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 March 31, 2011

OR

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

For the transition period from to

Commission File No.: 001-34098

HIGHPOWER INTERNATIONAL, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**20-4062622**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Building A1, Luoshan Industrial Zone, Shanxia, Pinghu, Longgang,
Shenzhen, Guangdong, 518111, People's Republic of China
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)(ZIP CODE)

(86) 755-89686238
(COMPANY'S TELEPHONE NUMBER, INCLUDING AREA CODE)

____
Former Name

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" as defined in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☒

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

The registrant had 13,582,106 shares of common stock, par value $0.0001 per share, outstanding as of May 12, 2011.

HIGHPOWER INTERNATIONAL, INC.
FORM 10-Q
For the Quarterly Period Ended March 31, 2011
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Part I. Financial Information

Item 1. Financial Statements

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(Stated in US Dollars)

	As of	
	March 31, 2011 (Unaudited)	***December 31, 2010 (Audited)***
	$	***$***
ASSETS		
Current Assets :		
Cash and cash equivalents	9,161,233	8,490,629
Restricted cash	6,636,347	6,044,960
Accounts receivable	20,317,450	20,846,540
Notes receivable	1,197,821	256,574
Prepaid expenses and other receivables – *Note 7*	5,433,605	3,231,211
Inventories – *Note 10*	11,551,519	13,447,432
Total Current Assets	54,297,975	52,317,346
Plant and equipment, net – *Note 11*	14,548,996	13,652,254
Leasehold land, net – *Note 12*	3,065,895	3,022,293
Intangible asset, net – *Note 13*	787,500	800,000
Investment in an associate – *Note 14*	101,351	103,123
Investment securities – *Note 15*	54,973	53,904
TOTAL ASSETS	72,856,690	69,948,920
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities :		
Non-trading foreign currency derivatives liabilities	212,908	77,699
Accounts payable	14,679,034	13,407,204
Other payables and accrued liabilities – *Note 19*	5,429,605	4,983,269
Income taxes payable	1,147,818	1,164,007
Bank borrowings – *Note 20*	23,725,366	22,539,032
Total Current Liabilities	45,194,731	42,171,211
COMMITMENTS AND CONTINGENCIES – *Note 22*		

(continued)

HIGHPOWER INTERNATIONAL, INC AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)
(Stated in US Dollars)

	As of	
	March 31, 2011 (Unaudited) March 31,	*December 31, 2010 (Audited) December 31,*
STOCKHOLDERS' EQUITY		
Preferred Stock		
Par value: $0.0001		
Authorized: 10,000,000 shares		
Issued and outstanding: none	-	-
Common stock		
Par value : $0.0001		
Authorized: 100,000,000 shares		
Issued and outstanding: 2011 –13,582,106 shares (2010 –13,582,106 shares)	1,358	1,358
Additional paid-in capital	5,408,939	5,180,318
Accumulated other comprehensive income	2,592,699	2,475,749
Retained earnings	19,658,963	20,120,284
TOTAL STOCKHOLDERS' EQUITY	27,661,959	27,777,709
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	72,856,690	69,948,920

See accompanying notes to unaudited condensed consolidated financial statements

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Stated in US Dollars)

	Three months ended March 31,	
	2011	***2010***
	(Unaudited)	***(Unaudited)***
	$	***$***
Net sales	26,950,666	20,223,372
Cost of sales	(22,950,308)	(15,977,042)
Gross profit	4,000,358	4,246,330
Depreciation – *Notes 2 and 11*	(113,570)	(69,242)
Selling and distribution costs	(1,174,685)	(752,054)
General and administrative costs including stock-based compensation	(2,598,312)	(1,453,607)
Loss on exchange rate difference	(172,936)	(22,354)
Loss on future contract	(450,591)	-
Share of loss of an associate	(1,772)	-
(Loss)/Income from operations	(511,508)	1,949,073
Change in fair value of currency forwards		-
Other income – *Note 3*	232,548	77,374
Interest expenses – *Note 4*	(152,636)	(66,333)
Other expenses – *Note 5*	(23,964)	-
(Loss)/Income before income taxes	(455,560)	1,960,114
Income taxes – *Note 6*	(5,761)	(379,414)
Net (loss)/income	(461,321)	1,580,700
Other comprehensive income		
- Foreign currency translation gain	(18,783)	(15,597)
- Cash flow hedge	3,567	2,517
Comprehensive income	(476,537)	1,567,620
Income per common share		
- Basic	(0.03)	0.12
- Diluted	(0.03)	0.12
Weighted average common shares outstanding		
- Basic	13,582,106	13,582,106
- Diluted	13,783,856	13,632,096

See accompanying notes to unaudited condensed consolidated financial statements

HIGHPOWER INTERNATIONAL, INC AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in US Dollars)

	Three months ended March 31,	
	2011	***2010***
	(Unaudited)	***(Unaudited)***
	$	***$***
Cash flows from operating activities		
Net (loss)/income	(461,321)	1,580,700
Adjustments to reconcile net income to net cash provided by operating activities :		
Amortization of intangible asset	12,500	12,747
Amortization of leasehold land	16,395	15,726
Depreciation	415,965	360,572
Loss on disposal of plant and equipment	1,201	43,885
Loss on future contract	450,591	-
Share based payment	228,621	73,177
Bad debt written off	1,017	41,675
Changes in operating assets and liabilities :		
(Increase) decrease in -		
Accounts receivable	529,090	1,667,206
Notes receivable	(941,247)	(90,857)
Prepaid expenses and other receivables	(2,202,395)	(2,202,045)
Inventories	1,895,913	(651,133)
Increase (decrease) in -		
Accounts payable	1,271,830	2,608,364
Other payables and accrued liabilities	446,336	523,479
Income taxes payable	(16,189)	363,726
Net cash flows provided by operating activities	1,648,307	4,347,222
Cash flows from investing activities		
Acquisition of plant and equipment	(1,045,693)	(565,454)
Sale proceeds of plant and equipment	-	(2,760)
Net cash flows used in investing activities	(1,045,693)	(568,214)
Cash flows from financing activities		
Proceeds from new short-term bank loans	6,758,980	-
Repayment of short-term bank loans	(4,340,759)	(2,929,416)
Repayment of other secured loans	-	(1,206,776)
Net (repayment) advancement of other bank borrowings	(1,764,322)	5,095,185
Increase in restricted cash	(591,387)	(575,878)
Net cash flows provided by financing activities	62,513	383,115
Net increase in cash and cash equivalents	665,127	4,162,123
Effect of foreign currency translation on cash and cash equivalents	5,477	(6,743)
Cash and cash equivalents - beginning of period	8,490,629	2,967,586
Cash and cash equivalents - end of period	9,161,233	7,122,966
Supplemental disclosures for cash flow information :		
Cash paid for :		
Interest	152,636	66,333

See accompanying notes to unaudited condensed consolidated financial statements

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Stated in US Dollars)

1. Organization and Basis of Presentation

Highpower International, Inc. ("Highpower" or the "Company," formerly known as Hong Kong Highpower Technology, Inc.) was incorporated in the State of Delaware on January 3, 2006 to locate a suitable acquisition candidate to acquire.

The Company was organized principally to engage in the manufacturing and trading of nickel metal hydride rechargeable batteries.

As used herein, the "Company" refers to Highpower and its wholly-owned subsidiaries, unless the context indicates otherwise.

In January 2008, HKHTC invested $749,971 in Huizhou Highpower Technology Co., Ltd. ("HZ Highpower"). HZ Highpower is a wholly-owned subsidiary of HKHTC. Huizhou Highpower has not commenced business as at December 31, 2010.

On June 20, 2008, HKHTC invested $250,000 in Springpower Technology (Shenzhen) Co., Ltd. ("SZ Springpower") which became a wholly-owned subsidiary of HKHTC. On July 9, 2008, HKHTC invested an additional $750,000 in SZ Springpower. SZ Springpower commenced business in June 2008 and specializes in researching and manufacturing Lithium-ion rechargeable batteries.

On June 19, 2008, the Company effected a 5-for-8 reverse stock split of the Company's issued and outstanding shares of common stock (the Reverse Stock Split"). The par value and number of authorized shares of the common stock remained unchanged. All references to number of shares and per share amounts included in these consolidated financial statements and the accompanying notes have been adjusted to reflect the Reverse Stock Split retroactively.

The Company's common stock commenced trading on the Nasdaq Global Market on December 21, 2009. Prior to December 21, 2009, shares of the Company's common stock were listed for trading on the NYSE Amex.

On June 19, 2008, the Company issued 603,750 shares of common stock upon the closing of a public offering. The Company's sale of common stock, which was sold indirectly by the Company to the public at a price of $3.25 per share, resulted in net proceeds of $1,486,400. These proceeds were net of underwriting discounts and commissions, fees for legal and auditing services, and other offering costs.

On June 19, 2008, the Company issued 160,000 shares of common stock upon the closing of the public offering. The shares are treated as compensation for investor relations services. The services provided were for the period of one year pursuant to a contract dated June 19, 2008, which has expired.

On November 18, 2009, HKHTC invested an additional $1,227,487 in SZ Highpower.

(Stated in US Dollars)

1. Organization and Basis of Presentation *(continued)*

On May 25, 2010, the Company invested $142,514 in Springpower International, Inc. ("Springpower International") which became an associate of HKHTC. Springpower International incorporates in Canada, it mainly researches and develops advanced, high performance battery materials and clean energy materials.

On September 21, 2010, the Company invested $293,574 in Ganzhou Highpower Technology Co., Ltd. ("GZ Highpower"). GZ Highpower is a wholly owned subsidiary of SZ Highpower. GZ Highpower is expected to engage in trading and research of battery materials.

On October 21, 2010, the Company invested an additional $2,000,000 in HZ Highpower.

On October 20, 2010, with stockholders' approval, Hong Kong Highpower Technology, Inc. officially changed its name to Highpower International, Inc.

On February 23, 2011, the Company established Icon Energy System Co., Ltd. to engage in the research, design and production of advanced battery packs and systems.

Description of business

The subsidiaries of the Company include the following:

Name of company	Place and date incorporation	Attributable equity interest held	Principal activities
Hong Kong Highpower Technology Co., Ltd ("HKHTC")	Hong Kong Jul 4, 2003	100%	Investment holding
Shenzhen Highpower Technology Co., Ltd ("SZ Highpower")	PRC Oct 8, 2002	100%	Manufacturing of batteries
Highpower Energy Technology (Huizhou) Co., Ltd ("HZ Highpower")	PRC Jan 29, 2008	100%	Inactive
Springpower Technology (Shenzhen) Co., Ltd ("SZ Springpower")	PRC Jun 4, 2008	100%	Manufacturing of batteries
Ganzhou Highpower Technology Co., Ltd ("GZ Highpower")	PRC Sep 21, 2010	100%	Processing, marketing and trading of battery materials

(Stated in US Dollars)

1. Organization and Basis of Presentation *(continued)*

Icon Energy System Co., Ltd.	PRC Feb 23, 2011	100%	Research and production of advanced battery packs and systems

The associate of the Company include the following:

Name of company	Place and date incorporation	Attributable equity interest held	Principal activities
Springpower International, Inc. (“Springpower International”)	Canada Mar 22, 2010	40%	Research and development of advanced batteries

2. Summary of significant accounting policies

Basis of presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America. The consolidated financial statements for the interim periods are unaudited. In the opinion of management, these consolidated financial statements, include all adjustments, including normal recurring adjustments, necessary for their fair presentation. Interim results are not necessarily indicative of results of operations to be expected for a full year, The accompanying consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and do not include all information and footnotes necessary for a complete presentation of financial statements in conformity with accounting principles generally accepted in the United States. These financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation

On June 29, 2009, the Financial Accounting Standards Board (FASB) established the FASB Accounting Standards Codification (Codification) as the single source of authoritative U.S. generally accepted accounting principles (GAAP) for all nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) are also sources of authoritative U.S. GAAP for SEC registrants. The Codification does not change U.S. GAAP but takes previously issued FASB standards and other U.S. GAAP authoritative pronouncements, changes the way the standards are referred to, and includes them in specific topic areas. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of the Codification did not have any impact on the Company’s financial statements.

2. Summary of significant accounting policies *(continued)*

Associate

Associate is entity over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associate is accounted for using the equity method of accounting and is initially recognized at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income.

Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. These accounts and estimates include, but are not limited to, the valuation of accounts receivable, inventories, deferred income taxes and the estimation on useful lives of plant and equipment. Actual results could differ from those estimates.

Comparative amounts

Certain comparative amounts in prior periods have been reclassified to conform to the current period's presentation. The principal reclassification related to the separate presentation of loss on exchange rate difference as an operating cost line item in the statement of operations, which was previously included in general and administrative costs. These reclassifications had no effect on reported total assets, liabilities, stockholders' equity, or net income (loss).

Economic and political risks

The Company's operations are conducted in the People's Republic of China (the "PRC"). Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environment in the PRC and by the general state of the PRC economy.

The Company's operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environment and foreign currency exchange. The Company's results may be adversely affected by changes in the political and social conditions in the PRC and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion, remittances abroad and rates and methods of taxation, among other things.

(Stated in US Dollars)

2. Summary of significant accounting policies *(continued)*

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of accounts receivable. The Company extends credit based on an evaluation of the customer's financial condition, generally without requiring collateral or other security. In order to minimize the credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Further, the Company reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced. Other than set forth below, no customers represented 10% or more of the Company's net sales and accounts receivable.

A substantial percentage of the Company's sales are made to the following customers. Details of the customers accounting for 10% or more of total net revenue in any of the three months ended March 31, 2011 and 2010 are as follows:

	2011	2010
Energizer	20%	19%

Details of the accounts receivable from the customers with the largest receivable balances as of March 31, 2011 and 2010 are as follows:

	Percentage of accounts receivable	
	March 31, 2011	*March 31, 2010*
Energizer	16%	25%
Gigaset Communications	10%	18%
Largest receivable balances	26%	43%

Cash and cash equivalents

Cash and cash equivalents include all cash, deposits in banks and other liquid investments with initial maturities of three months or less.

Restricted cash

Certain cash balances are held as security for short-term bank borrowings and are classified as restricted cash in the Company's balance sheets.

(Stated in US Dollars)

2. Summary of significant accounting policies *(continued)*

Accounts receivable

Accounts receivable are stated at the original amount less an allowance made for doubtful receivables, if any, based on a review of all outstanding amounts at period end. An allowance is also made when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Bad debts are written off when identified. The Company extends unsecured credit to customers in the normal course of business and believes all accounts receivable in excess of the allowances for doubtful receivables to be fully collectible. The Company does not accrue interest on trade accounts receivable.

The Company experienced bad debts of $1,017 and $41,675 during the three months ended March 31, 2011 and 2010, respectively.

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined on a weighted average basis and includes purchase costs, direct labor and factory overheads. There are no significant freight charges, inspection costs and warehousing costs incurred for any of the periods presented. In assessing the ultimate realization of inventories, management makes judgments as to future demand requirements compared to current or committed inventory levels. The Company's reserve requirements generally increase based on management's projected demand requirements, and decrease due to market conditions and product life cycle changes. During the three months ended March 31, 2011 and 2010, the Company did not make any allowance for slow-moving or defective inventories. The Company's production process results in a minor amount of waste materials. The Company does not record a value for the waste in its cost accounting. The Company records proceeds on an as realized basis, when the waste is sold. The Company has offset the proceeds from the sales of waste materials as a reduction of production costs. Proceeds from the sales of waste materials were approximately $35,479 and $17,362 for the three months ended March 31, 2011 and 2010, respectively. Generally, waste materials on hand at the end of a year are nominal.

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use. Maintenance, repairs and betterments, including replacement of minor items, are charged to expense; major additions to physical properties are capitalized.

Depreciation of plant and equipment is provided using the straight-line method over their estimated useful lives at the following annual rates:

Buildings	5% - 10%
Furniture, fixtures and office equipment	20%
Leasehold improvement	50%
Machinery and equipment	10%
Motor vehicles	20%

2. Summary of significant accounting policies *(continued)*

Plant and equipment *(continued)*

Upon sale or disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount less proceeds from disposal is charged or credited to income.

Construction in progress represents the properties and plant and machinery in the course of development for production or buildings under development and are stated at cost, less any identified impairment losses. When the construction is completed and the asset is ready for its intended use, the related cost is transferred to an appropriate category of property, plant and equipment and depreciated in accordance with the above policy.

Investment Securities

Investments in less than twenty percent owned entities are accounted for under the cost basis and are reviewed for impairment periodically.

Management have strategic investments in certain debt and equity securities that are included in noncurrent "Investment securities" on our Consolidated Balance Sheets accounted for using the cost methods of accounting.

The Company ability to realize value from our strategic investments in companies that are not publicly traded depends on the success of those companies' businesses and their ability to obtain sufficient capital to execute their business plans. Because private markets are not as liquid as public markets, there is also increased risk that we will not be able to sell these investments, or that when we desire to sell them we will not be able to obtain fair value for them.

Intangible Assets and Long-Lived Assets

FASB ASC 350 "Intangibles – Goodwill and Other", requires purchased intangible assets other than goodwill to be amortized over their useful lives unless these lives are determined to be indefinite. Accordingly, the consumer battery license is being amortized over its useful life of 20 years. The Company does not have any goodwill.

2. Summary of significant accounting policies *(continued)*

Intangible Assets and Long-Lived Assets (continued)

The Company accounts for the impairment of long-lived assets, such as plant and equipment, leasehold land and intangible assets, under the provisions of FASB ASC 360 "Property, Plant and Equipment – Overall". ASC 360 establishes the accounting for impairment of long-lived tangible and intangible assets other than goodwill and for the disposal of a business. Pursuant to ASC 360, the Company periodically evaluates, at least annually, whether facts or circumstances indicate that the carrying value of its depreciable assets to be held and used may not be recoverable. If such circumstances are determined to exist, an estimate of undiscounted future cash flows produced by the long-lived asset, or the appropriate grouping of assets, is compared to the carrying value to determine whether impairment exists. In the event that the carrying amount of long-lived assets exceeds the undiscounted future cash flows, then the carrying amount of such assets is adjusted to their fair value. The Company reports an impairment cost as a charge to operations at the time it is recognized.

There was no impairment of long-lived assets for the three months ended March 31, 2011 and 2010.

Revenue recognition

The Company recognizes revenue when the goods are delivered and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Sales of goods represent the invoiced value of goods, net of sales returns, trade and allowances.

The Company does not have arrangements for returns from customers and does not have any future obligations directly or indirectly related to product resales by customers. The Company has no incentive programs.

Advertising and promotion expenses

Advertising and promotion expenses are charged to expense as incurred.

Advertising and promotion expenses, which are included in selling and distribution costs, were not material for the three months ended March 31, 2011 and 2010.

2. Summary of significant accounting policies *(continued)*

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in consolidated statements of income in the period that includes the enactment date or date of change in tax rate. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company adopted FASB ASC 740, “Accounting for Uncertainty in Income Taxes” clarifies the accounting for uncertain tax positions. This interpretation requires that an entity recognizes in the consolidated financial statements the impact of a tax position, if that position is more likely than not of being sustained upon examination, based on the technical merits of the position. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as a component of income tax expense in the consolidated statements of income. According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitations is extended to five years under special circumstances, which are not clearly defined. In the case of a related party transaction, the statute of limitation is ten years. There is no statute of limitation in the case of tax evasion. The adoption of ASC 740 did not have a significant effect on the consolidated financial statements.

Comprehensive income

The Company has adopted FASB ASC 220 “Comprehensive income”, which establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Accumulated other comprehensive income represents the accumulated balance of foreign currency translation adjustments of the Company.

Foreign currency translation

The functional currency of the Company is the Renminbi (“RMB”). The Company maintains its financial statements in the functional currency. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet dates. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income for the respective year.

2. Summary of significant accounting policies *(continued)*

Foreign currency translation *(continued)*

For financial reporting purposes, the financial statements of the Company, which are prepared using the functional currency, are then translated into United States dollars. Assets and liabilities are translated at the exchange rates at the balance sheet dates and revenue and expenses are translated at the average exchange rates and stockholders' equity is translated at historical exchange rates. Any translation adjustments resulting are not included in determining net income but are included in foreign exchange adjustment in other comprehensive income, a component of stockholders' equity.

	March 31, 2011	March 31, 2010
Quarter end RMB : US$ exchange rate	6.5486	6.8267
Average quarterly RMB : US$ exchange rate	6.5795	6.8273

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that RMB amounts could have been, or could be, converted into US$ at rates used in translation.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the approximate rates of exchange ruling on the transaction date. Exchange gains and losses resulting from this translation policy are recognized in the statements of operations.

Fair value of financial instruments

The carrying values of the Company's financial instruments, including cash and cash equivalents, restricted cash, trade and other receivables, deposits, trade and other payables, approximate their fair values due to the short-term maturity of such instruments. The carrying amounts of borrowings approximate their fair values because the applicable interest rates approximate current market rates.

The Company is exposed to certain foreign currency risk from export sales transactions and the related accounts receivable as they will affect the future operating results of the Company.

2. Summary of significant accounting policies *(continued)*

Foreign currency derivative

From time to time the Company may utilize forward foreign currency exchange contracts to reduce the impact of foreign currency exchange rate risks. Forward contracts are cash flow hedges of the Company's foreign currency exposures and are recorded at the contract's fair value. The effective portion of the forward contract is initially reported in "Accumulated other comprehensive income," a component of shareholders' equity, with a corresponding asset or liability recorded based on the fair value of the forward contract. When the hedged transaction is recorded (generally when revenue on the associated sales contract is recognized), any unrecognized gains or losses are reclassified into results of operations in the same period. Any hedge ineffectiveness is recorded to operations in the current period. The Company measures hedge effectiveness by comparing changes in fair values of the forward contract and expected cash flows based on changes in the spot prices of the underlying currencies. Cash flows from forward contracts accounted for as cash flow hedges are classified in the same category as the cash flows from the items being hedged.

Earnings per share

The Company reports earnings per share in accordance with FASB Accounting Standard Codification Topic 260 ("ASC 260") "Earnings Per Share". Basic earnings per share is computed using the weighted average number of common shares outstanding during the periods presented. The weighted average number of shares represents the common stock outstanding during the years, as adjusted retroactively to reflect the November 2007 recapitalization as described at Note 1. Diluted earnings per common share computations are based on the weighted average number of common shares outstanding during the period, plus the dilutive effect of stock options, warrants and restricted stock awards.

Stock-Based Compensation

The Company accounts for stock-based payment transactions in which the Company receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. Stock-based compensation cost for restricted stock units ("RSUs") is measured based on the closing fair market value of the Company's common stock on the date of grant. Stock-based compensation cost for stock options is estimated at the grant date based on each option's fair-value as calculated by the Black-Scholes-Merton ("BSM") option-pricing model. The Company recognizes stock-based compensation cost as expense ratably on a straight-line basis over the requisite service period. The Company will recognize a benefit from stock-based compensation in equity if an incremental tax benefit is realized by following the ordering provisions of the tax law. In addition, the Company accounts for the indirect effects of stock-based compensation on the research tax credit, the foreign tax credit and the domestic manufacturing deduction through the income statement. Further information regarding stock-based compensation can be found in Note 8, "Shareholders' Equity and Stock-Based Compensation."

Share-based compensation expense was $228,621 and $73,177 and for the three months ended March 31, 2011 and 2010, respectively.

2. Summary of significant accounting policies *(continued)*

Recently issued accounting pronouncements

In March 2008, the FASB issued ASC 815 (formerly SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133") to amend and expand the disclosures about derivatives and hedging activities. The standard requires enhanced qualitative disclosures about an entity's objectives and strategies for using derivatives, and tabular quantitative disclosures about the fair value of derivative instruments and gains and losses on derivatives during the reporting period. This standard is effective for both fiscal years and interim periods that begin after November 15, 2008. The adoption of this standard on December 29, 2008, the beginning of the Company's fiscal year, did not have a material impact on its consolidated financial statements.

In August 2009, the FASB issued Accounting Standards Update ("ASU") 2009-05, which amends ASC Topic 820, Measuring Liabilities at Fair Value, which provides additional guidance on the measurement of liabilities at fair value. These amended standards clarify that in circumstances in which a quoted price in an active market for the identical liability is not available, we are required to use the quoted price of the identical liability when traded as an asset, quoted prices for similar liabilities, or quoted prices for similar liabilities when traded as assets. If these quoted prices are not available, we are required to use another valuation technique, such as an income approach or a market approach. These amended standards are effective for us beginning in the fourth quarter of fiscal year 2009. There was no material impact upon the adoption of this standard on the Company's consolidated financial statements.

In September 2009, the FASB issued ASU 2009-06, Income Taxes (Topic 740), "Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities", which provides implementation guidance on accounting for uncertainty in income taxes, as well as eliminates certain disclosure requirements for nonpublic entities. For entities that are currently applying the standards for accounting for uncertainty in income taxes, this update shall be effective for interim and annual periods ending after September 15, 2009. For those entities that have deferred the application of accounting for uncertainty in income taxes in accordance with paragraph 740-10-65-1(e), this update shall be effective upon adoption of those standards. The adoption of this standard is not expected to have an impact on the Company's consolidated financial position and results of operations since this accounting standard update provides only implementation and disclosure amendments.

In September 2009, the FASB has published ASU 2009-12, "Fair Value Measurements and Disclosures (Topic 820) - Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)". This ASU amends Subtopic 820-10, "Fair Value Measurements and Disclosures – Overall", to permit a reporting entity to measure the fair value of certain investments on the basis of the net asset value per share of the investment (or its equivalent). This ASU also requires new disclosures, by major category of investments including the attributes of investments within the scope of this amendment to the Codification. The guidance in this update is effective for interim and annual periods ending after December 15, 2009. Early application is permitted. The Company is in the process of evaluating the impact of this standard on its consolidated financial position and results of operations.

2. Summary of significant accounting policies *(continued)*

Recently issued accounting pronouncements *(Continued)*

In October 2009, the FASB has published ASU 2009-13, “Revenue Recognition (Topic 605)-Multiple Deliverable Revenue Arrangements”, which addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. Specifically, this guidance amends the criteria in Subtopic 605-25, “Revenue Recognition-Multiple-Element Arrangements”, for separating consideration in multiple-deliverable arrangements. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) estimates. This guidance also eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method and also requires expanded disclosures. The guidance in this update is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial position and results of operations.

ASC 105, Generally Accepted Accounting Principles (“ASC 105”) (formerly SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162), reorganized by topic existing accounting and reporting guidance issued by the Financial Accounting Standards Board (“FASB”) into a single source of authoritative generally accepted accounting principles (“GAAP”) to be applied by nongovernmental entities. All guidance contained in the Accounting Standards Codification (“ASC”) carries an equal level of authority. Rules and interpretive releases of the Securities and Exchange Commission (“SEC”) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. Accordingly, all other accounting literature will be deemed “non-authoritative”. ASC 105 is effective on a prospective basis for financial statements issued for interim and annual periods ending after September 15, 2009. The Company has implemented the guidance included in ASC 105 as of July 1, 2009. The implementation of this guidance changed the Company’s references to GAAP authoritative guidance but did not impact the Company’s financial position or results of operations.

In January 2010, the FASB issued Accounting Standards Update No. 2010-06 (ASU 2010-06), Fair Value Measurements and Disclosures which amends ASC Topic 820, adding new requirements for disclosures for Levels 1 and 2, separate disclosures of purchases, sales, issuances, and settlements relating to Level 3 measurements and clarification of existing fair value disclosures. ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010 (the Company’s fiscal year 2012); early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2009-14 on its financial statements.

(Stated in US Dollars)

2. Summary of significant accounting policies*(continued)*

Recently issued accounting pronouncements *(Continued)*

In February 2010, FASB issued ASU 2010-9 Subsequent Events (Topic 855) Amendments to Certain Recognition and Disclosure Requirements ("ASU 2010-9"). ASU 2010-9 amends disclosure requirements within Subtopic 855-10. An entity that is an SEC filer is not required to disclose the date through which subsequent events have been evaluated. This change alleviates potential conflicts between Subtopic 855-10 and the SEC's requirements. ASU 2010-9 is effective for interim and annual periods ending after June 15, 2010. The Company does not expect the adoption of ASU 2010-09 to have a material impact on its results of operations or financial position.

Effective July 1, 2010, we adopted the update to the accounting standard regarding derivatives and hedging (Topic 815). This update clarifies how to determine whether embedded credit derivatives, including those interests held in collateralized debt obligations and synthetic collateralized debt obligations, should be bifurcated and accounted for separately. The adoption of this standard did not have a significant impact on our results of operations.

In December 2010, the FASB issued Accounting Standards Update ASU 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations (Topic 805). The update requires public companies to disclose pro forma information for business combinations that occur in the current reporting period. The disclosures include pro forma revenue and earnings of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period. This guidance is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, with early adoption permitted. The Company’s adoption of FASB ASU No. 2010-29 effective December 1, 2010 did not have an impact on the Company’s consolidated results of operations or financial position but did result in additional disclosures.

3. Other income

	Three months ended March 31,	
	2011	***2010***
	(Unaudited)	***(Unaudited)***
	$	***$***
Bank interest income	31,555	29,248
Government sponsor	79,478	14,647
Foreign exchange contract income	56,448	1,582
Sundry income	65,067	31,897
	232,548	77,374

(Stated in US Dollars)

4. Interest expenses

	Three months ended March 31,	
	2011	***2010***
	(Unaudited)	***(Unaudited)***
	$	***$***
Interest on trade related bank loan	82,402	60,073
Interest on short-term bank loans	70,234	6,260
	152,636	66,333

5. Other expenses

	Three months ended March 31,	
	2011	***2010***
	(Unaudited)	***(Unaudited)***
	$	***$***
Sundry expenses	23,964	-
	23,964	-

6. Income taxes

The components of the provision for income taxes are:

	Three months ended March 31,	
	2011	***2010***
	(Unaudited)	***(Unaudited)***
	$	***$***
PRC income taxes	5,761	379,414
	5,761	379,414

Accounting for Uncertainty in Income Taxes

The Company adopted the provisions of FASB Accounting Standard Codification Topic 740 (ASC 740) "Income Taxes". ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with ASC 740, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of the provisions of ASC 740 did not have a material effect on the Company's financial statements.

Based on the Company's evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements.

(Stated in US Dollars)

7. Prepaid expenses and other receivables

	At of	
	March 31, 2011 (Unaudited) $	***December 31, 2010 (Unaudited) $***
Purchase deposits paid	2,671,089	688,041
Advance to staff	317,820	72,047
Other deposits and prepayments	521,054	500,362
Valued-added tax prepayment	905,308	975,552
Other receivables	1,018,334	995,209
	5,433,605	3,231,211

8. Share – based compensation expenses

Equity awards are currently made only from the 2008 Omnibus Incentive Plan as described below.

2008 Omnibus Incentive Plan

The 2008 Omnibus Incentive Plan (the "2008 Plan") was approved by the Company's Board of Directors on October 30, 2008 and became effective upon the approval of the Company's stockholders on December 11, 2008. The 2008 Plan has a ten year term. The 2008 Plan reserves two million shares of common stock for issuance, subject to increase from time to time by the number of shares: (i) subject to outstanding awards granted under the Company's prior equity compensation plans that terminate without delivery of any stock (to the extent such shares would have been available for issuance under such prior plan), and (ii) subject to awards assumed or substituted in connection with the acquisition of another company.

The 2008 Plan authorizes the issuance of awards including stock options, restricted stock units (RSUs), restricted stock, unrestricted stock, stock appreciation rights (SARs) and other equity and/or cash performance incentive awards to employees, directors, and consultants of the Company. Subject to certain restrictions, the Compensation Committee of the Board of Directors has broad discretion to establish the terms and conditions for awards under the 2008 Plan, including the number of shares, vesting conditions and the required service or performance criteria. Options and SARs have a contractual term of ten years and generally vest over four to five years with an exercise price equal to the fair market value on the date of grant. Incentive stock options (ISOs) granted must have an exercise price equal to the fair market value on the date of grant. Repricing of stock options and SARs is prohibited without stockholder approval. Certain change in control transactions may cause awards granted under the 2008 Plan to vest, unless the awards are continued or substituted for in connection with the transaction. At March 31, 2011, approximately 1,108,000 shares of our common stock remained available for issuance pursuant to awards granted under the 2008 Plan.

(Stated in US Dollars)

8. Share – based compensation expenses *(continued)*

Stock-Based Compensation Related to employees

	Number of Shares	Exercise Price	Contractual Term Years
Outstanding, January 1, 2011	-	-	
Granted	870,000	$ 3.55	
Exercised	-	-	
Forfeited	(10,000)	$ 3.55	
Outstanding, March 31, 2011	860,000	$ 3.55	9.81
Exercisable, March 31, 2011	90,000	$ 3.55	9.81

During the three months ended March 31, 2011 the Company granted 870,000 options to ten employees at a per share exercise price of $3.55. At the date of report, one employee has resigned already in March 2011, the 10,000 options has been forfeited in accordance to the terms and conditions of the plan.

The weighted-average fair value of options granted to employees for the three month period ended March 31, 2011 was $1.52 per share as calculated using the Black Scholes pricing model, with the following weighted-average assumptions:

Weighted averages	March 31,2011
Expected volatility	40.01%
Risk-free interest rate	2.47%
Expected term from grant date in years	6.16
Dividend rate	-
Fair value	$ 1.52

Stock-Based Compensation Related to Nonemployees

	Number of Share	Exercise Price	Contractual Term Years
Outstanding, January 1, 2011	-	-	
Granted	15,000	$ 3.41	
Exercised	-	-	
Forfeited	-	-	
Outstanding, March 31, 2011	15,000	$ 3.41	9.81
Exercisable, March 31, 2011	-	-	-

There were no options exercised during the three month period ending March 31, 2011.

(Stated in US Dollars)

8. Share – based compensation expenses *(continued)*

Stock-Based Compensation Related to Nonemployees *(continued)*

The stock-based compensation cost of options granted to nonemployees is initially measured on the grant date using the Black-Scholes model and is remeasured over the vesting period as earned. The resulting value is recognized as an expense over the period in which services are received.

During the three months ended March 31, 2011 the Company granted options to purchase 15,000 shares of common stock to a consultant at a per share exercise price of $3.41, in exchange for services from the consultant.

The grant date fair values of stock options granted to nonemployees were calculated using the Black-Scholes pricing model with the following weighted-average assumptions:

Weighted averages		March 31,2011
Expected volatility		39.45%
Risk-free interest rate		2.53%
Expected term from grant date in years		6.50
Dividend rate		-
Fair value	$	1.22

Expected Term.
The expected term of stock options represents the weighted-average period that the stock options are expected to remain outstanding. There have been no stock option exercises to date upon which to base an estimate of the expected term. The Company determined it appropriate to estimate the expected term using the "simplified" method as prescribed by the Securities and Exchange Commission, or SEC, in Staff Accounting Bulletin No. 107, or SAB 107, as amended by SAB 110. The simplified method determines an expected term based on the average of the weighted average vesting term and the contractual term of the option.

Expected Volatility.
The Company has limited stock trading history and it is not able to reasonably estimate the fair value of its equity share options because it is not practicable for it to estimate the expected volatility of its share price. The expected volatilities used for the three month period ended March 31, 2011 are based upon the volatilities of a peer group of comparable publicly traded companies. This peer group was selected by the Company using criteria including similar industry, similar stage of development and comparable market capitalization.

Risk-Free Interest Rate.
The risk-free interest rate assumption is based on U.S. Treasury instruments with a term consistent with the expected term of the Company's stock options.

(Stated in US Dollars)

8. Share – based compensation expenses *(continued)*

Dividend Yield.
The Company has never declared or paid any cash dividends and does not plan to pay cash dividends in the foreseeable future, and therefore, used an expected dividend yield of zero in the valuation model.

Forfeitures.
The Company estimates forfeitures at the time of grant and revises the estimates in subsequent periods if actual forfeitures differ from what was estimated. The Company uses historical data to estimate pre-vesting option forfeitures and records stock-based compensation expense only for those awards that are expected to vest. All stock-based payment awards are amortized on a ratable basis over the requisite service periods of the awards, which are generally the vesting periods. The Company records stock-based compensation expense only for those awards that are expected to vest.

Total Share-Based Compensation Expense

No share-based compensation expense was capitalized in the periods presented. At March 31, 2011 the gross amount of unrecognized share-based compensation expense relating to unvested share-based awards was approximately $1.096 million, which the Company anticipates recognizing as a charge against income over a weighted average period of 3.34 years.

In connection with the grant of stock options to employees and nonemployees, the Company recorded stock-based compensation charges of $227,712 and $909 respectively for the three month period ending March 31, 2011. At March 31, 2011, options held by nonemployees to purchase 15,000 shares were unvested and subject to remeasurement.

The estimated fair value of share-based awards is recognized as a charge against income on a ratable basis over the requisite service period, which is generally the vesting period of the award. Total share-based compensation expense recognized in our condensed consolidated statements of operations for the three months ended March 31, 2011 and 2010 was as follows:

Summary of Compensation Expense

	Three months ended March 31,	
	2011	2010
Costs of revenue	$ 67,942	$ -
General and administrative	31,710	73,177
Sales and marketing	128,969	-
Total share-based compensation expenses	$ 228,621	$ 73,177

9. Earning per share

Basic earning per common share is computed by dividing income available to common shareholders by the weighted-averages number of shares of common stock outstanding during the period. Diluted earning per common share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock outstanding that would have been outstanding if the potentially dilutuve securities had been issued. Potentially dilutive securities include outstanding stock options, restricted shares. The dilutive effect of potentially dilutive securities is reflected in diluted earning per common share by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of the Company's common stock can result in a greater dilutive effect from potentially dilutive securities.

(Stated in US Dollars)

9. Earning per share *(continued)*

The following tables set forth the computation of basic and diluted earnings per common share for the three months ended March 31, 2011 and 2010.

	Three months ended	
	March 31, 2011 (Unaudited) $	***March 31, 2010 (Unaudited) $***
Numerator:		
Net (loss)/income	(461,321)	1,580,700
Denominator:		
Weighted-average shares outstanding	13,582,106	13,582,106
Effect of dilative securities	201,750	49,990
Denominator:		
Weighted-average shares diluted	13,783,856	13,632,096
Basic earning per common share	(0.03)	0.12
Diluted earning per common share	(0.03)	0.12

10. Inventories

	At of	
	March 31, 2011 (Unaudited) $	***December 31, 2010 (Unaudited) $***
Raw materials	3,491,048	3,743,307
Work in progress	1,303,819	1,847,390
Finished goods	6,738,012	7,841,283
Packing materials	18,640	15,452
	11,551,519	13,447,432

(Stated in US Dollars)

11. Plant and equipment

	At of	
	March 31, 2011 (Unaudited)	*December 31, 2010 (Audited)*
	$	*$*
Cost		
Construction in progress	4,270,530	3,499,495
Furniture, fixtures and office equipment	2,469,234	2,310,868
Leasehold improvement	-	732,560
Machinery and equipment	11,291,930	10,783,907
Motor vehicles	1,086,845	1,045,843
Building	258,746	253,709
	19,377,285	18,626,382
Accumulated depreciation		
Construction in progress	-	-
Furniture, fixtures and office equipment	1,135,934	962,193
Leasehold improvement	-	691,393
Machinery and equipment	3,208,165	2,890,437
Motor vehicles	467,409	417,193
Building	16,781	12,912
	4,828,289	4,974,128
Net		
Construction in progress	4,270,530	3,499,495
Furniture, fixtures and office equipment	1,333,300	1,348,675
Leasehold improvement	-	41,167
Machinery and equipment	8,083,765	7,893,470
Motor vehicles	619,436	628,650
Building	241,965	240,797
	14,548,996	13,652,254

The components of depreciation charged are:

	Three months ended March 31,	
	2011 (Unaudited)	*2010 (Unaudited)*
	$	*$*
Included in cost of sales and selling and distribution costs	302,394	291,330
Included in operating expenses	113,570	69,242
	415,964	360,572

(Stated in US Dollars)

12. Leasehold land

	At of	
	March 31, 2011 (Unaudited) $	***December 31, 2010 (Audited) $***
Cost	3,279,032	3,215,205
Accumulated amortization	(213,137)	(192,912)
Net	3,065,895	3,022,293

The leasehold land is being amortized annually using the straight-line method over the lease terms of 50 years.

13. Intangible asset – Consumer battery license

	At of	
	March 31, 2011 (Unaudited) $	***December 31, 2010 (Audited) $***
Cost		
Consumer battery license fee	1,000,000	1,000,000
Accumulated amortization	(212,500)	(200,000)
Net	787,500	800,000

Amortization expenses included in selling and distribution costs for the three months ended March 31, 2011 and 2010 was $12,500.

Shenzhen Highpower Technology Co., Ltd. (SZ Highpower), a wholly-owned subsidiary of the Company, entered into a Consumer Battery License Agreement with Ovonic Battery Company, Inc. (Ovonic), an unrelated party, dated May 14, 2004, pursuant to which SZ Highpower acquired a royalty-bearing, non-exclusive license to use certain patents owned by Ovonic to manufacture rechargeable nickel metal hydride batteries for portable consumer applications (Consumer Batteries) in the PRC, and a royalty-bearing, non-exclusive worldwide license to use certain patents owned by Ovonic to use, sell and distribute Consumer Batteries. SZ Highpower made an up-front royalty payment to Ovonic of $50,000 in 2004.

On August 8, 2007, SZ Highpwer and Ovonic amended the Consumer Battery License Agreement pursuant to which SZ Highpower agreed to pay a total of $112,580, which was to be made in two equal payments of $56,290, one of which was to be made within 15 days of August 8, 2007, and the other within 45 days of August 8, 2007, as royalties for its use of the licensed technology in 2004, 2005 and 2006. Both of these payments were made during 2007 and were recorded as royalty expense in prior years, which was included in selling and distribution costs in the statement of operations.

(Stated in US Dollars)

13. Intangible asset – Consumer battery license (continued)

The Consumer Battery License Agreement also requires the Company to pay an additional up-front royalty payment of $1,000,000 by four annual installments and an annual royalty fee based on the gross sales of consumer batteries over the term of the Consumer Battery License Agreement. Accordingly, during the year ended December 31, 2007, the Company recorded a total up-front royalty payment obligation of $1,000,000, which was included in other payables and accrued liabilities, with the related debit recorded as an intangible asset entitled consumer battery license agreement. During the three months ended March 31, 2011, the Company recorded a total of approximately $88,780 as royalty expense, which was included in selling and distribution costs in the statement of operations. At March 31, 2011, accrued royalty fees payable was $1,248,374 (*see Note 19*).

The Company is amortizing the $1,000,000 cost of the Consumer Battery License Agreement over a period of 20 years on the straight line basis. The accounting for the Consumer Battery License Agreement is based on the Company's estimate of the useful life of the underlying technology, which is based on the Company's assessment of existing battery technology, current trends in the battery business, potential developments and improvements, and the Company's current business plan.

14. Investment in an associate

	At of	
	March 31, 2011 (Unaudited)	***December 31, 2010 (Audited)***
	$	***$***
Acquisition of associate	142,514	142,514
Share of loss - accumulated	(41,163)	(39,391)
Net	101,351	103,123

On March 22, 2010, the group acquired 40% of the share capital of Springpower International, Inc, which is an intellectual properties development company operating in Canada. The group's share of the results of its associate and its aggregated assets and liabilities, are as follows:

Name	Country of Incorporation	Assets	Liabilities	Revenue	Loss	% Interest Held
At March 31, 2011						
		$	$	$	$	
Springpower International, Inc.	Canada	368,918	85,048	3,153	106,061	40%
At December 31, 2010						
		$	$	$	$	
Springpower International, Inc	Canada	369,052	78,612	3,045	101,523	40%

(Stated in US Dollars)

15. Investment Securities

	As of March 31, 2011 (Unaudited)	*As of December 31, 2010 (Audited)*
	$	*$*
Investment securities - cost method	54,973	53,904
	54,973	53,904

The investments in less than twenty percent owned entities are accounted for under the cost basis.

16. Fair Value Measurements

The Company adopted FASB ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), related to the Company's financial assets and liabilities. ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also describes three levels of inputs that may be used to measure fair value:

Level 1 — quoted prices in active markets for identical assets and liabilities.

Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

ASC 820 also provides guidance for determining the fair value of a financial asset when the market for that asset is not active, and for determining fair value when the volume and level of activity for an asset or liability have significantly decreased and includes guidance on identifying circumstances that indicate when a transaction is not orderly. The adoption of ASC 820 did not have a material impact on the Company's financial condition or results of operations.

The effective date for certain aspects of ASC 820 was deferred and are currently being evaluated by the Company. Areas impacted by the deferral relate to nonfinancial assets and liabilities that are measured at fair value, but are recognized or disclosed at fair value on a nonrecurring basis. The effects of these remaining aspects of ASC 820 are to be applied by the Company to fair value measurements prospectively beginning November 1, 2009. The adoption of the remaining aspects of ASC 820 is not expected to have a material impact on its financial condition or results of operations. See Note 6 to the consolidated financial statements in this Report on Form 10-K for additional investment information.

(Stated in US Dollars)

16. Fair Value Measurements*(continued)*

The following table details the fair value measurements of assets and liabilities within the three levels of the fair value hierarchy at March 31, 2011 and December 31, 2010:

		Fair Value Measurements at reporting date using		
	March 31, 2011 $	Quoted Price in active Markets for identical assets (level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Other Unobservable Inputs (Level 3) $
Assets				
Accounts receivable	20,317,450	-	-	20,317,450
Prepaid expenses and other receivables	5,433,605	-	-	5,433,605
Notes receivable	1,197,821	-	-	1,197,821
Liabilities				
Non-trading foreign currency derivatives liabilities	212,908	-	212,908	-
Accounts payable	14,679,034	-	-	14,679,034
Other payables and accrued liabilities	5,429,605	-	-	5,429,605

		Fair Value Measurements at reporting date using		
	December 31, 2010 $	Quoted Price in active Markets for identical assets (level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Other Unobservable Inputs (Level 3) $
Assets				
Accounts receivable	20,846,540	-	-	20,846,540
Prepaid expenses and other receivables	3,231,210	-	-	3,231,210
Notes receivable	256,574	-	-	256,574
Liabilities				
Non-trading foreign currency derivatives liabilities	77,699	-	77,699	-
Accounts payable	13,407,204	-	-	13,407,204
Other payables and accrued liabilities	4,983,269	-	-	4,983,269

Level 2 financial assets represent the fair value of our foreign currency exchange contracts that were valued using pricing models that take into account the contract terms as well as multiple inputs are applicable, such as currency rate. Level 3 financial assets represent the fair value of our accounts receivables.

17. Risk Management Activities, Including Derivative

The Company recognized the following gains and losses attributable to its derivative financial instruments during the following periods:

	Three months ended March 31,	
	2011	*2010*
	(Unaudited)	*(Unaudited)*
	$	*$*
Foreign exchange contracts, net		
Gain recognized in Other income, net	56,448	1,582

Hedging Activities

Due to the volatility of the US Dollar to the Company's functional currency, the Company has put into place a hedging program to attempt to protect it from significant changes to the US Dollar, which would affect the value of the Company's US dollar receivables and sales. At March 31, 2011, the Company had a series of currency forwards totaling a notional amount US$15,500,000 expiring from April 2011 to December 2011.

SZ Highpower uses foreign currencies derivative instruments to manage foreign exchange resulting from fluctuations in US Dollar to the Company's functional currency (RMB). The notional amounts of these financial instruments are based on expected cash flow from operations.

At the inception of a derivative contract, SZ Highpower historically designated the derivative as a cash flow hedge. For all derivatives designated as cash flow hedges, SZ Highpower formally documented the relationship between the derivative contract and the hedged items, as well as the risk management objective for entering into the derivative contract. To be designated as a cash flow hedge transaction, the relationship between the derivative and the hedged items must be highly effective in achieving the offset of changes in cash flows attributable to the risk both at the inception of the derivative and on an ongoing basis. SZ Highpower historically measured hedge effectiveness on a quarterly basis and hedge accounting would be discontinued prospectively if it was determined that the derivative was no longer effective in offsetting changes in the cash flows of the hedged item. Gains and losses deferred in accumulated other comprehensive income related to cash flow hedge derivatives that became ineffective remained unchanged until the related cashflow was received. If SZ Highpower determined that it was probable that a hedged forecasted transaction would not occur, deferred gains or losses on the derivative were recognized in earnings immediately.

(Stated in US Dollars)

17. Risk Management Activities, Including Derivative *(continued)*

Derivatives, historically, were recorded on the balance sheet at fair value and changes in the fair value of derivatives were recorded each period in net income or other comprehensive income, depending on whether a derivative was designated as part of a hedge transaction and, if it was, depending on the type of hedge transaction. SZ Highpower's derivatives historically consisted primarily of cash flow hedge transactions in which SZ Highpower was hedging the variability of cash flows related to a forecasted transaction. Period to period changes in the fair value of derivative instruments designated as cash flow hedges were reported in other comprehensive income and reclassified to net income in the periods in which the contracts are settled. The ineffective portions of the cash flow hedges were reflected in net income as an increase or decrease to other income (expense). Gains and losses on derivative instruments that did not qualify for hedge accounting were also recorded as an increase or decrease to other income (expense), in the period in which they occurred. The resulting cash flows from derivatives were reported as cash flows from operating activities.

The cost of the effective portion of the cash flow hedges was $212,908 and $8,524 for the three months ended March 31, 2011 and 2010, respectively.

18. Change in fair value of share warrants

On June 19, 2008, the Company issued to WestPark Capital, Inc. warrants to purchase 52,500 shares of common stock at an exercise price of $3.90 per share in connection with the initial public offering. The warrants have a term of five years and are exercisable no sooner than one year and no later than five years.

The fair value of the warrants at June 19, 2008, the date of issue is $276,000. The fair value of the warrants is appraised by an independent qualified valuer.

On December 16, 2009, a warrant holder exercised 5,000 shares of the warrants via a cashless exercise. The Company issued 2,510 shares of common stock upon the exercise of the warrants at no consideration. At March 31, 2011, warrants to purchase 47,500 shares of common stock were still outstanding.

19. Other payables and accrued liabilities

	At of	
	March 31, 2011 (Unaudited) $	*December 31, 2010 (Unaudited) $*
Accrued expenses	2,286,150	2,469,391
Royalty payable	1,248,374	1,159,594
Sales deposits received	1,113,035	1,007,201
Other payables	782,046	347,083
	5,429,605	4,983,269

(Stated in US Dollars)

20. Bank borrowings

	At of	
	March 31, 2011 (Unaudited) $	***December 31, 2010 (Unaudited) $***
Secured:		
Repayable within one year		
Short term bank loans	8,708,176	8,306,299
Other trade related bank loans	15,017,190	14,232,733
	23,725,366	22,539,032

As of March 31, 2011, the above bank borrowings were secured by the following:

(a) charge over bank deposits of $6,636,347 which is included in restricted cash on the Balance sheet;

(b) personal guarantee executed by the directors of the Company;

(c) the legal charge over leasehold land with carrying amount $3,065,895 (*see Note 12*); and

(d) other financial covenant

The interest rates of trade related bank loans were at bank's prime lending rate per annum with various maturity dates. The rates at March 31, 2011 ranged from 5.1% to 7.0%.

21. Pension plans

For employees in PRC, the Company contributes on a monthly basis to various defined contribution plans organized by the relevant municipal and provincial government in the PRC based on certain percentage of the relevant employees' monthly salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Company has no further constructive obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expenses as incurred.

The assets of the schemes are controlled by trustees and held separately from those of the Company. Total pension cost was $175,305 and $145,193 for the three months ended March 31, 2011 and 2010, respectively.

(Stated in US Dollars)

22. Commitments and contingencies

Operating leases commitments

The Company leases factory and office premises under various non-cancelable operating lease agreements that expire at various dates through years 2010 to 2011, with an option to renew the lease. All leases are on a fixed repayment basis. None of the leases includes contingent rentals. Minimum future commitments under these agreements payable as of March 31, 2010 are as follows:

Period ending March 31,	$
2011	794,395
2012	440,068
	1,234,463

Rent expenses for the three months ended March 31, 2011 and 2010 were $254,139 and $235,616 respectively.

23. Segment Information

The Company uses the “management approach” in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company’s chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company’s reportable segments. Management, including the chief operating decision maker, reviews operating results solely by monthly revenue (but not by sub-product type or geographic area) and operating results of the Company and, as such, the Company has determined that the Company has one operating segment as defined by FASB Accounting Standard Codification Topic 280 (ASC 280) “Segment Reporting”.

(Stated in US Dollars)

23. Segment Information *(continued)*

All long-lived assets of the Company are located in the PRC. Geographic information about the revenues and accounts based on the location of the Company's customers is set out as follows:

	Three months ended March 31,	
	2011	***2010***
	(Unaudited)	***(Unaudited)***
	$	***$***
Net revenue		
Hong Kong and China	16,734,474	12,016,686
Asia	1,475,450	1,134,710
Europe	6,469,280	4,628,822
North America	2,194,726	2,401,611
South America	32,246	41,543
Others	44,490	-
	26,950,666	20,223,372

	At of	
	March 31, 2011	***December 31, 2010***
	(Unaudited)	***(Unaudited)***
	$	***$***
Accounts receivable		
Hong Kong and China	15,089,785	14,944,284
Asia	295,790	603,275
Europe	3,995,770	3,441,242
North America	924,200	1,847,730
South America	3,944	2,080
Africa	7,961	7,929
	20,317,450	20,846,540

24. Subsequent Events

We have evaluated significant events and transactions that occurred from April 1, 2011 through the date of this report and have determined that there were no events or transactions other than those disclosed in this report, if any, that would require recognition or disclosure in our Condensed Consolidated Financial Statements for the quarterly period ended March 31, 2011.

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

The following discussion relates to a discussion of the financial condition and results of operations of Highpower International, Inc. (the "Company") and its wholly-owned subsidiary Hong Kong Highpower Technology Co., Ltd. (referred to herein as "HKHT"), and HKHT's wholly-owned subsidiaries Shenzhen Highpower Technology Co., Ltd. ("Shenzhen Highpower") and Springpower Technology (Shenzhen) Co., Ltd. ("Spring power"). HKHT's other subsidiary, HZ Highpower Technology Co. ("HZ Highpower") has not yet commenced operations. Shenzhen Highpower's wholly-owned subsidiary, Ganzhou Highpower Technology Co., Ltd. ("GZ Highpower"), commenced business operations in September 2010. HKHT formed another wholly-owned subsidiary, Icon Energy System Co., Ltd., a company organized under the laws of the PRC, in February 2011, which had not yet commenced operations as of March 31, 2011.

Forward-Looking Statements

This management's discussion and analysis of financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and the related notes that are included in this Quarterly Report and the audited consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K for the year ended December 31, 2010.

This Quarterly Report contains forward-looking statements that involve substantial risks and uncertainties. All statements other than historical facts contained in this report, including statements regarding our future financial position, capital expenditures, cash flows, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words "anticipated," "believe," "expect, "plan," "intend," "seek," "estimate," "project," "could," "may," and similar expressions are intended to identify forward-looking statements. Such statements reflect our management's current views with respect to future events and financial performance and involve risks and uncertainties, including, without limitation, the current economic downturn adversely affecting demand for the our products; fluctuations in the cost of raw materials; our dependence on, or inability to attract additional, major customers for a significant portion of our net sales; our ability to increase manufacturing capabilities to satisfy orders from new customers; changes in the laws of the PRC that affect our operations; our ability to complete construction at our new manufacturing facility on time; our ability to control operating expenses and costs related to the construction of our new manufacturing facility; the devaluation of the U.S. Dollar relative to the Renminbi; our dependence on the growth in demand for portable electronic devices and the success of manufacturers of the end applications that use our battery products; our responsiveness to competitive market conditions; our ability to successfully manufacture Li-ion batteries in the time frame and amounts expected; the market acceptance of our Li-ion products; changes in foreign, political, social, business and economic conditions that affect our production capabilities or demand for our products; and various other matters, many of which are beyond our control. Actual results may vary materially and adversely from those anticipated, believed, estimated or otherwise indicated should one or more of these risks or uncertainties occur or if any of the risks or uncertainties described in elsewhere in this report or in the "Risk Factors" section of our 2010 Annual Report occur. Consequently, all of the forward-looking statements made in this filing are qualified by these cautionary statements and there can be no assurance of the actual results or developments.

Overview

We were incorporated in the state of Delaware on January 3, 2006. We were originally organized as a "blank check" shell company to investigate and acquire a target company or business seeking the perceived advantages of being a publicly held corporation. On November 2, 2007, we closed a share exchange transaction, pursuant to which we (i) became the 100% parent of HKHT and its wholly-owned subsidiary, Shenzhen Highpower, (ii) assumed the operations of HKHT and its subsidiary and (iii) changed our name to Hong Kong Highpower Technology, Inc. On October 20, 2010 we changed our name to Highpower International, Inc. On February 23, 2011, we created Icon Energy System Co., Ltd.

HKHT was incorporated in Hong Kong in 2003, under the Companies Ordinance of Hong Kong. Shenzhen Highpower was founded in founded in 2001. HKHT formed HZ Highpower and Springpower in 2008. Shenzhen Highpower formed GZ Highpower in September 2010. GZ Highpower commenced business operations in September 2010. HZ Highpower has not yet commenced business operations. HKHT formed another wholly-owned subsidiary, Icon Energy System Co., Ltd., a company organized under the laws of the PRC, in February 2011, which has not yet commenced operations.

Through Shenzhen Highpower, we manufacture Nickel Metal Hydride ("Ni-MH") batteries for both consumer and industrial applications. We have developed significant expertise in Ni-MH battery technology and large-scale manufacturing that enables us to improve the quality of our battery products, reduce costs, and keep pace with evolving industry standards. In 2008, we commenced manufacturing two lines of Lithium-Ion ("Li-ion") and Lithium polymer rechargeable batteries through Spring Power for higher-end, high-performance applications, such as laptops, digital cameras and wireless communication products. Our automated machinery allows us to process key aspects of the manufacturing process to ensure high uniformity and precision, while leaving the non-key aspects of the manufacturing process to manual labor.

We employ a broad network of salespersons in China and Hong Kong, which target key customers by arranging in-person sales presentations and providing post-sale services. The sales staff works with our customers to better address customers' needs.

We recently began a new materials business in which we buy and resell certain raw materials related to our battery manufacturing operations. This new materials business generates revenue and income and helps us understand our raw material supply chain, control our raw material costs and ensure that we have a steady supply of raw materials for our battery manufacturing operations.

Critical Accounting Policies and Estimates

The SEC defines critical accounting policies as those that are, in management's view, most important to the portrayal of our financial condition and results of operations and those that require significant judgments and estimates.

The preparation of these condensed consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities at the date of our financial statements. We base our estimates on historical experience, actuarial valuations and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Some of those judgments can be subjective and complex and, consequently, actual results may differ from these estimates under different assumptions or conditions. While for any given estimate or assumption made by our management there may be other estimates or assumptions that are reasonable, we believe that, given the current facts and circumstances, it is unlikely that applying any such other reasonable estimate or assumption would materially impact the financial statements. The accounting principles we utilized in preparing our consolidated financial statements conform in all material respects to generally accepted accounting principles in the United States of America.

Use of Estimates. In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. These accounts and estimates include, but are not limited to, the valuation of accounts receivable, inventories, deferred income taxes and the estimation on useful lives of plant and equipment. Actual results could differ from those estimates.

Accounts Receivable. Accounts receivable are stated at original amount less allowance made for doubtful receivables, if any, based on a review of all outstanding amounts at the period end. An allowance is also made when there is objective evidence that we will not be able to collect all amounts due according to original terms of receivables. Bad debts are written off when identified. We extend unsecured credit to customers in the normal course of business and believe all accounts receivable in excess of the allowances for doubtful receivables to be fully collectible. We do not accrue interest on trade accounts receivable.

Revenue Recognition. We recognize revenue when the goods are delivered and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Sales of goods represent the invoiced value of goods, net of sales returns, trade discount and allowances.

We do not have arrangements for returns from customers and do not have any future obligations directly or indirectly related to product resales by the customer. We have no incentive programs.

Inventories. Inventories are stated at the lower of cost or market value. Cost is determined on a weighted average basis and includes purchase costs, direct labor and factory overheads. In assessing the ultimate realization of inventories, management makes judgments as to future demand requirements compared to current or committed inventory levels. Our reserve requirements generally increase based on management's projected demand requirements, and decrease due to market conditions and product life cycle changes. Our production process results in a minor amount of waste materials. We do not record a value for the waste in our cost accounting. We record proceeds on an as realized basis, when the waste is sold. We offset the proceeds from the sales of waste materials as a reduction of production costs.

Income Taxes. We use the asset and liability method of accounting for income taxes pursuant to SFAS No. 109, "Accounting for Income Taxes." Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and loss carry forwards and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. We have also adopted FIN 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109."

Foreign Currency Translation. Our functional currency is the Renminbi ("RMB"). We maintain our financial statements in the functional currency. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet dates. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income for the respective periods.

For financial reporting purposes, our financial statements, which are prepared using the functional currency, are then translated into United States dollars. Assets and liabilities are translated at the exchange rates at the balance sheet dates and revenue and expenses are translated at the average exchange rates and stockholders' equity is translated at historical exchange rates. Any translation adjustments resulting are not included in determining net income but are included in foreign exchange adjustment in other comprehensive income, a component of stockholders' equity.

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that RMB amounts could have been, or could be, converted into U.S. Dollars at rates used in translation.

Results of Operations

Three Months Ended March 31, 2011 and 2010

Net sales for the three months ended March 31, 2011 were $27.0 million compared to $20.2 million for the three months ended March 31, 2010 an increase of 34%. The increase in net sales for the year ended March 31, 2011 over the year ended March 31, 2010 was due to a 5.8% increase in the average selling price of our Ni-MH battery units, a 3.6% increase in the number of Ni-MH battery units sold, a 22.7% increase in the average selling price of our Li-ion battery units, and a 22.8% increase in the number of Li-ion battery units sold. In addition, revenue from our New Materials business increased to $6.9 million for the three months ended March 31, 2011 from $2.9 million for the three months ended March 31, 2010.

Cost of sales consists of the cost of nickel and other rare earth materials. Costs of sales were $23.0 million for the three months ended March 31, 2011, as compared to $16.0 million for the comparable period in 2010. As a percentage of net sales, cost of sales increased to 85.2% for the three months ended March 31, 2011 compared to 79.0% for the comparable period in 2010. This increase was attributable to the increases of raw material prices including nickel and rare earth materials.

Gross profit for the three months ended March 31, 2011 was $4.0 million, or 14.8% of net sales, compared to $4.2 million, or 21.0% of net sales, for the comparable period in 2010. Management considers gross profit to be a key performance indicator in managing our business. Gross profit margins are usually a factor of cost of sales, product mix and demand for product. The decrease in our gross profit margin for the three months ended March 31, 2011 is primarily due to a 16.7% increase in the average per unit cost of goods sold during three months ended March 31, 2011 as compared to the comparable period in 2010.

To cope with pressure on our gross margins we intend to control production costs by entering into long term contract to lock in the raw material prices at the appropriate timing. Additionally, we have reorganized the Company's production structure and have focused more attention on employee training to enhance efficiency. We also intend to expand our market share by investing in greater promotion of our products in regions such as the U.S., and Europe, and by expanding our sales team with more experienced international sales personnel. We have also begun production capacity expansion for our Li-ion batteries business as to take advantage of the strong demand globally.

Selling and distribution costs were $1.2 million for the three months ended March 31, 2011 compared to $752,054 for the comparable period in 2010. The increase was primarily due to the expansion of our sales force and increased international marketing activities such as trade shows, customer visits, and advertising.

General and administrative costs were $2.6 million, or 9.6% of net sales, for the three months ended March 31, 2011, compared to $1.5 million, or 7.2% of net sales, for the comparable period in 2010. Management considers these expenses as a percentage of net sales to be a key performance indicator in managing our business. The increase as a percentage of net sales was primarily due to increased labor costs and research and development expenses. Research and development expenses increased $294,235 for the three months ended March 31, 2011 as compared to the comparable period in 2010 due to our increased commitment to advancing our research and development activities. Labor and personnel costs increased $590,234 for the three months ended March 31, 2011 as compared to the comparable period in 2010 due to the expansion of our workforce to expand our research and development and management functions.

We experienced losses on the exchange rate difference between the U.S. Dollar and the RMB of $172,936 and $22,354 respectively, in the three months ended March 31, 2011 and 2010. The increase in the losses on exchange rate was due to the devaluation of the U.S. Dollar relative to the RMB over the respective periods. Although our sales contracts do not automatically adjust to reflect changes in exchange rates, to cope with devaluation of the U.S. Dollar relative to the RMB, each time that we enter into new sales contracts with new or existing customers we adjust the selling price of batteries in anticipation of an increase, and to make up for any potential change, in the exchange rate between the two currencies.

Interest expense was $153,000 for the three months ended March 31, 2011, as compared to $66,000 for the comparable period in 2010. The decrease was primarily due to lower interest rates. We increased our borrowings by approximately $8.0 million in the three months ended March 31, 2011 as compared to the three months ended March 31, 2010. Further increases in borrowing rates would further increase our interest expense, which would have a negative effect on our results of operations.

Other income from operations, which consists of bank interest income, exchange gains and losses and sundry income, was $233,000, for the three months ended March 31, 2011, as compared to $77,000 for the three months ended March 31, 2010, an increase of 33%. The increase was due to an increase in funds from a government sponsor of $65,000, an increase in bank interest income of $2,000, a $55,000 gain on a foreign exchange contract and a $33,000 increase in sundry income.

We had sundry expenses of $24,000 in the three months ended March 31, 2011. We had no such expenses in the three months ended March 31, 2010.

During the three months ended March 31, 2011, we recorded a provision for income taxes of $6,000, as compared to $379,000 for the comparable period in 2010. The decrease was a result of a decrease in our net taxable income.

Net loss for the three months ended March 31, 2011 was $461,000, compared to net income of $1.6 million for the comparable period in 2010.

Liquidity and Capital Resources

We had cash and cash equivalents of approximately $9.1 million as of March 31, 2011, as compared to $8.5 million as of December 31, 2010. Our funds are kept in financial institutions located in the PRC, which do not provide insurance for amounts on deposit. Moreover, we are subject to the regulations of the PRC which restrict the transfer of cash from the PRC, except under certain specific circumstances. Accordingly, such funds may not be readily available to us to satisfy obligations which have been incurred outside the PRC.

To provide liquidity and flexibility in funding our operations, we borrow amounts under bank facilities and other external sources of financing. As of March 31, 2011, we had in place general banking facilities with nine financial institutions aggregating $82.4 million. The maturity of these facilities is generally up to one year. The facilities are subject to annual review and approval. These banking facilities are guaranteed by us and our Chief Executive Officer, Dang Yu Pan, and contain customary affirmative and negative covenants for secured credit facilities of this type. However, these covenants do not have any impact on our ability to undertake additional debt or equity financing. Interest rates are generally based on the banks' reference lending rates. No significant commitment fees are required to be paid for the banking facilities. As of March 31, 2011, we had utilized approximately $23.7 million under such general credit facilities and had available unused credit facilities of $58.7 million.

For the three months ended March 31, 2011, net cash provided by operating activities was approximately $1.6 million, as compared to $4.3 million for the comparable period in 2010. The decrease in net cash provided by operating activities is primarily attributable to the net loss and increased receivables during the three months ended March 31, 2011.

Net cash used in investing activities was $1.04 million for the three months ended March 31, 2011 compared to $568,000 million for the comparable period in 2010. The increase of cash used in investing activities was primarily attributable to an increase in the ongoing construction of our Huizhou production facilities and acquisition of new equipment over the respective periods.

Net cash provided by financing activities was $63,000 during the three months ended March 31, 2011, as compared to net cash used in financing activities of $383,000 for the three months ended March 31, 2010. The decrease in net cash provided by financing activities was attributable to repaying our bank loans.

For the three months ended March 31, 2011, our inventory turnover was 7 times, as compared to 5.7 times at March 31, 2010. The average days outstanding of our accounts receivable at March 31, 2011 were 69, as compared to 63 days at March 31, 2010. Inventory turnover and average days outstanding are key operating measures that management relies on to monitor our business. In the next 12 months, we expect to expand our research, development and manufacturing of lithium-based batteries and anticipate additional capital expenditures.

We are required to contribute a portion of our employees' total salaries to the Chinese government's social insurance funds, including medical insurance, unemployment insurance and job injuries insurance, and a housing assistance fund, in accordance with relevant regulations. Total contributions to the funds were approximately $175,305 and $145,193 in the three months ended March 31, 2011 and 2010, respectively. We expect the amount of our contribution to the government's social insurance funds to increase in the future as we expand our workforce and operations.

Based upon our present plans, we believe that cash on hand, cash flow from operations and funds available under our bank facilities will be sufficient to fund our capital needs for the next 12 months. However, our ability to maintain sufficient liquidity depends partially on our ability to achieve anticipated levels of revenue, while continuing to control costs. If we did not have sufficient available cash, we would have to seek additional debt or equity financing through other external sources, which may not be available on acceptable terms, or at all. Failure to maintain financing arrangements on acceptable terms would have a material adverse effect on our business, results of operations and financial condition.

The use of working capital is primarily for the maintenance of our accounts receivable and inventory. We provide our major customers with payment terms ranging from 30 to 75 days. Additionally, our production lead time is approximately 30 to 40 days, from the inspection of incoming materials, to production, testing and packaging. We need to keep a large supply of raw materials and work in process and finished goods inventory on hand to ensure timely delivery of our products to our customers. We use two methods to support our working capital needs: (1) paying our suppliers under payment terms ranging from 30 to 60 days; and (2) using short-term bank loans. We use our accounts receivable as collateral for our loans. Upon receiving payment for our accounts receivable, we pay our short-term loans. Our working capital management practices are designed to ensure that we maintain sufficient working capital.

Recent Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update No. 2010-06 (ASU 2010-06), Fair Value Measurements and Disclosures which amends ASC Topic 820, adding new requirements for disclosures for Levels 1 and 2, separate disclosures of purchases, sales, issuances, and settlements relating to Level 3 measurements and clarification of existing fair value disclosures. ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010 (the Company's fiscal year 2012); early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2009-14 on its financial statements.

In February 2010, FASB issued ASU 2010-9 Subsequent Events (Topic 855) Amendments to Certain Recognition and Disclosure Requirements ("ASU 2010-9"). ASU 2010-9 amends disclosure requirements within Subtopic 855-10. An entity that is an SEC filer is not required to disclose the date through which subsequent events have been evaluated. This change alleviates potential conflicts between Subtopic 855-10 and the SEC's requirements. ASU 2010-9 is effective for interim and annual periods ending after June 15, 2010. The Company does not expect the adoption of ASU 2010-09 to have a material impact on its results of operations or financial position.

Effective July 1, 2010, we adopted the update to the accounting standard regarding derivatives and hedging (Topic 815). This update clarifies how to determine whether embedded credit derivatives, including those interests held in collateralized debt obligations and synthetic collateralized debt obligations, should be bifurcated and accounted for separately. The adoption of this standard did not have a significant impact on our results of operations.

In December 2010, the FASB issued Accounting Standards Update ASU 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations (Topic 805). The update requires public companies to disclose pro forma information for business combinations that occur in the current reporting period. The disclosures include pro forma revenue and earnings of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period. This guidance is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, with early adoption permitted. The Company's adoption of FASB ASU No. 2010-29 effective December 1, 2010 did not have an impact on the Company's consolidated results of operations or financial position but did result in additional disclosures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Credit Risk

We are exposed to credit risk from our cash at bank, fixed deposits and contract receivables. The credit risk on cash at bank and fixed deposits is limited because the counterparts are recognized financial institutions. Contract receivables are subject to credit evaluations. We periodically record a provision for doubtful collections based on an evaluation of the collectibility of contract receivables by assessing, among other factors, the customer's willingness or ability to pay, repayment history, general economic conditions and our ongoing relationship with the customers.

Foreign Currency and Exchange Risk

The Company maintains its financial statements in the functional currency of Renminbi ("RMB"). Substantially all of our operations are conducted in the PRC and we pay the majority of our expenses in RMB. Approximately 75% of our sales are made in U.S. Dollars. During the three months ended March 31, 2011, the exchange rate of the RMB to the U.S. Dollar has appreciated 1.2% from the level at the end of December 31, 2010. A future appreciation of the RMB against the U.S. Dollar would increase our costs when translated into U.S. Dollars and could adversely affect our margins unless we make sufficient offsetting sales. Conversion of RMB into foreign currencies is regulated by the People's Bank of China through a unified floating exchange rate system. Although the PRC government has stated its intention to support the value of the RMB, there can be no assurance that such exchange rate will not continue to appreciate significantly against the U.S. Dollar. Exchange rate fluctuations may also affect the value, in U.S. Dollar terms, of our net assets. In addition, the RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. Due to the volatility of the US Dollar to our functional currency the Company put into place in 2008 a hedging program to attempt to protect it from significant changes to the US Dollar which affect the value of its US dollar receivables and sales. At March 31, 2011, the Company had a series of currency forwards totaling a notional amount US$15,500,000 expiring from April 2011 to December 2011. The terms of these derivative contracts are generally for 12 months or less. Changes in the fair value of these derivative contracts are recorded in earnings to offset the impact of foreign currency transaction gains and losses. We experienced a gain of $56,488 in the value of currency forwards in the three months ended March 31, 2011 as compared to a gain of $1,582 on currency forwards during the comparable period in 2010.

Country Risk

The substantial portion of our business, assets and operations are located and conducted in Hong Kong and China. While these economies have experienced significant growth in the past twenty years, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall economy of Hong Kong and China, but may also have a negative effect on us. For example, our operating results and financial condition may be adversely affected by government control over capital investments or changes in tax regulations applicable to us. If there are any changes in any policies by the Chinese government and our business is negatively affected as a result, then our financial results, including our ability to generate revenues and profits, will also be negatively affected.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, which are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, as appropriate to allow timely decisions regarding required disclosure.

Based on an evaluation carried out as of the end of the period covered by this quarterly report, under the supervision and with the participation of our management, including our CEO and CFO, our CEO and CFO have concluded that, as of the end of such period, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) were effective as of March 31, 2011.

Changes in Internal Control Over Financial Reporting

Based on the evaluation of our management as required by paragraph (d) of Rule 13a-15 of the Exchange Act, there were no changes in our internal control over financial reporting that occurred during our last fiscal year that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

Any investment in our common stock involves a high degree of risk. Investors should carefully consider the risks described in our Annual Report on Form 10-K as filed with the SEC on April 13, 2011 and all of the information contained in our public filings before deciding whether to purchase our common stock. Other than as set forth below, there have been no material revisions to the "Risk Factors" as set forth in our Annual Report on Form 10-K as filed with the SEC on April 13, 2011.

Techniques employed by manipulative short sellers in Chinese small cap stocks may drive down the market price of our common stock.

Short selling is the practice of selling securities that the seller does not own but rather has, supposedly, borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is therefore in the short seller's best interests for the price of the stock to decline, many short sellers (sometime known as "disclosed shorts") publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a stock short.

While traditionally these disclosed shorts were limited in their ability to access mainstream business media or to otherwise create negative market rumors, the rise of the Internet and technological advancements regarding document creation, videotaping and publication by weblog ("blogging") have allowed many disclosed shorts to publicly attack a company's credibility, strategy and veracity by means of so-called research reports that mimic the type of investment analysis performed by large Wall Street firm and independent research analysts. These short attacks have, in the past, led to selling of shares in the market, on occasion in large scale and broad base. Issuers with business operations based in China and that have limited trading volumes are susceptible to higher volatility levels than U.S. domestic large-cap stocks, and can be particularly vulnerable to such short attacks.

These short seller publications are not regulated by any governmental, self-regulatory organization or other official authority in the U.S., are not subject to the certification requirements imposed by the Securities and Exchange Commission in Regulation AC (Regulation Analyst Certification) and, accordingly, the opinions they express may be based on distortions of actual facts or, in some cases, fabrications of facts. In light of the limited risks involved in publishing such information, and the significant profit that can be made from publishing a successful short attack, unless the short sellers become subject to significant penalties, it is more likely than not that disclosed shorts will continue to issue such reports.

We believe that we have been subject to such short attacks, and while we intend to strongly defend our public filings against any such short seller attacks, oftentimes we are constrained, either by principles of freedom of speech, applicable state law (often called "Anti-SLAPP statutes"), or issues of commercial confidentiality, in the manner in which we can proceed against the relevant short seller. You should be aware that in light of the relative freedom to operate that such persons enjoy, should we be targeted again for such an attack, our stock will likely suffer from a temporary, or possibly long term, decline in market price should the rumors created not be dismissed by market participants.

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

None.

Item 3. Default Upon Senior Securities

None.

Item 4. Removed and Reserved.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

Exhibit Number	Description of Document
21.1	List of subsidiaries.
31.1	Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

HIGHPOWER INTERNATIONAL, INC.

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.

Highpower International, Inc.

Dated: May 13, 2011	/s/	/s/ Dan Yu Pan
	By:	Dang Yu Pan
	Its:	Chairman of the Board and Chief Executive Officer
	/s/	/s/ Henry Sun
	By:	Henry Sun
	Its:	Chief Financial Officer

Exhibit 21.1

Subsidiaries of the Registrant

Subsidiary Name	Country
Hong Kong Highpower Technology Company Limited ("HKHT")	Hong Kong
Icon Energy System Co. Ltd. (1)	People's Republic of China
Shenzhen Highpower Technology Co., Ltd. ("Shenzhen Highpower") (1)	People's Republic of China
HZ Highpower Technology Co., Ltd. (1)	People's Republic of China
Springpower Technology (Shenzhen) Co., Ltd. (formerly known as Sure Power Technology (Shenzhen) Co., Ltd.) (1)	People's Republic of China
Ganzhou Highpower Technology Co., Ltd. (2)	People's Republic of China

(1) This company is a wholly-owned subsidiary of HKHT.
(2) This company is a wholly-owned subsidiary of Shenzhen Highpower.

Exhibit 31.1

Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Dang Yu Pan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Highpower International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2011

/s/ Dan Yu Pan
By: Dang Yu Pan
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Henry Sun, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Highpower International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2011

/s/ Henry Sun
Henry Sun
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Highpower International, Inc. (the "Company") on Form 10-Q for the quarter ending March 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dang Yu Pan

Dang Yu Pan
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)
May 13, 2011

/s/ Henry Sun

Henry Sun
Chief Financial Officer
(Principal Financial and Accounting Officer)
May 13, 2011

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not filed with the Securities and Exchange Commission as part of the Form 10-Q or as a separate disclosure document and is not incorporated by reference into any filing of Highpower International, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.