

2010 Interim Report

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Highlights

- 1、 Profit before tax up 1.3% to £6.48m (H1 2009: £6.40m)
- 2、 Substantial cost-control benefits: distribution and administrative expenses down by 38% to £13.7m (H1 2009: £22.2m)
- 3、 Maintained status as largest back-up battery supplier to China's telecoms market
- 4、 Back-up battery sales into markets other than the telecoms sector accounted for 17% (H1 2009: 9%) of total back-up battery revenue
- 5、 Successful development of two new series of battery for wide application in telecoms and e-bike markets: 12V (Narrow Type) and 16V (Power Type)

Chairman's Statement

We informed shareholders on 16 August 2010 that trading conditions remained difficult, and while the results we are announcing today reflect those circumstances, I am able to report that the Company nonetheless continued to implement measures intended to overcome the continuing challenges. Among other advances during this period, we introduced significant cost controls, maintained our market share as the largest back-up battery supplier to the Chinese telecoms sector, and developed new products to address our drive into wider domestic markets such as electric power, railways, and electric bicycles. These steps further bolstered our involvement in environmentally-friendly developments such that we can report a small increase in profit before tax for the period despite our anticipated fall in sales, and we remain confident that we are well-positioned to meet the challenges ahead.

For the first six months of 2010, sales revenue decreased 11% to £85.45m (H1 2009: £96.46m). Profit before tax increased 1.3% to £6.48m (H1 2009: £6.40m). As a Foreign Investment Enterprise, the Company has benefited from preferential income tax policies. As these policies mature, the Company has seen an effective increase in its tax rate from 13% in 2009 to 22% in 2010. As a result, the Company recorded a profit after tax of £5.05m for the period (H1 2009: £5.56m).

We also reported in our August Trading Update that, in common with other Chinese battery manufacturers, our sales continue to be impacted by the lower levels of investment in 3G infrastructure by China's major telecoms operators. To some extent this reflects a fallback from unusually high spending in 2009 which was fuelled partially by the economic stimulus package from the Chinese Government. Even so, the Company has retained its strong market position in this sector, continuing as the single largest supplier to all three domestic telecoms providers – China Mobile, China Unicom and China Telecom – as well as to two other key players, Huawei Technology and ZTE Corporation. As we seek actively to develop new markets for our products, it is encouraging that during this challenging period we continued to take a near 26% share of China's telecoms market.

Our results for the period were also impacted by adjustments to existing lead price linkage agreements which meant we were unable to increase our product prices to reflect increases in raw material costs to the same degree as previously. While this cut our gross margins to 23.6% (H1 2009: 30.8%) they still remain higher than those of our domestic competitors and reflect our drive to maintain tight cost controls. This has been achieved in part through continued technical innovation and the development of energy conservation and emission

reductions as well as through savings on distribution and administrative expenses which fell 38% to £13.7m (H1 2009: £22.2m).

In summary, against a difficult economic background, the Board believes the Company's continued commitment to Research and Development, its successes with new product development, and the opportunities raised by its strategic targeting of new domestic and international markets, position it well to meet the challenges ahead. I also note that in previous financial years, performance in the second half of the year has been better than that of the first six months.

Operating Review

In January 2010, the Company acquired a battery recycling capability through the acquisition of Rugao Tianpeng Metallurgy Co., Ltd. This acquisition is consistent with, and furthers, the Company's social and environmental responsibilities as a National Environmental Enterprise. As a result, the Company was in July entered into the 2010 Battery Recycling Enterprises Directory by China Mobile, effectively becoming one of seven partners qualified to recycle China Mobile's batteries, and potentially facilitating further increases of the Company's market share. It is expected that the recycling volume will increase substantially during the second half of 2010.

On 16 August 2010, the Board of the Company announced the closure of the factory operated by the Yangzhou Zhenghe Power Supply Co. Ltd ("Yangzhou Zhenghe"), in which the Company had a 59% interest. The factory accounted for approximately 3% of the Company's total production capacity. Employee resources have been redeployed to minimise the decrease in battery production capacity.

The Board voluntarily made this decision as part of wider cost control measures and also to fulfill the Company's commitments to energy conservation and emission reduction targets as a National Environmentally Friendly Enterprise. The Company acquired Yangzhou Zhenghe in 2006 for a total consideration of £0.22m.

Back-up batteries

The Company is still the largest back-up battery supplier to China's three major telecom operators, as well as to Huawei Technology and ZTE Corporation. Sales to these customers accounted for 83% of the total revenues from back-up battery sales during the period (H1 2009: 91%). Sales revenues from back-up battery products decreased 19% to £72.69m in (H1 2009: £90.09m), accounting for 85% of the Company's total sales (H1 2009: 93%).

Power Type batteries

Sales revenues from power-type batteries increased 100% to £12.76m (H1 2009: £6.38m), accounting for 15% of the Company's total sales (H1 2009: 7%). The increase is mainly attributable to increased sales to electric bicycle retailers and distributors rather than manufacturers. Given the size of the Chinese population and the popularity of electric bicycles, the Directors believe that there is potential for growth which is expected to become profitable with increasing scale.

Projects under Development

During the reporting period, the Company successfully developed a 12V narrow-type gel battery for use in the telecoms industry, with capacities ranging from 90~150Ah. The Company also successfully developed a 16V series of batteries for use with e-bikes with capacities ranging from 10Ah to 16Ah. These products are now being marketed, and revenues are expected to rise during the second half of 2010.

The Company continues to develop a range of new products and to technically improve its existing products at its Research and Development facility at Nanjing. The Company believes that energy storage batteries offer further significant market potential. During the first half of 2010, the Company has attracted government grants totaling approximately RMB 2.1 million.

Patents Granted

During the first half of 2010, the Company was granted 18 patents by the China Intellectual Property Bureau, bringing the total number of patents granted to 144 by 30 June 2010. This wide range of patents protects the technological advantages of our products. Thanks to our continuing Research and Development efforts, it is expected that a further number of new patents will be granted as the financial year progresses.

Markets

Whilst maintaining its leading position as a supplier to China's three telecom operators, as well as to Huawei Technology and ZTE Corporation, the Company actively continued during the period to explore new opportunities in telecoms base stations and the potential application of energy-saving products in telecoms power rooms. At the same time, the Company has sustained a concerted effort to develop its sales and marketing drives in new domestic market sectors such as electric power, financial services, railways and the solar-energy market. As a result, sales revenues from back-up batteries to customers outside the telecoms sector nearly doubled in percentage terms to 17% of total back-up battery sales revenues (H1 2009: 9%).

China Shoto's main focus during the period continued to be the development of domestic markets, but as shareholders are already aware it has continued to explore new business opportunities internationally, and the Company continues to maintain sales offices in India, Singapore, Dubai, Russia and Germany. The Company also believes that significant opportunities exist in emerging markets such as Vietnam, Indonesia and South Africa. Export sales have remained stubbornly low (accounting for approximately 1% of total sales revenues) and the Company is continuing to seek new distribution channels.

Financial Review

During the first half of 2010, the Company achieved revenue of £85.45 million, a decrease of 11% (H1 2009: £96.46 million). Profit for the period decreased 9% to £5.05 million (H1 2009: £5.56 million). Gross margin decreased 7.1% to 23.7% (H1 2009: 30.8%).

A number of trends have impacted on the financial performance of the Company. Firstly, changes to the lead price linkage formula have had an adverse impact on the Company's gross margin. Secondly, as a Foreign Investment Enterprise, the Company had enjoyed preferential tax rates in previous reporting periods. As these schemes mature the effective rate of taxation has increased, reaching 22% during the period. Thirdly, net cash flow from operating activities was -£27.90m, principally due to customers delaying payments as result of lower 3G infrastructure investments by China's major telecom operators and higher inventory levels. The Company continues to focus on the management of trade receivables to ensure sufficient working capital.

Principal risks and uncertainties

- The Chinese Government's increased requirements on environmental protection measures expose the Company to greater pressure on energy conservation and emission controls. This may also carry associated vocational health labour costs.
- Reduced growth prospects in the back-up battery market: an unclear outlook on the speed of global economic recovery; falling battery prices in the competitive power-type battery market and uncertain economic conditions.
- Potential RMB exchange-rate appreciation, particularly against a background of possible RMB interest-rate adjustments in line with inflation, may have some impact on the Company's export business.

Lead Acid Battery Recycling Project

In January 2010, the Company acquired a battery recycling capability through the acquisition of Rugao Tianpeng Metallurgy Co., Ltd. Through the recycling of used batteries, the Company expects to reduce its exposure to fluctuations in the price of lead raw material. Lead alloy smelted from used batteries can provide a cost saving of approximately 5%. During the period, 60% of the batteries recycled were originally manufactured by the Company with the remainder originating from other suppliers. The Company plans further efficiency improvements to its recycling and disposal capability.

Our ownership of the recycling plant, located in Rugao in Jiangsu Province, may also help to attract customers as it offers a solution for customers to meet their own environmental obligations.

Interim Dividend

The challenging domestic battery market and higher lead prices, and resulting lower levels of profitability after tax all reflect a demanding operating environment. There were delays in payments from major customers and more cash tied up in production and final products. The Board, therefore, is not recommending an interim dividend for 2010, but will consider a final dividend payment in the light of the Company's financial performance at the end of the period to 31 December 2010.

Outlook

The Company has experienced difficult domestic trading conditions as expenditure on 3G infrastructure projects by the major telecoms operators fell approximately 35-40% on a year-on-year basis. The Company will make a continued effort to develop energy conservation and emission-reduction products for the telecoms market and to consolidate its market share with China's three major telecom operators, as well as with Huawei Technology, and ZTE Corporation.

The Company also recognises the need to diversify into wider domestic markets, where the margins are greater than for international sales. The new 12V narrow-type battery is an example of a move to increase the sales of back-up batteries in wider domestic markets in order to mitigate sales decreases in the domestic telecoms market. The Company will continue to develop sales and marketing in new domestic market sectors such as electric power, financial services, railways, and solar energy. The Company is also targeting the motor

vehicle and energy storage markets.

In addition, China Shoto remains committed in the longer-term to developing international export markets. Gaining recognition in new overseas markets in a global recession has been difficult but is a strategic necessity for the future. By establishing and developing strategic cooperation relationships with international companies, such as Eltek and Emerson Network, the Company is hoping to achieve increased levels of export market penetration.

A handwritten signature in black ink, consisting of stylized, cursive characters that appear to be 'YSJ' followed by a long horizontal flourish.

Yang Shanji
Chairman

Consolidated statement of comprehensive income

For the 6 months ended 30 June 2010

	Period ended 30 June 2010 £000 (Unaudited)	Period ended 30 June 2009 £000 (Unaudited)	Year ended 31 December 2009 £000 (Audited)
Revenue	85,452	96,464	212,569
Cost of sales	(65,203)	(66,746)	(144,547)
Gross profit	20,249	29,718	68,022
Other operating income	1,532	121	4,540
Distribution expenses	(8,452)	(15,142)	(31,653)
Administrative expenses	(5,264)	(7,048)	(11,766)
Other operating expenses	(1,220)	(479)	(2,804)
Profit from operations	6,845	7,170	26,339
Finance income	344	188	440
Finance costs	(707)	(960)	(1,705)
Profit before tax from continuing operations	6,482	6,398	25,074
Income tax expense	(1,433)	(835)	(1,610)
Profit for the periods/year	5,049	5,563	23,464
Attribute to :			
Owners of the parent	5,033	5,455	23,304
Non-controlling interest	16	108	160
	5,049	5,563	23,464
Profit for the periods/year	5,049	5,563	23,464
Exchange difference on translating foreign operations	2,822	(4,449)	(2,855)
Total comprehensive income for the periods/year	7,871	1,114	20,609
Total comprehensive income attribute to:			
Owners of the parent	7,797	1,113	20,521
Non-controlling interest	74	1	88
	7,871	1,114	20,609
	2010-6-30	2009-6-30	2009-12-31
Earnings per share for profit attributable to the equity holders of the parent during the year	(Unaudited)	(Unaudited)	(Audited)
-Basic	21.56p	23.37p	99.83p
-Diluted	20.92p	23.22p	98.34p
Continuing operations			
-Basic	21.56p	23.37p	99.83p
-Diluted	20.92p	23.22p	98.34p

Consolidated balance sheet

As at 30 June 2010	As at 30 June 2010	As at 30 June 2009	As at 31 December 2009
	(Unaudited)	(Unaudited)	(Audited)
Assets	£000	£000	£000
Non-current assets			
Property, plant and equipment	30,852	22,290	26,791
Intangible assets	2,906	2,525	2,565
Deferred tax assets	371	39	198
	<u>34,129</u>	<u>24,854</u>	<u>29,554</u>
Current assets			
Inventories	41,463	35,643	36,875
Trade and other receivables	68,547	47,828	47,079
Short-term investments	3,269	11,559	5,685
Cash and cash equivalents	30,318	32,776	63,995
	<u>143,597</u>	<u>127,806</u>	<u>153,634</u>
Total assets	<u><u>177,726</u></u>	<u><u>152,660</u></u>	<u><u>183,188</u></u>
Liabilities			
Current liabilities			
Bank borrowings	25,652	23,891	28,329
Trade and other payables	61,716	75,028	72,173
Income tax payable	498	194	60
Dividend payable	2	-	-
	<u>87,868</u>	<u>99,113</u>	<u>100,562</u>
Non-current liabilities			
Bank borrowings	1,469	-	1,366
Long term payable-Payroll	8,341	-	7,775
Deferred income	489	-	455
	<u>10,299</u>	<u>-</u>	<u>9,596</u>
Total liabilities	<u><u>98,167</u></u>	<u><u>99,113</u></u>	<u><u>110,158</u></u>
Capital and reserves			
Share capital	2,334	2,334	2,334
Share premium	8,630	8,630	8,630
Other reserve	2,916	2,916	2,916
Statutory reserves	14,529	9,252	14,529
Share option reserve	977	977	977
Retained earning	36,899	20,460	33,033
Foreign currency translation reserve	12,569	8,246	9,805
Total equity attributable to equity holders	<u>78,854</u>	<u>52,815</u>	<u>72,224</u>
Non-controlling interests	705	732	806
Total equity and liabilities	<u><u>177,726</u></u>	<u><u>152,660</u></u>	<u><u>183,188</u></u>

Consolidated statement of changes in equity

Attributable to equity holders

For the six months ended 30 June 2010 (Unaudited)	Share Capital	Share Premium	Other Reserves	Share Option	Statutory Reserves	Retained Earnings	Foreign currency translation Reserve	Total	Non-controlling interest	Total
Balance as at 31 December 2009	2,334	8,630	2,916	977	14,529	33,033	9,805	72,224	806	73,030
Total comprehensive income	-	-	-	-	-	5,033	2,764	7,797	74	7,871
Dividends paid	-	-	-	-	-	(1,167)	-	(1,167)	(175)	(1,342)
Balance as at 30 June 2010	2,334	8,630	2,916	977	14,529	36,899	12,569	78,854	705	79,559

For the six months ended 30 June 2009 (Unaudited)	Share Capital	Share Premium	Other Reserves	Share Option	Statutory Reserves	Retained Earnings	Foreign currency translation Reserve	Total	Non-controlling interest	Total
Balance as at 1 January 2009	2,334	8,630	2,916	977	9,252	15,823	12,588	52,520	973	53,493
Total comprehensive income	-	-	-	-	-	5,455	(4,342)	1,113	1	1,114
Dividends paid	-	-	-	-	-	(818)	-	(818)	(242)	(1,060)
Balance as at 31 December 2009	2,334	8,630	2,916	977	9,252	20,460	8,246	52,815	732	53,547

For the twelve months ended 31 December 2009 (Audited)	Share Capital	Share Premium	Other Reserves	Share Option	Statutory Reserves	Retained Earnings	Foreign currency translation Reserve	Total	Non-controlling interest	Total
Balance as at 1 January 2009	2,334	8,630	2,916	977	9,252	15,823	12,588	52,520	973	53,493
Total comprehensive income	-	-	-	-	-	23,304	(2,783)	20,521	88	20,609
Transfer to statutory reserves	-	-	-	-	5,277	(5,277)	-	-	-	-
Dividends paid	-	-	-	-	-	(817)	-	(817)	(255)	(1,072)
Balance as at 31 December 2009	2,334	8,630	2,916	977	14,529	33,033	9,805	72,224	806	73,030

Consolidated statement of cash flow
For the period ended 30 June 2010

	6 months ended 30 June 2010	6 months ended 30 June 2009	Year ended 31 December 2009
	(Unaudited)	(Unaudited)	(Audited)
	£000	£000	£000
Profit before tax from continuing operations	6,482	6,398	25,074
Adjustments for:			
Amortization of intangible assets	39	37	79
Depreciation of property, plant and equipment	1,086	1,018	1,947
Losses on disposal of property, plant and equipment	182	262	558
Provision for inventory impairment	-	327	93
Impairment loss on loans and receivables	1,005	868	763
Financial income	(344)	(188)	(440)
Financial expense	707	959	1,705
Cash flow from operating activities before changes of working capital and provisions	9,157	9,681	29,779
Working capital changes:			
(Increase)/decrease in:			
Inventories	(4,588)	(10,920)	(8,559)
Trade and other receivables	(21,631)	(15,359)	(12,831)
Increase/(decrease) in:			
Trade and other payables	(9,840)	21,733	20,530
Cash (used in) /generated from operations	(26,902)	5,135	28,919
Income tax paid	(995)	(800)	(1,895)
Net cash flows from operating activities	(27,897)	4,335	27,024
Cash flows from investing activities			
Financial income	344	188	440
Purchase of property, plant and equipment	(3,354)	(1,018)	(7,461)
Funds placed on deposits	2,416	(8,901)	(1,739)
Proceeds from disposal of property, plant and equipment	-	23	1,490
Net cash flows used in investing activities	(594)	(9,708)	(7,270)
Cash flows from financing activities			
Increase in bank borrowings	26,803	65,947	49,875
Decrease in bank borrowings	(31,511)	(71,431)	(49,768)
Interest paid	(708)	(959)	(1,705)
Dividends paid	(1,340)	(1,060)	(1,072)
Net cash flows from financing activities	(6,756)	(7,503)	(2,670)
Net (decrease)/increase in cash and cash equivalents	(35,247)	(12,876)	17,084
Cash and cash equivalents at beginning of periods/year	63,995	50,797	50,797
Foreign exchange differences	1,570	(5,145)	(3,886)
Cash and cash equivalents at end of periods/year	30,318	32,776	63,995

**Notes to the interim consolidated financial statements
For the six months ended 30 June 2010**

1. General information

China Shoto plc is a public limited company incorporated in the United Kingdom on 10 May 2005 and is quoted on AIM. The principal place of business is Shuangdeng Science and Industrial Zone, Liangxu Town, Jiangyan City, Jiangsu Province, China.

The interim consolidated financial information of the Company for the six months ended 30 June 2010 comprises China Shoto plc (the 'Company') and its subsidiary undertakings (the 'Group').

2. Accounting policies

The consolidated financial statements of China Shoto plc and its subsidiary undertakings (the 'Group') and the individual financial statements of China Shoto plc (the 'Company') have been prepared in accordance with those International Financial Reporting Standards and Interpretations in force ('IFRS'), as adopted by the European Union, and those parts of the Companies Act 2006 applicable to companies preparing financial statements under IFRS.

The interim financial statements are unaudited and do not constitute statutory accounts as defined in Section 434 (3) of the Companies Act 2006. The principal accounting policies adopted in the preparation of the interim financial statements have been consistently applied to all the periods represented, unless otherwise stated.

The comparative figures for the year ended 31 December 2009 were derived from the statutory accounts for that year which have been delivered to the Registrar of the Companies. Those accounts received an unqualified audit report which did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

The Board of Directors approved this interim statement on 16 September 2010.

Foreign currencies

The functional currency of the subsidiary undertakings is Renminbi ('RMB'), and the 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
June 30 2010	£1 = RMB 10.2135	£1 = RMB 10.4092
June 30 2009	£1 = RMB 11.2387	£1 = RMB 10.2127
December 31 2009	£1 = RMB 10.978	£1 = RMB 10.7197

3、 Segmental Information

The Group is comprised of the following segments:

The Power Type Batteries ('PTB') 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.

The following tables present certain sales, profit regarding the Group's business segments for the period ended 30 June 2010 and 2009.

Six months to June 2010 (Unaudited)	Back-up Batteries 2010-6-30 £000	PTB 2010-6-30 £000	Eliminations 2010-6-30 £000	Total 2010-6-30 £000
Revenue:				
Sales to external customers	72,692	12,760	-	85,452
Inter-segment sales	-	113	(113)	-
Total revenue	<u>72,692</u>	<u>12,873</u>	<u>(113)</u>	<u>85,452</u>
Results:				
Segment profit	6,914	(296)	-	6,618
Unallocated corporate expenses				<u>(136)</u>
Profit from operations before taxation				6,482
Income taxation				<u>(1,433)</u>
Profit for the period				<u>5,049</u>

3、 Segmental Information (Cont'd)

Six months to June 2009 (Unaudited)	Back-up Batteries 2009-6-30 £000	PTB 2009-6-30 £000	Eliminations 2009-6-30 £000	Total 2009-6-30 £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:				
Segment profit	7,140	(607)	-	6,533
Unallocated corporate expenses				(135)
Profit from operations before taxation				6,398
Income taxation				(835)
Profit for the period				5,563

Twelve months to December 2009 (Audited)	Back up Batteries 2009 £000	PTB 2009 £000	Eliminations 2009 £000	Continuing operations 2009 £000
Revenue:				
Sales to external customers	196,531	16,038	-	212,569
Inter-segment sales	-	9,676	(9,676)	-
Total revenue	196,531	25,714	(9,676)	212,569
Results:				
Segment profit	26,011	(669)	-	25,342
Unallocated corporate expenses				(268)
Profit from operations before taxation				25,074
Income taxation				(1,610)
Profit for the year				23,464

3、 Segmental Information (Cont'd)

Geographical segments

Six months to 30 June 2010 (Unaudited)

	India		Singapore		Other		Total	
	2010-6-30	2009-6-30	2010-6-30	2009-6-30	2010-6-30	2009-6-30	2010-6-30	2009-6-30
	£000	£000	£000	£000	£000	£000	£000	£000
Exports sales to	162	2,527	234	158	1,704	776	2,100	3,461

Twelve months to 31 December 2009 (Audited)

	India	Singapore	Other	Total
	2009	2009	2009	2009
	£000	£000	£000	£000
Exports sales to	5,704	1,032	2,908	9,644

All export sales originate from the Back-up Batteries segment.

For the period ended 30 June 2010 (Unaudited)

	Back-up Batteries		PTB		Eliminations		Consolidated	
	2010-6-30	2009-6-30	2010-6-30	2009-6-30	2010-6-30	2009-6-30	2010-6-30	2009-6-30
Assets and liabilities:	£000	£000	£000	£000	£000	£000	£000	£000
Segment assets	166,155	146,499	13,957	6,822	(2,636)	(806)	177,476	152,515
Unallocated assets							250	145
Total assets							<u>177,726</u>	<u>152,660</u>
Segment liabilities	91,969	97,382	8,782	2,485	(2,636)	(806)	98,115	99,061
Unallocated liabilities							52	52
Total liabilities							<u>98,167</u>	<u>99,113</u>
Other segment information:								
Finance income	327	185	17	3	-	-	344	188
Finance costs	(667)	(917)	(40)	(43)	-	-	(707)	(960)
Capital expenditure:								
Property, plant and equipment	3,330	1,451	64	14	-	-	3,394	1,465
Intangible assets	189	-	-	-	-	-	189	-
Depreciation and amortization	993	938	132	117	-	-	1,125	1,055

3. Segmental Information (Cont'd)

Twelve months to 31 December 2009 (Audited)

	Back-up Batteries	PTB	Eliminations	Consolidated
Assets and liabilities:	2009	2009	2009	2009
	£000	£000	£000	£000
Segment assets	169,119	10,835	-	179,954
Unallocated assets				3,234
Total assets				<u>183,188</u>
Segment liabilities	104,141	5,454	-	109,595
Unallocated liabilities				563
Total liabilities				<u>110,158</u>
Other segment information:				
Finance income	440	-	-	440
Finance costs	1,705	-	-	1,705
Capital expenditure:				
Property, plant and equipment	7,417	38	-	7,455
Intangible assets	6	-	-	6
Depreciation and amortization	1,782	244	-	2,026

4. Income tax

	30-Jun-10 (Unaudited) £000	30-Jun-09 (Unaudited) £000	31-Dec-09 (Audited) £000
Income tax expense is as follows:			
Current income tax	1,588	835	1,791
Deferred income tax:			
Origination and reversal of temporary differences	(155)	-	(181)
	<u>1,433</u>	<u>835</u>	<u>1,610</u>

5. Dividends

	30-Jun-10 (Unaudited) £000	30-Jun-09 (Unaudited) £000	31-Dec-09 (Audited) £000
Dividends on ordinary shares declared and paid during the six months period	1,167	818	817

China Shoto plc declared an annual dividend of 5p per ordinary share amounting to £1,167,238.50 on 28 April 2010, which was approved by the shareholders on the AGM on 22 June 2010 and was paid on 30 June 2010. The group's subsidiary Yangzhou Zhenghe Power Supply Co., Ltd declared an annual dividend amounting to RMB 4,432,848.49 of which RMB 1,800,000 (equivalent to £172,891) was paid to the minority shareholder on 15 March 2010, which was approved by the board of director on 21 February 2010.

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 2010 attributable to equity holders of the parent of £5,033,000 (for six months ended 30 June 2009: £5,455,000 2009: £23,304,000)

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

	30-Jun 2010 (Unaudited) £000	30-Jun 2009 (Unaudited) £000	31-Dec 2009 (Audited) £000
Profit from continuing operations attributable to equity holders of the parent	5,033	5,455	23,304

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 2010 (Unaudited)	30-Jun 2009 (Unaudited)	31-Dec 2009 (Audited)
Number of ordinary shares			
Weighted average number of ordinary shares - basic	23,343,770	23,343,770	23,343,770
Dilutive effect of share options	709,761	149,860	353,832
Weighted average number of ordinary shares - diluted	24,053,531	23,493,630	23,697,602