

**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 September 30, 2009

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

HONG KONG HIGHPOWER TECHNOLOGY, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-4062622

(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)

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 13,562,597 shares of common stock, par value \$0.0001 per share, outstanding as of November 11, 2009.

HONG KONG HIGHPOWER TECHNOLOGY, INC.
FORM 10-Q
For the Quarterly Period Ended September 30, 2009
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Part I. Financial Information

Item 1. Financial Statements

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(Stated in US Dollars)

	<i>As of</i>	
	<i>September 30,</i>	<i>December 31,</i>
	<i>2009</i>	<i>2008</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	\$	\$
ASSETS		
Current Assets :		
Cash and cash equivalents	7,203,175	4,175,780
Restricted cash	4,552,798	4,845,478
Accounts receivable	11,260,286	8,765,593
Notes receivable	400,876	429,815
Prepaid expenses and other receivables – <i>Note 8</i>	4,191,720	1,732,709
Deferred charges – Stock-based compensation – <i>Note 9</i>	-	216,667
Inventories – <i>Note 10</i>	10,437,454	11,208,697
Total Current Assets	38,046,309	31,374,739
Deferred tax assets – <i>Note 6</i>	137,400	104,556
Plant and equipment, net – <i>Note 11</i>	9,962,416	7,778,477
Leasehold land, net – <i>Note 12</i>	3,002,530	3,050,510
Intangible asset, net – <i>Note 13</i>	862,500	900,000
Currency forward – <i>Note 7</i>	-	116,157
TOTAL ASSETS	52,011,155	43,324,439
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities :		
Non-trading foreign currency derivatives liabilities	5,335	293,830
Accounts payable	15,152,492	8,306,123
Other payables and accrued liabilities – <i>Note 14</i>	9,067,162	3,139,275
Income taxes payable	812,688	476,330
Bank borrowings – <i>Note 15</i>	6,495,909	14,829,228
Total Current Liabilities	31,533,586	27,044,786
COMMITMENTS AND CONTINGENCIES – <i>Note 17</i>		

(continued)

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)
(Stated in US Dollars)

	<i>As of</i>	
	<u>September 30,</u> <i>2009</i> <i>(Unaudited)</i>	<u>December 31,</u> <i>2008</i> <i>(Audited)</i>
	\$	\$
STOCKHOLDERS' EQUITY		
Preferred stock		
Par value: US\$0.0001		
Authorized: 10,000,000 shares		
Issued and outstanding: none	-	-
Common stock		
Par value : US\$0.0001		
Authorized: 100,000,000 shares		
Issued and outstanding: 2009 – 13,562,597 shares (2008 - 13,562,596 shares)	1,356	1,356
Additional paid-in capital	5,048,194	5,048,194
Accumulated other comprehensive income	1,987,709	1,595,091
Retained earnings	<u>13,440,310</u>	<u>9,635,012</u>
TOTAL STOCKHOLDERS' EQUITY	<u>20,477,569</u>	<u>16,279,653</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>52,011,155</u>	<u>43,324,439</u>

See notes to condensed consolidated financial statements

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Stated in US Dollars)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Net sales	21,056,149	20,473,472	47,811,438	57,326,510
Cost of sales	(15,835,110)	(16,961,664)	(37,120,495)	(47,731,537)
Gross profit	5,221,039	3,511,808	10,690,943	9,594,973
Depreciation	(50,120)	(49,792)	(169,309)	(130,448)
Selling and distribution costs	(767,194)	(799,666)	(1,879,001)	(1,761,386)
General and administrative costs, including stock-based compensation	(1,464,392)	(1,915,367)	(3,613,654)	(4,256,468)
Loss on exchange rate difference	(6,813)	(159,310)	(62,402)	(994,985)
Income from operations	2,932,520	587,673	4,966,577	2,451,686
Change in fair value of currency forwards – Note 3	(7,483)	-	(117,106)	29,102
Change in fair value of warrants – Note 4	-	(204,750)	-	(276,000)
Other income – Note 3	289,843	101,179	378,432	325,833
Interest expenses – Note 4	(199,125)	(159,063)	(279,622)	(559,830)
Other expenses – Note 5	(52,878)	-	(223,963)	-
Income before taxes	2,962,877	325,039	4,724,318	1,970,791
Income taxes – Note 6	(529,201)	(35,683)	(919,020)	(266,861)
Net income for the period	2,433,676	289,356	3,805,298	1,703,930
Other comprehensive income				
- Foreign currency translation gain	(99,446)	109,161	392,618	857,900
Comprehensive income	2,334,230	398,517	4,197,916	2,561,830
Earnings per share of common stock				
- Basic	0.18	0.02	0.28	0.13
- Diluted	0.18	0.02	0.28	0.13
Weighted average common shares outstanding				
- Basic	13,562,597	13,562,596	13,621,466	13,088,737
- Diluted	13,612,097	13,615,096	13,673,966	13,108,644

See notes to condensed consolidated financial statements

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in US Dollars)

	<i>Nine months ended</i>	
	<i>September 30,</i>	
	<i>2009</i>	<i>2008</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$
Cash flows from operating activities		
Net income	3,805,298	1,703,930
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Amortization of intangible asset	37,500	37,500
Amortization of leasehold land	47,073	-
Bad debts written off	58,407	4,445
Depreciation	648,681	548,884
Change in fair value of currency forwards	117,106	(29,102)
Change in fair value of warrants	-	276,000
Loss on disposal of plant and equipment	24,713	43,704
Stock based compensation	216,667	173,333
Changes in operating assets and liabilities:		
(Increase) decrease in -		
Accounts receivable	(2,440,816)	5,859,341
Notes receivable	31,136	332,982
Deposit, prepaid expenses and other receivables	(2,421,799)	(1,381,578)
Inventories	900,504	(954,510)
Increase (decrease) in -		
Accounts payable	6,723,770	(3,361,758)
Other payables and accrued liabilities	5,861,389	1,029,025
Income tax payable	298,038	1,159,544
Net cash flows provided by operating activities	<u>13,907,667</u>	<u>5,441,740</u>
Cash flows from investing activities		
Acquisition of plant and equipment	(2,757,805)	(2,523,600)
Proceeds from disposal of plant and equipment	-	393
Net cash flows used in investing activities	<u>(2,757,805)</u>	<u>(2,523,207)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock	-	1,486,400
Proceeds from / (repayment) new short-term bank loans	3,478,236	(1,437,492)
Repayment of short-term bank loans	(11,956,136)	(5,298,812)
Net advancement of other bank borrowings	-	3,487,980
Decrease in restricted cash	348,706	1,243,154
Net cash flows used in financing activities	<u>(8,129,194)</u>	<u>(518,770)</u>
Net increase in cash and cash equivalents	3,020,668	2,399,763
Effect of foreign currency translation on cash and cash equivalents	6,727	145,593
Cash and cash equivalents - beginning of period	<u>4,175,780</u>	<u>1,489,262</u>
Cash and cash equivalents - end of period	<u><u>7,203,175</u></u>	<u><u>4,034,618</u></u>

(continued)

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*
(Stated in US Dollars)

	<i>Nine months ended</i>	
	<u>September 30,</u>	
	<u>2009</u>	<u>2008</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$
Supplemental disclosures of cash flow information :		
Cash paid for :		
Interest	279,622	559,830
Income taxes	<u>620,983</u>	<u>137,530</u>

See notes to condensed consolidated financial statements

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

1. Corporation information and reorganization

Hong Kong Highpower Technology, Inc. (“Highpower” or the “Company,” formerly known as SRKP 11, Inc.) was incorporated in the State of Delaware on January 3, 2006 to locate a suitable acquisition candidate to acquire.

On October 20, 2007, Highpower entered into a share exchange agreement (the “Exchange Agreement”) with Hong Kong Highpower Technology Company Limited (“HKHTC”), which was incorporated in Hong Kong on July 4, 2003 under the Hong Kong Companies Ordinance. HKHTC 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.

Pursuant to the Exchange Agreement, Highpower agreed to issue shares of its common stock in exchange for all of the issued and outstanding securities of HKHTC. On November 2, 2007, upon the closing of the Exchange Agreement, HKHTC had a total of 500,000 shares of common stock issued and outstanding, and Highpower issued an aggregate of 9,248,973 shares of its common stock to the shareholders of HKHTC in exchange for all of the issued and outstanding securities of HKHTC on the basis of 18.497946 shares of Highpower for each share of HKHTC. The 9,248,973 shares of common stock issued to the shareholders of HKHTC in conjunction with this transaction have been presented as outstanding for all periods presented. In addition, immediately prior to the closing of the Exchange Agreement, Highpower and certain of its stockholders agreed to cancel an aggregate of 1,597,872 shares of outstanding common stock, as a result of which there were 1,777,128 shares of common stock outstanding immediately prior to the share exchange transaction.

On November 2, 2007, concurrently with the close of the Exchange Agreement, the Company received gross proceeds of \$3,120,000 in a private placement transaction (the “Private Placement”). Pursuant to subscription agreements entered into with the investors, the Company sold an aggregate of 1,772,745 shares of common stock at \$1.76 per share. The investors in the Private Placement also entered into lock-up agreements pursuant to which they agreed not to sell their shares until 90 days after the Company’s common stock is listed or quoted on either the New York Stock Exchange, NYSE Amex (formerly known as the American Stock Exchange), NASDAQ Global Market, NASDAQ Capital Market or the OTC Bulletin Board, when one-tenth of their shares are released from the lock-up agreement, after which their shares will automatically be released from the lock-up agreement on a monthly basis pro rata over a nine-month period. After commissions and expenses, the Company received net proceeds of approximately \$2,738,000 from the Private Placement.

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

1. Corporation information and reorganization *(Continued)*

Immediately after the closing of the Exchange Agreement and Private Placement, the Company had 12,798,846 shares of common stock issued and outstanding. Upon the closing of the Exchange Agreement, the shareholders of HKHTC and their designees owned approximately 72.3% of the Company's issued and outstanding common stock, the pre-existing shareholders of the Company owned approximately 13.9% of the Company's issued and outstanding common stock, and the investors in the Private Placement owned 13.8% of the Company's issued and outstanding common stock. Therefore, although HKHTC became the Company's wholly-owned subsidiary, the transaction was accounted for as a recapitalization in the form of a reverse merger of HKHTC, whereby HKHTC was deemed to be the accounting acquirer and was deemed to have retroactively adopted the capital structure of SRKP 11. Since the transaction was accounted for as a reverse merger, the accompanying consolidated financial statements reflect the historical consolidated financial statements of HKHTC for all periods presented, and do not include the historical financial statements of SRKP 11. All costs associated with the reverse merger transaction, consisting primarily of consideration paid to the previous control parties of SRKP 11 and legal and investment banking fees and costs, were expensed as incurred as a cost of the recapitalization, and have been presented as an operating cost line item entitled fees and costs related to reorganization in the statement of operations.

In January 2008, HKHTC invested \$749,971 in HZ Highpower Technology Co., Ltd. ("HZ Highpower"). HZ Highpower is a wholly-owned subsidiary of HKHTC. HZ Highpower has not commenced business as of September 30, 2009.

In June 20, 2008, HKHTC invested \$250,000 in Spring Power Technology (Shenzhen) Co., Ltd. ("SZ Spring Power", formerly known as Sure Power Technology (Shenzhen) Co., Ltd.) which became a wholly-owned subsidiary of HKHTC. On July 9, 2008, HKHTC invested an additional \$750,000 in SZ Spring Power. SZ Spring Power 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.

On June 19, 2008, the company's common stock commenced 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 are for the period of one year from the date of June 19, 2008.

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

2. **Summary of significant accounting policies**

Description of business

The subsidiaries of the Company include the following:

<u>Name of company</u>	<u>Place and date of incorporation</u>	<u>Attributable equity interest held</u>	<u>Principal activities</u>
Hong Kong Highpower Technology Co., Ltd (“HKHTC”)	Hong Kong July 4, 2003	100%	Investment holding
Shenzhen Highpower Technology Co., Ltd (“SZ Highpower”)	PRC October 8, 2002	100%	Manufacturing of batteries
HZ Highpower Technology Co., Ltd (“HZ Highpower”)	PRC January 29, 2008	100%	Inactive
Spring Power Technology (Shenzhen) Co., Ltd (“SZ Spring Power”)	PRC June 4, 2008	100%	Manufacturing of batteries

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, 2008.

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

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

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.

Consolidation

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

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).

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

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

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.

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 the nine months ended September 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Company A	21%	22%
Company B	10%	*
* Less than 10%		
	<u>31%</u>	<u>22%</u>

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

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

Concentrations of credit risk *(Continued)*

Details of the accounts receivable from the customers with the largest receivable balances at September 30, 2009 and December 31, 2008 are as follows:

	<u>Percentage of accounts receivable</u>	
	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Company A	24%	17%
Company B	*	14%
Company C	10%	13%
Company D	12%	*
* Less than 10%		
Largest receivable balances	<u>46%</u>	<u>44%</u>

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.

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 during the nine months ended September 30, 2009 and 2008 of \$58,407 and \$4,445, respectively.

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

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

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 nine months period ended September 30, 2009 and 2008, 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 \$132,662 and \$310,110 for the nine months ended September 30, 2009 and 2008, 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:

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

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.

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

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

Intangible Assets and Long-Lived Assets

FASB Accounting Standard Codification Topic 350 (ASC 850) "Intangibles – Goodwill and Other" (Formerly known as SFAS No. 142, goodwill and Other Intangible Assets ("SFAS 142")), 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.

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 Accounting Standard Codification Topic 360 (ASC 360) "Property, Plant and Equipment – Overall" (Formerly known as SFAS No. 144, "Accounting for the Impairment of Long-Lived Assets ("SFAS 144)"). 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 nine months ended September 30, 2009 and 2008.

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 discount 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 nine months ended September 30, 2009 and 2008.

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

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

Income taxes

The Company uses the asset and liability method of accounting for income taxes pursuant to FASB Accounting Standard Codification Topic 740 (ASC 740) "Income taxes", (Formerly known as 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. The Company has also adopted ASC 740, "Income taxes (Formerly known as FIN 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109").

Comprehensive income

The Company has adopted FASB Accounting Standard Codification Topic 220 (ASC 220) "Comprehensive income" (Formerly known as SFAS No. 130, "Reporting 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.

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.

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

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

Foreign currency translation *(Continued)*

	<u>September 30,</u>	
	2009	2008
Quarter end RMB : US\$ exchange rate	6.8178	6.8325
Average quarterly RMB : US\$ exchange rate	6.8425	6.9566

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.

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.

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

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

Earnings per share

The Company reports earnings per share in accordance with FASB Accounting Standard Codification Topic 260 (ASC 260) "Earnings Per Share" (Formerly known as SFAS No. 128, "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. As the Company did not have any common stock equivalents during such periods, basic and diluted earnings per share were the same for all periods presented.

Stock-Based Compensation

Effective January 1, 2006, the Company adopted FASB Accounting Standard Codification Topic 718 (ASC 718) "Compensation – Stock Compensation" (Formerly known as SFAS No. 123R, Share-Based Payment ("SFAS No. 123R")) Under ASC 718, the Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognizes the costs over the period the employee is required to provide service in exchange for the award, which generally is the vesting period.

Stock-based compensation expense was \$216,667 and \$173,333 for the nine months ended September 30, 2009 and 2008, respectively.

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

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

Recently issued accounting pronouncements

ASC 805, Business Combinations (“ASC 805”) (formerly included under Statement of Financial Accounting Standards No. 141 (revised 2007), Business Combinations) contains guidance that was issued by the FASB in December 2007. It requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in a transaction at the acquisition-date fair value, with certain exceptions. Additionally, the guidance requires changes to the accounting treatment of acquisition related items, including, among other items, transaction costs, contingent consideration, restructuring costs, indemnification assets and tax benefits. ASC 805 also provides for a substantial number of new disclosure requirements. ASC 805 also contains guidance that was formerly issued as FSP FAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies which was intended to provide additional guidance clarifying application issues regarding initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. ASC 805 was effective for business combinations initiated on or after the first annual reporting period beginning after December 15, 2008. The Company implemented this guidance effective January 1, 2009. Implementing this guidance did not have an effect on the Company’s financial position or results of operations; however it will likely have an impact on the Company’s accounting for future business combinations, but the effect is dependent upon acquisitions, if any, that are made in the future.

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.

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

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

Recently issued accounting pronouncements *(Continued)*

ASC 855, Subsequent Events (“ASC 855”) (formerly Statement of Financial Accounting Standards No. 165, Subsequent Events) includes guidance that was issued by the FASB in May 2009, and is consistent with current auditing standards in defining a subsequent event. Additionally, the guidance provides for disclosure regarding the existence and timing of a company’s evaluation of its subsequent events. ASC 855 defines two types of subsequent events, “recognized” and “non-recognized”. Recognized subsequent events provide additional evidence about conditions that existed at the date of the balance sheet and are required to be reflected in the financial statements. Non-recognized subsequent events provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date and, therefore, are not required to be reflected in the financial statements. However, certain non-recognized subsequent events may require disclosure to prevent the financial statements from being misleading. This guidance was effective prospectively for interim or annual financial periods ending after June 15, 2009. The Company implemented the guidance included in ASC 855 as of April 1, 2009. The effect of implementing this guidance was not material to the Company’s financial position or results of operations.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 166, *Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140* (“Statement No. 166”). Statement No. 166 revises FASB Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Extinguishment of Liabilities a replacement of FASB Statement 125* (“Statement No. 140”) and requires additional disclosures about transfers of financial assets, including securitization transactions, and any continuing exposure to the risks related to transferred financial assets. It also eliminates the concept of a “qualifying special-purpose entity”, changes the requirements for derecognizing financial assets, and enhances disclosure requirements. Statement No. 166 is effective prospectively, for annual periods beginning after November 15, 2009, and interim and annual periods thereafter. Although Statement No. 166 has not been incorporated into the Codification, in accordance with ASC 105, the standard shall remain authoritative until it is integrated. The Company does not expect the adoption of Statement No. 166 will have a material impact on its financial position or results of operations.

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

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

Recently issued accounting pronouncements

ASC 105, Generally Accepted Accounting Principles (“ASC 105”) (formerly Statement of Financial Accounting Standards 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.

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

3. Other income

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Bank interest income	9,748	56,266	42,517	135,311
Gain on forward contract	-	6,049	-	17,141
Government sponsor	210,726	-	210,726	-
Other interest income	-	3,379	-	20,597
Sundry income	69,369	35,485	125,189	152,784
	<u>289,843</u>	<u>101,179</u>	<u>378,432</u>	<u>325,833</u>

4. Interest expenses

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Interest on trade related bank loan	72,016	128,316	135,419	476,776
Interest on short-term bank loans	127,109	30,747	144,203	83,054
	<u>199,125</u>	<u>159,063</u>	<u>279,622</u>	<u>559,830</u>

5. Other expenses

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Foreign exchange contract expenses	52,878	-	223,963	-
	<u>52,878</u>	<u>-</u>	<u>223,963</u>	<u>-</u>

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

6. Income taxes

The components of the provision for income taxes are:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
PRC income taxes	542,205	196,231	950,513	484,349
Deferred tax benefit	(13,004)	(160,548)	(31,493)	(217,488)
	<u>529,201</u>	<u>35,683</u>	<u>919,020</u>	<u>266,861</u>

The major components of deferred tax recognized in the consolidated balance sheets as of September 30, 2009 and December 31, 2008 are as follows:-

	<i>As of</i>	
	<i>September 30,</i>	<i>December 31,</i>
	<i>2009</i>	<i>2008</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	\$	\$
Temporary difference on :-		
Recognized of expenses	(120,371)	(93,300)
Accelerated tax depreciation on intangible asset	(17,029)	(11,256)
Deferred tax assets, net	<u>(137,400)</u>	<u>(104,556)</u>
Recognized in the balance sheet:		
Net deferred tax assets	<u>(137,400)</u>	<u>(104,556)</u>

Effective January 1, 2008, the Company adopted FASB Accounting Standard Codification Topic 740 (ASC 740) "Income Taxes" (Formerly known as FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, Accounting for Income Taxes (FIN 48)). ASC 740 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. The adoption of the provisions of ASC 740 did not have a material effect on the Company's financial statements. As of September 30, 2009, no liability for unrecognized tax benefits was required to be recorded.

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

7. Risk Management Activities, Including Derivative

The Company selectively uses foreign currency forward contracts to offset the effects of foreign currency exchange rate changes on reported earnings, cash flow and net asset positions. The terms of these derivative contracts are generally for 3 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 attributable to certain third party and intercompany financial assets and liabilities with similar terms. The net gains and losses attributable to these activities are included in the Statement of comprehensive income, net.

<i>As of</i>	
<u>September 30,</u>	<u>December 31,</u>
2009	2008
(Unaudited)	(Audited)
\$	\$

Currency forwards (notional amount \$Nil million), consisting of a put and a call	-	116,157
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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 September 30, 2009, the Company did not have a series of currency forwards.

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

<i>Three months ended</i>		<i>Nine months ended</i>	
<u>September 30,</u>		<u>September 30,</u>	
2009	2008	2009	2008
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
\$	\$	\$	\$

Foreign exchange contracts, net			
Gains recognized in Other income, net	-	6,049	17,141
Gains recognized in Other expenses, net	52,878	-	223,963

Hedging Activities

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.

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Stated in US Dollars)

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

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.

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.

8. **Prepaid expenses and other receivables**

	<i>As of</i>	
	<u>September 30,</u> 2009 <i>(Unaudited)</i> \$	<u>December 31,</u> 2008 <i>(Audited)</i> \$
Purchase deposits paid	820,272	88,459
Advance to staff	177,044	143,595
Other deposits and prepayments	1,652,560	495,325
Value-added tax prepayment	55,434	-
Other receivables	<u>1,486,410</u>	<u>1,005,330</u>
	<u>4,191,720</u>	<u>1,732,709</u>

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

9. **Deferred charges – Stock-based compensation**

	<i>As of</i>	
	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	\$	\$
<i>Cost</i>		
Stock-based compensation – consulting fee	520,000	520,000
<i>Accumulated amortization</i>	<u>(520,000)</u>	<u>(303,333)</u>
<i>Net</i>	<u>-</u>	<u>216,667</u>

Amortization expenses included in general and administrative costs for the nine months ended September 30, 2009 and 2008 was \$216,667 and \$173,333, respectively.

The Company is amortizing the \$520,000 cost of stock-based compensation over a period of one year on the straight line basis.

10. **Inventories**

	<i>As of</i>	
	<u>September 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	\$	\$
Raw materials	3,422,253	1,708,431
Work in progress	2,217,019	1,434,517
Finished goods	4,776,247	8,049,138
Consumables	-	16,611
Packing materials	<u>21,935</u>	<u>-</u>
	<u>10,437,454</u>	<u>11,208,697</u>

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

11. Plant and equipment

	<i>As of</i>	
	<i>September 30,</i> <i>2009</i> <i>(Unaudited)</i> \$	<i>December 31,</i> <i>2008</i> <i>(Audited)</i> \$
<i>Cost</i>		
Furniture, fixtures and office equipment	821,763	598,496
Leasehold improvement	2,792,408	712,120
Machinery and equipment	8,275,015	8,155,270
Motor vehicles	692,632	476,910
	<u>12,581,818</u>	<u>9,942,796</u>
<i>Accumulated depreciation</i>		
Furniture, fixtures and office equipment	326,918	235,613
Leasehold improvement	-	220,746
Machinery and equipment	2,002,479	1,486,624
Motor vehicles	290,005	221,336
	<u>2,619,402</u>	<u>2,164,319</u>
<i>Net</i>		
Furniture, fixtures and office equipment	494,845	362,883
Leasehold improvement	2,792,408	491,374
Machinery and equipment	6,272,536	6,668,646
Motor vehicles	402,627	255,574
	<u>9,962,416</u>	<u>7,778,477</u>

The components of depreciation charged are:

	<i>Three months ended</i> <i>September 30,</i>		<i>Nine months ended</i> <i>September 30,</i>	
	<i>2009</i> <i>(Unaudited)</i> \$	<i>2008</i> <i>(Unaudited)</i> \$	<i>2009</i> <i>(Unaudited)</i> \$	<i>2008</i> <i>(Unaudited)</i> \$
Included in factory overheads	174,554	194,795	479,372	459,813
Included in operating expenses	50,120	49,792	169,309	130,448
	<u>224,674</u>	<u>244,587</u>	<u>648,681</u>	<u>590,261</u>

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

12. Leasehold land

	<i>At of</i>	
	<u>September 30,</u> <u>2009</u> <i>(Unaudited)</i>	<u>December 31,</u> <u>2008</u> <i>(Audited)</i>
	\$	\$
Cost	3,112,765	3,112,765
Accumulated amortization	<u>(110,235)</u>	<u>(62,255)</u>
Net	<u>3,002,530</u>	<u>3,050,510</u>

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

13. Intangible asset

	<i>As of</i>	
	<u>September 30,</u> <u>2009</u> <i>(Unaudited)</i>	<u>December 31,</u> <u>2008</u> <i>(Audited)</i>
	\$	\$
<i>Cost</i>		
Consumer battery license fee	1,000,000	1,000,000
<i>Accumulated amortization</i>	<u>(137,500)</u>	<u>(100,000)</u>
<i>Net</i>	<u>862,500</u>	<u>900,000</u>

Amortization expenses included in selling and distributing costs for the nine months period ended September 30, 2009 and 2008 were \$37,500 and \$37,500, respectively.

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.

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

13. Intangible asset (Continued)

On August 8, 2008, SZ Highpower 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, 2008, and the other within 45 days of August 8, 2008, as royalties for its use of the licensed technology in 2004, 2005 and 2006. Both of these payments were made during 2008 and were recorded as royalty expense in prior years, which was included in selling and distributing costs in the statement of operations.

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, 2008, 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 nine months ended September 30, 2009, the Company recorded a total of approximately \$172,501 as royalty expense, which was included in selling and distributing costs in the statement of operations. At September 30, 2009, accrued royalty fees payable was \$1,104,915 (see Note 14).

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. Other payables and accrued liabilities

	<i>As of</i>	
	<u>September 30,</u>	<u>December 31,</u>
	2009	2008
	<i>(Unaudited)</i>	<i>(Audited)</i>
	\$	\$
Accrued expenses	1,575,447	1,072,331
Royalty payable	1,104,915	1,540,900
Sales deposits received	6,354,664	388,261
Value-added tax payables	-	105,833
Other payables	<u>32,136</u>	<u>31,950</u>
	<u>9,067,162</u>	<u>3,139,275</u>

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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15. Bank borrowings

	<i>As of</i>	
	<i>September 30,</i>	<i>December 31,</i>
	<i>2009</i>	<i>2008</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>\$</i>	<i>\$</i>
Secured:		
Repayable within one year		
Short term bank loans	1,860,969	2,969,939
Other trade related bank loans	4,634,940	11,859,289
	<u>6,495,909</u>	<u>14,829,228</u>

As of September 30, 2009, the above bank borrowings were secured by the following:

- (a) charge over bank deposits of \$4,552,798 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 \$3,002,530; and
- (d) other financial covenant:-

The bank borrowings require one of the Company's subsidiaries to maintain a minimum net worth of \$11,734,026. The Company was in compliance with this requirement at September 30, 2009.

The interest rates of trade related bank loans were at bank's prime lending rate per annum with various maturity dates. The rates at September 30, 2009 ranged from 5.508% to 6.804%.

The interest rates of short term bank loans were at 6.804% per annum at September 30, 2009.

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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16. 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 \$365,348 and \$334,676 for the nine months ended September 30, 2009 and 2008 respectively.

17. 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 2009 to 2010, 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 September 30, 2009 are as follows:

<i>Year ending September 30</i>	<i>\$</i>
2009	172,510
2010	<u>509,952</u>
	<u>682,462</u>

Rental expenses for the nine months ended September 30, 2009 and 2008 were \$715,663 and \$569,438, respectively.

Capital commitments

The Company has the following capital commitments as of September 30, 2009:

	<i>\$</i>
Purchase of plant and equipment	<u>224,449</u>

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Stated in US Dollars)

17. **Commitments and contingencies** (*Continued*)

Contingencies

From time to time, the Company factors bills receivable to banks. At the time of the factoring, all rights and privileges of holding the receivables are transferred to the banks. The Company removes the asset from its books and records a corresponding expense for the amount of the discount. The Company remains contingently liable on the amount outstanding in the event the bill issuer defaults.

	<i>As of</i>	
	<i>September</i>	<i>December 31,</i>
	<i>30,</i>	<i>2008</i>
	<i>2009</i>	<i>2008</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	\$	\$
Bills discounted	-	-

Other than as disclosed above, the Company had no other material contractual obligations and had no off-balance sheet guarantees or arrangement or transactions as at September 30, 2009.

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

18. 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” (Formerly known as SFAS 131, “Disclosures about Segments of an Enterprise and Related Information”).

Long-lived assets of the Company are located in PRC. Geographic information about the revenues and accounts receivable which are classified based on the location of the customers, is set out as follows:

	<i>Nine months ended</i>	
	<i>September 30,</i>	
	<u>2009</u>	<u>2008</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$
<i>Net revenue</i>		
Hong Kong and China	22,082,229	23,619,551
Asia	2,598,107	3,859,153
Europe	15,666,163	20,979,729
North America	7,195,782	8,482,758
South America	41,979	155,278
Africa	61,444	-
Others	165,734	230,041
	<u>47,811,438</u>	<u>57,326,510</u>
	<i>As of</i>	
	<u>September 30,</u>	<u>December 31,</u>
	<u>2009</u>	<u>2008</u>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	\$	\$
<i>Accounts receivable</i>		
Hong Kong and China	6,532,529	5,012,471
Asia	555,356	169,376
Europe	2,590,347	2,695,166
North America	1,571,780	875,022
South America	10,274	13,558
	<u>11,260,286</u>	<u>8,765,593</u>

HONG KONG HIGHPOWER TECHNOLOGY, INC. AND SUBSIDIARIES

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

19. Subsequent Events

We have evaluated significant events and transactions that occurred from October 1, 2009 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 September 30, 2009.

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 Hong Kong Highpower Technology, 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 Spring Power Technology (Shenzhen) Co., Ltd. ("Spring Power"). HKHT's other subsidiary, HZ Highpower Technology Co. ("HZ Highpower") has not yet commenced operations.

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, 2008.

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 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 2008 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 from SRKP 11, Inc. to Hong Kong Highpower Technology, Inc. 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 Spring Power in 2008. HZ Highpower has not yet commenced business operations.

In addition, on November 2, 2007, concurrently with the close of the Share Exchange, we conducted a private placement transaction (the "Private Placement"). Pursuant to Subscription Agreements entered into with the investors, we sold an aggregate of 1,772,745 shares of Common stock at \$1.76 per share. As a result, we received gross proceeds in the amount of \$3.12 million.

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.

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 FASB Accounting Standard Codification Topic 740 (ASC 740) "Income Taxes" (Formerly known as 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 FASB Accounting Standard Codification Topic 740 (ASC 740) "Income Taxes" (Formerly known as 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 September 30, 2009 and 2008

Net sales for the three months ended September 30, 2009 were \$ 21.1 million compared to \$20.5 million for the three months ended September 30, 2008, an increase of 2.8%. This increase was largely due to a 44% increase in the number of battery units sold and \$113,831 for the sale of scrap batteries during three months ended September 30, 2009, partially offset by a 29% decrease in the average selling price of our battery units. The 44% increase in the number of battery units sold was due to increased orders from our major customers. The 29% decrease in the average selling price of our battery units was due to a decrease in the average cost of nickel during the three months ended September 30, 2009 compared to the comparable period in 2008.

Cost of sales consists of the cost of nickel and other materials. Costs of sales were \$15.8 million the three months ended September 30, 2009 as compared to \$17.0 million for the comparable period in 2008. As a percentage of net sales, cost of sales decreased to 75.2 % for the three months ended September 30, 2009 compared to 82.8% for the comparable period in 2008. This decrease was attributable to a 35 % decrease in the average per unit cost of goods sold during three months ended September 30, 2009 as compared to the comparable period in 2008, which was offset by a 29% decrease in the average selling price of our battery units during the three months ended September 30, 2009 over three months ended September 30, 2008. The 35% decrease in the average per unit cost of goods sold resulted from a 15% decrease in the average cost of nickel during the three months ended September 30, 2009 compared to the comparable period in 2008.

Gross profit for the three months ended September 30, 2009 was \$5.2 million, or 24.8% of net sales, compared to \$3.5 million, or 17.2% of net sales, for the comparable period in 2008. 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 increase in our gross profit margin for the three months ended September 30, 2009 is primarily due to a 35% decrease in the average per unit cost of goods sold during three months ended September 30, 2009 as compared to the comparable period in 2008.

To cope with pressure on our gross margins we intend to control production costs by preparing budgets for each department and comparing actual costs with our budgeted figures monthly and quarterly. 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., Russia, Europe and India, and by expanding our sales team with more experienced sales personnel. We have also begun production of a line of Li-ion batteries to complement our current Ni-MH battery products so that we are less vulnerable to price increases in nickel. We intend to expand production of our Li-ion battery products in the future. We engaged many new customers such as LG, Shenzhen JiaYang Battery Co., Ltd for our Li-ion products. Our current monthly Li-ion battery production increased by 600% during three months ended September 30, 2009 as compared to the comparable period in 2008.

Selling and distribution costs were \$767,000 for the three months ended September 30, 2009 compared to \$800,000 for the comparable period in 2008. The decrease was primarily due to a decrease of \$50,000 in exhibiting expense during three months ended September 30, 2009 as compared to the comparable period in 2008.

General and administrative costs were \$1.5 million, or 7.0% of net sales, for the three months ended September 30, 2009, compared to \$1.9 million, or 9.4% of net sales, for the comparable period in 2008. Management considers these expenses as a percentage of net sales to be a key performance indicator in managing our business. The decrease as a percentage of net sales was primarily due to a decrease in personnel and labor costs, which decreased \$120,000 for the three months ended September 30, 2009 over the comparable period in 2008 due to the reduction of our indirect staff to cut indirect cost, and a decrease in costs associated with the Company's initial public offering of common stock and listing on the NYSE Amex (formerly the American Stock Exchange), and stock-based compensation expenses, which decreased \$500,000 for the three months ended September 30, 2009 over the comparable period in 2008.

We experienced losses on the exchange rate difference between the U.S. Dollar and the RMB of \$7,000, and \$159,000, respectively, in the three months ended September 30, 2009 and 2008, a significant decrease in losses, due to the slower 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 \$199,000 for the three months ended September 30, 2009, as compared to \$159,000 for the comparable period in 2008. The increase was primarily due to higher interest rate. We decreased our borrowings by approximately \$6.73 million in the three months ended September 30, 2009 as compared to the three months ended September 30, 2008. 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, government sponsor and sundry income, was \$290,000 for the three months ended September 30, 2009, as compared to \$ 101,000 for the three months ended September 30, 2008. The increase was due to a \$211,000 gain from government sponsor during the three months ended September 30, 2009 and an increase of \$34,000 in sundry income for the three months ended September 30, 2009 over the comparable period in 2008, partially offset by a decrease of \$47,000 in bank interest income and a \$6,000 decrease in gains on forward contracts.

We had other expenses related to foreign exchange contracts of \$53,000 in the three months ended September 30, 2009 related to forward contracts. We had no such expenses in the three months ended September 30, 2008.

During the three months ended September 30, 2009, we recorded a provision for income taxes of \$530,000 as compared to \$36,000 for the comparable period in 2008. The increase was a result of an increase in our net taxable income.

Net income for the three months ended September 30, 2009 was \$ 2.4 million compared to net income of \$289,000 for the comparable period in 2008.

Nine months Ended September 30, 2009 and 2008

Net sales for the nine months ended September 30, 2009 were \$ 47.8 million compared to \$57.3 million for the nine months ended September 30, 2008, a decrease of 16.6%. This decrease was largely due to a 23% decrease in the average selling price of our battery units, offset by an 8% increase in the number of battery units sold and \$132,662 for the sale of scrap batteries during three months ended September 30, 2009. The 8% increase in the number of battery units sold was due to increased orders from our major customers. The 23% decrease in the average selling price of our battery units was due to a decrease in the average cost of nickel during the nine months ended September 30, 2009 compared to the comparable period in 2008.

Cost of sales consists of the cost of nickel and other materials. Costs of sales were \$ 37.1 million for the nine months ended September 30, 2009 as compared to \$47.7 million for the comparable period in 2008. As a percentage of net sales, cost of sales decreased to 77.6% for the nine months ended September 30, 2009 compared to 83.3% for the comparable period in 2008. This decrease was attributable to a 28% decrease in the average per unit cost of goods sold during nine months ended September 30, 2009 as compared to the comparable period in 2008, which was offset by a 23% decrease in the average selling price of our battery units during the nine months ended September 30, 2009 over nine months ended September 30, 2008. The 28% decrease in the average per unit cost of goods sold resulted from a 30% decrease in the average cost of nickel during the nine months ended September 30, 2009 compared to the comparable period in 2008.

Gross profit for the nine months ended September 30, 2009 was \$10.7 million, or 22.4% of net sales, compared to \$9.6 million, or 16.7% of net sales, for the comparable period in 2008. 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 increase in our gross profit margin for the nine months ended September 30, 2009 is primarily due to a 28% decrease in the average per unit cost of goods sold during nine months ended September 30, 2009 as compared to the comparable period in 2008.

To cope with pressure on our gross margins we intend to control production costs by preparing budgets for each department and comparing actual costs with our budgeted figures monthly and quarterly. 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., Russia, Europe and India, and by expanding our sales team with more experienced sales personnel. We have also begun production of a line of Li-ion batteries as to complement our current Ni-MH battery products so that we are less vulnerable to price increases in nickel. We intend to expand production of our Li-ion battery products in the future. We engaged many new customers such as LG, Shenzhen JiaYang Battery Co., Ltd for our Li-ion products. Our current monthly Li-ion battery production increased by 1000% during nine months ended September 30, 2009 as compared to the comparable period in 2008.

Selling and distribution costs were \$1.9 million for the nine months ended September 30, 2009 compared to \$1.8 million for the comparable period in 2008. The increase was primarily due to the expansion of our salesforce.

General and administrative costs were \$3.6million, or 7.6 % of net sales, for the nine months ended September 30, 2009, compared to \$4.3 million, or 7.4% of net sales, for the comparable period in 2008. 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 a 16.6% decrease in net sales during nine months ended September 30, 2009 as compared to the comparable period in 2008.

We experienced losses on the exchange rate difference between the U.S. Dollar and the RMB of \$62,000 and \$995,000 respectively, in the nine months ended September 30, 2009 and 2008, a significant decrease in losses, due to the slower 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. We currently engage in currency hedging, due to which we experienced an \$117,106 loss on the fair value of our currency forwards in the nine months ended September 30, 2009 compared to a gain of \$29,102 in the nine months ended September 30, 2008.

Interest expense was \$280,000 for the nine months ended September 30, 2009, as compared to \$600,000 for the comparable period in 2008. The decrease was primarily due to lower borrowing levels. We decreased our borrowings by approximately \$6.73 million in the nine months ended September 30, 2009 as compared to the nine months ended September 30, 2008. 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 \$378,000 for the nine months ended September 30, 2009, as compared to \$326,000 for the nine months ended September 30, 2008. The increase was due to a \$93,000 increase in bank interest income, a \$211,000 gain on government sponsor in the nine months ended September 30, 2009, partially offset by a 28,000 decrease in sundry income and gains of \$17,000 on forward contracts and \$21,000 in other interest income in the nine months ended September 30, 2008.

We had other expenses related to foreign exchange contracts of \$224,000 in the nine months ended September 30, 2009 related to forward contracts. We had no such expenses in the nine months ended September 30, 2008.

During the nine months ended September 30, 2009, we recorded a provision for income taxes of \$919,000 as compared to \$267,000 for the comparable period in 2008. The increase was a result of an increase in our net taxable income.

Net income for the nine months ended September 30, 2009 was \$3.8million, compared to net income of \$1.7 million for the comparable period in 2008.

Liquidity and Capital Resources

To provide liquidity and flexibility in funding our operations, we borrow amounts under bank facilities and other external sources of financing. As of September 30, 2009, we had in place general banking facilities with four financial institutions aggregating \$23.2 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 some of our shareholders, including Dang Yu Pan, Wen Liang Li and Wen Wei Ma, 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 September 30, 2009, we had utilized approximately \$6.5 million under such general credit facilities and had available unused credit facilities of \$16.7 million.

For the nine months ended September 30, 2009, net cash provided by operating activities was approximately \$13.9 million, as compared to \$5.4 million for the comparable period in 2008. The increase in net cash provided by operating activities is primarily attributable to a decrease in inventory levels and an increase in payables.

Net cash used in investing activities was \$2.8 million for the nine months ended September 30, 2009 compared to \$2.5 million for the comparable period in 2008. The increase of cash used in investing activities was primarily attributable to a slight increase in the amount of acquisition of plant and equipment.

Net cash used in financing activities was \$8.1 million for the nine months ended September 30, 2009 as compared to net cash used in financing activities of \$519,000 for the comparable period in 2008. The different in net cash used in financing activities was attributable to the repayment of bank borrowings in the nine months ended September 30, 2009.

For the nine months ended September 30, 2009, our inventory turnover was 4.8 times, as compared to 4.3 times at September 30, 2008. The average days outstanding of our accounts receivable at September 30, 2009 were 61 days, as compared to 64 days at September 30, 2008. 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 of approximately \$1.0 million.

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. We expect these contributions will contribute to administrative and other operating expenses in an amount of approximately \$41,000 per month based on the size of our current workforce. 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

ASC 805, Business Combinations ("ASC 805") (formerly included under Statement of Financial Accounting Standards No. 141 (revised 2007), Business Combinations) contains guidance that was issued by the FASB in December 2007. It requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in a transaction at the acquisition-date fair value, with certain exceptions. Additionally, the guidance requires changes to the accounting treatment of acquisition related items, including, among other items, transaction costs, contingent consideration, restructuring costs, indemnification assets and tax benefits. ASC 805 also provides for a substantial number of new disclosure requirements. ASC 805 also contains guidance that was formerly issued as FSP FAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies which was intended to provide additional guidance clarifying application issues regarding initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. ASC 805 was effective for business combinations initiated on or after the first annual reporting period beginning after December 15, 2008. The Company implemented this guidance effective January 1, 2009. Implementing this guidance did not have an effect on the Company's financial position or results of operations; however it will likely have an impact on the Company's accounting for future business combinations, but the effect is dependent upon acquisitions, if any, that are made in the future.

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.

ASC 855, Subsequent Events (“ASC 855”) (formerly Statement of Financial Accounting Standards No. 165, Subsequent Events) includes guidance that was issued by the FASB in May 2009, and is consistent with current auditing standards in defining a subsequent event. Additionally, the guidance provides for disclosure regarding the existence and timing of a company’s evaluation of its subsequent events. ASC 855 defines two types of subsequent events, “recognized” and “non-recognized”. Recognized subsequent events provide additional evidence about conditions that existed at the date of the balance sheet and are required to be reflected in the financial statements. Non-recognized subsequent events provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date and, therefore, are not required to be reflected in the financial statements. However, certain non-recognized subsequent events may require disclosure to prevent the financial statements from being misleading. This guidance was effective prospectively for interim or annual financial periods ending after June 15, 2009. The Company implemented the guidance included in ASC 855 as of April 1, 2009. The effect of implementing this guidance was not material to the Company’s financial position or results of operations.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 166, *Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140* (“Statement No. 166”). Statement No. 166 revises FASB Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Extinguishment of Liabilities a replacement of FASB Statement 125* (“Statement No. 140”) and requires additional disclosures about transfers of financial assets, including securitization transactions, and any continuing exposure to the risks related to transferred financial assets. It also eliminates the concept of a “qualifying special-purpose entity”, changes the requirements for derecognizing financial assets, and enhances disclosure requirements. Statement No. 166 is effective prospectively, for annual periods beginning after November 15, 2009, and interim and annual periods thereafter. Although Statement No. 166 has not been incorporated into the Codification, in accordance with ASC 105, the standard shall remain authoritative until it is integrated. The Company does not expect the adoption of Statement No. 166 will have a material impact on its financial position or results of operations.

ASC 105, Generally Accepted Accounting Principles (“ASC 105”) (formerly Statement of Financial Accounting Standards 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.

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 counterparties 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 70% of our sales are made in U.S. Dollars. During the nine months ended September 30, 2009, the exchange rate of the RMB to the U.S. Dollar decreased approximately 0.09% from the level at the end of December 31, 2008. This fluctuation resulted in a slight increase in our material costs during the three months ended September 30, 2009. 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 affects the value of its US dollar receivables and sales. We experienced a \$7,000 and \$117,000 loss in the value of currency forwards in the three and nine months ended September 30, 2009, respectively, as compared to a gain of \$nil and \$29,000 during the three and nine months ended September 30, 2008.

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 September 30, 2009.

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 quarter 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

Not applicable to smaller reporting companies.

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

None.

Item 3. Default Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

On August 20, 2009, we held our annual meeting of stockholders. Of the 13,562,597 shares eligible to vote, 10,189,884 or 75.13%, votes were returned, formulating a quorum. At the annual stockholders meeting, the following matters were submitted to stockholders for vote: Proposal I—Election of directors; and Proposal II—Ratification of the appointment of Dominic K.F. Chan & Co. as our independent auditors for the year ending December 31, 2009.

Proposal I—Election of Directors

The results of voting on these proposals are as follows:

Director	For	Against	Withheld	Abstain	Elected
Dang Yu Pan	10,173,476	0	16,408	0	Yes
Wen Liang Li	10,173,476	0	16,408	0	Yes
Chao Li	10,173,476	0	16,408	0	Yes
Xinhai Li	10,173,476	0	16,408	0	Yes
Ping Li	10,173,476	0	16,408	0	Yes

All directors are elected at our annual meeting of stockholders.

Proposal II—Ratification of the appointment of Dominic K.F. Chan & Co. as our independent auditors for the year ending December 31, 2009.

Proposal II was approved with 10,167,392 shares voted for, 10,175 voted against and 12,317 abstained from voting, thereby, ratifying the appointment of Dominic K.F. Chan & Co. as our independent auditors for the year ending December 31, 2009.

Item 5. Other Information

None.

Item 6. Exhibits

- (a) Exhibits

Exhibit Number	Description of Document
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.

HONG KONG HIGHPOWER TECHNOLOGY, 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.

Hong Kong Highpower Technology, Inc.

Dated: November 12, 2009

/s/ Dang Yu Pan
By: Dang Yu Pan
Its: Chairman of the Board and Chief Executive Officer

/s/ Henry Ngan
By: Henry Ngan
Its: Chief Financial Officer

**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 Hong Kong Highpower Technology, 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: November 12, 2009

/s/ Dang YuPan

By: Dang Yu Pan

Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

**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 Ngan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hong Kong Highpower Technology, 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: November 12, 2009

/s/ Henry Ngan

Henry Ngan
Chief Financial Officer
(Principal Financial Officer)

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 Hong Kong Highpower Technology, Inc. (the "Company") on Form 10-Q for the quarter ending September 30, 2009, 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)
November 12, 2009

/s/ Henry Ngan

Henry Ngan
Chief Financial Officer
(Principal Financial and Accounting Officer)
November 12, 2009

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 Hong Kong Highpower Technology, 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.
