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Highlights

- Revenue up 41% to £96.46 million (2008: £68.59 million)
- Profit for the period increased by 43% to £5.56 million (2008: £3.88 million)
- Basic earnings per share up 43% to 23.37 p (2008: 16.33 p)

Chairman's Statement

Despite the continued uncertainties overhanging the global economy, China's GDP grew by 7.1% during the first six months of 2009 over the same period a year earlier, driven by the Chinese Government's Renminbi 4 trillion (£375 billion) economic stimulus package. The package has seen massive investment in new domestic infrastructure projects, underpinning continued strong growth for China Shoto plc (the Company). Sales revenue during the six-month period to 30th June 2009 increased to £96.46 million, up 41% from £68.59 million for the first half of 2008. Profit for the period increased by 43% to £5.56 million (£3.88 million) while basic earnings per share rose 43% to 23.37 p (16.33 p). During the half year, we maintained our objective of becoming a leading supplier of green energy products, and continued our work on the development and testing of new environmentally-friendly storage products, which we believe will position us to maintain our strong growth as we move forward. In particular, the Company is planning to invest in a new lead acid battery recycling project, which we anticipate will provide recycling capacity of 100,000 tons of used batteries per year after completion, further underpinning our growth plans.

Operating Review

Back up batteries

During the first half of the year, revenues from the sale of back up batteries increased by 52% to £90.09 million (£59.31 million) accounting for 93% of the Company's total revenue.

Various subsidiaries or branches of all three of China's telecommunication operators, China Mobile, China Unicom and China Telecom operating in 31 of China's provinces, autonomous regions and municipalities, remain the Company's main customers. Sales to these customers accounted for 94% of the total revenues from back up batteries.

Total revenues from sales to branches of China Unicom grew by 374% compared with the same period of 2008, accounting for 47 % of the total revenues from back up batteries.

Power type batteries

The rapid development of back up battery sales has meant a reduction in the production of power type batteries. Revenue decreased from £9.28 million to £6.38 million – a decline of 31%.

Patents Granted

During first half of 2009, the Company was granted two new patents by the State Intellectual

Property Office of the People's Republic of China, so that as of 30th June 2009 it held a total of 117 patents.

Market

Partly as a result of the Chinese Government's stimulus investment in major infrastructure projects, domestic sales of back up batteries rose to £86.63 million, an increase of 82% over £47.61 million for the same period of 2008.

As we have reported previously, the Company works constantly to maintain good business relationships with its major clients, which, along with our strong after-sales service, we believe plays a major part in underpinning our strong market position. To mitigate the impact of fluctuating lead prices, the Company has initiated a price linkage scheme with major clients. Recognising the large telecom operators' requirement to cut energy usage and adopt high-efficiency environmental protection measures, the Company also became one of the first to enter a "Green Action Plan" with China Mobile. The Company was awarded the accolade of Best Global Partner of ZTE Telecommunication for 2008-2009. In first half of 2009, China Shoto was the biggest single supplier to China Unicom and China Telecom, with revenues from these sales to be realised during the second half of the year.

Fairs

Overseas there has been a slow-down in growth in the Company's main market, India. As a result revenue from exports was sharply down during the first half of 2009. The Company continues its programme to penetrate international markets. The Board believes demands from foreign markets will yield strong revenues in the future. To further enhance the Company's overseas reputation and exploration of foreign markets, the Company participated in many fairs during first half of the year, such as the 22nd Sviaz Expo Comm Moscow 2009, 2009 Middle East (Abu Dhabi) International Communications Exhibition, Mobile World Congress 2009(Spain), Communic Asia 2009 in Singapore and the 7th International Lead Acid Battery Fair/Technical Communication—— ILBF CHINA 2009.

Financial Review

Sales revenue in the first half of 2009 increased by 41 % to £96.46 million compared with £68.59 million in the same period last year. Profit for the period increased by 43% to £5.56 million, up from £3.88 million during the same period last year. Basic earnings per share increased 43% to 23.37 p compared with 16.33 p in the same period last year. Due to a lower average lead price and a greater proportion of sales of higher margin back up batteries during the period, the gross

margin for the half year increased to 30.8% from the 24.9% in the first half of 2008.

Principal Risks and Uncertainties

The turbulent global economy and stronger competition from local and overseas companies could reduce margins. The Chinese government may adjust policies particularly interest and exchange rates.

Lead Acid Battery Recycling Project

The Company is preparing plans to invest in a major recycling plant for lead acid batteries that will provide regenerated raw material to sell to major users of lead or other battery manufacturers. Since the Company is mainly engaged in the manufacture and supply of lead acid battery products in China, the construction of a lead acid battery recycling project represents a logical extension of our current battery product supply chain structure which will both help meet the tendering requirements of our key customers and contribute towards national recycling efforts. The Board believes the investment will promote the development of the Company's main business and become a key growth driver but also promote and strengthen our leading position with the three large telecom operators. We estimate that after completion of the project the annual recycling capacity will reach 100,000 tons of used batteries.

Dividend Policy

In the light of the Company's planned battery recycling project which will require a major capital investment and the change in certain clients payment delivery times during this current year due to global economic conditions, the Board does not recommend an interim dividend. In undertaking a major investment and funding the continued expansion of the Company's business, the Board believes it would be prudent to determine a dividend at the year's end. The intention would be to review and if possible, pay a dividend at a level within the parameters of the Company's policy.

Outlook

The Board believes that the completion of our planned lead acid battery recycling project will have a significant beneficial impact on raw material cost savings, as well as contributing to environmental protection and the implementation of a sustainable development strategy. As such, the project is expected to become the main driving force of the Company's revenue growth. The Board believes that the Company's new types of back up batteries such as the 2V Gel Battery, 12V AGM Battery and 12V Spiral Wound Battery are being well received by the market.

Domestic market competition has at the same time become more intense as a result of the financial crisis and, although our existing key customers are large and well resourced, we are constantly re-appraising our client base and expanding our product range to maintain our strong historic growth. World economic difficulties have and will continue to affect our business but we remain confident that our relationships with existing customers should ensure the maintenance of goodwill and underpin our objective of becoming a worldwide supplier of green energy products.

China Shoto has already become the largest back up battery manufacturer in China, and maintains its target of becoming the largest lead-acid battery producer in Asia. As a China Environment Friendly Enterprise—an important award by government, the Company intends to become a worldwide green energy solution provider. We are confident that this will further enhance our opportunities for growth.



Cao Guifa

Chairman

**Consolidated statement of comprehensive income
For the 6 months ended 30 June 2009**

	Notes	6 months ended 30 June 2009 (Unaudited) £000	6 months ended 30 June 2008 (Unaudited) £000	Year ended 31 December 2008 (Audited) £000
Revenue		96,464	68,594	183,083
Cost of sales		(66,746)	(51,510)	(134,794)
Gross profit		29,718	17,084	48,289
Other income		121	679	576
Distribution costs		(15,142)	(8,265)	(23,259)
Administrative expenses		(7,048)	(4,016)	(10,866)
Other expenses		(479)	(21)	(377)
Finance costs		(772)	(1,106)	(2,811)
Profit before tax		6,398	4,355	11,552
Income tax expense	4	(835)	(480)	(1,258)
Profit for the periods/year from continuing operations		5,563	3,875	10,294
Other comprehensive income:				
Exchange differences on translating foreign operations		(4,449)	2,311	13,740
Total comprehensive income for the periods/year		1,114	6,186	24,034
Profit attributable to:				
Owners of the parent		5,455	3,813	10,070
Minority interest		108	62	224
		5,563	3,875	10,294
Total comprehensive income attributable to:				
Owners of the parent		1,113	6,086	23,529
Minority interest		1	100	505
		1,114	6,186	24,034
Earnings per share for profit attributable to the equity holders of the parent during the year				
-Basic		23.37p	16.33p	43.14p
-Diluted		23.22p	16.29p	43.14p
Continuing operations				
-Basic		23.37p	16.33p	43.14p
-Diluted		23.22p	16.29p	43.14p

Consolidated balance sheet

As at 30 June 2009

	30 Jun 2009 (Unaudited) £000	30 Jun 2008 (Unaudited) £000	31 December 2008 (Audited) £000
Assets			
Non-current assets			
Property, plant and equipment	22,290	16,716	25,249
Available-for-sale investment	-	148	-
Intangible assets	2,525	1,891	3,123
Deferred tax assets	39	81	43
	24,854	18,836	28,415
Current assets			
Inventories	35,643	29,270	28,410
Trade and other receivables	47,828	43,831	36,056
Short-term investments	11,559	4,311	3,946
Cash and cash equivalents	32,776	7,344	50,797
	127,806	84,756	119,209
Total assets	152,660	103,592	147,624
Liabilities			
Current liabilities			
Bank borrowings	23,891	30,656	32,845
Trade and other payables	75,028	36,816	61,122
Income tax payable	194	260	164
Total liabilities	99,113	67,732	94,131
Equity			
Share capital	2,334	2,334	2,334
Share premium	8,630	8,630	8,630
Other reserves	2,916	2,916	2,916
Statutory reserves	9,252	6,678	9,252
Retained earnings	21,437	13,332	16,800
Foreign currency translation reserve	8,246	1,402	12,588
Total equity attributable to equity holders of the parent	52,815	35,292	52,520
Minority interests	732	568	973
Total equity and liabilities	152,660	103,592	147,624

**Consolidated statement of changes in equity
For the six months ended 30 June 2009**

For the six months ended 30 June 2009 (Unaudited)	← Attributable to equity holders →							Total	Minority interests	Total
	Share capital	Share premium	Other Reserves	Statutory reserves	Retained earnings	Foreign currency translation reserve	Total			
	£000	£000	£000	£000	£000	£000	£000			
Balance as at 1 January 2009	2,334	8,630	2,916	9,252	16,800	12,588	52,520	973	53,493	
Total comprehensive income for the period	-	-	-	-	5,455	(4,342)	1,113	1	1,114	
Dividends paid	-	-	-	-	(818)	-	(818)	(242)	(1,060)	
Balance as at 30 June 2009	2,334	8,630	2,916	9,252	21,437	8,246	52,815	732	53,547	

For the six months ended 30 June 2008(Unaudited)	← Attributable to equity holders →							Total	Minority interests	Total
	Share capital	Share premium	Other Reserves	Statutory reserves	Retained earnings	Foreign currency translation reserve	Total			
	£000	£000	£000	£000	£000	£000	£000			
Balance as at 1 January 2008	2,334	8,630	2,916	6,678	10,406	(871)	30,093	468	30,561	
Total comprehensive income for the period	-	-	-	-	3,813	2,273	6,086	100	6,186	
Employee share options	-	-	-	-	163	-	163	-	163	
Dividends paid	-	-	-	-	(1,050)	-	(1,050)	-	(1,050)	
Balance as at 30 June 2008	2,334	8,630	2,916	6,678	13,332	1,402	35,292	568	35,860	

For the year ended 31 December 2008 (Audited)	← Attributable to equity holders →							Total	Minority interests	Total
	Share capital	Share premium	Other Reserves	Statutory reserves	Retained earnings	Foreign currency translation reserve	Total			
	£000	£000	£000	£000	£000	£000	£000			
Balance as at 1 January 2008	2,334	8,630	2,916	6,678	10,406	(871)	30,093	468	30,561	
Total comprehensive income for the year	-	-	-	-	10,070	13,459	23,529	505	24,034	
Transfer to statutory reserve	-	-	-	2,574	(2,574)	-	-	-	-	
Employee share options	-	-	-	-	298	-	298	-	298	
Dividends paid	-	-	-	-	(1,400)	-	(1,400)	-	(1,400)	
Balance as at 31 December 2008	2,334	8,630	2,916	9,252	16,800	12,588	52,520	973	53,493	

Consolidated cash flow statement

For the period ended 30 June 2009

	6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
	(Unaudited) £000	(Unaudited) £000	(Audited) £000
Profit before tax from continuing operations	6,398	4,355	11,552
Adjustments for:			
Amortization of intangible assets	37	23	53
Depreciation of property, plant and equipment	1,018	683	1,557
Losses on disposal of property, plant and equipment	262	20	36
Gain on disposal of available-for-sale investments	-	-	(10)
Provision for inventory impairment	327	-	-
Impairment loss on loans and receivables	868	-	224
Share based payment expense	-	163	298
Financial income	(188)	(59)	(194)
Financial expense	959	1,106	2,811
Cash flow from operating activities before changes of working capital and provisions	9,681	6,291	16,327
Working capital changes:			
(Increase)/decrease in:			
Inventories	(10,920)	(8,085)	208
Trade and other receivables	(15,359)	(8,315)	8,848
Increase/(decrease) in: :			
Trade and other payables	21,733	6,848	14,845
Cash generated from/(used in) operations	5,135	(3,261)	40,228
Income tax paid	(800)	(749)	(1,661)
Net cash flows from operating activities	4,335	(4,010)	38,567
Cash flows from investing activities			
Financial income	188	59	194
Purchase of land use right	-	(2)	(450)
Purchase of property, plant and equipment	(1,018)	(1,004)	(3,971)
Purchase of short-term investment	-	(2,832)	-
Proceeds from disposal of property, plant and equipment	23	133	126
Funds placed on deposits	(8,901)	-	(1,622)
Disposal of available-for-sale	-	-	170
Cash flows used in investing activities	(9,708)	(3,646)	(5,553)
Cash flows from financing activities			
Increase in bank borrowings	65,947	23,993	50,354
Decrease in bank borrowings	(71,431)	(18,593)	(51,560)
Interest paid	(959)	(1,106)	(2,811)
Dividends paid	(1,060)	(1,050)	(1,400)
Cash flows from financing activities	(7,503)	3,244	(5,417)
Net (decrease)/increase in cash and cash equivalents	(12,876)	(4,412)	27,597
Cash and cash equivalents at beginning of periods/year	50,797	11,087	11,087
Foreign exchange differences	(5,145)	669	12,113
Cash and cash equivalents at end of periods/year	32,776	7,344	50,797

Notes to the interim consolidated financial information

For the six months ended 30 June 2009

1. General information

China Shoto plc is a company incorporated in the United Kingdom on 10 May 2005 under the Companies Act 1985. The interim consolidated financial information of the Company for the six months ended 30 June 2009 comprises China Shoto plc (the 'Company') and its subsidiary undertakings (the 'Group').

2. Accounting policies

Basis of presentation

The financial information has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and interpretations adopted for the use in the European Union. The principle Accounting Policies used in preparing the interim statements are those the group expects to apply in its financial statements for the year ended 31 December 2009 and are unchanged from those disclosed in the group's report and financial statements for the year ended 31 December 2008, except that the requirements of IAS 1(revised), Presentation of Financial Statements, have been adopted, resulting in the presentation of a consolidated statement of changes in owners' equity. This presentation has been applied to comparative information in this report. Financial information for the six months ended 30 June 2009 and for the six months ended 30 June 2008 is unaudited and does not constitute the group's statutory financial statements for those periods. Comparative financial information for the full year ended 31 December 2008 has, however, been derived from the audited statutory financial statements for that period. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditors report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237 (2) (3) of the Companies Act 1985. The Board of Directors approved this interim statement on 15 September 2009.

Foreign currencies

The functional currency of the subsidiary undertakings is Renminbi ('RMB'), and the

2. Accounting policies (Continued)

Foreign currencies (Continued)

unaudited interim consolidated financial information of the subsidiary undertakings have been drawn up in RMB. The presentation currency of the Group is pounds sterling and therefore the interim consolidated financial information has been translated from RMB to pounds sterling at the following exchange rates:

	Period-end rates	Average rates
30-Jun-08	£1 = RMB 13.5342	£1 = RMB 13.9622
31-Dec-08	£1 = RMB 9.8798	£1 = RMB 12.4398
30-Jun-09	£1 = RMB 11.2387	£1 = RMB 10.2127

3. Business segments

The Group is comprised of the following business segments:

The Power Type Batteries ('PTB') business segment is comprised of power-aided bicycle batteries.

The Back up batteries business segment includes Value Regulated Lead Acid Batteries and Flooded and Gel Batteries.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business segments

The following tables present certain sales, profit regarding the Group's business segments for the period ended 30 June 2008 and 2009.

3. Business segments (Continued)

Six months to 30 June 2009 (Unaudited)	Back up Batteries 2009 £000	PTB 2009 £000	Eliminations 2009 £000	Total 2009 £000
Revenue:				
Sales to external customers	90,089	6,375	-	96,464
Inter-segment sales	38,214	-	(38,214)	-
Total revenue	128,303	6,375	(38,214)	96,464
Results:				4
Segment profit	7,140	(607)	-	6,533
Unallocated corporate expenses				(135)
Profit from operations before taxation				6,398
Income tax				(835)
Profit for the period				<u>5,563</u>

Six months to 30 June 2008 (Unaudited)	Back up Batteries 2008 £000	PTB 2008 £000	Eliminations 2008 £000	Total 2008 £000
Revenue:				
Sales to external customers	59,312	9,282	-	68,594
Inter-segment sales	-	13,840	(13,840)	-
Total revenue	59,312	23,122	(13,840)	68,594
Results:				
Segment profit	4,305	383	-	4,688
Unallocated corporate expenses				(333)
Profit from operations before taxation				4,355
Income tax				(480)
Profit for the period				<u>3,875</u>

3. Business segments (Continued)

	Back up Batteries 2008	PTB 2008	Eliminations 2008	Total 2008
Twelve months to 31 December 2008 (Audited)	£000	£000	£000	£000
Revenue:				
Sales to external customers	164,794	18,289	-	183,083
Inter-segment sales	-	22,718	(22,718)	-
Total revenue	164,794	41,007	(22,718)	183,083
Results:				
Segment profit	11,499	337	-	11,836
Unallocated corporate expenses				(284)
Profit from operations before taxation				11,552
Income tax				(1,258)
Profit for the year				<u>10,294</u>

Geographical segments

Six months to 30 June 2009 (Unaudited)

	Domestic sales		Export sales		Total	
	2009	2008	2009	2008	2009	2008
	£000	£000	£000	£000	£000	£000
Segment sales	<u>93,002</u>	<u>56,894</u>	<u>3,462</u>	<u>11,700</u>	<u>96,464</u>	<u>68,594</u>

Twelve months to 31 Dec 2008 (audited)

	Domestic sales	Export sales	Total
	2008	2008	2008
	£000	£000	£000
Segment sales	<u>153,369</u>	<u>29,714</u>	<u>183,083</u>

All export sales originate from the Back up Batteries segment.

4. Income tax

	30-Jun-09 (Unaudited) £000	30-Jun-08 (Unaudited) £000	31-Dec-08 (Audited) £000
Income tax expense is as follows:			
Current income tax	835	463	1,335
Deferred income tax: Origination and reversal of temporary differences	-	17	(77)
	<u>835</u>	<u>480</u>	<u>1,258</u>

5. Dividends

	30-Jun-09 (Unaudited) £000	30-Jun-08 (Unaudited) £000	31-Dec-08 (Audited) £000
Dividends on ordinary shares declared and paid during the six months period	<u>818</u>	<u>1,050</u>	<u>1,400</u>

China Shoto plc declared an annual dividend of 3.5p per ordinary share amounting to £817,031 on 28 April 2009, which was approved by the shareholders on the AGM on 16 June 2009 and was paid on 30 June 2009. The group's subsidiary Yangzhou Zhenghe Power Supply Co., Ltd declared an annual dividend amounting to Rmb 6,059,652, of which Rmb2,484,457 (equivalent to £242,271) was paid to the minority shareholder on 19 February 2009, which was approved by the board of director on 3 February 2009.

6. Earnings per share from continuing operations

Earnings for the purpose of basic and diluted earnings per share are the net profit for six months ended 30 June 2009 attributable to equity holders of the parent of £5,455,000 (for six months ended 30 June 2008: £3,813,000, 2008: £10,070,000)

The profit from continuing operations for the financial period attributable to equity holders of the parent is as follows:

	30-Jun 2009 (Unaudited) £000	30-Jun 2008 (Unaudited) £000	31-Dec-08 2008 (Audited) £000
Profit from continuing operations attributable to equity holders of the parent	<u>5,455</u>	<u>3,813</u>	<u>10,070</u>

6. Earnings per share from continuing operations (Continued)

The weighted average number of ordinary shares used in the calculation of earnings per share from continuing operations has been derived as follows:

	30-Jun 2009 (Unaudited) £000	30-Jun 2008 (Unaudited) £000	31-Dec-08 2008 (Audited) £000
Number of ordinary shares			
Weighted average number of ordinary shares - basic	23,343,770	23,744,755	23,343,770
Dilutive effect of share options	149,860	66,642	-
Weighted average number of ordinary shares - diluted	<u>23,493,630</u>	<u>23,811,397</u>	<u>23,343,770</u>