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 June 30, 2011

OR

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

For the transition period from to

Commission File No.: 001-34098

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

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

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

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

Former Name

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" as defined in Rule 12b-2 of the Exchange Act.

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

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

The registrant had 13,582,106 shares of common stock, par value $0.0001 per share, outstanding as of August 11, 2011.

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Item 1. Financial Statements

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(Stated in US Dollars)

	As of	
	June 30, 2011 (Unaudited) $	***December 31, 2010 (Audited) $***
ASSETS		
Current Assets:		
Cash and cash equivalents	7,523,000	8,490,629
Restricted cash	11,211,994	6,044,960
Accounts receivable	21,475,717	20,846,540
Notes receivable	807,078	256,574
Prepaid expenses and other receivables – *Note 7*	7,109,918	3,231,211
Inventories – *Note 10*	12,501,199	13,447,432
Total Current Assets	60,628,906	52,317,346
Plant and equipment, net – *Note 11*	16,297,018	13,652,254
Leasehold land, net – *Note 12*	3,089,698	3,022,293
Intangible asset, net – *Note 13*	775,000	800,000
Investment in an associate – *Note 14*	99,151	103,123
Investment securities – *Note 15*	55,698	53,904
TOTAL ASSETS	80,945,471	69,948,920
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities:		
Non-trading foreign currency derivatives liabilities	-	77,699
Accounts payable	11,406,634	13,407,204
Other payables and accrued liabilities – *Note 19*	4,999,285	4,983,269
Income taxes payable	91,690	1,164,007
Bank borrowings – *Note 20*	35,624,129	22,539,032
Total Current Liabilities	52,121,738	42,171,211
COMMITMENTS AND CONTINGENCIES – *Note 22*		

(continued)

HIGHPOWER INTERNATIONAL, INC AND SUBSIDIARIES

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

	As of	
	June 30, 2011 (Unaudited) $	*December 31, 2010 (Audited) $*
STOCKHOLDERS' EQUITY		
Preferred Stock		
Par value: $0.0001		
Authorized: 10,000,000 shares		
Issued and outstanding: none	-	-
Common stock		
Par value : $0.0001		
Authorized: 100,000,000 shares		
Issued and outstanding: 2011 –13,582,106 shares (2010 –13,582,106 shares)	1,358	1,358
Additional paid-in capital	5,457,498	5,180,318
Accumulated other comprehensive income	3,337,023	2,475,749
Retained earnings	20,027,854	20,120,284
TOTAL STOCKHOLDERS' EQUITY	28,823,733	27,777,709
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	80,945,471	69,948,920

See accompanying notes to condensed consolidated financial statements

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES

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

	Three months ended June 30,		*Six months ended June 30,*	
	2011	***2010***	***2011***	***2010***
	(Unaudited)	***(Unaudited)***	***(Unaudited)***	***(Unaudited)***
	$	***$***	***$***	***$***
Net sales	29,708,154	28,978,114	56,658,820	49,201,486
Cost of sales	(24,942,124)	(23,578,703)	(47,892,431)	(39,555,745)
Gross profit	4,766,030	5,399,411	8,766,389	9,645,741
Research and development costs	(873,383)	(467,987)	(1,508,461)	(808,811)
Selling and distribution costs	(980,663)	(1,121,484)	(2,166,813)	(1,884,639)
General and administrative costs, including stock-based compensation	(2,098,497)	(1,758,799)	(4,163,837)	(2,929,723)
Loss on exchange rate difference	(297,768)	(130,130)	(470,703)	(152,484)
Loss on financial instruments	(244,013)	-	(694,604)	-
Share of loss of an associate	(2,199)	-	(3,971)	-
Income from operations	269,507	1,921,011	(242,000)	3,870,084
Other income – *Note 3*	176,222	126,026	408,770	203,400
Interest expenses – *Note 4*	(233,677)	(101,111)	(386,314)	(167,444)
Other expenses - *Note 5*	-	-	(23,964)	-
Income before taxes	212,052	1,945,926	(243,508)	3,906,040
Income taxes – *Note 6*	(137,017)	(360,579)	(142,778)	(739,993)
Net income for the period	75,035	1,585,347	(386,286)	3,166,047
Other comprehensive income				
- Foreign currency translation gain	3,015	(7,898)	(15,768)	(23,495)
- Cash flow hedge	290,290	(2,515)	293,857	2
Comprehensive income	368,340	1,574,934	(108,197)	3,142,554
Earnings per share of common stock				
- Basic	0.01	0.12	(0.03)	0.23
- Diluted	0.01	0.12	(0.03)	0.23
Weighted average number of common stock				
- Basic	13,582,106	13,582,106	13,582,106	13,582,106
- Diluted	13,817,981	13,732,096	13,817,981	13,732,096

See accompanying notes to condensed consolidated financial statements

HIGHPOWER INTERNATIONAL, INC AND SUBSIDIARIES

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

	Six months ended June 30,	
	2011	***2010***
	(Unaudited)	***(Unaudited)***
	$	***$***
Cash flows from operating activities		
Net (loss)/income	(386,286)	3,166,047
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible asset	25,000	25,000
Amortization of leasehold land	33,223	31,853
Depreciation	825,008	674,296
Loss on disposal of plant and equipment	6,636	48,381
Loss on financial instruments	694,604	-
Share based payment	277,180	80,372
Bad debt written off	56,821	5,626
Changes in operating assets and liabilities:		
(Increase) decrease in -		
Accounts receivable	(629,177)	(4,604,365)
Notes receivable	(550,505)	(266,209)
Prepaid expenses and other receivables	(3,878,708)	(1,979,423)
Inventories	946,233	(4,385,862)
Increase (decrease) in -		
Accounts payable	(2,000,570)	9,837,912
Other payables and accrued liabilities	60,682	893,755
Income taxes payable	(1,072,317)	(286,852)
Net cash flows (used in)/provided by operating activities	(5,592,176)	3,240,531
Cash flows from investing activities		
Acquisition of plant and equipment	(2,930,714)	(2,563,278)
Sale proceeds of plant and equipment	-	(142,515)
Net cash flows used in investing activities	(2,930,714)	(2,705,793)
Cash flows from financing activities		
Proceeds from new short-term bank loans	12,595,292	4,803,830
Repayment of short-term bank loans	(8,422,290)	
Repayment of other secured loans	-	(3,437,764)
Net (repayment) advancement of other bank borrowings	8,161,654	
Increase in restricted cash	(5,167,034)	(1,206,238)
Net cash flows provided by financing activities	7,167,622	159,828
Net increase in cash and cash equivalents	(1,355,268)	694,566
Effect of foreign currency translation on cash and cash equivalents	387,639	(113,627)
Cash and cash equivalents - beginning of period	8,490,629	2,967,586
Cash and cash equivalents - end of period	7,523,000	3,548,525
Supplemental disclosures for cash flow information :		
Cash paid for:		
Interest	386,314	167,445

See accompanying notes to condensed consolidated financial statements

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

1. Organization and Basis of Presentation

Highpower International, Inc. ("Highpower" or the "Company," formerly known as Hong Kong Highpower Technology, Inc.) was incorporated in the State of Delaware on January 3, 2006 to locate a suitable acquisition candidate to acquire. As used herein, the "Company" refers to Highpower and its wholly-owned subsidiary, Hong Kong Highpower Technology Company Limited ("HKHTC"), and HKHTC's wholly-owned subsidiaries, unless the context indicates otherwise.

HKHTC was organized principally to engage in the manufacturing and marketing of nickel metal hydride rechargeable batteries.

In January 2008, HKHTC invested $749,971 in Huizhou Highpower Technology Co., Ltd. ("HZ Highpower"). HZ Highpower is a wholly-owned subsidiary of HKHTC. HZ Highpower has not commenced business as at June 30, 2011

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

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

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

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

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

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

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

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

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

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

On April 2, 2011, the Company invested $1,000,000 in Icon Energy System Co., Ltd. ("ICON") which is a wholly-owned subsidiary of HKHTC. ICON is expected to engage in the research and production of advanced battery packs and systems.

Description of business

The subsidiaries of the Company include the following:

Name of company	Place and date incorporation	Attributable equity interest held	Principal activities
Hong Kong Highpower Technology Co., Ltd. ("HKHTC")	Hong Kong July 4, 2003	100%	Investment holding
Shenzhen Highpower Technology Co., Ltd. ("SZ Highpower")	PRC October 8, 2002	100%	Manufacturing of batteries
Highpower Energy Technology (Huizhou) Co., Ltd. ("HZ Highpower")	PRC January 29, 2008	100%	Inactive
Springpower Technology (Shenzhen) Co., Ltd. ("SZ Springpower")	PRC June 4, 2008	100%	Manufacturing of batteries
Ganzhou Highpower Technology Co., Ltd. ("GZ Highpower")	PRC September 21, 2010	100%	Processing, marketing and research of battery materials
Icon Energy System Co., Ltd. ("ICON")	PRC February 23, 2011	100%	Research and production of advanced battery packs and systems

The associate of the Company is the following:

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

2. Summary of significant accounting policies

Basis of presentation

The accompanying financial statements are stated in US dollars and have been prepared in accordance with generally accepted accounting principles in the United States of America. While the information presented in the accompanying interim financial statements is unaudited, it includes all adjustments which are in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim period presented in accordance with accounting principles generally accepted in the United States of America. All adjustments are of a normal recurring nature.

Although these interim financial statements follow the same accounting policies and methods of their application as the Company's December 31, 2010 annual financial statements, they do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. Accordingly, it is suggested that these interim financial statements be read in conjunction with the Company's December 31, 2010 annual 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.

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 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.

Associate

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

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

Use of estimates

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

Comparative amounts

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

Economic and political risks

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

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

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 management of the Company considers that the Company's credit risk is significantly reduced.

During the six months ended June 30, 2011, there was one customer, Energizer Holdings, Inc., that accounted for 10% or more of total net revenue. The percentages of total net sales from Energizer Holdings, Inc. in the six months ended June 30, 2011 and 2010 were 21% and 19%, respectively.

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 of $56,821 and $5,626 during the six months ended June 30, 2011 and 2010, respectively.

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined on a weighted average basis and includes purchase costs, direct labor and factory overheads. There are no significant freight charges, inspection costs and warehousing costs incurred for any of the periods presented. In assessing the ultimate realization of inventories, management makes judgments as to future demand requirements compared to current or committed inventory levels. The Company's reserve requirements generally increase based on management's projected demand requirements, and decrease due to market conditions and product life cycle changes. During the six months ended June 30, 2011 and 2010, the Company did not make any allowance for slow-moving or defective inventories. The Company's production process results in a minor amount of waste materials. The Company does not record a value for the waste in its cost accounting. The Company records proceeds on an as realized basis, when the waste is sold. Proceeds from the sales of waste materials were approximately $97,293 and $38,730 for the six months ended June 30, 2011 and 2010, respectively. Generally, waste materials on hand at the end of a year are nominal.

(Stated in US Dollars)

Plant and equipment

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

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

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

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

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

Investment Securities

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

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

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

Intangible Assets and Long-Lived Assets

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

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

There was no impairment of long-lived assets for the six months ended June 30, 2011 and 2010.

Revenue recognition

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

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

Advertising and promotion expenses

Advertising and promotion expenses are charged to expense as incurred.

Advertising and promotion expenses, which are included in selling and distribution costs, were not material for the six months ended June 30, 2011 and 2010.

Income taxes

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

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

Comprehensive income

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

Foreign currency translation

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

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.

	June 30, 2011	June 30, 2010
Quarter end RMB : US$ exchange rate	6.4634	6.8279
Average quarterly RMB : US$ exchange rate	6.5394	6.8271

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.

Earnings per share

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

Stock-Based Compensation

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

Share-based compensation expense was $277,180 and $80,372 and for the six months ended June 30, 2011 and 2010, respectively.

Recently issued accounting pronouncements

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

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

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

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

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

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

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

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

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

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

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

3. Other income

	Three months ended June 30,		*Six months ended June 30,*	
	2011 (Unaudited) $	***2010 (Unaudited) $***	***2011 (Unaudited) $***	***2010 (Unaudited) $***
Bank interest income	24,006	20,605	55,561	49,853
Foreign exchange contract income	110,103	3,774	166,551	5,356
Government sponsor	461	35,266	79,939	49,913
Sundry income	41,652	66,381	106,719	98,278
	176,222	126,026	408,770	203,400

4. Interest expenses

	Three months ended June 30,		*Six months ended June 30,*	
	2011 (Unaudited) $	***2010 (Unaudited) $***	***2011 (Unaudited) $***	***2010 (Unaudited) $***
Interest on trade related bank loan	99,970	91,928	182,372	152,001
Interest on short-term bank loans	133,708	9,183	203,942	15,443
	233,678	101,111	386,314	167,444

5. Other expenses

	Three months ended June 30,		*Six months ended June 30,*	
	2011 (Unaudited) $	***2010 (Unaudited) $***	***2011 (Unaudited) $***	***2010 (Unaudited) $***
Sundry expenses	-	-	23,964	-

(Stated in US Dollars)

6. Income taxes

The components of the provision for income taxes are:

	Three months ended June 30,		*Six months ended June 30,*	
	2011 (Unaudited) $	*2010 (Unaudited) $*	*2011 (Unaudited) $*	*2010 (Unaudited) $*
PRC income taxes	137,017	360,579	142,778	739,993

Accounting for Uncertainty in Income Taxes

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

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

7. Prepaid expenses and other receivables

	As of	
	June 30, 2011 (Unaudited) $	*December 31, 2010 (Unaudited) $*
Purchase deposits paid	5,002,758	688,041
Advance to staff	269,140	72,047
Other deposits and prepayments	406,203	500,362
Valued-added tax prepayment	621,578	975,552
Other receivables	810,239	995,209
	7,109,918	3,231,211

8. Share – based compensation expenses

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

2008 Omnibus Incentive Plan

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

The 2008 Plan authorizes the issuance of awards including stock options, restricted stock units (RSUs), restricted stock, unrestricted stock, stock appreciation rights (SARs) and other equity and/or cash performance incentive awards to employees, directors, and consultants of the Company. Subject to certain restrictions, the Compensation Committee of the Board of Directors has broad discretion to establish the terms and conditions for awards under the 2008 Plan, including the number of shares, vesting conditions and the required service or performance criteria. Options and SARs have a contractual term of ten years and generally vest over four to five years with an exercise price equal to the fair market value on the date of grant. Incentive stock options (ISOs) granted must have an exercise price equal to the fair market value on the date of grant. Repricing of stock options and SARs is prohibited without stockholder approval. Certain change in control transactions may cause awards granted under the 2008 Plan to vest, unless the awards are continued or substituted for in connection with the transaction. At June 30, 2011, approximately 1,113,000 shares of our common stock remained available for issuance pursuant to awards granted under the 2008 Plan.

(Stated in US Dollars)

Stock-Based Compensation Related to employees

	Number of Share	Weighted Average Exercise Price	Contractual Term in Years
Outstanding, January 1, 2011	-	-	
Granted	885,000	$ 3.52	
Exercised	-	-	
Forfeited	(30,000)	$ 3.55	
Outstanding, June 30, 2011	855,000	$ 3.52	9.56
Exercisable, June 30, 2011	90,000	$ 3.55	9.56

During the six months ended June 30, 2011 the Company granted 885,000 options to eleven employees at a weighted average exercise price of $3.52. At the date of this report, two employees had resigned and a total of 30,000 options had been forfeited in accordance with the terms and conditions of the plan.

The weighted-average fair value of options granted to employees for the three and six month periods ended June 30, 2011 was $0.75 per share and $1.52 per share, respectively as calculated using the Black Scholes pricing model, with the following weighted-average assumptions:

	Three months ended June 30, 2011	Six months ended June 30, 2011
Expected volatility	40.35%	40.01%
Risk-free interest rate	2.06%	2.47%
Expected term from grant date in years	6.00	6.16
Dividend rate	-	-
Fair value	$ 0.75	$ 1.52

Stock-Based Compensation Related to Nonemployees

	Number of Share	Exercise Price	Contractual Term Years
Outstanding, January 1, 2011	-	-	
Granted	15,000	$ 3.41	
Exercised	-	-	
Forfeited	-	-	
Outstanding, June 30, 2011	15,000	$ 3.41	9.68
Exercisable, June 30, 2011	-	-	-

(Stated in US Dollars)

There were no options exercised during the six month period ending June 30, 2011. The stock-based compensation cost of options granted to nonemployees is initially measured on the grant date using the Black-Scholes model and is remeasured over the vesting period as earned. The resulting value is recognized as an expense over the period in which services are received.

During the six months ended June 30, 2011 the Company granted options to purchase 15,000 shares of common stock to a consultant at a per share exercise price of $3.41, in exchange for services from the consultant.

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

	Three months ended June 30, 2011	Six months ended June 30, 2011
Expected volatility	-	39.45%
Risk-free interest rate	-	2.53%
Expected term from grant date in years	-	6.50
Dividend rate	-	-
Fair value	-	$ 1.22

Expected Term

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

Expected Volatility

The Company has limited stock trading history and it is not able to reasonably estimate the fair value of its equity share options because it is not practicable for it to estimate the expected volatility of its share price. The expected volatilities used for the three and six month periods ended June 30, 2011 are based upon the volatilities of a peer group of comparable publicly traded companies. This peer group was selected by the Company using criteria including similar industry, similar stage of development and comparable market capitalization.

Risk-Free Interest Rate

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

(Stated in US Dollars)

Dividend Yield

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

Forfeitures

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

Total Share-Based Compensation Expense

No share-based compensation expense was capitalized in the periods presented. At June 30, 2011 the gross amount of unrecognized share-based compensation expense relating to unvested share-based awards was approximately $1.0 million, which the Company anticipates recognizing as a charge against income over a weighted average period of 3.06 years.

In connection with the grant of stock options to employees and nonemployees, the Company recorded stock-based compensation charges of $48,708 and $(148), respectively, for the three month period ended June 30 2011 and stock-based compensation charges of $276,419 and $761, respectively, for the six month period ended June 30, 2011. At June 30, 2011, options held by nonemployees to purchase 15,000 shares were unvested and subject to remeasurement.

The estimated fair value of share-based awards is recognized as a charge against income on a ratable basis over the requisite service period, which is generally the vesting period of the award. Total share-based compensation expense recognized in our condensed consolidated statements of operations for the three and six months ended June 30, 2011 and 2010 was as follows:

Summary of Compensation Expense

	Three months ended. June 30,		Three months ended. June 30,	
	2011	2010	2011	2010
Costs of revenue	$ 10,583	-	$ 78,525	$. -
General and administrative	15,512	$ 7,195	46,313	80,372
Sales and marketing	22,465	-	152,342	-
Total share-based compensation expenses	$ 48,560	$ 7,195	$ 277,180	$ 80,372

9. Earning per share

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

(Stated in US Dollars)

The following tables set forth the computation of basic and diluted earnings per common share for the six months ended June 30, 2011 and 2010.

	Six months ended	
	June 30, 2011 (Unaudited) $	*June 30, 2010 (Unaudited) $*
Numerator:		
Net (loss)/income	(386,286)	3,166,047
Denominator:		
Weighted-average shares outstanding	13,582,106	13,582,106
Effect of dilutive securities	235,875	149,990
Denominator:		
Weighted-average shares diluted	13,817,981	13,732,096
Basic earning per common share	(0.03)	0.23
Diluted earning per common share	(0.03)	0.23

10. Inventories

	As of	
	June 30, 2011 (Unaudited) $	*December 31, 2010 (Unaudited) $*
Raw materials	3,846,184	3,743,307
Work in progress	1,125,255	1,847,390
Finished goods	7,512,333	7,841,283
Packing materials	17,427	15,452
	12,501,199	13,447,432

(Stated in US Dollars)

11. Plant and equipment

	As of	
	June 30, 2011 (Unaudited) $	***December 31, 2010 (Audited) $***
Cost		
Construction in progress	5,435,875	3,499,495
Furniture, fixtures and office equipment	2,566,568	2,310,868
Leasehold improvement	487,341	732,560
Machinery and equipment	11,788,768	10,783,907
Motor vehicles	1,100,505	1,045,843
Building	262,156	253,709
	21,641,213	18,626,382
Accumulated depreciation		
Construction in progress	-	-
Furniture, fixtures and office equipment	1,191,234	962,193
Leasehold improvement	101,358	691,393
Machinery and equipment	3,514,770	2,890,437
Motor vehicles	516,172	417,193
Building	20,661	12,912
	5,344,195	4,974,128
Net		
Construction in progress	5,435,875	3,499,495
Furniture, fixtures and office equipment	1,375,334	1,348,675
Leasehold improvement	385,983	41,167
Machinery and equipment	8,273,998	7,893,470
Motor vehicles	584,333	628,650
Building	241,495	240,797
	16,297,018	13,652,254

The components of depreciation charged are:

	Three months ended June 30,		***Six months ended June 30,***	
	2011 (Unaudited) $	***2010 (Unaudited) $***	***2011 (Unaudited) $***	***2010 (Unaudited) $***
Included in factory overheads	330,946	244,005	633,340	535,335
Included in operating expenses	78,098	69,719	191,668	138,961
	409,044	313,724	825,008	674,296

12. Leasehold land

	As of	
	June 30, 2011 (Unaudited) $	***December 31, 2010 (Audited) $***
Cost	3,322,256	3,215,205
Accumulated amortization	(232,558)	(192,912)

Net	3,089,698	3,022,293

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

(Stated in US Dollars)

13. Intangible asset – Consumer battery license

	As of June 30, 2011 (Unaudited) $	As of December 31, 2010 (Audited) $
Cost		
Consumer battery license fee	1,000,000	1,000,000
Accumulated amortization	(225,000)	(200,000)
Net	775,000	800,000

Amortization expenses included in selling and distribution costs for the six months ended June 30, 2011 and 2010 was $25,000.

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

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

The Consumer Battery License Agreement also requires the Company to pay an additional up-front royalty payment of $1,000,000 by four annual installments and an annual royalty fee based on the gross sales of consumer batteries over the term of the Consumer Battery License Agreement. Accordingly, during the year ended December 31, 2007, the Company recorded a total up-front royalty payment obligation of $1,000,000, which was included in other payables and accrued liabilities, with the related debit recorded as an intangible asset entitled consumer battery license agreement. During the three months ended June 30, 2011, the Company recorded a total of approximately $121,190 as royalty expense, which was included in selling and distribution costs in the statement of operations. At June 30, 2011, accrued royalty fees payable was $847,368 (*see Note 19*).

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

14. Investment in an associate

	As of June 30, 2011 (Unaudited) $	As of December 31, 2010 (Audited) $
Acquisition of associate	142,514	142,514
Share of loss - accumulated	(43,363)	(39,391)
Net	99,151	103,123

(Stated in US Dollars)

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

Name	Country of Incorporation	Assets	Liabilities	Revenue	Loss	% Interest Held
At June 30, 2011						
		$	$	$	$	
Springpower International, Inc.	Canada	359,645	85,715	3,234	111,641	40%
At December 31, 2010						
		$	$	$	$	
Springpower International, Inc	Canada	369,052	78,612	3,045	101,523	40%

15. Investment Securities

	As of	
	June 30, 2011 (Unaudited)	***December 31, 2010 (Audited)***
	$	***$***
Investment securities - cost method	55,698	53,904

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

16. Fair Value Measurements

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

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

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

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

(Stated in US Dollars)

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

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

The following table details the fair value measurements of assets and liabilities within the three levels of the fair value hierarchy at June 30 2011 and December 31 2010:

		Fair Value Measurements at reporting date using		
	June 30, 2011	**Quoted Price in active Markets for identical assets (level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Other Unobservable Inputs (Level 3)**
Assets				
Accounts receivable	21,475,717	-	-	21,475,717
Prepaid expenses and other receivables	7,109,918	-	-	7,109,918
Notes receivable	807,078	-	-	807,078
Liabilities				
Non-trading foreign currency derivatives liabilities	-	-	-	-
Accounts payable	11,406,634	-	-	11,406,634
Other payables and accrued liabilities	4,999,285	-	-	4,999,285

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

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

17. Risk Management Activities, Including Derivative

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

	Six months ended June 30,	
	2011	***2010***
	(Unaudited)	***(Unaudited)***
Foreign exchange contracts, net		
Gain recognized in Other income, net	166,551	5,356

Hedging Activities

Due to the volatility of the US Dollar to the Company's functional currency, the Company has put into place a hedging program to attempt to protect it from significant changes to the US Dollar, which would affect the value of the Company's US dollar receivables and sales. At June 30, 2011, the Company had a series of currency forwards totaling a notional amount US$25,500,000 expiring from July 2011 to January 2012.

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

At the inception of a derivative contract, SZ Highpower historically designated the derivative as a cash flow hedge. For all derivatives designated as cash flow hedges, SZ Highpower formally documented the relationship between the derivative contract and the hedged items, as well as the risk management objective for entering into the derivative contract. To be designated as a cash flow hedge transaction, the relationship between the derivative and the hedged items must be highly effective in achieving the offset of changes in cash flows attributable to the risk both at the inception of the derivative and on an ongoing basis. SZ Highpower historically measured hedge effectiveness on a quarterly basis and hedge accounting would be discontinued prospectively if it was determined that the derivative was no longer effective in offsetting changes in the cash flows of the hedged item. Gains and losses deferred in accumulated other comprehensive income related to cash flow hedge derivatives that became ineffective remained unchanged until the related cash flow 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.

(Stated in US Dollars)

The cost of the effective portion of the cash flow hedges was $293,857 and $11,039 for the six months ended June 30, 2011 and 2010, respectively.

18. Change in fair value of share warrants

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

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

On December 16, 2009, a warrant holder exercised 5,000 shares of the warrants via a cashless exercise. The Company issued 2,510 shares of common stock upon the exercise of the warrants at no consideration. At June 30, 2011, warrants to purchase 47,500 shares of common stock were still outstanding.

19. Other payables and accrued liabilities

	As of	
	June 30, 2011 (Unaudited$) $	*December 31, 2010 (Unaudited) $*
Accrued expenses	2,315,767	2,469,391
Royalty payable	847,368	1,159,594
Sales deposits received	1,331,647	1,007,201
Other payables	504,503	347,083
	4,999,285	4,983,269

20. Bank borrowings

	As of	
	June 30, 2011 (Unaudited) $	*December 31, 2010 (Unaudited) $*
Secured:		
Repayable within one year		
Short term bank loans	16,927,377	8,306,299
Other trade related bank loans	18,696,752	14,232,733
	35,624,129	22,539,032

As of June 30, 2011, the above bank borrowings were secured by the following:

(a) charge over bank deposits of $11,211,994 which is included in restricted cash on the Balance sheet;

(Stated in US Dollars)

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

(c) the legal charge over leasehold land with carrying amount $3,089,698 (*see Note 12*); and

(d) other financial covenant

The interest rates of trade related bank loans were at bank's prime lending rate per annum with various maturity dates. The rates at June 30, 2011 ranged from 5.1% to 7.0%.

21. Pension plans

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

The assets of the schemes are controlled by trustees and held separately from those of the Company. Total pension cost was $402,316 and $268,196 for the six months ended June 30, 2011 and 2010, respectively.

22. Commitments and contingencies

Operating leases commitments

The Company leases factory and office premises under various non-cancelable operating lease agreements that expire at various dates through years 2010 to 2011, with an option to renew the lease. All leases are on a fixed repayment basis. None of the leases includes contingent rentals. Minimum future commitments under these agreements payable as of June 30, 2011 are as follows:

Period ending June 30,	*$*
2011	532,843
2012	442,765
	975,608

Rent expenses for the six months ended June 30, 2011 and 2010 were $542,219 and $462,413, respectively.

23. Segment Information

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

(Stated in US Dollars)

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

	Six months ended June 30,	
	2011	***2010***
	(Unaudited)	***(Unaudited)***
	$	***$***
Net revenue		
Hong Kong and China	33,292,799	32,326,801
Asia	3,327,630	2,512,843
Europe	13,617,347	8,990,128
North America	6,309,050	5,122,431
South America	29,883	846
Others	82,111	248,437
	56,658,820	49,201,486

	As of	
	June 30, 2011	***December 31, 2010***
	(Unaudited)	***(Unaudited)***
	$	***$***
Accounts receivable		
Hong Kong and China	16,082,593	14,944,284
Asia	439,064	603,275
Europe	3,780,350	3,441,242
North America	1,166,297	1,847,730
South America	192	2,080
Africa	7,221	7,929
	21,475,717	20,846,540

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

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

Forward-Looking Statements

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

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

Overview

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

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

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

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

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

Critical Accounting Policies and Estimates

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

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

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

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

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

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

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

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

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

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

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

Results of Operations

Three Months Ended June30, 2011 and 2010

Net sales for the three months ended June 30, 2011 were $29.7 million compared to $29.0 million for the three months ended June 30, 2010, an increase of 2.4%. The increase in net sales for the three months ended June 30, 2011 over the three months ended June 30, 2010 was primarily due to a 12.6% increase in the average selling price of our Ni-MH battery units, a 19.1% increase in the average selling price of our Li-ion battery units, and a 24.2% increase in the number of Li-ion battery units sold, which was partially offset by a 20.9% decrease in the number of Ni-MH battery units sold, In addition, revenue from our New Materials business increased to $5.8 million for the three months ended June 30, 2011 from $4.8 million for the three months ended June 30, 2010. Net sales during the three months ended June 30, 2011 and 2010 also included $61,864 and $21,368, respectively, from the sale of battery seconds (waste materials), an increase of 189.5%.

Cost of sales consists of the cost of nickel and other rare earth materials. Costs of sales were $24.9 million for the three months ended June 30, 2011, as compared to $23.6 million for the comparable period in 2010. As a percentage of net sales, cost of sales increased to 84.0% for the three months ended June 30, 2011 compared to 81.4% for the comparable period in 2010. This increase was attributable to increases of raw material prices including nickel and rare earth materials, including a 7.3% increase in the average price of nickel units, and a 269.6% increase in the average price of rare earth materials units from the comparable period in 2010.

Gross profit for the three months ended June 30, 2011 was $4.8 million, or 16.0% of net sales, compared to $5.4 million, or 18.6% of net sales, for the comparable period in 2010. Management considers gross profit to be a key performance indicator in managing our business. Gross profit margins are usually a factor of cost of sales, product mix and demand for product. The decrease in our gross profit margin for the three months ended June 30, 2011 is primarily due to a 17% increase in the average unit cost of our Ni-MH batteries sold and an 11.5% increase in the average unit cost of our Li-ion batteries sold. In addition, revenue from our New Materials business increased to $5.8 million for the six months ended June 30, 2011 from $4.8 million for the six months ended June 30, 2010, which business has lower gross profit margins than our other business operations..

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

Selling and distribution costs were $981,000 for the three months ended June 30, 2011 compared to $1.1 million for the comparable period in 2010. The decrease was primarily due to our enhanced selling and distribution costs controls.

General and administrative costs were $2.1 million, or 7.1% of net sales, for the three months ended June 30, 2011, compared to $1.8million, or 6.1% of net sales, for the comparable period in 2010. Management considers these expenses as a percentage of net sales to be a key performance indicator in managing our business. The increase as a percentage of net sales was primarily due to increased labor costs. Labor and personnel costs increased $585,000 for the three months ended June 30, 2011 as compared to the comparable period in 2010 due to an increase in staff and senior management for our newly-founded ICON subsidiary.

Research and development expenses were approximately $873,000 for the three months ended June 30, 2011 as compared to approximately $468,000 for the comparable period in 2010, an increase of 86.6%. The increase was due to the expansion of our workforce to expand our research and development and management functions.

We experienced losses on the exchange rate difference between the U.S. Dollar and the RMB of approximately $298,000 and $130,000, respectively, in the three months ended June 30, 2011 and 2010. The increase in the losses on exchange rate was due to the devaluation of the U.S. Dollar relative to the RMB over the respective periods. Although our sales contracts do not automatically adjust to reflect changes in exchange rates, to cope with devaluation of the U.S. Dollar relative to the RMB, each time that we enter into new sales contracts with new or existing customers we adjust the selling price of batteries in anticipation of an increase, and to make up for any potential change, in the exchange rate between the two currencies.

We experienced a loss on financial instruments of approximately $244,000 in the three months ended June 30, 2011 related to the hedging activities related to nickel. No such loss occurred in the comparable period in 2010.

Interest expense was approximately $234,000 for the three months ended June 30, 2011, as compared to approximately $101,000 for the comparable period in 2010. The increase was primarily due to higher borrowing levels. We increased our borrowings by approximately $19.0 million in the three months ended June 30, 2011 as compared to the three months ended June 30, 2010. Further increases in borrowing rates would further increase our interest expense, which would have a negative effect on our results of operations.

Other income, which consists of bank interest income, exchange gains and losses and sundry income, was approximately $176,000 for the three months ended June 30, 2011, as compared to approximately $126,000 for the three months ended June 30, 2010, an increase of 39.8%. The increase was due to an increase in bank interest income of $3,000 and a $106,000 increase in foreign exchange contract income, which were partially offset by a $35,000 decrease in funds from a government sponsor and a $25,000 decrease in sundry income.

During the three months ended June 30, 2011, we recorded a provision for income taxes of $137,000, as compared to $361,000 for the comparable period in 2010. The decrease was a result of a decrease in our net taxable income.

Net income for the three months ended June 30, 2011 was $75,000, compared to net income of $1.6 million for the comparable period in 2010.

Six Months Ended June 30, 2011 and 2010

Net sales for the six months ended June 30, 2011 were $56.7 million compared to $49.2 million for the six months ended June 30, 2010, an increase of 15.2%. The increase in net sales for the six months ended June 30, 2011 over the six months ended June 30, 2010 was primarily due to a 9.2% increase in the average selling price of our Ni-MH battery units, a 20.9% increase in the average selling price of our Li-ion battery units, and a 23.8% increase in the number of Li-ion battery units sold, which were partially offset by a 10.4% decrease in the number of Ni-MH battery units sold.. In addition, revenue from our New Materials business increased to $12.7 million for the six months ended June 30, 2011 from $7.7 million for the six months ended June 30, 2010. Net sales during the six months ended June 30, 2011 and 2010 also included $97,293 and $38,730, respectively, from the sale of battery seconds (waste materials), an increase of 151.2%.

Cost of sales consists of the cost of nickel and other rare earth materials. Costs of sales were $47.9 million for the six months ended June 30, 2011, as compared to $39.6 million for the comparable period in 2010. As a percentage of net sales, cost of sales increased to 84.5% for the six months ended June 30, 2011 compared to 80.4% for the comparable period in 2010. This increase was attributable to increases of raw material prices including nickel and rare earth materials, including a 24.7% increase in the average price of nickel units and a 153.0% increase in the average price of rare earth materials units.

Gross profit for the six months ended June 30, 2011 was $8.8 million, or 15.5% of net sales, compared to $9.6 million, or 19.6% of net sales, for the comparable period in 2010. Management considers gross profit to be a key performance indicator in managing our business. Gross profit margins are usually a factor of cost of sales, product mix and demand for product. The decrease in our gross profit margin for the six months ended June 30, 2011 is primarily due to a 17.3% increase in the average per unit cost of our Ni-MH batteries sold and a 5.2% increase in the average per unit cost of our Li-ion batteries sold. In addition, revenue from our New Materials business increased to $12.7 million for the six months ended June 30, 2011 from $7.7 million for the six months ended June 30, 2010, which business has lower gross profit margins than our other business operations.

Selling and distribution costs were $2.2 million for the six months ended June 30, 2011 compared to $1.9 million for the comparable period in 2010. The increase was primarily due to the expansion of our salesforce.

General and administrative costs were $4.2 million, or 7.3% of net sales, for the six months ended June 30, 2011, compared to $2.9 million, or 6.0% of net sales, for the comparable period in 2010. Management considers these expenses as a percentage of net sales to be a key performance indicator in managing our business. The increase as a percentage of net sales was primarily due to increased labor costs. Labor and personnel costs increased $1.2 million for the six months ended June 30, 2011 as compared to the comparable period in 2010 due to staff and senior management increases for our newly-founded ICON subsidiary.

Research and development expenses were $1.5 million for the six months ended June 30, 2011 as compared to approximately $809,000 for the comparable period in 2010, an increase of 86.5%. The increase was due to the expansion of our workforce to expand our research and development and management functions.

We experienced losses on the exchange rate difference between the U.S. Dollar and the RMB of approximately $471,000 and $152,000, respectively, in the six months ended June 30, 2011 and 2010. The increase in the losses on exchange rate was due to the devaluation of the U.S. Dollar relative to the RMB over the respective periods. Although our sales contracts do not automatically adjust to reflect changes in exchange rates, to cope with devaluation of the U.S. Dollar relative to the RMB, each time that we enter into new sales contracts with new or existing customers we adjust the selling price of batteries in anticipation of an increase, and to make up for any potential change, in the exchange rate between the two currencies.

We experienced a loss on financial instruments of approximately $695,000 in the six months ended June 30, 2011 related to the forward contract of nickel. No such loss occurred in the comparable period in 2010.

Interest expense was approximately $386,000 for the six months ended June 30, 2011, as compared to approximately $167,000 for the comparable period in 2010. The increase was primarily due to higher borrowing levels. We increased our borrowings by approximately $19.5 million in the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. Further increases in borrowing rates would further increase our interest expense, which would have a negative effect on our results of operations.

Other income, which consists of bank interest income, exchange gains and losses and sundry income, was approximately $409,000 for the six months ended June 30, 2011, as compared to approximately $203,000 for the six months ended June 30, 2010, an increase of 101%. The increase was due to a $161,000 increase in foreign exchange contract income, a $30,000 increase in funds from a government sponsor, an increase in bank interest income of $6,000 and an $8,000 increase in sundry income.

During the six months ended June 30, 2011, we recorded a provision for income taxes of $143,000, as compared to $740,000 for the comparable period in 2010. The decrease was a result of a decrease in our net taxable income.

Net loss for the six months ended June 30, 2011 was $386000, as compared to net income of $3.2 million for the comparable period in 2010.

Liquidity and Capital Resources

We had cash and cash equivalents of approximately $7.5 million as of June 30, 2011, as compared to $8.5 million as of December 31, 2010. Our funds are kept in financial institutions located in the PRC, which do not provide insurance for amounts on deposit. Moreover, we are subject to the regulations of the PRC which restrict the transfer of cash from the PRC, except under certain specific circumstances. Accordingly, such funds may not be readily available to us to satisfy obligations which have been incurred outside the PRC.

To provide liquidity and flexibility in funding our operations, we borrow amounts under bank facilities and other external sources of financing. As of June 30, 2011, we had in place general banking facilities with nine financial institutions aggregating $80.0 million. The maturity of these facilities is generally less than one year. The facilities are subject to annual review and approval. These banking facilities are guaranteed by our Chief Executive Officer, Dang Yu Pan, and contain customary affirmative and negative covenants for secured credit facilities of this type. However, these covenants do not have any impact on our ability to undertake additional debt or equity financing. Interest rates are generally based on the banks' reference lending rates. No significant commitment fees are required to be paid for the banking facilities. As of June 30, 2011, we had utilized approximately $35.6 million under such general credit facilities and had available unused credit facilities of $44.4 million.

For the six months ended June 30, 2011, net cash used in operating activities was approximately $5.6 million, as compared to net cash provided by operating activities of $3.2 million for the comparable period in 2010. The decrease in net cash provided by operating activities is primarily attributable to the net loss for the six months ended June 30, 2011 and an increase in prepaid expenses and other receivables due to prepayment to suppliers for entering into long term contracts to lock in raw material prices and an decrease in accounts payable due to our settlement method changes to our suppliers, which was partially offset by our bank loans increase.

Net cash used in investing activities was $2.9 million for the six months ended June 30, 2011 compared to $2.7 million for the comparable period in 2010. The increase of cash used in investing activities was primarily attributable to an increase in the ongoing construction of our Huizhou production facilities and the acquisition of new equipment over the respective periods.

Net cash provided by financing activities was $7.2 million during the six months ended June 30, 2011, as compared to net cash provided by financing activities of $160,000 for the six months ended June 30, 2010. The increase in net cash provided by financing activities was primarily attributable to a $11.6 million increase in bank borrowings and $4.0 million increase in restricted cash, which was partially offset by a decrease of $2.0 million in accounts payable and increase of $3.9 million in prepaid expense and other receivables.

For the six months ended June 30, 2011 and 2010, our inventory turnover was 4.4 times and 6.4 times, respectively. The average days outstanding of our accounts receivable at June 30, 2011was 67 days, as compared to 73 days at June 30, 2010. Inventory turnover and average days outstanding are key operating measures that management relies on to monitor our business. In the next 12 months, we expect to expand our research, development and manufacturing of lithium-based batteries and anticipate additional capital expenditures.

We are required to contribute a portion of our employees' total salaries to the Chinese government's social insurance funds, including medical insurance, unemployment insurance and job injuries insurance, and a housing assistance fund, in accordance with relevant regulations. Total contributions to the funds were approximately $227,011 and $123,000 in the three months ended June 30, 2011 and 2010, respectively, and $402,316 and $268,000 in the six months ended June 30, 2010 and 2009, respectively.. We expect the amount of our contribution to the government's social insurance funds to increase in the future as we expand our workforce and operations.

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

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

Recent Accounting Pronouncements

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

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

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Credit Risk

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

Foreign Currency and Exchange Risk

The Company maintains its financial statements in the functional currency of Renminbi (“RMB”). Substantially all of our operations are conducted in the PRC and we pay the majority of our expenses in RMB. Approximately 73% of our sales are made in U.S. Dollars. During the six months ended June 30, 2011, the exchange rate of the RMB to the U.S. Dollar has appreciated 3.2% from the level at the end of December 31, 2010. A future appreciation of the RMB against the U.S. Dollar would increase our costs when translated into U.S. Dollars and could adversely affect our margins unless we make sufficient offsetting sales. Conversion of RMB into foreign currencies is regulated by the People’s Bank of China through a unified floating exchange rate system. Although the PRC government has stated its intention to support the value of the RMB, there can be no assurance that such exchange rate will not continue to appreciate significantly against the U.S. Dollar. Exchange rate fluctuations may also affect the value, in U.S. Dollar terms, of our net assets. In addition, the RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. Due to the volatility of the US Dollar to our functional currency the Company put into place in 2008 a hedging program to attempt to protect it from significant changes to the US Dollar which affects the value of its US dollar receivables and sales. At June 30, 2011, the Company had a series of currency forwards totaling a notional amount $25.5 million expiring from July 2011 to January 2012. The terms of these derivative contracts are generally for 12 months or less. Changes in the fair value of these derivative contracts are recorded in earnings to offset the impact of foreign currency transaction gains and losses. We experienced a gain of $167,000 in the value of currency forwards in the six months ended June 30, 2011 as compared to a gain of $5,000 on currency forwards during the comparable period in 2010.

Country Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Based on an evaluation carried out as of the end of the period covered by this quarterly report, under the supervision and with the participation of our management, including our CEO and CFO, our CEO and CFO have concluded that, as of the end of such period, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) were effective as of June 30, 2011.

Changes in Internal Control Over Financial Reporting

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

Part II. Other Information

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

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

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

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

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

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

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

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

None.

Item 3. Default Upon Senior Securities

None.

Item 4. Removed and Reserved.

Item 5. Other Information

On April 8, 2011, Shenzhen Highpower renewed a banking facility with Standard Chartered Bank (Hong Kong) Limited with a facility limit of RMB 13,182,000 ($2.0 million). This facility revised the term of the Company's January 21, 2011 financing arrangement with the bank. The loan is guaranteed by Dang Yu Pan, the Company's Chief Executive Officer, Springpower Technology (Shenzhen) Co., Ltd., and H.K. Highpower Technology Co., Ltd.

On May 5, 2011, Shenzhen Highpower entered into a Comprehensive Line of Credit Contract with Shenzhen Development Bank Co., Ltd. which provides for a revolving line of credit of RMB 100,000,000.00 (US$15.5 million). The line of credit expires on November 8, 2011. The loan is guaranteed by Dang Yu Pan, the Company's Chief Executive Officer, and Springpower Technology (Shenzhen) Co., Ltd. The following events constitute an event of default under the agreement: Shenzhen Highpower breaches the contract or fails to fulfill its duties and obligations, or indicates by its conduct that it will not perform its obligations under a contract; the inaccuracy or incompleteness of the certifications and documents provided by Shenzhen Highpower; Shenzhen Highpower's concealment of true important information and failure to cooperate with the bank on any investigation or inspection; Shenzhen Highpower's unauthrozied change of the use or the loan, misappropriation of the loan or any use of the loan for illegal transactions; Shenzhen Highpower's violation of similar contracts with the bank or any other third parties or issuance of any bonds; the breach by either guarantor of the guarantee contract, the occurrence of an event of default under the guarantee agreement or the invalidity or noneffectiveness of the guarantee agreement; Shenzhen Highpower's transfer of property or use of assets to avoid debts by way of gratis, unreasonably-low priced transactions or for other improper means; Shenzhen Highpower's use of false contracts and arrangements signed with any other third party (including but not limited to its related parties); Shenzhen Highpower's avoidance of bank debts on purpose through related party transactions or otherwise; the occurrence of major problems in Shenzhen Highpower's business circumstances, such as deteriorated financial situation, significant financial loss, loss of assets, or other financial crisis; Shenzhen Highpower's becoming subject to administrative penalties, criminal sanctions because of illegal operations or investigation by authorities; Shenzhen Highpower being subject to spin-off, merger, acquisition or a restructuring, a significant disposal of assets, capital reduction, liquidation, reorganization, revocation, declared bankrupt, dissolution, or similar type of transaction; a change in Shenzhen Highpower's controlling shareholder or actual controller that the bank deems has or may endanger the realization of claims by the bank against Shenzhen Highpower under the contract; the occurrence of a major event to Shenzhen Highpower's controlling shareholders, actual controllers, legal representative, or senior management staff, including, but limited to, being subject administrative penalties, criminal sanctions because of illegal operations or being investigated by authorities; an adverse change in Shenzhen Highpower's industry that the bank believes has or may endanger its abilities make successful claims against the company under the contract; Shenzhen Highpower's failure to settle accounts or deposit money or other related business at the bank in accordance with the contract; or the occurrence of any other situation that endanger or may endanger the realization of claims by the bank against Shenzhen Highpower under the contract. Upon the occurrence of any events of default under the agreement, the bank may change, suspend or terminate the line of credit; accelerate the maturity of any amount outstanding under the agreement; request an additional guaranty; deduct funds from Shenzhen Highpower's account at the bank; or demand the guarantor perform under a guarantee agreement.

On June 1, 2011Shenzhen Highpower entered into a Comprehensive Line of Credit Contract with China Everbright Bank Shenzhen Longhua Sub-branch providing for a maximum credit line of RMB 50,000,000 ($7.7) million. The term of the agreement is one year. The bank may adjust the maximum credit limit upon: a major adjustment in China's monetary policy; the occurrence of financial risks in Shenzhen Highpower's region of operation; a great change in Shenzhen Highpower's market; Shenzhen Highpower's suffering or potential to suffer operating difficulty or risk; Shenzhen Highpower undergoes a merger, termination or other major institutional change that endangers the bank to make a claim against Shenzhen Highpower under the contract; Shenzhen Highpower's refusal to be examined by the bank; Shenzhen Highpower's transfer of property or money to avoid debt; a default by Shenzhen Highpower under the agreement; a shortage of funds or operating difficulty of a guarantor; damage of collateral; or the occurrence of anything that, in the bank's opinion, decreases Shenzhen Highpower's solvency or damages the bank's interests. In the event of any breach of the contract, the bank may cancel the contract.

The information included in this Item 5 is provided in accordance with Item 1.01 and Item 2.03 of Form 8-K.

Item 6. Exhibits

(a) Exhibits

Exhibit Number	Description of Document
10.1	Comprehensive Line of Credit Contract dated May 5, 2011 by and between Shenzhen Development Bank Co., Ltd. and Shenzhen Highpower Technology Co., Ltd. and corresponding guarantee agreements (translated to English).
10.2	Comprehensive Line of Credit Contract dated June 1, 2011 by and between China Everbright Bank Shenzhen Longhua Sub-branch and Shenzhen Highpower Technology Co., Ltd. (translated to English).
10.3	Non-Commitment Financing Arrangement dated April 8, 2011 by and between Shenzhen Highpower Technology Co., Ltd. and Standard Chartered Bank (China) Limited, Shenzhen Branch (translated to English).
31.1	Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

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

HIGHPOWER INTERNATIONAL, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Highpower International, Inc.

Dated: August 12, 2011	/s/	/s/ Dan Yu Pan
	By:	Dang Yu Pan
	Its:	Chairman of the Board and Chief Executive Officer (principal executive officer)
	/s/	/s/ Henry Sun
	By:	Henry Sun
	Its:	Chief Financial Officer (principal financial and accounting officer)

Comprehensive line of credit contract

Contract No: shenfaxinzhou20110505001

Party A: SHENZHEN DEVELOPMENT BANK CO., LTD. Shenzhen Xinzhou Sub-branch

Add: Zhongchengtianyi Building, Xinzhou Road, Futian District, Shenzhen, Guangdong, China
Tel: 23480048 Fax: 23480054
Head: Nannan Fu Position: President

Party B: SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD.

Add: Building A2, Luoshan Industrial Zone, Shanxia, Pinghu, Shenzhen, Guangdong, China
Tel: 89686236 Fax: 89686819
Legal Representative: Dangyu Pan Postcode: 518111

In accordance with the relevant laws and regulations, Party A and Party B reached this agreement after the willing negotiation, and both sides are willing to abide by the following clauses.

Article 1 Content of Comprehensive line of credit

1. Amount of Comprehensive line of credit

RMB ONE HUNDRED MILLION ONLY (RMB 100,000,000.00)

Currency exchange rate shall be the quotation on the day actual business happens announced by Party B except RMB.

2. The period of comprehensive line of credit: from May 5th 2011 to Nov. 8th 2011. During this period, the loan under this contract is revolving and can be used many times. The method, amount, duration, etc. shall be determined by both sides. But the total balance of various credits under this contract shall not more than the comprehensive line of credit.

Start date of actual businesses should be within the duration of the contract and termination date depends on specific contracts.

If party A doesn't give party B any credit in six months, this comprehensive line of credit shall be an automatic termination.

Article 2 Transfer credit under the line of credit

The debtor shall not transfer the line of credit to other third party.

Article 3 This contract is signed according to PRC laws, and applicable to PRC laws. If there is a dispute during the performance of the contract, Party A and Party B should negotiate or mediate; if negotiation or mediation fails, the dispute shall be settled by the People's court in party A's location.

Article 4 Coerce execution notarization:

The two parties shall not enter into coerce execution notarization.

Article 5 Other matters agreed by both parties:

(1) If Party B use the credit with bank acceptance bill or commercial acceptance bill, Party B should complete the deposit balance at least one month earlier, otherwise Party A has the right to view this as an early maturity. (2) The party B shall not be permitted to distribute profits during credit period; otherwise party A has the right to view this as an early maturity..

Article 6 This agreement is written in three originals, two for Party A, and one for Party B. Each original enjoy the equally authentic.

Article 7 The way of comprehensive credit

The ways of comprehensive line of credit include but not limited to the following:

Loans, lending, bill acceptance and discount, overdraft, factoring, guarantees, loan commitments, letters of credit, etc.

The specific way of credit subjects to the specific business contract signed by the two sides.

Article 8 The use of comprehensive credit line

The applicant of the comprehensive credit line should be Party B, and examined and approved by Party A, then the two sides sign the corresponding business contract.

Article 9 Statement, guarantee and commitment of party B

1. Party B is a validly existing and good reputation company founded in the judicial area, with all the corporate rights and government licensing and approval in current business.

2. Party B has the legal power, right and authority to sign, deliver and perform this contract. This contract constitutes a valid and binding agreement to Party B, and according to the clauses of the contract, execution can be done to Party B.

3. Party B guarantees that the information provided is true, complete, legal, valid, and does not contain any false record, misleading statement or significant omission

4. Party B hereby promises to completely performance all obligations in good way under the contract, and without prior written consent of Party A, Party B shall not make any behavior (including Party B shall act but not, or should not act but act) to endanger the realization of claims under the contract.

5. Party B hereby promises to give a written notice to Party A within ten days when changes residence, mailing address, telephone number and business scope, legal representative etc. If party B does not fulfill the obligation to notify Party A, the notice and documents are deemed to have been delivered in accordance with the original mailing address.

6. Party B hereby confirms that signing this contract is the true meaning by having carefully reviewed and fully being aware of and understanding all the terms of this contract.

Article 10. Particular agreement on group client and related transactions

1. Group clients are enterprise legal persons with the following characteristics:

(1) Control other enterprise legal persons or controlled by other enterprise legal persons directly or indirectly on the equity or management;

(2) Controlled together by a third enterprise's legal person;

(3) Major investment individuals, key management personnel or close family members (including immediate family members within three generations and collateral relatives within two generations) common control directly or indirectly;

(4) There are other association, may not transfer assets and profits at fair prices, should be treated as customers of the Group for credit management

2. As a group client, party B should write a report to party A within ten days from the date that a transaction covers more than 10% of the net assets. The report includes related parties of the transaction, items of the transaction and the nature of the transaction, the transaction amount or the corresponding percentage and the pricing policies (including those with no or only a nominal amount of the transaction).

Article 11 Event of default and liability for breach of contract

1. Event of default

One of the following circumstances shall be viewed as a default:

(1) Party B breaches this contract or fails to fulfill its duties and obligations, or expressly states or indicates by its conduct that it will not perform its obligations under a contract.

(2) The relevant certifications and documents Party B submitted to or any announcements Party B made are untrue, inaccurate, incomplete or contain any false records, misleading statements or major omissions.

(3) Party B conceals the true important information, and doesn’t cooperate with party A on investigation, examination, inspection.

(4) Party B’s unauthorized changes of the use of the loan, misappropriates loans or uses bank loans for illegal transactions.

(5) Party B violates similar contracts signed with party A or any other thirty parties, or issues any bonds, or enters into litigation or arbitration arise from bonds issuance.

(6) Party B's guarantor breaches of the guarantee contract (including but not limited to the credit contract, mortgage contract, pledge contract) occurred an event of default under the guarantee contract, or the guarantee contract does not came into effect, or invalid or revoked.

(7) To Party B there exists indolent management and recourse due debt or it transfers property or uses other ways to avoid debts by ways of gratis, unreasonably-low price and other improper means.

(8) Party B uses the false contracts and arrangements signed with any other third party (including but not limited to Party B's related parties), including but not limited to use notes receivable that with no real transactions to obtain Party A’s or other banks’ funds or credit.

(9) Party B evades bank debts on purpose through related party transactions or other ways.

(10) There are major problems in Party B’s business circumstances, such as deteriorated financial situation, significant financial loss, loss of assets (including but not limited to loss of assets because of the external security), or other financial crisis.

(11) Party B is subject to administrative penalties, criminal sanctions because of illegal operations or being investigated by authorities, and may be subject to administrative penalties, criminal sanctions.

(12) Party B is subject to spin-off, merger, major merger, acquisition or restructure a significant disposal of assets, capital reduction, liquidation, reorganization, revocation, declared bankrupt, dissolution, etc.

(13) The controlling shareholder or actual controller of Party B changes, and party A deem that it already has or may endanger the claims under this contract, or major events happen to party B's controlling shareholders, actual controllers, legal representative, senior management staff. Including but limited to be subject to administrative penalties, criminal sanctions because of illegal operations or being investigated by authorities, or may be subject to administrative penalties, criminal sanctions, or enter into litigation or arbitration, serious deterioration of the financial situation, declaring bankruptcy or dissolution, etc.

(14) Party B’s industry has adverse change, Party A considers which has or may endanger to achieve claims of this contract.

(15) Party B does not settle the accounts or deposit money or other related businesses at party A ‘s bank in accordance with the contract.

(16) Other situations that endanger or may endanger the realization of claims under this contract associated with Party B.

2. Liability for breach of contract

Under the above circumstances, party A shall have rights to,

(1) Adjust, cancel or suspend the comprehensive credit line under this contract, or adjust the valid period.

(2) Declare that all or part of the debt will due and request party B to repay all or part of the due debt immediately.

(3) Request party B to add additional guarantee, or take other measures to ensure that the lawful rights and interests of Party A shall not be violated.

(4) Party A shall have the right to deduct the money from Party B's account or the guarantor's account directly to pay off all the debt that Party B owed under the contract (including debt that Party A requests to pay in advance), without prior consent of Party B.

(5) Party A shall have the right to perform the guarantee, demand the guarantee to realize the liability of the guaranty, or dispose of the collateral and/or the pledge to realize creditor's rights.

Article 12. This agreement becomes effective after being signed (it should be signed and stamped by authorized person).

/s/ Nannan Fu

Party A (Stamp)
Signature of legal representative or deputy:
Date: May 5th, 2011

/s/ Dang Yu Pan

Party B (Stamp)
Signature of legal representative or deputy:
Date: May 5th, 2011

The Maximum Amount Guarantee Contract

Contract No.: 20110505001-1

Party A: SHENZHEN DEVELOPMENT BANK CO., LTD. Shenzhen Xinzhou Sub-branch

Add: 1st F, Zhongchengtianyi Building, Xinzhou Road, Futian District, Shenzhen,Guangdong, China
Tel: 23480048 Fax: 23480054
Head: Nannan Fu Position: President

Party B (guarantor): Dangyu Pan

Type of certificate: ID card ID number:

In order to perform the contract (hereinafter referred to as the principal contract) between Party A and Shenzhen Highpower CO., LTD (hereinafter referred to as the debtor) Party B is willing to be the guarantor of the debtor under the principal contract and take joint liabilities. Party A and Party B reached this agreement after the willing negotiation and both sides shall abide by the following clauses.

Article 1 range of guarantee

Under this comprehensive line of credit contract No. 20110505001-1 all the liabilities the debtor should take (including contingent liabilities), the principal, interest, penalty interest and compound interest, claims fees. The maximum principal is RMB ONE HUNDRED MILLION ONLY (RMB 100,000,000.00)

Interest, penalty interest and compound interest are calculated in accordance with the master contract until the date of the debt paid off. The cost of achieving debt includes but not limited to expenses of notice, express, identification, litigation, lawyer, travel, assessment, auction, property preservation, mandatory execution, etc.

Currency exchange rate shall be the quotation on the day actual business happens announced by Party B except RMB.

Article 2 the period of guarantee

From the effective date of this contract until the due date of all the concrete credit debts under the principal contract plus two more years. The period of any specific contract is calculated separately, and if any credit defers, the period also defers two years from the due day of credit.

Article 3 The debtor shall not transfer the line of credit to other third party.

Article 4 Other matters agreed by the 2 parties: No other matters

Article 5 This agreement is written in three originals, two for Party A, and one for Party B and debtor. Each original enjoy the equally authentic.

Article 6 Coerce execution notarization

The two parties shall not enter into coerce execution notarization.

Article 7 responsibility of guarantee

Party B shall take the joint guarantee liability for all the debts (including contingent liabilities) the principal, interests, penalties and compound interest, claim fees. If the debtor does not fulfill the repayment obligations when the credit is due (including contract expires and early maturity) or other occurrence of the default under the contract, party A can either claim on the debtor, or directly claim on Party B for compensation. Party B irrevocably authorized party A to debit the due amount directly from the Party B's bank account if the debtor does not fulfill the repayment obligations when the credit is due (including contract expires and early maturity) or other occurrence of the default under the contract.

Whether or not the debtor or a third party provides the property security (mortgage or pledge), party A has the right to request Party B to take the responsibility of guarantee without first dispose of collateral.

Article 8 The guarantee of the contract is independent, and is not affected by other guarantor' securities.

Article 9 The guarantee of the contract is irrevocable, and it is not effected by any contract signed between debtor and any other party or changed by debtor's bankruptcy, insolvency, loss of business qualifications, amendment of the Articles of Association

Article 10 Event of default and liability for breach of contract

1. Events of default

One of the following circumstances shall be viewed as a default:

(1) Party B fails to fulfill its duties and obligations, or expressly states or indicates by its conduct that it will not perform its obligations under the contract.

(2) The relevant certifications and documents Party B submitted to or any announcements Party B made are untrue, inaccurate, incomplete or contain any false records, misleading statements or major omissions.

(3) Party B conceals the true important information, and doesn't cooperate with party A on investigation, examination, inspection.

(4) To Party B there exists indolent management and recourse due debt or it transfers property or uses other ways to avoid debts by ways of gratis, unreasonably-low price and other improper means.

(5) Party B violates similar contracts signed with party A or any other thirty parties, or issues any bonds, or enters into litigation or arbitration arise from bonds issuance.

(6) The guarantee contract is invalid or revoked.

(7)The debt of principal contract expires or has a early maturity, all or part of the debt is not paid off.

(8) Party B evades bank debts on purpose through related party transactions or other ways.

(9) when Party B is a enterprise:

9.1 There are major problems in Party B's business circumstances, such as deteriorated financial situation, significant financial loss, loss of assets (including but not limited to loss of assets arise from guarantee for external parties), or other financial crisis.

9.2 Party B is subject to administrative penalties, criminal sanctions because of illegal operations or being investigated by authorities, and may be subject to administrative penalties, criminal sanctions.

9.3 Party B is to spin-off, merger, major merger, acquisition or restructure, a significant disposal of assets, capital reduction, liquidation, reorganization, bankruptcy, dissolution, etc.

9.4 The controlling shareholder or actual controller of Party B changes, and party A deem that it already or may endanger the claims under this contract, or major events happen to Party B's controlling shareholders, actual controllers, legal representative, senior management staff. including but limited to be subject to administrative penalties, criminal sanctions because of illegal operations or being investigated by authorities, or may be subject to administrative penalties, criminal sanctions, or enter into litigation or arbitration, serious deterioration of the financial situation, declaring bankruptcy or dissolution, etc.

9.5 Party B's industry changes adversely, Party A considers which has or may endanger the claims under this contract.

(10) When Party B is an individual:

10.1 Disability, unemployment, relocation, job changes, business changes and any other changes that party A believes already have affected or may affect Party B to fulfill security responsibilities.

10.2 Party B is held criminally responsible, or by other enforcement measures or to restrict a right taken by the relevant authorities that has been or may affect Party B to fulfill security responsibilities.

10.3 The heir or legatee of Party B waive inheritance, bequest, or accept the inheritance, bequest, but refuse to assume security responsibility.

(11) Other situations that have affected or may affect Party B to fulfill security responsibilities.

2. Liability for breach of contract

Under the above circumstances, party A shall have rights to,

(1) Require Party B to take guarantee responsibility, and deduct the outstanding amount from Party B's account for all the debts (including contingent liabilities) the principal, interests, penalties interests and compound interest, claim fees (including but not limited to expenses of litigation, lawyer, notarization, execution, etc.)

(2) Require Party B to provide new guarantee that satisfies party A's requirements including but not limited to mortgage or pledge

(3) To require Party B to repay all damage of Party A

(4) Claim subrogation to debtor of Party B, in accordance with the requirements of Party A,Party B needs to provide all necessary cooperation and assistance, and Party B shall bear the cost.

(5) Request the people's court for revocation of the behaviors that party B waive due credit or transfer property or dispose of assets freely or with manifestly unreasonably low price

(6) Claim other relief measures according to law and the contract.

Article 11 Party A has the right to require the debtor to repay the credit according to law when the principal contract or the specific contract is invalid for whatever reason. When the situation above occur, the contract is not affected, and Party B still take guarantee responsibility for the contract.

Article 12 the statement, guarantee and promise of Party B

1. Party B has the legal power, right and authority to sign, deliver and perform this contract. This contract constitutes a valid and binding agreement to Party B, and according to the terms of the contract execution can be done to Party B.

2. Party B is a validly existing and good reputation company founded in the judicial area, with all the corporate rights and government licensing and approval in current business.

3. Party B guarantees that the information provided is true, complete, legal, valid, and does not contain any false record, misleading statement or significant omission

4. Party B hereby promises to completely performance all obligations in good way under the contract, and without prior written consent of Party A, Party B will not make any behavior (including Party B shall act but not, or should not act but act) to endanger the realization of claims under the contract.

5. Party B hereby promises to give a written notice to Party A within ten days when changes residence, mailing address, telephone number and business scope, legal representative, etc. If Party B does not fulfill the obligation of notifying Party A, the notice and documents are deemed to have been delivered in accordance with the original mailing address.

6. Party B hereby confirms that signing this contract is the true meaning by having carefully reviewed and fully being aware of and understanding all the terms of this contract.

Article 13 amendment the contract

1. Agreed by both parties, the contract can be amended or canceled in written form.

2. Party A should notify Party B in time before the amendment, and Party B still take guarantee responsibility for the amended contract after agreement. But when the amendment of contract reduces the credit of debtor (including but not limited to the less of credit amount or the period), Party B shall be deemed to have agreed the amendment and Party A need not to notify Party B, Party B still take guarantee responsibility for the amended contract.

Article 14 The duration of this contract, Party A take tolerance, indulgence or delay to any breach of the act or delay of Party B under this contract that shall not prejudice, influence or restrict all the rights of creditor in accordance with the contract and relevant laws and regulations, and should not be regarded as the permission to any acts of destruction under the contract or give up the right to take action on existing or future violations.

Article 15 Applicable law and dispute settlement

1. This contract is signed in accordance with PRC laws and applicable PRC laws.

2. ☒ The contract dispute can be resolved in accordance with the main contract.

Article 16 This agreement becomes effective after signed by authorized representatives (if natural person, it should be signed by this natural person, if legal person or other organization, it should be signed and stamped by authorized person).

/s/ Nannan Fu

Party A (Stamp)
Signature of legal representative or deputy:
Date: May 5th, 2011

/s/ Dang Yu Pan

Party B (sign)
Signature of legal representative or deputy:
Date: May 5th, 2011

The Maximum Amount Guarantee Contract

Contract No.: 20110505001-2

Party A: SHENZHEN DEVELOPMENT BANK CO., LTD. Shenzhen Xinzhou Sub-branch

Add: 1st F, Zhongchengtianyi Building, Xinzhou Road, Futian District, Shenzhen,Guangdong, China
Tel: 23480048 Fax: 23480054
Head: Nannan Fu Position: President

Party B (guarantor): SPRINGPOWER TECHNOLOGY(SHEN ZHEN)CO.,LTD

Add: Building A2, Luoshan Industrial Zone, Shanxia, Pinghu, Shenzhen, Guangdong, China
Tel: 89686236 Fax: 89686819
Legal Representative: Dangyu Pan Postcode: 518111

In order to perform the contract (hereinafter referred to as the principal contract) between Party A and Shenzhen Highpower CO., LTD (hereinafter referred to as the debtor), Party B is willing to be the guarantor of the debtor under the principal contract and take joint liabilities. Party A and Party B reached this agreement after the willing negotiation and both sides shall abide by the following clauses.

Article 1 range of guarantee

Under this comprehensive line of credit contract No. 20110505001-2, all the liabilities the debtor should take (including contingent liabilities), the principal, interest, penalty interest and compound interest, claims fees. The maximum principal is RMB ONE HUNDRED MILLION ONLY RMB 100,000,000.00)

Interest, penalty interest and compound interest are calculated in accordance with the master contract until the date of the debt paid off. The cost of achieving debt includes but not limited to expenses of notice, express, identification, litigation, lawyer, travel, assessment, auction, property preservation, mandatory execution, etc.

Currency exchange rate shall be the quotation on the day actual business happens announced by Party B except RMB.

Article 2 the period of guarantee

From the effective date of this contract until the due day of all the concrete credit debts under the principal contract plus two more years. The period of any specific contract is calculated separately, and if any credit defers, the period also defers two years from the due day of credit.

Article 3 The debtor shall not transfer the line of credit to other third party.

Article 4 Other matters agreed by the 2 parties: no

Article 5 This agreement is written in three originals, two for Party A, and one for Party B and debtor. Each original enjoy the equally authentic.

Article 6 coerce execution notarization

The two parties shall not enter into coerce execution notarization.

Part 7 responsibility of guarantee

Party B shall take the joint guarantee liability for all the debts (including contingent liabilities) the principal, interests, penalties and compound interest, claim fees. If the debtor does not fulfill the repayment obligations when the credit is due (including contract expires and early maturity) or other occurrence of the default under the contract, party A can either claim on the debtor, or directly claim on Party B for compensation. Party B irrevocably authorized party A to debit the due amount directly from the Party B's bank account if the debtor does not fulfill the repayment obligations when the credit is due (including contract expires and early maturity) or other occurrence of the default under the contract.

Whether or not the debtor or a third party provides the property security (mortgage or pledge), party A has the right to request Party B to take the responsibility of guarantee without first dispose of collateral.

Article 8 The guarantee of the contract is independent, and is not effected by other guarantor' securities.

Article 9 The guarantee of the contract is irrevocable, and it is not effected by any contract signed between debtor and any other party or changed by debtor's bankruptcy, insolvency, loss of business qualifications, amendment of the Articles of Association

Article 10 Event of default and liability for breach of contract

1. Events of default

One of the following circumstances shall be viewed as a default:

(1) Party B fails to fulfill its duties and obligations, or expressly states or indicates by its conduct that it will not perform its obligations under the contract.

(2) The relevant certifications and documents Party B submitted to or any announcements Party B made are untrue, inaccurate, incomplete or contain any false records, misleading statements or major omissions.

(3) Party B conceals the true important information, and doesn't cooperate with party on investigation, examination, inspection.

(4) To Party B there exists indolent management and recourse due debt or it transfers property or uses other ways to avoid debts by ways of gratis, unreasonably-low price and other improper means.

(5) Party B violates similar contracts signed with party A or any other thirty parties, or issues any bonds, or enters into litigation or arbitration arise from bonds issuance.

(6) The guarantee contract is invalid or revoked.

(7) The debt of principal contract expires or has a early maturity, all or part of the debt is not paid off.

(8) Party B intends to avoid bank debt through related party transactions or other ways.

(9) when Party B is a enterprise:

9.1 There are major problems in Party B's business circumstances, such as deteriorated financial situation, significant financial loss, loss of assets (including but not limited to loss of assets arise from guarantee for external parties), or other financial crisis.

9.2 Party B is subject to administrative penalties, criminal sanctions because of illegal operations or being investigated by authorities, and may be subject to administrative penalties, criminal sanctions.

9.3 Party B is to spin-off, merger, major merger, acquisition or restructure, a significant disposal of assets, capital reduction, liquidation, reorganization, bankruptcy, dissolution, etc.

9.4 The controlling shareholder or actual controller of Party B changes, and party A deem that it already or may endanger the claims under this contract, or major events happen to Party B's controlling shareholders, actual controllers, legal representative, senior management staff. including but limited to be subject to administrative penalties, criminal sanctions because of illegal operations or being investigated by authorities, or may be subject to administrative penalties, criminal sanctions, or enter into litigation or arbitration, serious deterioration of the financial situation, declaring bankruptcy or dissolution, etc.

9.5 Party B’s industry changes adversely, Party A considers it already has or may endanger the claims under this contract.

(10) When Party B is an individual:

10.1 Disability, unemployment, relocation, job changes, business changes and any other changes that party A believes already have affected or may affect Party B to fulfill security responsibilities.

10.2 Party B is held criminally responsible, or by other enforcement measures or to restrict a right taken by the relevant authorities that has been or may affect Party B to fulfill security responsibilities.

10.3 The heir or legatee of Party B waive inheritance, bequest, or accept the inheritance, bequest, but refuse to assume security responsibility.

(11) Other situations that have affected or may affect Party B to fulfill security responsibilities.

2. Liability for breach of contract

Under the above circumstances, party A shall have rights to,

(1) Require Party B to take guarantee responsibility, and deduct the outstanding amount from Party B’s account for all the debts (including contingent liabilities) the principal, interests, penalties interests and compound interest, claim fees (including but not limited to expenses of litigation, lawyer, notarization, execution, etc.)

(2) Require Party B to provide new guarantee that satisfies party A’s requirements including but not limited to mortgage or pledge

(3) To require Party B to repay all damage of Party A

(4) Claim subrogation to debtor of Party B, in accordance with the requirements of Party A, Party B needs to provide all necessary cooperation and assistance, and Party B shall bear the cost.

(5) Request the people's court for revocation of the behaviors that party B waive due credit or transfer property or dispose of assets freely or with manifestly unreasonably low price

(6) Claim other relief measures according to law and the contract.

Article 11 Party A has the right to require the debtor to repay the credit according to law when the principal contract or the specific contract is invalid for whatever reason. When the situation above occur, the contract is not affected, and Party B still take guarantee responsibility for the contract.

Part 12 the statement, guarantee and promise of Party B

1. Party B has the legal power, right and authority to sign, deliver and perform this contract. This contract constitutes a valid and binding agreement to Party B, and according to the terms of the contract execution can be done to Party B.

2. Party B is a validly existing and good reputation company founded in the judicial area, with all the corporate rights and government licensing and approval in current business.

3. Party B guarantees that the information provided is true, complete, legal, valid, and does not contain any false record, misleading statement or significant omission

4. Party B hereby promises to completely performance all obligations in good way under the contract, and without prior written consent of Party A, Party B will not make any behavior (including Party B shall act but not, or should not act but act) to endanger the realization of claims under the contract.

5. Party B hereby promises to give a written notice to Party A within ten days when changes residence, mailing address, telephone number and business scope, legal representative, etc. If Party B does not fulfill the obligation of notifying Party A, the notice and documents are deemed to have been delivered in accordance with the original mailing address.

6. Party B hereby confirms that signing this contract is the true meaning by having carefully reviewed and fully being aware of and understanding all the terms of this contract.

Article 13 amendment the contract

1. Agreed by both parties, the contract can be amended or canceled in written form.

2. Party A should notify Party B in time before the amendment, and Party B still take guarantee responsibility for the amended contract after agreement. But when the amendment of contract reduces the credit of debtor (including but not limited to the less of credit amount or the period), Party B shall be deemed to have agreed the amendment and Party A need not to notify Party B, Party B still take guarantee responsibility for the amended contract.

Article 14 The duration of this contract, Party A take tolerance, indulgence or delay to any breach of the act or delay of Party B under this contract that shall not prejudice, influence or restrict all the rights of creditor in accordance with the contract and relevant laws and regulations, and should not be regarded as the permission to any acts of destruction under the contract or give up the right to take action on existing or future violations.

Article 15 Applicable Law and Dispute Resolution

1. This contract is signed in accordance with PRC laws and applicable PRC laws.

2. ☒ The contract dispute can be resolved in accordance with the main contract.

Article 16 This agreement becomes effective after signed by authorized representatives (if natural person, it should be signed by this natural person, if legal person or other organization, it should be signed and stamped by authorized person).

/s/ Nannan Fu

Party A (Stamp)
Signature of legal representative or deputy:
Date: May 5th, 2011

/s/ Dang Yu Pan

Party B (sign)
Signature of legal representative or deputy:
Date: May 5th, 2011

Comprehensive line of credit contract

Party A: SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD.

Add: Building A2, Luoshan Industrial Zone, Shanxia, Pinghu, Shenzhen, Guangdong, China
Legal Representative: Dangyu Pan
Tel: 89686236
Fax: 89686819

Party B: China Everbright Bank Shenzhen Longhua Sub-branch

Add: 1st F, Building 3-4, Yinquan garden, People south road, Longhua, Baoan
Tel: 1483350
Fax: 28138641

In accordance with the relevant laws and regulations-"Commercial Bank Law of the People's Republic of China, 'Interim Measures of Commercial Banks Authorization and Credit' etc. Party A and party B reached this agreement after the willing negotiation, and both sides are willing to abide by the following clauses.

Article 1 Definitions and interpretation

1. If not required to provide other explanations, the following terms in this agreement means:

Comprehensive credit: Party B shall provide one or several conditioned commitment to party A.

Specific business: According to comprehensive credit, Party B shall provide the loans, bank acceptances, trade finance and other specific credit business to Party A.

The maximum credit limits: According to the contract, the maximum balance of debt principal that can be used provided by Party A.

Specific line of credit: According to the contract, the maximum balance of one particular business provided by Party A within the total amount.

Used line of credit: the sum of debt principal and interest that hasn't been paid off within the validity period under the comprehensive credit agreement.

Specific business contract: The contract signed by Party A and Party B about the specific business.

Article 2 The maximum credit limits and Specific line of credit

2. The maximum credit limits under this contract (Currency exchange rates according to the actual foreign exchange rate): RMB FIFTY MILLION ONLY (RMB50,000,000)

3. It is agreed by both sides that the prior unsettled credit under ZH78191003003 shall be included in this agreement

Article 3 Credit limit for specific business

Bank acceptance bills: RMB FIFTY MILLION ONLY (RMB50,000,000.00)

Article 4 The period of credit

Valid period: from June 9, 2011 to June 9, 2012. The period of the specific business is determined by the specific contract, but the start date of the specific business shouldn't be later than the expire date of the agreement.

Article 5 The using of the maximum credit limits and specific line of credit

According to the maximum credit limits, Party A can apply to use the specific line of credit once or several times during the period of credit. Party B determine the name, amount and period of specific business according to the credit of Party A and the credit policy of Party B.

Article 6 Requirements on recycling: During the period of the maximum credit limits, Party A can cycle the line of credit. Once one debt is paid off, the same kind of new specific business can use the credit limit. except that Party B prohibits recycling.

Article 7 Party A and Party B should sign specific contract for specific business. If the specific business contract is inconsistent with this agreement, it should subject to specific business contract.

Article 8 The rate

8. Party A and Party B should regulate the interest rate, exchange rate, fee rate and other fees in the each specific contract.

Article 9 Adjustment of the maximum credit limits and specific line of credit

Party B has the right to adjust the maximum credit limits and specific line of credit and the period or end the line of credit when one of the following things occurred:

(1) Country's monetary policy has major adjustment;

(2) The region of Party A is suffering or will suffer financial risks;

(3) The market related to Party A has great change;

(4) Party A is suffering or will suffer operating difficulty or risk;

(5) Party A is to merger, termination or other major changes and may endanger the claim;

(6) Party A refuses to be examined or supervised by party B

(7) Party A transfers of property, funds or avoids debt;

(8) Party A violates the commitments under this agreement;

(9) Guarantor of this agreement suffers the serious shortage of funds or operating difficulties, which has seriously affected the security capabilities;

(10) Collateral for the guarantee is damaged, and endangers the party B's claim.

(11) Other things that may harm the interests of Party B;

Article 10 party A can apply to adjust the credit limit of each specific credit in written form, and shall not be regulated by article 9 after party B's approval.

Article 11 Guarantee

In order to ensure that claims under this agreement are satisfied, take the following security methods: no

Article 12 party B believes that it is necessary for party A to provide other guarantee for specific business, and party A has no right to refuse the requirement.

Article 13 Commitment of Party B

Party A applies to use the specific credit in accordance with the agreement, Party B should examine and notify the result to Party A in time.

Article 14 Party B shouldn't adjust the contract which results in adverse effects to Party A.

Article 15 Commitment of Party A

Party A should pay off the debt and fees on time

Article 16 The using of fund under the specific contract should follow the provisions of the law and the agreement, and accept Party B's examination at any time.

Article 17 During the period of credit, Party A should submit to Party B true financial statements, truthfully provide major domestic bank, bank account, deposit and loan balance and other relevant information of the operating conditions.

Article 18 If Party A is company group according to the "Commercial Bank Group guidelines for customer credit risk management business," or other relevant laws and regulations identified by Party B, during the credit period, Party A shall report to Party B about transactions covers more than 10% of net assets including but not limited to:

(1) the relationship of all related parties.

(2) the nature of transactions

(3) the amount of the transaction or the corresponding ratio;

(4) pricing policies (including no amount or only nominal amounts of transactions)

(5) Other information required by Party B or law.

Article 19 Party A should open account in Party B's bank, the average daily balance shall not less than 30% of the sum of used line of credit.

Article 20 during the period of credit, Party A should notify Party B in advance when provides guarantee for any other third party, which shouldn't affect the ability to pay off debt.

Article 21 During the period of credit, Party A has the following obligation:

(1) If the legal representative or its legal residence, office, adjust the registered capital, Party A should notify Party B within 15 days from the date of the change and provide the relevant information.

(2) During the credit period, Party A involved in significant litigation, arbitration or other judicial proceedings, administrative punishment procedures, or a significant change in operating conditions and financial condition, which may affect the realization of Party B's debt, Party A shall notify Party B immediately.

Article 22 If Party A breaches any specific clause under the contract, party B has the right to stop the contract. Party shall compensate all the damages to party B caused by party A.

Article 23 This agreement shall come into effect after signed and stamped by legal reprehensive or deputy

Article 24 Disputes and resolution

If two parties have a dispute, amicable settlement is accepted firstly. Necessary action is needed if the consultation fails, either party may apply to the local court

Article 25 Integrity Agreement

Every specific business contract signed by Party A and Party B is the effective part of this agreement, which makes up integrity agreement.

Article 26 If Party A breaches the agreement, and Party B has the right to end the agreement and require all outstanding claims.

Article 27 If Party B approves, Party A can authorize all or part of the line of credit under this agreement to other parties.

Article 28 In the "line of credit using the power of attorney," / "buy-back guarantee amount to use the power of attorney", it is not necessary to clear the specific business of the specific line of credit under Article 3.

Article 29 Party A don't need to provide the specific credit limit.

Article 30 Matters that not covered in this Agreement, the two sides may sign a written agreement as an annex to this Agreement which is the integral part of this agreement, and has the same legal effect.

Article 31 This agreement is written in triplicate, one for party A, two for party B, each one has the same legal effect.

Article 32 This agreement is signed on June 1, 2011 at Shenzhen.

Article 33 The two parties agreed to notarize the contract and promise to give the contract enforceability. When the party A fails to perform, do not fully abide by any legal obligations, Party B has the right to request the people's court for a mandatory execution. Party A makes no objection to the mandatory execution under the agreement. (Not applicable)

Article 34 If at any time, any provision of this contract in any way becomes illegal, invalid or unenforceable, the legality, validity or enforceability of the other provisions of this contract is not affected.

Article 35 Under this agreement, In the event of bank acceptance bill business, agreement shall be signed by the branch bank, the specific business shall be handled by the branch bank, all the rights and obligations under "banker's acceptance agreement" shall be taken by the Longhua Sub-Branch.

/s/ Dangyu Pan

Party A (Stamp)
Signature of legal representative or deputy:

/s/ [ILLEGIBLE SIGNATURE]

Party B (Stamp)
Signature of legal representative or deputy:

DATE: April 8, 2011
No: SZ HIGHPOWER 10097107/SL/ML

Shenzhen Highpower Technology Co., Ltd.

Dear Sirs,

Non-commitment financing

This confirmation letter is revised and detailed to the banking financing terms and conditions of January 21, 2011, and replace the terms and conditions. Prior to each bank to provide loans to all non-commitment of funding in accordance with the following terms and conditions of this letter and continued to be used for the relevant borrowers.

Our bank, standard chartered (the bank) is willing to provide non-commitment financing (the financing) to the borrower:

1. the borrower

SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD.
Building A2, Luoshan Industrial Zone, Shanxia, Pinghu, Shenzhen, Guangdong, China

2. the total sum of financing

The total sum of financing under the contract is RMB13,182,000-or its equivalent in USD.

3. the amount, tenor, fee and purpose of all kinds financing

Type	Amount	Tenor	Fees	Purpose
1.Import invoice financing	RMB13,182,000-or its equivalent in USD	120 days	RMB: base rate USD:COF+2%	To finance the local purchase of raw materials
2.LOANS AGAINST TRUST RECEIPT/IMPORT LOAN	USD 2,000,000	90 days	COF+2%	For the granting of Loans Against Trust Receipt/Import Loan to meet the drawings under irrevocable letters of credit secured/unsecured by goods opened by the Bank.
3.IRREVOCABLE LETTER OF CREDIT SECURED/UNSECURED BY GOODS	USD 2,000,000	90 days	standard rates	For opening of irrevocable letters of credit secured/unsecured by goods , calling for drafts drawn at sight or usances of up to 90 days covering imports of raw materials. /Prior evidence of insurance will be required for all “free on board’ and ‘cost and freight’ shipment

NOTES:

1. The financing under the financing contract, the China Banking Regulatory Commission from time to time in force policies, regulations, rules or any other normative documents under the working capital loans, should apply (Standard Chartered Bank (China) Co., Ltd. General Terms of working capital loans).
The borrower which applies for self-pay working capital loans of RMB withdrawal, shall be in accordance with the requirements to open a separate bank loan accounts.

2. All of the above amount for financial products are shared, so the total outstanding amount of credit facilities at any time shall not exceed RMB13,182,000-or its equivalent in USD.

3.The tenor of the above product 2 and 3 shall not exceed 120 days.

4. Lord credit terms
The main financing bank shall comply with the terms of credit the terms and conditions and other terms and conditions agreed upon from time to time. The letter accompany the main credit terms for the borrower reference and execution.

5.Operating conditions
The bank shall notice the borrower other conditions from time to time. The attachment 1 states the conditions that the borrower should follow (if application).

6. The existing security documents and guarantee letter
The attachment 2 states the security documents and guarantee letter signed by the beneficiary. The existing security documents and guarantee letter are still effective.

7. Conditions Precedent
The borrower should provide all documents stated in attachment 3 required by the bank, and be satisfied by the bank.

8. Foreign currency funding
All foreign financing under the contract should be checked by the bank on or before March 3rd 2011.

For and on behalf of
Standard Chartered Bank (China) Limited, Shenzhen Branch

/s/ Chen Yan
Chen Yang
Relationship Manager
Standard Chartered Bank (China) Limited,
Shenzhen Branch

/s/ Fang Jie Ling
Fang Jie Ling
Branch Manager
Standard Chartered Bank (China) Limited,
Shenzhen Branch

We hereby accept and agree to abide by all the above terms and conditions.

/s/ Dang Yu Pan
For and on behalf of
[Shenzhen Highpower Technology Co., Ltd]
[Signed by Authorised person]
[Affix Company Chop]
Ref:

Exhibit 31.1

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

I, Dang Yu Pan, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 12, 2011

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

Exhibit 31.2

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

I, Henry Sun, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 12, 2011

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

Exhibit 32.1

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

In connection with the quarterly report of Highpower International, Inc. (the "Company") on Form 10-Q for the quarter ending June 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

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

/s/ Dang Yu Pan

Dang Yu Pan
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)
August 12, 2011

/s/ Henry Sun

Henry Sun
Chief Financial Officer
(Principal Financial and Accounting Officer)
August 12, 2011

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