 2010, pear concentrate sold for roughly \$800 per ton versus about \$950 for AJC. The total volume produced is much smaller than AJC, and manufacturers increase or decrease pear concentrate production depending on the price of juice pears and juice apples relative to the prices for pear concentrate and AJC, with the margins for both products being similar.

SPU claims its competitive advantage comes from having “modern equipment and technology” and manufacturing facilities in “strategic locations.” The company claims special technological prowess based on two registered patents. However, Absaroka has examined the patents, which describe particular arrangements of gears on a fruit skinning device, and found them lacking in innovation. Given that factory managers cannot access fruit that is lower in price, and given that plants are located in remote regions with difficult transportation, the claim to have strategic locations is not credible. The Yingkou location, for example, required 15 hours of travel from Beijing by plane, long distance bus, and privately hired car on a rutted mountain road.

6. SkyPeople’s Low-Quality Auditors – Raises significant concerns about validity of published financials and future business prospects

History of Low Quality Auditors

Fiscal Year	Firm	Comments
2009-Present	BDO Limited (Hong Kong)	<ul style="list-style-type: none"> • Auditor for the alleged CXTI, CHBT, ONP, and GFRE frauds • The PCOAB has never completed an Inspection of this BDO office and has limited oversight capability because of the offshore location¹⁶
2008-2009	Child, Van Wagoner & Bradshaw, PLLC	<ul style="list-style-type: none"> • Not a top 100 global accounting firm¹⁷ • 2010 PCAOB Inspection Report identified material audit deficiencies in 88.9% of audits reviewed, including significant problems with related-party transactions, warrant valuations, inappropriate reverse-merger procedures, revenue recognition, and asset impairments¹⁸ • 2009 PCAOB Inspection Report identified material audit deficiencies in 44.4% of audits reviewed, including significant problems with revenue recognition, valuation of stock-based compensation, and the appropriate valuation of assets in an asset purchase¹⁹
2007	Tarvaran Askelson & Company, LLP	<ul style="list-style-type: none"> • Not a top 100 global accounting firm²⁰ • PCAOB has never completed an Inspection Report on the firm

BDO Limited (Hong Kong) Abysmal Audit Track Record

BDO Limited (Hong Kong) has an abysmal track record of providing audit opinion letters for the financial statements of companies that were committing fraud or have been credibly accused of committing fraud.

BDO Limited (Hong Kong) audited China Expert Technology (“CXTI”), a notorious small cap Chinese fraud. CXTI’s reached a record high of \$7.95 on the strength of spectacular financial results. But CXTI was a hoax, there were no actual operations, and CXTI’s financials were conjured from thin air. The CEO and CFO subsequently disappeared and CXTI ceased to file financial statements, wiping out its investors. CXTI’s shares are now almost worthless. In addition, BDO Limited is the auditor of China Biotics (“CHBT”), Orient Paper (“ONP”), and Gulf Resources (“GFRE”), all of which have been accused of fraud by credible investors in the past twelve months.

¹⁶ BDO Limited Firm Summary, Public Company Accounting Oversight Board, available at: <https://rasr.pcaobus.org/Firms/FirmSummaryPublic.aspx?FirmID=3F3AFDE57309F5FC961A83BD262166FD>; as discussed in the “PCAOB Issues First Research Note on Chinese Reverse Mergers” report dated 03/15/11, the PCAOB is currently prevented from conducting inspections of the U.S.-related audit work of PCAOB-registered firms in Hong Kong SAR, available at: http://pcaobus.org/News/Releases/Pages/03152011_ResearchNote.aspx

¹⁷ “The 2010 Top 100 Accounting Firms” *Inside Public Accounting*, August 2010, available at: http://insidepublicaccounting.com/PDF/top100_2010.pdf

¹⁸ Inspection of Child, Van Wagoner, & Bradshaw, PLLC, Issued by the Public Company Accounting Oversight Board, dated 07/02/10, available at: http://pcaobus.org/Inspections/Reports/Documents/2010_Child_Van_Wagoner_Bradshaw_PLLC.pdf

¹⁹ Inspection of Child, Van Wagoner, & Bradshaw, PLLC, Issued by the Public Company Accounting Oversight Board, dated 01/30/09, available at: http://pcaobus.org/Inspections/Reports/Documents/2009_Child_Van_Wagoner_Bradshaw.pdf

²⁰ “The 2010 Top 100 Accounting Firms” *Inside Public Accounting*, August 2010, available at: http://insidepublicaccounting.com/PDF/top100_2010.pdf

BDO Limited (Hong Kong) Abysmal Audit Track Record

Company	Discussion	Public Equity Investor Return
CHBT	Citron Research published a detailed report accusing CHBT of fraud on 08/30/10 ²¹	Down 58.7% from its 52-week high to \$7.40/share
CXTI	A completely fraudulent company	Equity is currently worthless, from a high of \$7.95/share
ONP	Muddy Waters published a detailed report accusing ONP of fraud on 06/28/10 ²²	Down 62.1% from its 52-week high to \$3.54/share
GFRE	Glaucus Research published a detailed report accusing GFRE of fraud on 04/26/11 ²³	Down 70.3% from its 52-week high to \$3.52/share

²¹ Citron Research report on CHBT available at: <http://www.citronresearch.com/index.php/2010/08/30/it-doesnt-take-a-microscope-to-see-whats-wrong-with-china-biotics-nasdaqchbt/>

²² MuddyWaters Research report on ONP available at: <http://www.muddywatersresearch.com/research/orient-paper-inc/initiating-coverage-onp/>

²³ Glaucus Research report on GFRE available at: www.glaucusresearch.com/GlaucusResearch-Gulf_Resources-GFRE-Strong_Sell-April_26_2011.pdf

Conclusion – SkyPeople Fruit Juice, Inc. (NASDAQ: SPU)

In this Initiating Coverage Report, Absaroka presented compelling evidence that SkyPeople has materially misrepresented its production volume, revenue, capital equipment, and profitability. SkyPeople's management has been solely focused on stock promotion and thus SPU is massively overvalued by the market at this time.

1. SkyPeople's SAIC financials indicate the Company is less than 10% the size claimed in the United States SEC financials
2. Visits to all four of SkyPeople's production factories found empty facilities with limited and antiquated production equipment; the facilities only operate in production mode for less than two months per year due to limited demand and inefficient production
3. SkyPeople does not own the largest kiwifruit plantation in Asia and is forced to source input fruits for its factories from local farmers at high costs due to its relatively small size
4. Retail channel checks and discussions with SkyPeople's distributors and customers make the company's claims regarding product distribution and sales volume unbelievable. Many of the Company's "customers" claim to have done little or no business with the Company and Absaroka's researchers struggled to find the Company's beverage products on store shelves
5. EBITDA margins, inventory turnover, accounts receivables, and selling/marketing costs seem particularly dubious relative to peers and indicate potential accounting shenanigans
6. Low-Quality Auditors raises significant concerns about validity of published financials and future business prospects

Any of these serious issues on a stand-alone basis should be enough to convince public shareholders to question the current \$2.55/share valuation.

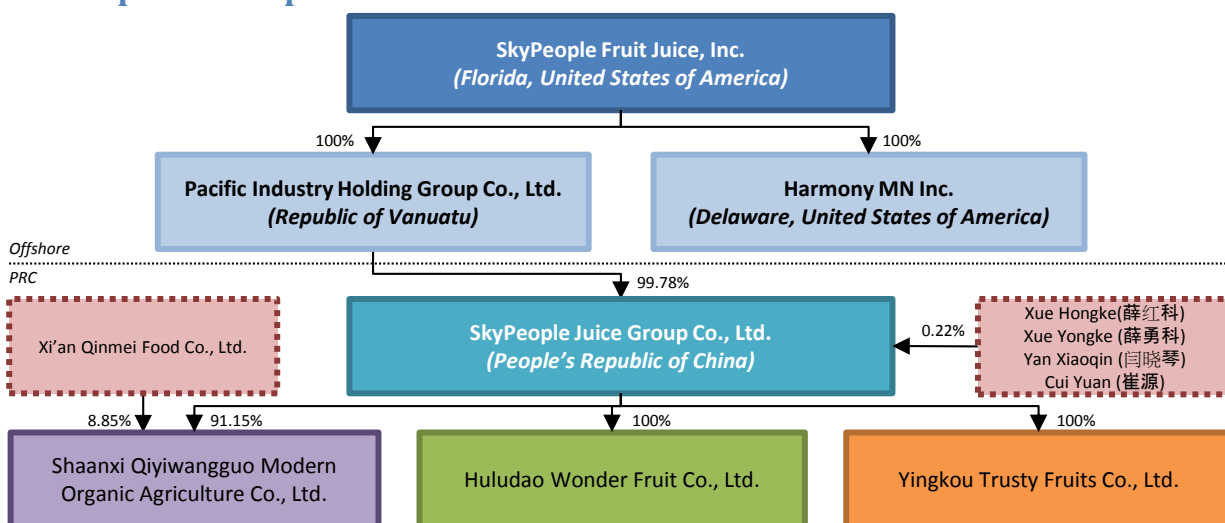
Appendix Materials

Appendix A: Corporate Overview – Sub-optimal reverse-merger listing history

SPU Abbreviated Corporate History²⁴

- On 02/26/08, SPU became an indirect holding company for SkyPeople Juice Group Co., Ltd. (China) through Pacific Industry Holding Group Co., Ltd. and the Company’s common stock was traded on the OTC-BB
- On 06/10/08, SPU acquired Huludao Wonder Fruit Co., Ltd., for \$6.3mm via the offset of related party receivables
- On 10/29/09, SPU listed on the AMEX, completed a two-for-three reverse stock split, and issued 2.7mm shares via a warrants exercise
- On 11/25/09, the Company acquired Yingkou Trusty Fruits Co., Ltd. \$3.3mm, which was 80% and 20% owned by Mr. Xue and Ms. Xiaoqin Yan, Chairman/CEO and Board of Directors member, respectively
- On 04/20/10, SPU switched its public listing to the NASDAQ

SPU Simplified Corporate Structure²⁵



Also, please note according to the Shaanxi Qiyiwangguo Organic Agriculture Co., Ltd. (“Qiyiwangguo”) 2009 SAIC filings, Xi’an Qinmei Food Co., Ltd. owns 8.85% of the equity in the company and Shaanxi Surea Group owns a separate 21.05% equity stake, which implies SkyPeople’s equity ownership in Qiyiwangguo is actually only 70.1%. However, for simplicity, the legal organizational structure chart above is a direct copy of the information included in the FY08-FY10 10-Ks, reformatted for clarity.

²⁴ SPU 12/31/10 10-K, page 4 <http://www.sec.gov/Archives/edgar/data/1066923/000141588911000198/spu10k-dec312010.htm>

²⁵ SHZ 12/31/09 10-K, page 3, <http://www.sec.gov/Archives/edgar/data/1066923/000141588911000198/spu10k-dec312010.htm>