

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For The Quarterly Period Ended March 31, 2014

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

(State or other jurisdiction of
incorporation or organization)

20-4062622

(I.R.S. Employer
Identification Number)

Building A1, 68 Xinxia Street, Pinghu, Longgang,
Shenzhen, Guangdong, 518111, People's Republic of China
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)(ZIP CODE)

(86) 755-89686238

(COMPANY'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 15,052,158 shares of common stock, par value \$0.0001 per share, outstanding as of May 12, 2014.

HIGHPOWER INTERNATIONAL, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED March 31, 2014
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Item 1. Consolidated Financial Statements

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Stated in US Dollars except Number of Shares)

	<i>March 31,</i> <i>2014</i>	<i>December 31,</i> <i>2013</i>
	<i>(Unaudited)</i>	
	\$	\$
ASSETS		
Current Assets:		
Cash and cash equivalents	5,137,477	7,973,459
Restricted cash	21,470,419	28,586,121
Accounts receivable, net	28,048,843	33,961,014
Notes receivable	1,526,360	1,014,891
Prepayments	5,448,693	4,969,743
Other receivables	1,079,497	1,063,656
Inventories	<u>20,066,716</u>	<u>19,739,360</u>
Total Current Assets	<u>82,778,005</u>	<u>97,308,244</u>
Property, plant and equipment, net	49,173,769	48,548,203
Land use right, net	4,356,203	4,421,415
Intangible asset, net	637,500	650,000
Deferred tax assets	1,213,139	802,225
Foreign currency derivatives assets	<u>-</u>	<u>63,289</u>
TOTAL ASSETS	<u>138,158,616</u>	<u>151,793,376</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Current Liabilities:		
Foreign currency derivatives liabilities	73,980	-
Accounts payable	43,402,418	40,026,698
Deferred revenue	1,677,967	675,521
Short-term loan	25,453,672	36,142,105
Notes payable	19,113,705	25,271,256
Other payables and accrued liabilities	7,502,113	7,801,431
Income taxes payable	1,587,134	1,279,658
Current portion of long-term loan	<u>1,951,124</u>	<u>1,967,536</u>
Total Current Liabilities	<u>100,762,113</u>	<u>113,164,205</u>
Long-term loan	<u>3,414,468</u>	<u>3,935,071</u>
TOTAL LIABILITIES	<u>104,176,581</u>	<u>117,099,276</u>
COMMITMENTS AND CONTINGENCIES	-	-

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
(Stated in US Dollars except Number of Shares)

	<u>March 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
	<i>(Unaudited)</i>	
	\$	\$
EQUITY		
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, 13,978,106 shares issued and outstanding at March 31, 2014 and December 31, 2013)	1,398	1,398
Additional paid-in capital	6,626,371	6,011,305
Statutory and other reserves	3,142,411	3,142,411
Retained earnings	17,455,726	18,390,875
Accumulated other comprehensive income	<u>5,518,310</u>	<u>5,848,859</u>
Total equity for the Company's stockholders	<u>32,744,216</u>	<u>33,394,848</u>
Non-controlling interest	<u>1,237,819</u>	<u>1,299,252</u>
TOTAL EQUITY	<u>33,982,035</u>	<u>34,694,100</u>
TOTAL LIABILITIES AND EQUITY	<u>138,158,616</u>	<u>151,793,376</u>

See notes to consolidated financial statements

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Stated in US Dollars except Number of Shares)

	<i>Three months ended March 31,</i>	
	<u>2014</u>	<u>2013</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$
Net sales	29,160,314	24,399,372
Cost of sales	<u>(23,229,369)</u>	<u>(19,636,192)</u>
Gross profit	<u>5,930,945</u>	<u>4,763,180</u>
Research and development expenses	(1,811,952)	(1,102,468)
Selling and distribution expenses	(1,537,160)	(1,395,402)
General and administrative expenses, including share-based compensation	(3,571,280)	(2,805,391)
Gain (loss) on exchange rate difference	102,593	(39,947)
Gain (loss) on derivative instruments	<u>(137,281)</u>	<u>109,948</u>
Total operating expenses	<u>(6,955,080)</u>	<u>(5,233,260)</u>
Loss from operations	(1,024,135)	(470,080)
Other income	541,420	216,149
Interest expenses	<u>(595,381)</u>	<u>(336,266)</u>
Loss before taxes	<u>(1,078,096)</u>	<u>(590,197)</u>
Income taxes benefit (expenses)	92,151	(48,219)
Net loss	<u>(985,945)</u>	<u>(638,416)</u>
Less: net loss attributable to non-controlling interest	(50,796)	(29,536)
Net loss attributable to the Company	<u>(935,149)</u>	<u>(608,880)</u>
Comprehensive loss		
Net loss	(985,945)	(638,416)
Foreign currency translation loss	<u>(341,186)</u>	<u>(228,054)</u>
Comprehensive loss	<u>(1,327,131)</u>	<u>(866,470)</u>
Less: comprehensive loss attributable to non-controlling interest	(61,433)	(34,218)
Comprehensive loss attributable to the Company	<u>(1,265,698)</u>	<u>(832,252)</u>
Loss per share of common stock attributable to the Company		
- Basic and diluted	<u>(0.07)</u>	<u>(0.04)</u>
Weighted average number of common shares outstanding		
- Basic and diluted	<u>13,978,106</u>	<u>13,582,106</u>

See notes to consolidated financial statements

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in US Dollars)

	<i>Three months ended March 31,</i>	
	<u>2014</u>	<u>2013</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$
Cash flows from operating activities		
Net loss	(985,945)	(638,416)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	1,011,801	568,719
Allowance for doubtful accounts	-	(4,252)
Loss on disposal of property, plant and equipment	37,244	36,903
Loss on derivative instruments	137,281	129,749
Deferred income tax	(418,906)	(111,704)
Share based payment	400,946	49,039
Changes in operating assets and liabilities		
Accounts receivable	5,681,371	2,583,851
Notes receivable	(521,988)	(244,230)
Prepayments	(519,476)	(694,174)
Other receivable	(24,811)	35,795
Inventories	(493,677)	505,048
Accounts payable	3,911,914	1,698,223
Deferred revenue	1,012,063	-
Other payables and accrued liabilities	(237,561)	876,198
Income taxes payable	319,409	(254,421)
Net cash flows provided by operating activities	<u>9,309,665</u>	<u>4,536,328</u>
Cash flows from investing activities		
Acquisition of plant and equipment	(2,403,047)	(3,025,300)
Net cash flows used in investing activities	<u>(2,403,047)</u>	<u>(3,025,300)</u>
Cash flows from financing activities		
Proceeds from short-term bank loans	295,426	9,339,810
Repayment of short-term bank loans	(10,824,720)	(5,786,540)
Repayment of long-term bank loans	(489,708)	(477,981)
Proceeds from notes payable	6,192,247	5,474,476
Repayment of notes payable	(12,159,236)	(13,083,414)
Increase in restricted cash	6,920,453	945,392
Net cash flows used in financing activities	<u>(10,065,538)</u>	<u>(3,588,257)</u>
Effect of foreign currency translation on cash and cash equivalents	322,938	155,681
Net decrease in cash and cash equivalents	(2,835,982)	(1,921,548)
Cash and cash equivalents - beginning of period	7,973,459	6,627,334
Cash and cash equivalents - end of period	<u>5,137,477</u>	<u>4,705,786</u>
Supplemental disclosures for cash flow information:		
Cash paid for:		
Income taxes	7,346	414,343
Interest expenses	595,381	336,266
Non-cash transactions		
Accounts payable for construction in progress	797,753	2,189,363

See notes to consolidated financial statements

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Stated in US Dollars)

1. Organization and basis of presentation

The consolidated financial statements include the financial statements of Highpower International, Inc. (“Highpower”) and its subsidiaries, Hong Kong Highpower Technology Company Limited (“HKHTC”), Shenzhen Highpower Technology Company Limited (“SZ Highpower”), Highpower Energy Technology (Huizhou) Company Limited (“HZ Highpower”), Springpower Technology (Shenzhen) Company Limited (“SZ Springpower”), Ganzhou Highpower Technology Company Limited (“GZ Highpower”), Icon Energy System Company Limited (“ICON”) and Huizhou Highpower Technology Limited (“HZ HTC”). Highpower and its subsidiaries are collectively referred to as the “Company”.

Highpower was incorporated in the State of Delaware on January 3, 2006. HKHTC was incorporated in Hong Kong on July 4, 2003. All other subsidiaries are incorporated in the People’s Republic of China (“PRC”).

On May 15, 2013, GZ Highpower increased its paid-in capital from RMB15,000,000 (\$2,381,293) to RMB30,000,000 (\$4,807,847). SZ Highpower holds 60% of the equity interest of GZ Highpower, and four founding management members of GZ Highpower hold the remaining 40%.

The subsidiaries of the Company and their principal activities are described as follows:

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 & marketing 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%	Research & manufacturing of batteries
Ganzhou Highpower Technology Co., Ltd ("GZ Highpower")	PRC September 21, 2010	60%	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
Huizhou Highpower Technology Co., Ltd ("HZ HTC")	PRC March 8, 2012	100%	Manufacturing & marketing of batteries

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Stated in US Dollars)

2. Summary of significant accounting policies

Basis of presentation

The accompanying consolidated balance sheet as of December 31, 2013, which has been derived from audited financial statements, and the unaudited interim consolidated financial statements as of March 31, 2014 and for the three month periods ended March 31, 2014 and 2013 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and disclosures, which are normally included in financial statements prepared in accordance with United States generally accepted accounting principles (U.S. GAAP), have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures made are adequate to provide for fair presentation. The interim financial information should be read in conjunction with the Financial Statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, previously filed with the SEC.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair statement of the Company's consolidated financial position as of March 31, 2014, its consolidated results of operations and cash flows for the three month periods ended March 31, 2014 and 2013, as applicable, have been made. The interim results of operations are not necessarily indicative of the operating results for the full fiscal year or any future periods.

Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation. Non-controlling interests represent the equity interest in the GZ Highpower that is not attributable to the Company.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include revenues; the allowance for doubtful receivables; recoverability of the carrying amount of inventory; fair values of financial instruments; and the assessment of deferred tax assets or liabilities. These estimates are often based on complex judgments and assumptions that management believes to be reasonable but are inherently uncertain and unpredictable. Actual results could differ from these estimates.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Stated in US Dollars)

2. Summary of significant accounting policies(continued)

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of accounts receivable. The Company extends credit based on an evaluation of the customer's financial condition, generally without requiring collateral or other security. In order to minimize the credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Further, the Company reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Company considers that the Company's credit risk is significantly reduced.

During the three months ended March 31, 2014 and 2013, there was one customer, Energizer Holdings, Inc., that accounted for 10% or more of total net sales. The percentages of total net sales to Energizer Holdings, Inc. in the three months ended March 31, 2014 and 2013 were 10.6% and 13.6%, respectively.

During the three months ended March 31, 2014 and 2013, one major supplier accounted for 10% or more of purchase amount. The percentages of total purchase amount from this one major supplier in the three months ended March 31, 2014 and 2013 were 10.1% and 14.8%, respectively.

One of the Company's customers accounted for 10.3% of the accounts receivable as of March 31, 2014. None of the Company's customers accounted for 10% or more of the accounts receivable as of December 31, 2013.

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

Restricted cash include time deposits and cash security for bank acceptance bills.

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 the 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.

Notes receivable

Notes receivable represent banks' acceptances that have been arranged with third-party financial institutions by certain customers to settle their purchases from us. These banks' acceptances are non-interest bearing and are collectible within six months.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Stated in US Dollars)

2. Summary of significant accounting policies (continued)

Inventories

Inventories are stated at lower of cost or market. Cost is determined using the weighted average method. Inventory includes raw materials, packing materials, consumables, work in progress and finished goods. The variable production overhead is allocated to each unit of production on the basis of the actual use of the production facilities. The allocation of fixed production overhead to the costs of conversion is based on the normal capacity of the production facilities.

Property, plant and equipment

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

Buildings	2.5% - 10%
Furniture, fixtures and office equipment	20%
Leasehold improvement	50%
Machinery and equipment	10%
Motor vehicles	20%

Upon sale or disposal, 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 capital expenditures for direct costs of construction or acquisition and design fees incurred, and the interest expense directly related to the construction. Capitalization of these costs ceases and the construction in progress is transferred to the appropriate category of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. Construction in progress is not depreciated.

Land use rights, net

Land use rights represent payments for the rights to use certain parcels of land for a certain period of time in the PRC. Land use rights are carried at cost and charged to expense on a straight-line basis over the period the rights are granted.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Stated in US Dollars)

2. Summary of significant accounting policies (continued)

Intangible assets

Intangible assets represent a royalty-bearing, non-exclusive license to use certain patents owned by Ovonic Battery Company, Inc. ("Ovonic"), an unrelated party, 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 manufacture, sell and distribute Consumer Batteries. The value of the licenses was established based on historic acquisition costs.

An exclusive proprietary technology contributed by the four founding management members of GZ Highpower in exchange for the paid-in capital of GZ Highpower is recorded at the four management members' historical cost basis of nil.

Intangible assets are amortized over their estimated useful lives, and are reviewed annually for impairment, or more frequently, if indications of possible impairment exist.

Government grants

Government grants are recognized when received and all the conditions for their receipt have been met.

Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. As of March 31, 2014 and December 31, 2013, the Company recorded deferred revenue of \$1,677,967 and \$675,521, respectively, for the government grants to purchase of non-current assets.

Government grants as the compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related cost are recognized in profit or loss in the period in which they become receivable. In the three months ended March 31, 2014 and 2013, approximately \$94,591 and \$19,597 of government grants were recognized as other income, respectively.

Revenue recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, the sales price is fixed or determinable, delivery of the product has occurred, title and risk of loss have transferred to the customers and collectability of the receivable is reasonably assured. The majority of domestic sales contracts transfer title and risk of loss to customers upon receipt. The majority of overseas sales contracts transfer title and risk of loss to customers when goods were delivered to the carriers. Revenue is presented net of any sales tax and value added tax.

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

Cost of sales

Cost of revenues consists primarily of material costs, employee compensation, depreciation and related expenses, which are directly attributable to the production of products. Write-down of inventories to lower of cost or market is also recorded in cost of revenues.

Shipping and handling

Shipping and handling expenses are recorded as selling expenses when occurred. Shipping and handling expenses relating to sales were \$207,187 and \$180,664 respectively for the three months ended March 31, 2014 and 2013.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Stated in US Dollars)

2. Summary of significant accounting policies (continued)

Research and development

Research and development expenses include expenses directly attributable to the conduct of research and development programs, including the expenses of salaries, employee benefits, materials, supplies, and maintenance of research equipment. All expenditures associated with research and development are expensed as incurred.

Advertising

Advertising, which generally represents the cost of promotions to create or stimulate a positive image of the Company or a desire to buy the Company's products and services, is expensed as incurred. No significant advertising expense was recorded for the three months ended March 31, 2014 and 2013.

Share-based compensation

The Company recognizes compensation expense associated with the issuance of equity instruments to employees for their services. The fair value of the equity instruments is estimated on the date of grant and is expensed in the financial statements over the vesting period. The input assumptions used in determining fair value are the expected life, expected volatility, risk-free rate and the dividend yield.

Share-based compensation associated with the issuance of equity instruments to nonemployees is measured with the fair value of the equity instrument issued or committed to be issued, as this is more reliable than the fair value of the services received. The fair value is measured at the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete.

Income taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

Uncertain tax positions

The Company accounts for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Company classifies the liability for unrecognized tax benefits as current to the extent that the Company anticipates payment (or receipt) of cash within one year. Interest and penalties related to uncertain tax positions are recognized and recorded as necessary in the provision for income taxes. There were no uncertain tax positions as of March 31, 2014 and December 31, 2013.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Stated in US Dollars)

2. Summary of significant accounting policies (continued)

Comprehensive income

Recognized revenue, expenses, gains and losses are included in net income or loss. Although certain changes in assets and liabilities are reported as separate components of the equity section of the consolidated balance sheet, such items, along with net income, are components of comprehensive income or loss. The components of other comprehensive income or loss are consisted solely of foreign currency translation adjustments, net of the income tax effect.

Foreign currency translation and transactions

Highpower's functional currency is the United States dollar ("US\$"). HKHTC's functional currency is the Hong Kong dollar ("HK\$"). The functional currency of the Company's subsidiaries in the PRC is the Renminbi ("RMB").

Most of the Company's oversea sales are priced and settled with US\$. At the date a foreign currency transaction is recognized, each asset, liability, revenue, expense, gain, or loss arising from the transaction is measured initially in the functional currency of the recording entity by use of the exchange rate in effect at that date. The increase or decrease in expected functional currency cash flows upon settlement of a transaction resulting from a change in exchange rates between the functional currency and the currency in which the transaction is denominated is recognized as foreign currency transaction gain or loss that is included in determining net income for the period in which the exchange rate changes. At each balance sheet date, recorded balances that are denominated in a foreign currency are adjusted to reflect the current exchange rate.

The Company's reporting currency is US\$. Assets and liabilities of HKHTC and the PRC subsidiaries are translated at the current exchange rate at the balance sheet dates, revenues and expenses are translated at the average exchange rates during the reporting periods, and equity accounts are translated at historical rates. Translation adjustments are reported in other comprehensive income.

Segment Reporting

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. The Company's reportable segments are based on products, geography, legal structure, management structure, or any other manner in which management disaggregates a company. Therefore the Company categorizes its business into three reportable segments, namely (i) Ni-MH Batteries; (ii) Lithium Batteries; and (iii) New Materials.

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, and bank borrowings, approximate their fair values due to the short-term maturity of such instruments.

The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

The Company establishes a fair value hierarchy that requires maximizing the use of observable inputs and minimizing the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The Company measures fair value using three levels of inputs that may be used to measure fair value:

-Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

-Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

-Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

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2. Summary of significant accounting policies (continued)

Derivatives

From time to time the Company may utilize foreign currency forward contracts to reduce the impact of foreign currency exchange rate risk. Management considered that the foreign currency forwards did not meet the criteria for designated hedging instruments and hedged transactions to qualify for cash flow hedge or fair value hedge accounting. The currency forwards therefore are accounted for as derivatives, with fair value changes reported as gain (loss) of derivative instruments in the income statement.

Loss per share

Basic earnings per share ("EPS") is computed by dividing income attributable to holders of common shares by the weighted average number of common shares outstanding during the year. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares.

There were 1,136,515 and 727,500 options and warrants outstanding as of March 31, 2014 and 2013 respectively, which were not included in the computation of diluted EPS for the periods ended March 31, 2014 and 2013 because of the net loss sustained for the three months ended March 31, 2014 and 2013.

Recently issued accounting pronouncements

As of May 14, 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2013-01 up to ASU 2014-8, which are not expected to have a material impact on the consolidated financial statements upon adoption.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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3. Restricted cash

As of March 31, 2014 and December 31, 2013, restricted cash consisted of the following:

	<u>March 31,</u> <u>2014</u> <i>(Unaudited)</i>	<u>December 31,</u> <u>2013</u>
	\$	\$
Securities for bank acceptance bill	9,739,284	14,132,921
Time deposit	11,731,135	14,453,200
	<u>21,470,419</u>	<u>28,586,121</u>

4. Accounts receivable, net

As of March 31, 2014 and December 31, 2013, accounts receivable consisted of the following:

	<u>March 31,</u> <u>2014</u> <i>(Unaudited)</i>	<u>December 31,</u> <u>2013</u>
	\$	\$
Accounts receivable	30,545,092	36,467,233
Less: allowance for doubtful debts	2,496,249	2,506,219
	<u>28,048,843</u>	<u>33,961,014</u>

The Company experienced bad debt expenses of \$nil during the three months ended March 31, 2014 and reversed bad debt expense of \$4,252 during the three months ended March 31, 2013.

The Company wrote off accounts receivable of \$2,959 and \$nil, respectively, in the three months ended March 31, 2014 and 2013.

The account receivable attributable to SZ Springpower, with a carrying amount of \$13,411,203, was pledged as collateral for bank loans as of March 31, 2014.

5. Prepayments

	<u>March 31,</u> <u>2014</u> <i>(Unaudited)</i>	<u>December 31,</u> <u>2013</u>
	\$	\$
Purchase deposits paid	2,686,438	2,876,267
Value-added tax prepayment	1,255,203	1,032,619
Deferred share-based compensation	345,933	131,812
Rental deposit	207,351	209,095
Deferred insurance fee	201,358	53,297
Advances to staff for operations	141,178	48,499
Other deposits and prepayments	611,232	618,154
	<u>5,448,693</u>	<u>4,969,743</u>

Other deposits and prepayments represent deferred expenses and prepayments to services providers.

6. Other receivables

	<i>March 31, 2014</i>	<i>December 31, 2013</i>
	<i>(Unaudited)</i>	
	\$	\$
Deposit for land use right	514,277	518,603
Others	<u>565,220</u>	<u>545,053</u>
	<u>1,079,497</u>	<u>1,063,656</u>

7. Inventories

	<i>March 31, 2014</i>	<i>December 31, 2013</i>
	<i>(Unaudited)</i>	
	\$	\$
Raw materials	4,872,102	4,281,232
Work in progress	1,965,697	2,047,627
Finished goods	12,909,610	13,087,995
Packing materials	15,502	20,591
Consumables	<u>303,805</u>	<u>301,915</u>
	<u>20,066,716</u>	<u>19,739,360</u>

Where there is evidence that the utility of inventories, in their disposal in the ordinary course of business, will be less than cost, whether due to physical deterioration, obsolescence, changes in price levels, or other causes, the inventories are written down to fair value.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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8. Property, plant and equipment, net

	<i>March 31,</i> <i>2014</i>	<i>December 31,</i> <i>2013</i>
	<i>(Unaudited)</i>	
	\$	\$
Cost		
Construction in progress	6,819,363	6,681,652
Furniture, fixtures and office equipment	3,287,681	3,282,818
Leasehold improvement	1,189,228	940,089
Machinery and equipment	25,635,475	24,600,773
Motor vehicles	1,419,079	1,430,611
Building	<u>21,341,904</u>	<u>21,521,416</u>
	59,692,730	58,457,359
Less: accumulated depreciation	<u>10,518,961</u>	<u>9,909,156</u>
	<u><u>49,173,769</u></u>	<u><u>48,548,203</u></u>

The Company recorded depreciation expenses of \$970,857 and \$532,439 for the three months ended March 31, 2014 and 2013, respectively.

The buildings comprising the Huizhou facilities were pledged as collateral for bank loans as of March 31, 2014 and December 31, 2013. The carrying amount of the building was estimated to be \$10,721,650 and \$10,867,411, respectively.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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9. Land use rights, net

	<i>March 31, 2014</i>	<i>December 31, 2013</i>
	<i>(Unaudited)</i>	
	\$	\$
Cost		
Land located in Huizhou	3,491,385	3,520,752
Land located in Ganzhou	1,362,058	1,373,515
	4,853,443	4,894,267
Accumulated amortization	(497,240)	(472,852)
Net	<u>4,356,203</u>	<u>4,421,415</u>

As of March 31, 2014, land use rights of the Company included certain parcels of land located in Huizhou City, Guangdong Province, PRC and Ganzhou City, Jiangxi Province, PRC. Land use rights for land in Huizhou City with an area of approximately 126,605 square meters and in Ganzhou City with an area of approximately 58,669 square meters will expire on May 23, 2057 and January 4, 2062, respectively.

Land use rights are being amortized annually using the straight-line method over a contract term of 50 years. Estimated amortization for the coming years is as follows

	\$
Remaining 2014	85,332
2015	113,776
2016	113,776
2017	113,776
2018	113,776
2019 and thereafter	3,815,767
	<u>4,356,203</u>

The Company recorded amortization expenses of \$28,444 and \$23,780 for the three months ended March 31, 2014 and 2013, respectively.

The land use right for land located in Huizhou City was pledged as collateral for bank loans as of March 31, 2014 and December 31, 2013.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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10. Intangible asset

	<i>March 31, 2014</i>	<i>December 31, 2013</i>
	<i>(Unaudited)</i>	
	\$	\$
Cost		
Consumer battery license fee	1,000,000	1,000,000
Accumulated amortization	(362,500)	(350,000)
Net	637,500	650,000

The Company is amortizing the \$1,000,000 cost of the Consumer Battery License Agreement with Ovonic over a period of 20 years on the straight line basis over the estimated 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.

As of March 31, 2014 and December 31, 2013, the Company had an exclusive proprietary technology with historical cost of zero but still in use. The exclusive proprietary technology was contributed by four founding management members of GZ Highpower in exchange for the paid-in capital of GZ Highpower. The historical cost basis was recorded at \$nil at the four management members' historical cost basis.

Amortization expenses included in selling and distribution expenses were \$12,500 for the three months ended March 31, 2014 and 2013.

11. Other payables and accrued liabilities

	<i>March 31, 2014</i>	<i>December 31, 2013</i>
	<i>(Unaudited)</i>	
	\$	\$
Accrued expenses	3,945,975	3,877,095
Royalty payable	577,627	582,486
VAT payable	669,525	1,406,086
Sales deposits received	1,935,731	1,574,258
Other payables	373,255	361,506
	7,502,113	7,801,431

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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12. Taxation

The Company and its subsidiaries file tax returns separately.

1) VAT

Pursuant to the Provisional Regulation of the PRC on VAT and the related implementing rules, all entities and individuals ("taxpayers") that are engaged in the sale of products in the PRC are generally required to pay VAT at a rate of 17% of the gross sales proceeds received, less any deductible VAT already paid or borne by the taxpayers. Further, when exporting goods, the exporter is entitled to a portion of or all the refund of VAT that it has already paid or incurred. The Company's PRC subsidiaries are subject to VAT at 17% of their revenues.

2) Income tax

United States

Highpower was incorporated in Delaware and is subject to U.S. federal income tax with a system of graduated tax rates ranging from 15% to 35%. As Highpower does not conduct any business in the U.S. or Delaware, it is not subject to U.S. or Delaware state corporate income tax. No deferred U.S. taxes are recorded since all accumulated profits in the PRC will be permanently reinvested in the PRC.

Hong Kong

HKHTC, which is incorporated in Hong Kong, is subject to a corporate income tax rate of 16.5%.

PRC

In accordance with the relevant tax laws and regulations of the PRC, a company registered in the PRC is subject to income taxes within the PRC at the applicable tax rate on the taxable income.

SZ Highpower has obtained the approval and is qualified as a High-Tech Enterprise ("NHTE") status by the Shenzhen Tax Bureau according to the PRC Enterprise Income Tax Law. It is eligible to enjoy a preferential tax rate of 15% from 2011 to 2013. SZ Highpower will reapply for High-Tech Enterprise status in the second quarter of 2014. If SZ Highpower fails to obtain the approval in 2014, SZ Highpower will be subject to income tax at a rate of 25% starting with calendar year 2014.

SZ Springpower received High-Tech Enterprise ("NHTE") status in 2013, which is valid for 3 calendar years. As a result, SZ Springpower is entitled to a preferential enterprise income tax rate of 15% from 2013 to 2015. SZ Springpower will reapply for High-Tech Enterprise status in 2016. If SZ Springpower fails to obtain the approval in 2016, SZ Springpower will be subject to income tax at a rate of 25% starting with calendar year 2016.

All the other PRC subsidiaries are not entitled to any tax holiday. They were subject to income tax at a rate of 25% for calendar years 2014 and 2013.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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12. Taxation (continued)

The components of the provision for income taxes expenses are:

	<i>Three months ended</i>	
	<i>March 31,</i>	
	<u>2014</u>	<u>2013</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	\$	\$
Current	326,755	159,923
Deferred	(418,906)	(111,704)
Total	<u>(92,151)</u>	<u>48,219</u>

The reconciliation of income taxes expenses computed at the statutory tax rate applicable to the Company to income tax expenses is as follows:

	<i>Three months ended</i>	
	<i>March 31,</i>	
	<u>2014</u>	<u>2013</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	\$	\$
Loss before tax	(1,078,096)	(590,197)
Provision for income taxes at applicable income tax rate	(306,966)	(156,621)
Effect of preferential tax rate	(23,134)	56,494
Non-deductible expenses	18,138	25,787
Change in valuation allowance	219,811	122,559
Effective enterprise income tax	<u>(92,151)</u>	<u>48,219</u>

3) Deferred tax assets

Deferred tax assets and deferred tax liabilities reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the tax bases used for income tax purpose. The following represents the tax effect of each major type of temporary difference.

	<u>March 31,</u>	<u>December 31,</u>
	<u>2014</u>	<u>2013</u>
	<u>(Unaudited)</u>	
	\$	\$
Tax loss carry-forward	3,019,592	2,601,823
Allowance for doubtful receivables	111,066	112,446
Allowance for inventory obsolescence	100,784	46,441
Fair value change of currency forwards	11,097	(9,493)
Difference for sales cut-off	36,107	46,824
Deferred Revenue	318,684	168,880
Total gross deferred tax assets	3,597,330	2,966,921
Valuation allowance	(2,384,191)	(2,164,696)
Total net deferred tax assets	<u>1,213,139</u>	<u>802,225</u>

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13. Notes payable

Notes payable are presented to certain suppliers as a payment against the outstanding trade payables. These notes payable are bank guarantee promissory notes which are non-interest bearing and generally mature within six months. The outstanding bank guarantee promissory notes are secured by restricted cash deposited in banks. Outstanding notes payable were \$19,113,705 and \$25,271,256 as of March 31, 2014 and December 31, 2013, respectively.

14. Short-term loans

	<i>March 31,</i> 2014	<i>December 31,</i> 2013
	<i>(Unaudited)</i>	
	\$	\$
Short-term bank loans guaranteed and repayable within one year	25,453,672	36,142,105

As of March 31, 2014, the above bank borrowings were for working capital and capital expenditure purposes and were secured by personal guarantees executed by certain directors of the Company, a land use right with a carrying amount of \$3,054,962, the building with a carrying amount of \$10,721,650 and a trade receivable with a carrying amount of \$13,411,203.

The loans were primarily obtained from 7 banks with interest rates ranging from 1.3% to 7.8% per annum. The interest expenses were \$491,763 and \$184,981 for the three months ended March 31, 2014 and 2013, respectively.

15. Lines of credit

The Company entered into various credit contracts and revolving lines of credit, which were used for short-term loans and bank acceptance bills. The following tables summarize the unused lines of credit as of March 31, 2014 and December 31, 2013:

<i>Lender</i>	<i>March 31, 2014 (Unaudited)</i>			
	<i>Starting date</i>	<i>Maturity date</i>	<i>Line of credit</i>	<i>Unused line of credit</i>
			\$	\$
Bank of China	3/10/2014	3/10/2015	12,601,012	7,608,579
Industrial and Commercial Bank of China	7/26/2012	7/25/2015	6,503,748	3,251,874
China Everbright Bank	5/30/2013	5/29/2014	6,503,748	1,665,654
China Everbright Bank	9/4/2013	9/3/2014	1,138,156	-
Industrial Bank Co., Ltd	7/24/2013	7/24/2014	8,129,685	6,503,748
Jiang Su Bank Co., Ltd	6/21/2013	6/20/2014	4,877,811	-
Ping An Bank	11/12/2013	9/17/2014	11,381,559	4,912,443
Shanghai Commercial & Saving Bank	8/29/2013	8/29/2014	3,000,000	1,250,000
Total			54,135,719	25,192,298

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15. **Lines of credit (continued)**

<i>Lender</i>	<i>December 31, 2013</i>			
	<u><i>Starting date</i></u>	<u><i>Maturity date</i></u>	<u><i>Line of credit</i></u>	<u><i>Unused line of credit</i></u>
			\$	\$
Industrial and Commercial Bank of China	7/26/2012	7/25/2015	6,558,452	1,803,574
China Citic Bank	3/29/2013	3/29/2014	7,378,259	5,738,646
Bank of China	1/25/2013	1/25/2014	3,689,129	247,582
Bank of China	1/10/2013	1/10/2014	12,707,001	1,674,876
China Everbright Bank	5/30/2013	5/29/2014	8,438,433	1,382,194
China Everbright Bank	9/4/2013	9/3/2014	1,147,729	-
Industrial Bank Co., Ltd	7/24/2013	7/24/2014	8,198,065	6,558,452
Jiang Su Bank Co., Ltd	6/21/2013	6/20/2014	4,918,839	-
Ping An Bank	11/12/2013	9/17/2014	11,477,291	7,564,027
Shanghai Commercial & Saving Bank	8/29/2013	8/29/2014	3,000,000	1,250,000
Industrial and Commercial Bank of China(MACAU) LIMITED	7/29/2013	1/29/2014	7,093,296	3,084,294
Total			<u>74,606,494</u>	<u>29,303,645</u>

The lines of credits from Bank of China, Industrial and Commercial Bank of China, China Everbright Bank, Jiang Su Bank, Industrial Bank Co. Ltd, Ping An Bank Co., Ltd and China Citic Bank are guaranteed by the Company's Chief Executive Officer, Mr. Dang Yu Pan.

Certain of the agreements governing the Company's loans include standard affirmative and negative covenants, including restrictions on granting additional pledges on the Company's property and incurring additional debt and obligations to provide advance notice of major corporate actions, and other covenants including: that the borrower may not serve as a guarantor for more than double its net assets; that the borrower is restricted in certain circumstances from using the loans in connection with related party transactions or other transactions with affiliates; that the borrower must provide monthly reports to certain lenders describing the actual use of loans; that the borrower may need to obtain approval to engage in major corporate transactions; and that the borrower may need to obtain approval to increase overseas investments, guarantee additional debt or incur additional debt by an amount which exceeds 20% of its total net assets should the lender determine that such action would have a material impact on the ability of the borrower to repay the loan. The covenants in these loan agreements could prohibit the Company from incurring any additional debt without consent from its lenders. The Company believes it would be able to obtain consents from the lenders in the event it needed to do so. The agreements governing the Company's loans may also include covenants that, in certain circumstances, may require the Company's PRC operating subsidiaries to give notice to, or obtain consent from, certain of their lenders prior to making a distribution of net profit, as well as covenants restricting the ability of the Company's PRC operating subsidiaries from extending loans. As of March 31, 2014 and December 31, 2013, the Company was in compliance with all material covenants in its loan agreements.

16. **Long-term loans**

	<u><i>March 31,</i></u> <u><i>2014</i></u>	<u><i>December 31,</i></u> <u><i>2013</i></u>
	<u><i>(Unaudited)</i></u>	
	\$	\$
Long term loans from Bank of China	5,365,592	5,902,607
Less: current portion of long-term borrowings	<u>1,951,124</u>	<u>1,967,536</u>
Long- term bank loans, net of current portion	<u>3,414,468</u>	<u>3,935,071</u>

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16. Long-term loans (continued)

On January 13, 2012, the Company borrowed \$8,129,685 (RMB50 million) from the Bank of China, which is guaranteed by the Company's Chief Executive Officer, Mr. Dang Yu Pan. It is a five-year long-term loan, with an annual interest rate of 7.04%, which was equal to 110% of the benchmark-lending rate of the People's Bank of China ("PBOC") as of March 31, 2014. Interest expenses are to be paid quarterly.

The interest expenses were \$103,618 and \$151,285 for the three months ended March 31, 2014 and 2013, respectively.

The principal is to be repaid quarterly from September 30, 2012. 2% of the principal was repaid on each of September 30, 2012 and December 30, 2012, respectively. Thereafter 6% of the principal is to be repaid every quarter after December 31, 2012 until the maturity date. The repayment schedule of the principal is summarized as in below table:

	\$
Remaining 2014	1,463,344
2015	1,951,124
2016	1,951,124
	5,365,592

17. Share-based Compensation

2008 Omnibus Incentive Plan

The 2008 Omnibus Incentive Plan (the "2008 Plan") was approved by the Company's Board of Directors on October 29, 2008 to be effective as such date, subject to approval of the Company's stockholders which occurred 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 adjustment in the event of a recapitalization in accordance with the terms of the 2008 Plan.

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 may have a contractual term of up to ten years and generally vest over three 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 or greater than the fair market value of the Company's common stock on the date of grant. Repricing of stock options and SARs is permitted without stockholder approval. If a particular award agreement so provides, certain change in control transactions may cause such awards granted under the 2008 Plan to vest at an accelerated rate, unless the awards are continued or substituted for in connection with the transaction. As of March 31, 2014, approximately 632,000 shares of common stock remained available for issuance pursuant to awards granted under the 2008 Plan.

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17. **Share-based Compensation (continued)**

Options Granted to Employees

	<i>Number of Shares</i>	<i>Weighted Average Exercise Price</i>	<i>Remaining Contractual Term in Years</i>
Outstanding, January 1, 2014	1,105,000	\$ 2.87	8.51
Granted	-	\$ -	
Exercised	(160,000)	\$ 2.69	
Forfeited	(8,485)	\$ 2.63	
Outstanding, March 31, 2014	<u>936,515</u>	<u>\$ 2.90</u>	<u>8.45</u>
Exercisable, March 31, 2014	<u>220,000</u>	<u>\$ 3.47</u>	<u>6.83</u>
Vested and expected to vest, March 31, 2014	<u>851,571</u>	<u>\$ 2.92</u>	<u>8.37</u>

The aggregate intrinsic value of options vested and expected to vest as of March 31, 2014 and December 31, 2013 was approximately \$2.0 million and Nil, respectively. Intrinsic value is calculated as the amount by which the current market value of a share of common stock exceeds the exercise price multiplied by the number of option shares.

During the three months ended March 31, 2014, the Company did not grant any new options to employees. One employee exercised his options to purchase 160,000 shares of the Company's common stock, but the issuance of shares was not completed as of March 31, 2014. One employee had resigned and his options to purchase a total of 8,485 shares of the Company's common stock were forfeited.

During the three months ended March 31, 2013, no options was granted, exercised or forfeited.

The estimated fair value of share-based compensation to employees 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.

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17. Share-based Compensation (continued)

Restricted Stock Awards Granted to Employees

During the year ended December 31, 2013 the Company granted 246,000 shares of restricted stock to members of the Board of Directors as Restricted Stock Awards (“RSA”) under 2008 Plan. The RSA granted in 2013 had the following vesting periods; 30% immediately upon grant, 30% vest on first anniversary of the grant date, and 40% vest on the second anniversary of grant date. The RSAs are governed by agreements between the Company and recipients of the awards. Terms of the agreements are determined by the Compensation Committee. There were no RSAs granted to employees during the three months ended March 31, 2014 and 2013.

The following table summarizes the restricted stock awards activities for the three months ended March 31, 2014:

	<i><u>Number of Shares</u></i>	<i><u>Weighted Average Exercise Price</u></i>	<i><u>Remaining Contractual Term in Years</u></i>
Outstanding, January 1, 2014	172,200	\$ 2.81	0.95
Granted	-	\$ -	
Exercised	-	\$ -	
Forfeited			
Outstanding, March 31, 2014	<u>172,000</u>	<u>\$ 2.81</u>	<u>0.48</u>
Expected to vest, March 31, 2014	<u>155,219</u>	<u>\$ 2.81</u>	<u>1.52</u>

Share-based Compensation to Nonemployees

On July 15, 2013, the Company entered into an agreement with a consulting firm. In return for the consulting firm’s financial advisory service in the coming two years, the Company issued an aggregate of 150,000 shares of the Company’s restricted stock to the consulting firm on August 15, 2013. The restricted stock was fully vested upon issuance. The fair value of the restricted stocks was \$171,000, which was based on the closing market price of the Company’s common stock on August 15, 2013. The share-based compensation is being amortized during a two year period.

Pursuant to the above agreement, the Company would also issue another 150,000 shares of the Company’s restricted stock to the consulting firm after a specific financing target is completed. Neither was the restricted stock issued nor was the consulting firm’s performance completed as of March 31, 2014. However, the consulting firm was considered to have a performance commitment as of July 15, 2013 because of sufficiently large disincentives for nonperformance. Hence, July 15, 2013 was considered to be the measurement date of the restricted stock. The fair value of the restricted stock was zero, which was the lowest aggregate amount in the case of failure to accomplish the specific financing target.

Also, pursuant to the above agreement, the Company issued five year warrants to purchase 200,000 shares of the Company’s common stock at January 17, 2014. The warrants were fully vested upon issuance and the aggregate fair value of the warrants was \$389,787 which was calculated using the Black-Scholes pricing model, with the following weighted-average assumptions:

	Three Months Ended	
	March 31,	
	2014	2013
Expected volatility	83.62%	-
Risk-free interest rate	1.64%	-
Expected term from grant date (in years)	5	-
Dividend rate	-	-
Fair value	1.95	-

Expected Term

The expected term of the warrants issued during the three months ended March 31, 2014, represents the remaining contractual term of the warrants.

Expected Volatility

The expected volatility used for the three-month periods ended March 31, 2014 is based upon the Company's own trading history.

Risk-Free Interest Rate

The risk free interest rate assumption is based on U.S. Treasury instruments with a term consistent with the remaining contractual term of the warrants issued during the first quarter of 2014.

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 forfeiture rate is applied to stock options and restricted stock awards. The Company uses historical data to estimate pre-vesting 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.

The fair value of the warrants are being amortized over the remaining consulting service period. For the three months ended March 31, 2014, approximately \$154,291 was recognized as stock-based compensation expense and approximately \$235,496 remains capitalized on the balance sheet as of March 31, 2014, which will be amortized to expense over the next five quarters.

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17. Share-based Compensation (continued)

Total Share-based Compensation Expenses

As of March 31, 2014 the gross amount of unrecognized share-based compensation expense relating to unvested share-based awards held by employees was approximately \$1.4 million, which the Company anticipates recognizing as a charge against income over a weighted average period of 9.34 years.

In connection with the grant of stock options, restricted stock awards and warrants to employees and nonemployees, the Company recorded stock-based compensation charges of \$225,280 and \$175,666, respectively, for the three-month period ended March 31, 2014 and stock-based compensation charges of \$48,537 and \$502, respectively, for the three-month period ended March 31, 2013.

18. Earnings per share

Basic earnings per common share is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per common share is computed by dividing income available to common stockholders 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 dilutive securities had been issued. Potentially dilutive securities include outstanding stock options, restricted shares. The dilutive effect of potential dilutive securities is reflected in diluted earnings 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. The Company excludes potential common stock in the diluted EPS computation in periods of losses from continuing operations, as their effect would be anti-dilutive.

The following table sets forth the computation of basic and diluted earnings per common share for the three months ended March 31, 2014 and 2013.

	<i>Three months ended</i>	
	<i>March 31,</i>	
	<u>2014</u>	<u>2013</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$
Numerator:		
Net loss attributable to the Company	<u>(935,149)</u>	<u>(608,880)</u>
Denominator:		
Weighted-average shares outstanding		
- Basic and diluted	<u>13,978,106</u>	<u>13,582,106</u>
Earnings per common share		
- Basic and diluted	<u>(0.07)</u>	<u>(0.04)</u>

Diluted earnings per share takes into account the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted into common stock. There were 1,136,515 and 727,500 options and warrants outstanding as of March 2014 and 2013 respectively, which were not included in the computation of diluted EPS for the periods ended March 31, 2014 and 2013 because of the net loss sustained for the three months ended March 31, 2014 and 2013.

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19. Defined contribution plan

Full-time employees of the Company in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the PRC operating subsidiaries of the Company make contributions to the government for these benefits based on certain percentages of the employees' salaries. Except for pension benefits, medical care, employee housing fund and other welfare benefits mentioned above, the Company has no legal obligation for the benefits beyond the contributions made.

The total amounts for such employee benefits, which were expensed as incurred, were \$359,899 and \$370,331 for the three months ended March 31, 2014 and 2013, respectively.

20. Non-controlling interest

GZ Highpower is the Company's majority-owned subsidiary which is consolidated in the Company's financial statements while with a non-controlling interest recognized. GZ Highpower is engaged in processing, marketing and research of battery materials. The Company holds 60% interest of GZ Highpower as of March 31, 2014 and December 31, 2013.

On May 15, 2013, GZ Highpower increased its paid-in capital from RMB15,000,000 (\$2,381,293) to RMB30,000,000 (\$4,807,847). SZ Highpower contributed to the increased paid-in capital with cash of RMB 9,000,000 (\$1,456,193), while the non-controlling shareholders contributed with an exclusive proprietary technology with fair value of 6,000,000 (\$970,795). The exclusive proprietary technology, however, was recorded at the four management members' historical cost basis of nil. Therefore, an increase of \$582,477, which was the 40% of the RMB 9,000,000 (\$1,456,193), was recorded in non-controlling interest.

As of March 31, 2014 and December 31, 2013, non-controlling interest related to GZ Highpower in the consolidated balance sheet was \$1,237,819 and \$1,299,252, respectively.

For the three months ended March 31, 2014 and 2013, non-controlling interest related to GZ Highpower in the consolidated statements of operations was loss of \$50,796 and \$29,536, respectively.

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21. 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 2013 to 2016, with options to renew the leases. All leases are on a fixed repayment basis. None of the leases includes contingent rentals. Minimum future commitments under these agreements as of March 31, 2014 are as follows:

	\$
Remaining 2014	1,184,901
2015	1,446,361
2016	1,321,106
2017	<u>333,935</u>
	<u>4,286,303</u>

Rent expenses for the three months ended March 31, 2014 and 2013 were \$387,681 and \$328,899 respectively.

Capital commitments and contingency

The Company had contracted capital commitments of \$nil and \$990,031 for the construction of the Ganzhou plant as of March 31, 2014 and December 31, 2013, respectively.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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22. Segment information

The reportable segments are components of the Company which offer different products and are separately managed, with separate financial information available that is separately evaluated regularly by the Company's chief operating decision maker ("CODM") in determining the performance of the business. The Company categorizes its business into three reportable segments, namely (i) Ni-MH Batteries; (ii) Lithium Batteries; and (iii) New Materials.

The CODM evaluates performance based on each reporting segment's net sales, cost of sales, gross profit and total assets. Net sales, cost of sales, gross profit and total assets by segments is set out as follows:

	<i>Three months ended March 31,</i>	
	<u>2014</u>	<u>2013</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$
Net sales		
Ni-MH Batteries	15,487,503	15,049,970
Lithium Batteries	13,390,244	9,252,222
New Materials	282,567	97,180
Total	<u>29,160,314</u>	<u>24,399,372</u>
Cost of Sales		
Ni-MH Batteries	12,289,798	12,097,100
Lithium Batteries	10,702,826	7,441,912
New Materials	236,745	97,180
Total	<u>23,229,369</u>	<u>19,636,192</u>
Gross Profit		
Ni-MH Batteries	3,197,705	2,952,870
Lithium Batteries	2,687,418	1,810,310
New Materials	45,822	-
Total	<u>5,930,945</u>	<u>4,763,180</u>
	<u>March 31, 2014</u>	<u>December 31, 2013</u>
	<i>(Unaudited)</i>	
	\$	\$
Total Assets		
Ni-MH Batteries	51,714,237	66,960,366
Lithium Batteries	77,637,127	76,357,912
New Materials	8,807,252	8,475,098
Total	<u>138,158,616</u>	<u>151,793,376</u>

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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22. Segment information (continued)

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

	<i>Three months ended March 31,</i>	
	<u>2014</u>	<u>2013</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$
<i>Net sales</i>		
China (including Hong Kong)	18,032,224	10,882,035
Asia, others	2,063,364	3,433,989
Europe	6,389,293	7,402,042
North America	2,342,307	2,419,950
South America	125,381	165,008
Africa	159,779	43,422
Others	47,966	52,926
	<u>29,160,314</u>	<u>24,399,372</u>
	<u>March 31, 2014</u>	<u>December 31, 2013</u>
	<i>(Unaudited)</i>	
	\$	\$
<i>Accounts receivable</i>		
China (including Hong Kong)	21,164,209	24,554,617
Asia, others	1,044,715	3,278,001
Europe	5,488,637	5,191,444
North America	200,398	863,156
South America	104,139	50,691
Africa	21,183	25
Others	25,562	23,080
	<u>28,048,843</u>	<u>33,961,014</u>

23. Subsequent events

The Company has evaluated subsequent events through the issuance of the consolidated financial statements and identified following event:

On April 17, 2014, the Company entered into a definitive securities purchase agreements with several institutional investors for the sale of its common stock in a registered direct offering. The Company sold 1,000,000 shares of common stock at a price of \$5.05 per share, including warrants to purchase an additional 500,000 shares of common stock with an exercise price of \$6.33 per share, for total gross proceeds of approximately \$5.05 million.

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

The following discussion relates to the financial condition and results of operations of Highpower International, Inc. (the "Company") and its wholly-owned subsidiary, Hong Kong Highpower Technology Company Limited ("HKHTC"), HKHTC's wholly-owned subsidiaries Shenzhen Highpower Technology Company Limited ("SZ Highpower"), Icon Energy System Company Limited ("ICON") and Highpower Energy Technology (Huizhou) Company limited ("HZ Highpower"), which has not yet commenced operations; SZ Highpower's wholly-owned subsidiary, Huizhou Highpower Technology Company Limited ("HZ HTC") and its 60%-owned subsidiary Ganzhou Highpower Technology Company Limited ("GZ Highpower"); and SZ Highpower's and HKHTC's jointly owned subsidiary, Springpower Technology (Shenzhen) Company Limited ("SZ Springpower").

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, 2013 (the "Annual Report").

This 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, results of operations, cash flows, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words "anticipates," "believes," "expects," "plans," "intends," "seeks," "estimates," "projects," "predicts," "could," "should," "would," "will," "may," "might," and similar expressions, or the negative of such expressions, are intended to identify forward-looking statements. Such statements reflect management's current views with respect to future events and financial performance and involve risks and uncertainties, including, without limitation, the current economic downturn and uncertainty in the European economy adversely affecting demand for our products; fluctuations in the cost of raw materials; our dependence on, or inability to attract additional, major customers for a significant portion of our net sales; our ability to increase manufacturing capabilities to satisfy orders from new customers; our ability to maintain increased margins; changes in the laws of the PRC that affect our operations; our ability to complete construction of and to begin manufacturing operations at our new manufacturing facilities on time; our ability to control operating expenses and costs related to the construction of our new manufacturing facilities; 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 our products in the time frame and amounts expected; the market acceptance of our battery products, including our lithium products; our ability to successfully develop products for and penetrate the electric transportation market; our ability to continue R&D development to keep up with technological changes; our exposure to product liability, safety, and defect claims; rising labor costs, volatile metal prices, and inflation; 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 elsewhere in this report or in the "Risk Factors" section of our 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

Highpower was incorporated in the state of Delaware on January 3, 2006 and was 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 HKHTC and its wholly-owned subsidiary, SZ Highpower, (ii) assumed the operations of HKHTC and its subsidiary and (iii) changed our name to Hong Kong Highpower Technology, Inc. We subsequently changed our name to Highpower International, Inc. in October 2010.

HKHTC was incorporated in Hong Kong in 2003 under the Companies Ordinance of Hong Kong. HKHTC formed HZ Highpower and SZ Springpower in 2008. HZ Highpower has not yet commenced business operations as of May 12, 2014. On October 8, 2013, SZ Springpower further increased its registered capital to \$15,000,000. SZ Highpower holds 69.97% of the equity interest of SZ Springpower, and HKHTC holds the remaining 30.03%. In February 2011, HKHTC formed another wholly-owned subsidiary, Icon Energy System Company Limited, a company organized under the laws of the PRC, which commenced operations in July 2011.

SZ Highpower was founded in 2001 in the PRC. SZ Highpower formed GZ Highpower in September 2010. As of March 31, 2014, the paid-in capital of GZ Highpower was RMB30,000,000 (\$4,807,847). SZ Highpower holds 60% of the equity interest of GZ Highpower, and the four founding management members of GZ Highpower hold the remaining 40%. SZ Highpower formed HZ HTC in March 2012, which engages in the manufacture of batteries.

Through SZ 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 SZ Springpower 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 sales staff in China and Hong Kong, which target key customers by arranging in-person sales presentations and providing post-sale services. The sales staff works with our customers to better address customers’ needs.

Critical Accounting Policies, Estimates and Assumptions

The Securities and Exchange Commission (“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 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 U.S. generally accepted accounting principles.

Use of Estimates. The preparation of financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include, but are not limited to, revenues; the allowance for doubtful receivables; recoverability of the carrying amount of inventory; fair values of financial instruments; and the assessment of deferred tax assets or liabilities. These estimates are often based on complex judgments and assumptions that management believes to be reasonable but are inherently uncertain and unpredictable. Actual results could differ from these 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 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.

Revenue Recognition. The Company recognizes revenue when all of the following criteria exist: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) price to the buyer is fixed or determinable; and (4) collectability is reasonably assured.

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

Inventories. Inventories are stated at the lower of cost or market value. Costs are determined on a weighted-average method. Inventory includes raw materials, packing materials, work-in-process, consumables and finished goods. The variable production overhead is allocated to each unit of production on the basis of the actual use of the production facilities. The allocation of fixed production overhead to the costs of conversion is based on the normal capacity of the production facilities.

Income Taxes. The Company recognizes deferred asset and liability for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

Foreign Currency Translation and Transactions. Highpower International's functional currency is the United States dollar ("US\$"). HKHTC's functional currency is the Hong Kong dollar ("HK\$"). The functional currency of the Company's subsidiaries in the PRC is the Renminbi ("RMB").

At the date a foreign currency transaction is recognized, each asset, liability, revenue, expense, gain, or loss arising from the transaction is measured initially in the functional currency of the recording entity by use of the exchange rate in effect at that date. The increase or decrease in expected functional currency cash flows upon settlement of a transaction resulting from a change in exchange rates between the functional currency and the currency in which the transaction is denominated is recognized as foreign currency transaction gain or loss that is included in determining net income for the period in which the exchange rate changes. At each balance sheet date, recorded balances that are denominated in a foreign currency are adjusted to reflect the current exchange rate.

The Company's reporting currency is the US\$. Assets and liabilities of HKHTC and the PRC subsidiaries are translated at the current exchange rate at the balance sheet dates, revenues and expenses are translated at the average exchange rates during the reporting periods, and equity accounts are translated at historical rates. Translation adjustments are reported in other comprehensive income.

Results of Operations

Three Months Ended March 31, 2014 and 2013

Net sales for the three months ended March 31, 2014 were \$29.2 million compared to \$24.4 million for the three months ended March 31, 2013, an increase of \$4.8 million, or 19.5%. The increase was due to a \$4.1 million increase in net sales of our lithium batteries (resulting from a 22.5% increase in the volume of batteries sold and an 18.1% increase in the average selling price of such batteries) and a \$437,533 increase in net sales of our Ni-MH batteries (resulting from a 6.6% increase in the number of Ni-MH battery units sold which was partly offset a 3.4% decrease in the average selling price of such batteries), and a \$185,387 increase in revenue from our new material business. The increase in the number of Ni-MH battery units sold in the three months ended March 31, 2014 was primarily attributable to increased orders from our new customers and the increase in the volume of lithium batteries sold in the three months ended March 31, 2014 was primarily attributable growth in global demand for mobile and portable products, and electrical vehicles.

Cost of sales mainly consists of nickel, cobalt, lithium derived materials, labor, and overhead. Costs of sales were \$23.2 million for the three months ended March 31, 2014, as compared to \$19.6 million for the comparable period in 2013. As a percentage of net sales, cost of sales increased to 79.7% for the three months ended March 31, 2014 compared to 80.5% for the comparable period in 2013. This decrease was attributable to increase in the average selling price of lithium batteries.

Gross profit for the three months ended March 31, 2014 was \$5.9 million, or 20.3% of net sales, compared to \$4.8 million, or 19.5% of net sales for the comparable period in 2013. Management considers gross profit margin 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. This increase was attributable to increase in the average selling price of lithium batteries.

To cope with pressure on our gross margins we control production costs by preparing budgets for each department and comparing actual costs with our budgeted figures monthly and quarterly. Additionally, we have reorganized the Company's production structure and have focused more attention on employee training to enhance efficiency. We also intend to expand our market share by investing in greater promotion of our products in regions such as the U.S., Russia, Europe and India, and by expanding our sales team with more experienced sales personnel. We have also begun production capacity expansion for our lithium batteries business to take advantage of the strong demand for such products globally.

Research and development expenses were approximately \$1.8 million, or 6.2% of net sales, for the three months ended March 31, 2014 as compared to approximately \$1.1 million, or 4.5% of net sales, for the comparable period in 2013, an increase of 64.4%. The increase was due to the expansion of our workforce to expand our research and development in lithium batteries, particularly in the area of new product development for the electrical vehicles and energy storage sectors.

Selling and distribution expenses were \$1.5 million, or 5.3% of net sales, for the three months ended March 31, 2014 compared to \$1.4 million, or 5.7% of net sales, for the comparable period in 2013, an increase of 10.2%. Selling and distribution expenses increased due to the expansion of our sales force and marketing activities, participation in industry trade shows, and international travel to promote and sell our products globally.

General and administrative expenses were \$3.6 million, or 12.2% of net sales, for the three months ended March 31, 2014, compared to \$2.8 million, or 11.5% of net sales, for the comparable period in 2013. The primary reason for the increase was due to the expansion of our workforce at our Huizhou facility, Included in this amount was non-cash share-based compensation expense of \$400,946, up from \$49,039 in the first quarter of 2013.

We experienced a gain of \$102,593 for the three months ended March 31, 2014 and a loss \$39,947 for the three months ended March 31, 2013 on the exchange rate difference between the U.S. Dollar and the RMB. The gain in exchange rate difference was due to the depreciation of the RMB relative to the U.S. Dollar over the respective periods.

We experienced a loss on derivative instruments of \$137,281 in the three months ended March 31, 2014. The primary reason for a loss of \$137,281 on unsettled currency forwards for the depreciation of the RMB relative to the U.S. Dollar, as compared to a gain of \$109,948 for the comparable period in 2013, which included a gain of \$240,794 on settled currency forwards and a loss of \$130,846 on unsettled currency forwards.

Interest expenses were \$595,381 for the three months ended March 31, 2014, as compared to approximately \$336,266 for the comparable period in 2013. The fluctuation was due to a \$259,115 increase in interest expense related to an increase in bank borrowing.

Other income, which consists of bank interest income, government grants and sundry income, was approximately \$541,420 for the three months ended March 31, 2014, as compared to approximately \$216,149 for the comparable period in 2013, an increase of \$325,271. The increase was due to an increase in government grants and bank interest income.

During the three months ended March 31, 2014, we recorded income tax benefit of \$92,151 which was due to the loss during the three months ended March 31, 2014 as compared to income tax expense of \$48,219 for the comparable period in 2013.

Net loss attributable to the Company (excluding net loss attributable to non-controlling interest) for the three months ended March 31, 2014 was \$935,149, compared to net loss attributable to the Company (excluding net loss attributable to non-controlling interest) of \$608,880 for the comparable period in 2013.

Foreign Currency and Exchange Risk

Though the reporting currency is the US\$, the Company maintains its financial records 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 60% of our sales are made in U.S. Dollars. During the three months ended March 31, 2014, the exchange rate of the RMB to the U.S. Dollar devaluated 0.8% from the level at the end of December 31, 2013. 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 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. As of March 31, 2014, the Company had a series of currency forwards totaling a notional amount of \$6.0 million expiring from June to October. The terms of these derivative contracts are generally for 24 months or less. Changes in the fair value of these derivative contracts are recorded in earnings to offset the impact of loss on derivative instruments. The net loss of \$137,281 attributable to these activities are included in “loss of derivative instruments” for the three months ended March 31, 2014 and the net income of \$109,948 attributable to these activities are included in “gain of derivative instruments” for the three months ended March 31, 2013, respectively.

Liquidity and Capital Resources

We had cash and cash equivalents of approximately \$5.1million as of March 31, 2014, as compared to \$8.0 million as of December 31, 2013. 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 incurred outside the PRC.

To provide liquidity and flexibility in funding our operations, we borrow amounts under bank facilities and other external sources of financing. As of March 31, 2014, we had in place general banking facilities with 7 financial institutions aggregating \$54.1 million. The maturity of these facilities is generally within one year. The facilities are subject to regular review and approval. Certain of these banking facilities are guaranteed by our Chief Executive Officer, Mr. Dang Yu Pan, and contain customary affirmative and negative covenants for secured credit facilities of this type. Interest rates are generally based on the banks’ reference lending rates. No significant commitment fees are required to be paid for the banking facilities. As of March 31, 2014, we had utilized approximately \$28.9 million under such general credit facilities and had available unused credit facilities of \$25.2 million.

For the three months ended March 31, 2014, net cash provided by operating activities was approximately \$9.3 million, as compared to \$4.5 million for the comparable period in 2013. The net cash increase of \$4.8 million provided by operating activities is primarily attributable to, among other items, an increase of \$3.1 million in cash inflow from accounts receivable, a decrease of \$2.2 million in outflow from accounts payable, which was significantly offset by a increase of \$1.1 million in cash outflow from other payables and accrued liabilities, and an increase of \$998,725 in cash outflow from inventories.

Net cash used in investing activities was \$2.4 million for the three months ended March 31, 2014 compared to \$3.0 million for the comparable period in 2013. The net decrease of \$622,253 of cash used in investing activities was primarily attributable to a decrease in cash outflow from acquisition of plant and equipment for our strategic change.

Net cash used in financing activities was \$10.1 million during the three months ended March 31, 2014, as compared to \$3.6 million for the comparable period in 2013. The net increase of \$6.5 million in net cash used in financing activities was primarily attributable to a decrease of \$9.0 million in proceeds from short-term bank loans, an increase of \$5.0 million in repayment of short-term bank loans, which was partly offset by a decrease of \$6.0 million in restricted cash, an increase of \$717,771 in proceeds from notes payable, and a decrease of \$924,178 in repayable of notes payable.

For the three months ended March 31, 2014 and 2013, our inventory turnover was 4.7 times and 4.8 times, respectively. The average days outstanding of our accounts receivable at March 31, 2014 was 96 days, as compared to 88 days at March 31, 2013. 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 \$359,899 and \$370,331 in the three months ended March 31, 2014 and 2013, 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 meet 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 10 to 90 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, work-in-process and finished goods inventory on hand to ensure timely delivery of our products to customers. We use two methods to support our working capital needs: (i) paying our suppliers under payment terms ranging from 30 to 90 days; and (ii) using short-term bank 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

The FASB issued ASU No. 2013-01 up to ASU 2014-08, which are not expected to have a material impact on the consolidated financial statements upon adoption.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required for a smaller reporting company.

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 (the "Exchange Act"), 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, who have concluded that, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective as of March 31, 2014..

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 quarter ended March 31, 2014 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 herein and in our Annual Report on Form 10-K as filed with the SEC on March 31, 2014 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.

We have outstanding warrants and options, and future sales of the shares obtained upon exercise of these options or warrants could adversely affect the market price of our common stock.

As of March 31, 2014, we had outstanding options exercisable for an aggregate of 936,515 shares of common stock at a weighted average exercise price of \$3.47 per share. In January 2014, we issued warrants to purchase up to 200,000 shares of our common stock at a weighted average exercise price of \$3.00 per share. We have registered the issuance of all the shares issuable upon exercise of the options, and they will be freely tradable by the exercising party upon issuance. The holders may sell these shares in the public markets from time to time, without limitations on the timing, amount or method of sale. As our stock price rises, the holders may exercise their warrants and options and sell a large number of shares. This could cause the market price of our common stock to decline.

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

On January 17, 2014, pursuant to a consulting agreement dated July 15, 2013. The Company issued to Patrick Ko five year warrants to purchase 200,000 shares of the Company's common stock, 100,000 of which are exercisable at a price of \$3.80 per share and 100,000 of which are exercisable at a price of \$2.20 per share. The warrants also permit net issue exercise. The warrants and underlying shares to be issued pursuant to the warrant agreements are and will be issued without registration under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 4(2) of the Securities Act and Regulation D promulgated pursuant thereto ("Regulation D"). The exemption from registration pursuant to Regulation D is based on, among other things, representations from the warrant holder to the effect that such person is an "accredited investor" within the meaning of Rule 506 of Regulation D.

Item 3. Default Upon Senior Securities

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information

Working Capital Contract Between SZ Springpower and Bank of China, Buji Sub-branch

On January 16, 2014, SZ Springpower entered into a working capital loan contract with Bank of China, Buji Sub-branch providing for an aggregate loan of RMB10,000,000 (US\$1,625,937) to be used by SZ Springpower to purchase raw materials. The term of the loan is six months from the first withdrawal date. The interest rate will float and adjusts every 6 months. The loan is guaranteed by our Chief Executive Officer, Dang Yu Pan, SZ Highpower and the Company's accounts receivable.

The following constitute events of default by SZ Highpower under the loan agreement: failure to comply with repayment obligations under the affiliated specific credit line contract; failure to use borrowed funds according to the specified purposes; any statement made by SZ Springpower in the contract turns out to be untrue or in violation of any commitments in the affiliated specific credit line contract; failure to provide an additional guarantor as required by the affiliated specific credit line contract; significant business difficulties or risks, deteriorated financial losses or losses of assets, or other financial crisis; breach of covenants in other credit agreements with the bank or affiliated institutions of the bank; any guarantor breaches a contract or defaults under any agreement with the bank or affiliated institutions of the bank; termination of its business or engagement due to any wind-up, cancellation or bankruptcy issues; involvement or potential involvement in significant economic disputes, litigation, arbitration or assets seizure or confiscation, or its involvement in other judicial proceedings or administrative punishment proceedings that have affected or may affect its capacity to perform its obligations under the affiliated specific credit line contract; an abnormal change in any major individual investor or key management member of SZ Springpower or such a person or entity's becoming subject to investigation or restriction by the judiciary, which have or may affect SZ Springpower's performance of obligation under affiliated specific credit line contract; Bank of China's discovery of any situation that may affect the financial position or performance capacities of SZ Springpower or a guarantor after the bank's annual review of SZ Springpower's financial position and performance; failure to provide the relevant documentation acceptable to Bank of China about the inflows and outflows of large-sum and abnormal capital in capital recovery account; or being in violation of other rights and obligations under the affiliated specific credit line contract.

Upon the occurrence of an event of default, the bank may: request SZ Springpower or any guarantor to rectify the event of default within a specified time period; reduce, temporarily suspend or permanently terminate SZ Springpower's credit limit in whole or in part; temporarily suspend or permanently terminate in part or in whole SZ Springpower's application for specific credit line under the agreement; announce the immediate expiration of all the credit lines granted under the affiliated specific credit line contract as well as other contracts; terminate or release the contract, terminate or release in part or in whole any of the affiliated specific credit line contract as well as the other contracts executed between SZ Springpower and the bank; request compensation from SZ Springpower on the losses thereafter caused; hold SZ Springpower's deposit account at the bank in custody for repayment of amounts due under the contract; exercise the real rights for security; request repayment from a guarantor; or take any other procedures deemed necessary by the bank.

Credit Line Contract SZ Highpower and Bank of China, Buji Sub-branch

On March 10, 2014, SZ Highpower entered into a comprehensive credit line contract with Bank of China, Buji Sub-branch, which provides for a revolving line of credit of up to RMB70,000,000 (US\$11,381,559), consisting of up to RMB40,000,000 (6,503,748) in loans and up to RMB30,000,000 (4,877,811) in bank acceptances. SZ Highpower may withdraw from the loan, from time to time as needed, but must make specific drawdown application on and before March 10, 2015, after which time the bank may cancel all or part of the facilities. The loan is guaranteed by our Chief Executive Officer, Dang Yu Pan and SZ Springpower. The Company's real estate properties and land use rights in Huizhou also serve as collateral for the loan.

The following constitute events of default by SZ Highpower under the loan agreement: failure to comply with repayment obligations under the agreement or any affiliated credit lines; failure to use borrowed funds according to the specified purposes; any statement made by SZ Highpower in the agreement is untrue or in violation of any commitments in the loan agreement or affiliated loan contracts; failure to provide an additional guarantor as required by the loan agreement; significant business difficulties or risks, deteriorated financial losses or losses of assets, or other financial crisis; violation of other rights and obligations under the agreement; or breach of covenants by SZ Highpower or any guarantor in other credit agreements with the bank or affiliated institutions of the bank.

Upon the occurrence of an event of default, the bank may: request SZ Highpower or any guarantor to rectify the event of default within a specified time period; reduce, temporarily suspend or permanently terminate SZ Highpower's credit limit in whole or in part; temporarily suspend or permanently terminate in part or in whole SZ Highpower's application for specific credit line under the agreement; announce the immediate expiration of all the credit lines granted under the agreement and affiliated specific credit line contracts; terminate or release the agreement, terminate or release in part or in whole any of the affiliated specific credit line contracts as well as the other contracts executed between SZ Highpower and the bank; request compensation from SZ Highpower on the losses thereafter caused; hold SZ Highpower's deposit account at the bank in custody for repayment of amounts due under the agreement; exercise the real rights for security; request repayment from a guarantor; or take any other procedures deemed necessary by the bank.

The information set forth above is included herewith for the purpose of providing the disclosure required under Item 1.01 and Item 2.03 of Form 8-K. The preceding summaries of the above-referenced loan agreements are qualified in their entirety by reference to the complete text of the agreements, which are attached hereto as Exhibits 10.1 and 10.2 through 10.2(e) and are incorporated by reference herein. You are urged to read the entire text of the loan agreements attached hereto.

Item 6. Exhibits

Exhibit Number	Description of Document
4.1	Warrants to Purchase Shares of Common Stock dated January 17, 2014 issued to Patrick Ko
10.1	Working Capital Loan Contract dated January 16, 2014 by and between Bank of China, Buji Sub-branch and Springpower Technology (Shenzhen) Company Limited (translated to English).
10.2	Comprehensive Credit Line Contract dated March 10, 2014 by and between Bank of China, Buji-Sub-branch and Shenzhen Highpower Technology (Shenzhen) Co., Ltd (translated to English).
10.2(a)	Maximum Amount Guaranty Contract dated March 10, 2014 by and between Bank of China, Buji- Sub-branch and Shenzhen Highpower Technology (Shenzhen) Co., Ltd (translated to English).
10.2(b)	Maximum Amount Guaranty Contract dated March 10, 2014 by and between Bank of China, Buji- Sub-branch and Dangyu Pan (translated to English).
10.2(c)	Collateral Contract dated March 10, 2014 by and between Bank of China, Buji- Sub-branch and Shenzhen Highpower Technology (Shenzhen) Co., Ltd (translated to English).
10.2(d)	Collateral Contract dated March 10, 2014 by and between Bank of China, Buji- Sub-branch and Shenzhen Highpower Technology (Shenzhen) Co., Ltd (translated to English).
10.2(e)	Collateral Contract dated March 10, 2014 by and between Bank of China, Buji- Sub-branch and Shenzhen Highpower Technology (Shenzhen) Co., Ltd (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.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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

HIGHPOWER INTERNATIONAL, INC.

SIGNATURES

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

Highpower International, Inc.

Dated: May 12, 2014

By: /s/ Dang Yu Pan
 Dang Yu Pan
Its: Chairman of the Board and Chief Executive Officer (principal
 executive officer and duly authorized officer)

By: /s/ Henry Sun
 Henry Sun
Its: Chief Financial Officer (principal financial and accounting
 officer)

THIS WARRANT AND THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SUCH ACT.

Date of Issuance:

January 17, 2014

Void after:

January 16, 2019

HIGHPOWER INTERNATIONAL, INC.

**Warrant to Purchase Shares of
Common Stock**

FOR VALUE RECEIVED, Jian Ke (also known as Patrick J. Ko) ("Holder"), is entitled to purchase from the Company, subject to the provisions of this Warrant ("Warrant"), from Highpower International, Inc., a Delaware corporation ("Company"), at any time not later than 5:00 P.M., Pacific Standard Time on January 16, 2019 (the "Expiration Date"), 100,000 shares (the "Warrant Shares") of the Company's Common Stock, par value \$0.0001 per share, at a price per share equal to \$2.20 (the "Exercise Price"). The Exercise Price and the number of Warrant Shares purchasable upon exercise of this Warrant shall be subject to adjustment from time to time as described herein. This Warrant is issued pursuant to that certain Consulting Agreement executed July 15, 2013 between the Company and FirsTrust China Ltd. (the "Consulting Agreement").

1. Certain Definitions

(a) "**Fair Market Value**" of a share of Common Stock as of a particular date shall mean:

If traded on a securities exchange, the Fair Market Value shall be deemed to be the average of the closing prices of the Common Stock of the Company on such exchange or market over the five (5) trading days ending immediately prior to the applicable date of valuation;

If actively traded over-the-counter, the Fair Market Value shall be deemed to be the average of the closing bid prices over the thirty (30)-day period ending immediately prior to the applicable date of valuation; and

If there is no active public market, the Fair Market Value shall be the value thereof, as agreed upon by the Company and the Holder; *provided, however*, that if the Company and the Holder cannot agree on such value, such value shall be determined by an independent valuation firm experienced in valuing businesses such as the Company and jointly selected in good faith by the Company and the Holder. Fees and expenses of the valuation firm shall be paid for in equal proportions by the Company and the Holder.

(b) “*Common Stock*” shall mean the Common Stock, \$0.0001 par value per share, of the Company and any other securities at any time receivable or issuable upon exercise of this Warrant.

2. Method of Exercise.

(a) Subject to compliance with the terms and conditions of this Warrant and applicable securities laws, this Warrant may be exercised, in whole or in part at any time or from time to time, on or before the Expiration Date by the delivery (including, without limitation, delivery by facsimile) of the form of Notice of Exercise attached hereto as Exhibit A (the “Notice of Exercise”), duly executed by the Holder, at the principal office of the Company, and as soon as practicable after such date, surrendering:

(i) this Warrant at the principal office of the Company, and

(ii) payment, (i) in cash (by check) or by wire transfer, (ii) by cancellation by the Holder of indebtedness of the Company to the Holder; or (iii) by a combination of (i) and (ii), of an amount equal to the product obtained by multiplying the number of shares of Common Stock being purchased upon such exercise by the then effective Exercise Price (the “Exercise Amount”).

(b) Net Issue Exercise. In lieu of the payment methods set forth in Section 2(a)(ii) above, the Holder may elect to exchange all or some of this Warrant for shares of Common Stock equal to the value of the amount of the Warrant being exchanged on the date of exchange. If Holder elects to exchange this Warrant as provided in this Section 2(b), Holder shall tender to the Company the Warrant for the amount being exchanged, along with written notice of Holder’s election to exchange some or all of the Warrant, and the Company shall issue to Holder the number of shares of the Common Stock computed using the following formula:

$$X = \frac{Y (A-B)}{A}$$

Where: X = the number of shares of Common Stock to be issued to Holder.

Y = the number of shares of Common Stock purchasable under the amount of the Warrant being exchanged (as adjusted to the date of such calculation).

A = the Fair Market Value of one share of the Common Stock on the date that the relevant Notice of Exercise is received by the Company.

B = Purchase Price (as adjusted to the date of such calculation).

(c) Each exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the day on which this Warrant is surrendered to the Company as provided above. The person or persons entitled to receive the Warrant Shares issuable upon exercise of this Warrant shall be treated for all purposes as the holder of record of such Warrant Shares as of the close of business on the date the Holder is deemed to have exercised this Warrant.

(d) As soon as practicable after the exercise of this Warrant in whole or in part, the Company at its expense will cause to be issued in the name of, and delivered to, the Holder, or as such Holder (upon payment by such Holder of any applicable transfer taxes) may direct:

(i) a certificate or certificates for the number of Warrant Shares to which such Holder shall be entitled, and

(ii) in case such exercise is in part only, a new warrant or warrants (dated the date hereof) of like tenor, calling in the aggregate on the face or faces thereof for the number of Shares equal to the number of such Warrant Shares described in this Warrant minus the number of such Warrant Shares purchased by the Holder upon all exercises made in accordance with this Section 1.

(e) If the Company shall fail, for any reason or for no reason, to issue to the Holder within three (3) trading days after receipt of the applicable Notice of Exercise, a certificate as set forth herein upon the Holder's exercise of this Warrant and if the Holder (or any other Person in respect, or on behalf, of the Holder) purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of all or any portion of the number of shares of Common Stock issuable upon such exercise that the Holder so anticipated receiving from the Company (a "Buy-In"), then the Company shall, within three (3) business days after the Holder's request, pay cash to the Holder in an amount equal to 50% of the excess (if any) of the total purchase price (including reasonable brokerage commissions and other reasonable out-of-pocket expenses, if any) for the shares of Common Stock so purchased (including, without limitation, by any other Person in respect, or on behalf, of the Holder) over the proceeds received by the Holder as a result of the sale to which such Buy-In relates. The Holder shall provide the Company written notice together with a reasonably detailed summary indicating the amounts payable to the Holder in respect of the Buy-In.

3. Representations and Warranties of the Company.

In connection with the transactions provided for herein, the Company hereby represents and warrants to the Holder that:

(a) **Organization, Good Standing, and Qualification.** The Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business as now conducted. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a material adverse effect on its business or properties.

(b) **Authorization.** Except as may be limited by applicable bankruptcy, insolvency, reorganization or similar laws relating to or affecting the enforcement of creditors' rights, all corporate action has been taken on the part of the Company, its officers and directors necessary for the authorization, execution and delivery of this Warrant. The Company has taken all corporate action required to make all the obligations of the Company reflected in the provisions of this Warrant the valid and enforceable obligations they purport to be. The issuance of this Warrant will not be subject to preemptive rights of any stockholders of the Company. The Company has authorized sufficient shares of Common Stock to allow for the exercise of this Warrant.

4. Representations and Warranties of the Holder. In connection with the transactions provided for herein, the Holder hereby represents and warrants to the Company that:

(a) **Authorization.** Holder represents that it has full power and authority to enter into this Warrant. This Warrant constitutes the Holder's valid and legally binding obligation, enforceable in accordance with its terms, except as may be limited by (i) applicable bankruptcy, insolvency, reorganization, or similar laws relating to or affecting the enforcement of creditors' rights and (ii) laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

(b) **Purchase Entirely for Own Account.** The Holder acknowledges that this Warrant is entered into by the Holder in reliance upon such Holder's representation to the Company that the Warrant and the Warrant Shares (collectively, the "Securities") will be acquired for investment for the Holder's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that the Holder has no present intention of selling, granting any participation in or otherwise distributing the same. By acknowledging this Warrant, the Holder further represents that the Holder does not have any contract, undertaking, agreement, or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to the Securities.

(c) **Disclosure of Information.** The Holder acknowledges that it has received all the information it considers necessary or appropriate for deciding whether to acquire the Securities. The Holder further represents that it has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Securities.

(d) **Investment Experience.** The Holder is an investor in securities of companies in the development stage and acknowledges that it is able to fend for itself, can bear the economic risk of its investment, and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Securities. If other than an individual, the Holder also represents it has not been organized solely for the purpose of acquiring the Securities.

(e) **Accredited Investor.** The Holder is an “accredited investor” within the meaning of Rule 501 of Regulation D, as presently in effect, as promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “Act”).

(f) **Restricted Securities.** The Holder understands that the Securities are characterized as “restricted securities” under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Act, only in certain limited circumstances. In this connection, Holder represents that it is familiar with Rule 144, as presently in effect, as promulgated by the SEC under the Act (“Rule 144”), and understands the resale limitations imposed thereby and by the Act.

(g) **Further Limitations on Disposition.** The Holder, by acceptance hereof, agrees that, absent an effective registration statement filed with the SEC under the Act covering the disposition or sale of this Warrant or the Warrant Shares issued or issuable upon exercise hereof, as the case may be, and registration or qualification under applicable state securities laws, such Holder will not sell, transfer, pledge, or hypothecate any or all of this Warrant or such Warrant Shares, as the case may be, unless either (i) the Company has received an opinion of counsel, in form and substance reasonably satisfactory to the Company, to the effect that such registration is not required in connection with such disposition or (ii) the sale of such Securities is made pursuant to SEC Rule 144.

(h) **Legends.** It is understood that the Securities may bear the following or a similar legend:

“THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SUCH ACT.”

5. Valid Issuance; Taxes. All Warrant Shares issued upon the exercise of this Warrant shall be validly issued, fully paid and nonassessable, and the Company shall pay all taxes and other governmental charges that may be imposed in respect of the issue or delivery thereof. The Company shall not be required to pay any tax or other charge imposed in connection with any transfer involved in the issuance of any certificate for Warrant Shares in any name other than that of the Holder of this Warrant, and in such case the Company shall not be required to issue or deliver any stock certificate or security until such tax or other charge has been paid, or it has been established to the Company’s reasonable satisfaction that no tax or other charge is due.

6. Adjustment of Exercise Price and Number and Kind of Warrant Shares. The number and kind of Warrant Shares purchasable upon exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time as follows:

(a) **Subdivisions, Combinations and Other Issuances.** If the Company shall at any time after the issuance but prior to the expiration of this Warrant subdivide its Common Stock, by split-up or otherwise, or combine its Common Stock, or issue additional shares of its Common Stock as a dividend with respect to any shares of its Common Stock, the Exercise Price shall be proportionally decreased and the number of Warrant Shares issuable on the exercise of this Warrant shall be proportionately increased in the case of a subdivision or stock dividend. The Exercise Price shall be proportionally increased and the number of Warrant Shares issuable on the exercise of this Warrant shall be proportionately decreased in the case of a combination. Any adjustment under this Section 6(a) shall become effective at the close of business on the date the subdivision or combination becomes effective, or as of the record date of such dividend, or in the event that no record date is fixed, upon the making of such dividend.

(b) **Reclassification, Reorganization and Consolidation.** In case of any reclassification, capital reorganization or change in the capital stock of the Company (other than as a result of a subdivision, combination or stock dividend provided for in Section 6(a) above), then, as a condition of such reclassification, reorganization or change, lawful provision shall be made, and duly executed documents evidencing the same from the Company or its successor shall be delivered to the Holder, so that the Holder shall have the right at any time prior to the expiration of this Warrant to purchase, at a total price equal to that payable upon the exercise of this Warrant, the kind and amount of shares of stock and other securities or property receivable in connection with such reclassification, reorganization or change by a holder of the same number and type of securities as were purchasable as Warrant Shares by the Holder immediately prior to such reclassification, reorganization or change. In any such case appropriate provisions shall be made with respect to the rights and interest of the Holder so that the provisions hereof shall thereafter be applicable with respect to any shares of stock or other securities or property deliverable upon exercise hereof, and appropriate adjustments shall be made to the per-share Exercise Price payable hereunder, provided the aggregate Exercise Price shall remain the same.

(c) **Notice of Adjustment.** When any adjustment is required to be made in the number or kind of Warrant Shares purchasable upon exercise of the Warrant, or in the Exercise Price, the Company shall promptly notify the Holder of such event and of the new Exercise Price and number of Warrant Shares or other securities or property thereafter purchasable upon exercise of this Warrant.

7. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant, but in lieu of such fractional shares the Company shall make a cash payment therefor on the basis of the Exercise Price then in effect.

8. No Stockholder Rights. Prior to exercise of this Warrant, the Holder shall not be entitled to any rights of a stockholder with respect to the Warrant Shares, including (without limitation) the right to vote such Warrant Shares, receive dividends or other distributions thereon, exercise preemptive rights or be notified of stockholder meetings, and, except as otherwise provided in this Warrant, such Holder shall not be entitled to any stockholder notice or other communication concerning the business or affairs of the Company.

9. Restrictions on Transfer; Transferability. As provided herein, this Warrant may be transferred only pursuant to a registration statement filed under the Act, or an exemption from such registration. Subject to such restrictions, the Company shall transfer this Warrant with a properly executed assignment (in the form of Exhibit B hereto) at the principal office of the Company from time to time upon the books to be maintained by the Company for that purpose, upon surrender hereof for transfer, properly endorsed or accompanied by appropriate instructions for transfer and such other documents as may be reasonably required by the Company, including, if required by the Company, an opinion of its counsel to the effect that such transfer is exempt from the registration requirements of the Act, to establish that such transfer is being made in accordance with the terms hereof, and a new Warrant shall be issued to the transferee and the surrendered Warrant shall be canceled by the Company.

10. Governing Law. This Warrant shall be governed by and construed under the laws of the State of Delaware as applied to agreements among Delaware residents, made and to be performed entirely within the State of Delaware.

11. Successors and Assigns. The terms and provisions of this Warrant shall inure to the benefit of, and be binding upon, the Company and the holders hereof and their respective successors and assigns.

12. Titles and Subtitles. The titles and subtitles used in this Warrant are used for convenience only and are not to be considered in construing or interpreting this Warrant.

13. Notices. Unless otherwise provided, any notice required or permitted under this Warrant shall be given in writing and shall be deemed effectively given as hereinafter described (a) if given by personal delivery, then such notice shall be deemed given upon such delivery, (b) if given by telex or facsimile, then such notice shall be deemed given upon receipt of confirmation of complete transmittal, (c) if given by mail, then such notice shall be deemed given upon the earlier of (i) receipt of such notice by the recipient or (ii) three days after such notice is deposited in first class mail, postage prepaid, and (d) if given by an internationally recognized overnight air courier, then such notice shall be deemed given one business day after delivery to such carrier. All notices shall be addressed as follows: if to the Holder, at its address as set forth in the Company's books and records and, if to the Company, at the address as follows, or at such other address as the Holder or the Company may designate by ten days' advance written notice to the other:

If to the Company:
Highpower International, Inc.
Building A1, Luoshan Industrial Zone,
Shanxia, Pinghu, Longgang,
Shenzhen, Guangdong, 518111
People's Republic of China
Attn: Henry Sun, Chief Financial Officer
Fax: +86-755-8968-6916

With a copy to:
K&L Gates LLP
10100 Santa Monica Boulevard Seventh Floor
Los Angeles, CA 90067
Attn: Katherine J. Blair
Fax: (310) 552-5001

Each person making a communication hereunder by facsimile shall promptly confirm by telephone to the person to whom such communication was addressed each communication made by it by facsimile pursuant hereto but the absence of such confirmation shall not affect the validity of any such communication.

14. Expenses. If any action at law or in equity is necessary to enforce or interpret the terms of this Warrant, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

15. Entire Agreement; Amendments and Waivers. This Warrant and any other documents delivered pursuant hereto and the Consulting Agreement constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof. Nonetheless, any term of this Warrant may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Company and the Holder; or if this Warrant has been assigned in part, by the holders or rights to purchase a majority of the shares originally issuable pursuant to this Warrant.

16. Severability. If any provision of this Warrant is held to be unenforceable under applicable law, such provision shall be excluded from this Warrant and the balance of the Warrant shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

IN WITNESS WHEREOF, the parties have executed this Warrant as of the date above written.

HIGHPOWER INTERNATIONAL, INC.

By: /s/ Dangyu Pan

Name: Dangyu Pan

Title: Chief Executive Officer

ACKNOWLEDGED AND AGREED

/s/ Jian Ke

Jian Ke

Address:

EXHIBIT A

Notice of Exercise

HIGHPOWER INTERNATIONAL, INC.

Attention: Chief Financial Officer

The undersigned hereby irrevocably elects to exercise the right of purchase pursuant to the provisions of the Warrant the securities of the Company, as provided for therein, as follows (check the applicable box):

- tenders herewith payment of the exercise price in full in the form of (i) cash (by check) or by wire transfer or (ii) by cancellation by the Holder of indebtedness of the Company to the Holder, in the amount of \$ _____ for _____ shares of Common Stock pursuant to the terms of the attached Warrant at \$ _____ per share (the applicable Exercise Price as of the date of this Notice of Exercise).
- elects the Net Issue Exercise option pursuant to Section 2(b) of the Warrant, and accordingly requests delivery of a net of _____ shares of Common Stock.

The undersigned hereby represents and warrants that Representations and Warranties in Section 3 of the Warrant are true and correct as of the date hereof.

Please issue a certificate or certificates for such securities in the name of, and pay any cash for any fractional share to (please print name, address and social security number):

Name: _____

Address: _____

Signature: _____

Note: The above signature should correspond exactly with the name on the first page of this Warrant or with the name of the assignee appearing in the assignment form below.

If said number of shares shall not be all the shares purchasable under the within Warrant, a new Warrant is to be issued in the name of said undersigned for the balance remaining of the shares purchasable thereunder rounded up to the next higher whole number of shares.

EXHIBIT B

Assignment Form

HIGHPOWER INTERNATIONAL, INC.

FOR VALUE RECEIVED, _____ (the "Assignor") hereby sells, assigns and transfers all of the rights of the undersigned under the attached Warrant with respect to the number of shares of Common Stock covered thereby set forth below, unto:

Name of Assignee	Address/Fax Number	No. of Shares
-------------------------	---------------------------	----------------------

1. **Obligations of Assignee.** Assignee agrees to take and hold the Warrant and any Warrant Shares issued upon its exercise (the "Securities") subject to, and to be bound by, the terms and conditions set forth in the Warrant to the same extent as if Assignee were the original holder thereof.

2. **Investment Intent.** Assignee represents and warrants that the Securities are being acquired for investment for its own account, not as a nominee or agent, and not with a view to, or for resale in connection with, the distribution thereof, and that Assignee has no present intention of selling, granting any participation in, or otherwise distributing the shares, nor does it have any contract, undertaking, agreement or arrangement for the same, and all representations and warranties set forth in Section 4 of the Warrant are true and correct as to Assignee as of the date hereof.

ASSIGNEE

By: _____
Name: _____
Title: _____
Date: _____

ASSIGNOR

By: _____
Name: _____
Title: _____
Date: _____

THIS WARRANT AND THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SUCH ACT.

Date of Issuance:

Void after:

January 17, 2014

January 16, 2019

HIGHPower INTERNATIONAL, INC.

**Warrant to Purchase Shares of
Common Stock**

FOR VALUE RECEIVED, Jian Ke (also known as Patrick J. Ko) ("Holder"), is entitled to purchase from the Company, subject to the provisions of this Warrant ("Warrant"), from Highpower International, Inc., a Delaware corporation ("Company"), at any time not later than 5:00 P.M., Pacific Standard Time on January 16, 2019 (the "Expiration Date"), 100,000 shares (the "Warrant Shares") of the Company's Common Stock, par value \$0.0001 per share, at a price per share equal to \$3.80 (the "Exercise Price"). The Exercise Price and the number of Warrant Shares purchasable upon exercise of this Warrant shall be subject to adjustment from time to time as described herein. This Warrant is issued pursuant to that certain Consulting Agreement executed July 15, 2013 between the Company and FirsTrust China Ltd. (the "Consulting Agreement").

1. Certain Definitions

(a) "**Fair Market Value**" of a share of Common Stock as of a particular date shall mean:

If traded on a securities exchange, the Fair Market Value shall be deemed to be the average of the closing prices of the Common Stock of the Company on such exchange or market over the five (5) trading days ending immediately prior to the applicable date of valuation;

If actively traded over-the-counter, the Fair Market Value shall be deemed to be the average of the closing bid prices over the thirty (30)-day period ending immediately prior to the applicable date of valuation; and

If there is no active public market, the Fair Market Value shall be the value thereof, as agreed upon by the Company and the Holder; *provided, however*, that if the Company and the Holder cannot agree on such value, such value shall be determined by an independent valuation firm experienced in valuing businesses such as the Company and jointly selected in good faith by the Company and the Holder. Fees and expenses of the valuation firm shall be paid for in equal proportions by the Company and the Holder.

(b) “*Common Stock*” shall mean the Common Stock, \$0.0001 par value per share, of the Company and any other securities at any time receivable or issuable upon exercise of this Warrant.

2. Method of Exercise.

(a) Subject to compliance with the terms and conditions of this Warrant and applicable securities laws, this Warrant may be exercised, in whole or in part at any time or from time to time, on or before the Expiration Date by the delivery (including, without limitation, delivery by facsimile) of the form of Notice of Exercise attached hereto as Exhibit A (the “Notice of Exercise”), duly executed by the Holder, at the principal office of the Company, and as soon as practicable after such date, surrendering:

(i) this Warrant at the principal office of the Company, and

(ii) payment, (i) in cash (by check) or by wire transfer, (ii) by cancellation by the Holder of indebtedness of the Company to the Holder; or (iii) by a combination of (i) and (ii), of an amount equal to the product obtained by multiplying the number of shares of Common Stock being purchased upon such exercise by the then effective Exercise Price (the “Exercise Amount”).

(b) Net Issue Exercise. In lieu of the payment methods set forth in Section 2(a)(ii) above, the Holder may elect to exchange all or some of this Warrant for shares of Common Stock equal to the value of the amount of the Warrant being exchanged on the date of exchange. If Holder elects to exchange this Warrant as provided in this Section 2(b), Holder shall tender to the Company the Warrant for the amount being exchanged, along with written notice of Holder’s election to exchange some or all of the Warrant, and the Company shall issue to Holder the number of shares of the Common Stock computed using the following formula:

$$X = \frac{Y (A-B)}{A}$$

Where: X = the number of shares of Common Stock to be issued to Holder.

Y = the number of shares of Common Stock purchasable under the amount of the Warrant being exchanged (as adjusted to the date of such calculation).

A = the Fair Market Value of one share of the Common Stock on the date that the relevant Notice of Exercise is received by the Company.

B = Purchase Price (as adjusted to the date of such calculation).

(c) Each exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the day on which this Warrant is surrendered to the Company as provided above. The person or persons entitled to receive the Warrant Shares issuable upon exercise of this Warrant shall be treated for all purposes as the holder of record of such Warrant Shares as of the close of business on the date the Holder is deemed to have exercised this Warrant.

(d) As soon as practicable after the exercise of this Warrant in whole or in part, the Company at its expense will cause to be issued in the name of, and delivered to, the Holder, or as such Holder (upon payment by such Holder of any applicable transfer taxes) may direct:

(i) a certificate or certificates for the number of Warrant Shares to which such Holder shall be entitled, and

(ii) in case such exercise is in part only, a new warrant or warrants (dated the date hereof) of like tenor, calling in the aggregate on the face or faces thereof for the number of Shares equal to the number of such Warrant Shares described in this Warrant minus the number of such Warrant Shares purchased by the Holder upon all exercises made in accordance with this Section 1.

(e) If the Company shall fail, for any reason or for no reason, to issue to the Holder within three (3) trading days after receipt of the applicable Notice of Exercise, a certificate as set forth herein upon the Holder's exercise of this Warrant and if the Holder (or any other Person in respect, or on behalf, of the Holder) purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of all or any portion of the number of shares of Common Stock issuable upon such exercise that the Holder so anticipated receiving from the Company (a "Buy-In"), then the Company shall, within three (3) business days after the Holder's request, pay cash to the Holder in an amount equal to 50% of the excess (if any) of the total purchase price (including reasonable brokerage commissions and other reasonable out-of-pocket expenses, if any) for the shares of Common Stock so purchased (including, without limitation, by any other Person in respect, or on behalf, of the Holder) over the proceeds received by the Holder as a result of the sale to which such Buy-In relates. The Holder shall provide the Company written notice together with a reasonably detailed summary indicating the amounts payable to the Holder in respect of the Buy-In.

3. Representations and Warranties of the Company.

In connection with the transactions provided for herein, the Company hereby represents and warrants to the Holder that:

(a) **Organization, Good Standing, and Qualification.** The Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business as now conducted. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a material adverse effect on its business or properties.

(b) **Authorization.** Except as may be limited by applicable bankruptcy, insolvency, reorganization or similar laws relating to or affecting the enforcement of creditors' rights, all corporate action has been taken on the part of the Company, its officers and directors necessary for the authorization, execution and delivery of this Warrant. The Company has taken all corporate action required to make all the obligations of the Company reflected in the provisions of this Warrant the valid and enforceable obligations they purport to be. The issuance of this Warrant will not be subject to preemptive rights of any stockholders of the Company. The Company has authorized sufficient shares of Common Stock to allow for the exercise of this Warrant.

4. Representations and Warranties of the Holder. In connection with the transactions provided for herein, the Holder hereby represents and warrants to the Company that:

(a) **Authorization.** Holder represents that it has full power and authority to enter into this Warrant. This Warrant constitutes the Holder's valid and legally binding obligation, enforceable in accordance with its terms, except as may be limited by (i) applicable bankruptcy, insolvency, reorganization, or similar laws relating to or affecting the enforcement of creditors' rights and (ii) laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

(b) **Purchase Entirely for Own Account.** The Holder acknowledges that this Warrant is entered into by the Holder in reliance upon such Holder's representation to the Company that the Warrant and the Warrant Shares (collectively, the "Securities") will be acquired for investment for the Holder's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that the Holder has no present intention of selling, granting any participation in or otherwise distributing the same. By acknowledging this Warrant, the Holder further represents that the Holder does not have any contract, undertaking, agreement, or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to the Securities.

(c) **Disclosure of Information.** The Holder acknowledges that it has received all the information it considers necessary or appropriate for deciding whether to acquire the Securities. The Holder further represents that it has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Securities.

(d) **Investment Experience.** The Holder is an investor in securities of companies in the development stage and acknowledges that it is able to fend for itself, can bear the economic risk of its investment, and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Securities. If other than an individual, the Holder also represents it has not been organized solely for the purpose of acquiring the Securities.

(e) **Accredited Investor.** The Holder is an “accredited investor” within the meaning of Rule 501 of Regulation D, as presently in effect, as promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “Act”).

(f) **Restricted Securities.** The Holder understands that the Securities are characterized as “restricted securities” under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Act, only in certain limited circumstances. In this connection, Holder represents that it is familiar with Rule 144, as presently in effect, as promulgated by the SEC under the Act (“Rule 144”), and understands the resale limitations imposed thereby and by the Act.

(g) **Further Limitations on Disposition.** The Holder, by acceptance hereof, agrees that, absent an effective registration statement filed with the SEC under the Act covering the disposition or sale of this Warrant or the Warrant Shares issued or issuable upon exercise hereof, as the case may be, and registration or qualification under applicable state securities laws, such Holder will not sell, transfer, pledge, or hypothecate any or all of this Warrant or such Warrant Shares, as the case may be, unless either (i) the Company has received an opinion of counsel, in form and substance reasonably satisfactory to the Company, to the effect that such registration is not required in connection with such disposition or (ii) the sale of such Securities is made pursuant to SEC Rule 144.

(h) **Legends.** It is understood that the Securities may bear the following or a similar legend:

“THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SUCH ACT.”

5. **Valid Issuance; Taxes.** All Warrant Shares issued upon the exercise of this Warrant shall be validly issued, fully paid and nonassessable, and the Company shall pay all taxes and other governmental charges that may be imposed in respect of the issue or delivery thereof. The Company shall not be required to pay any tax or other charge imposed in connection with any transfer involved in the issuance of any certificate for Warrant Shares in any name other than that of the Holder of this Warrant, and in such case the Company shall not be required to issue or deliver any stock certificate or security until such tax or other charge has been paid, or it has been established to the Company’s reasonable satisfaction that no tax or other charge is due.

6. Adjustment of Exercise Price and Number and Kind of Warrant Shares. The number and kind of Warrant Shares purchasable upon exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time as follows:

(a) **Subdivisions, Combinations and Other Issuances.** If the Company shall at any time after the issuance but prior to the expiration of this Warrant subdivide its Common Stock, by split-up or otherwise, or combine its Common Stock, or issue additional shares of its Common Stock as a dividend with respect to any shares of its Common Stock, the Exercise Price shall be proportionally decreased and the number of Warrant Shares issuable on the exercise of this Warrant shall be proportionately increased in the case of a subdivision or stock dividend. The Exercise Price shall be proportionally increased and the number of Warrant Shares issuable on the exercise of this Warrant shall be proportionately decreased in the case of a combination. Any adjustment under this Section 6(a) shall become effective at the close of business on the date the subdivision or combination becomes effective, or as of the record date of such dividend, or in the event that no record date is fixed, upon the making of such dividend.

(b) **Reclassification, Reorganization and Consolidation.** In case of any reclassification, capital reorganization or change in the capital stock of the Company (other than as a result of a subdivision, combination or stock dividend provided for in Section 6(a) above), then, as a condition of such reclassification, reorganization or change, lawful provision shall be made, and duly executed documents evidencing the same from the Company or its successor shall be delivered to the Holder, so that the Holder shall have the right at any time prior to the expiration of this Warrant to purchase, at a total price equal to that payable upon the exercise of this Warrant, the kind and amount of shares of stock and other securities or property receivable in connection with such reclassification, reorganization or change by a holder of the same number and type of securities as were purchasable as Warrant Shares by the Holder immediately prior to such reclassification, reorganization or change. In any such case appropriate provisions shall be made with respect to the rights and interest of the Holder so that the provisions hereof shall thereafter be applicable with respect to any shares of stock or other securities or property deliverable upon exercise hereof, and appropriate adjustments shall be made to the per-share Exercise Price payable hereunder, provided the aggregate Exercise Price shall remain the same.

(c) **Notice of Adjustment.** When any adjustment is required to be made in the number or kind of Warrant Shares purchasable upon exercise of the Warrant, or in the Exercise Price, the Company shall promptly notify the Holder of such event and of the new Exercise Price and number of Warrant Shares or other securities or property thereafter purchasable upon exercise of this Warrant.

7. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant, but in lieu of such fractional shares the Company shall make a cash payment therefor on the basis of the Exercise Price then in effect.

8. No Stockholder Rights. Prior to exercise of this Warrant, the Holder shall not be entitled to any rights of a stockholder with respect to the Warrant Shares, including (without limitation) the right to vote such Warrant Shares, receive dividends or other distributions thereon, exercise preemptive rights or be notified of stockholder meetings, and, except as otherwise provided in this Warrant, such Holder shall not be entitled to any stockholder notice or other communication concerning the business or affairs of the Company.

9. Restrictions on Transfer; Transferability. As provided herein, this Warrant may be transferred only pursuant to a registration statement filed under the Act, or an exemption from such registration. Subject to such restrictions, the Company shall transfer this Warrant with a properly executed assignment (in the form of Exhibit B hereto) at the principal office of the Company from time to time upon the books to be maintained by the Company for that purpose, upon surrender hereof for transfer, properly endorsed or accompanied by appropriate instructions for transfer and such other documents as may be reasonably required by the Company, including, if required by the Company, an opinion of its counsel to the effect that such transfer is exempt from the registration requirements of the Act, to establish that such transfer is being made in accordance with the terms hereof, and a new Warrant shall be issued to the transferee and the surrendered Warrant shall be canceled by the Company.

10. Governing Law. This Warrant shall be governed by and construed under the laws of the State of Delaware as applied to agreements among Delaware residents, made and to be performed entirely within the State of Delaware.

11. Successors and Assigns. The terms and provisions of this Warrant shall inure to the benefit of, and be binding upon, the Company and the holders hereof and their respective successors and assigns.

12. Titles and Subtitles. The titles and subtitles used in this Warrant are used for convenience only and are not to be considered in construing or interpreting this Warrant.

13. Notices. Unless otherwise provided, any notice required or permitted under this Warrant shall be given in writing and shall be deemed effectively given as hereinafter described (a) if given by personal delivery, then such notice shall be deemed given upon such delivery, (b) if given by telex or facsimile, then such notice shall be deemed given upon receipt of confirmation of complete transmittal, (c) if given by mail, then such notice shall be deemed given upon the earlier of (i) receipt of such notice by the recipient or (ii) three days after such notice is deposited in first class mail, postage prepaid, and (d) if given by an internationally recognized overnight air courier, then such notice shall be deemed given one business day after delivery to such carrier. All notices shall be addressed as follows: if to the Holder, at its address as set forth in the Company's books and records and, if to the Company, at the address as follows, or at such other address as the Holder or the Company may designate by ten days' advance written notice to the other:

If to the Company:

Highpower International, Inc.
Building A1, Luoshan Industrial Zone,
Shanxia, Pinghu, Longgang,
Shenzhen, Guangdong, 518111
People's Republic of China
Attn: Henry Sun, Chief Financial Officer
Fax: +86-755-8968-6916

With a copy to:

K&L Gates LLP
10100 Santa Monica Boulevard Seventh Floor
Los Angeles, CA 90067
Attn: Katherine J. Blair
Fax: (310) 552-5001

Each person making a communication hereunder by facsimile shall promptly confirm by telephone to the person to whom such communication was addressed each communication made by it by facsimile pursuant hereto but the absence of such confirmation shall not affect the validity of any such communication.

14. Expenses. If any action at law or in equity is necessary to enforce or interpret the terms of this Warrant, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

15. Entire Agreement; Amendments and Waivers. This Warrant and any other documents delivered pursuant hereto and the Consulting Agreement constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof. Nonetheless, any term of this Warrant may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Company and the Holder; or if this Warrant has been assigned in part, by the holders or rights to purchase a majority of the shares originally issuable pursuant to this Warrant.

16. Severability. If any provision of this Warrant is held to be unenforceable under applicable law, such provision shall be excluded from this Warrant and the balance of the Warrant shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

IN WITNESS WHEREOF, the parties have executed this Warrant as of the date above written.

HIGHPOWER INTERNATIONAL, INC.

By: /s/ Dangyu Pan

Name: Dangyu Pan

Title: Chief Executive Officer

ACKNOWLEDGED AND AGREED

/s/ Jian Ke

Jian Ke

Address:

EXHIBIT A

Notice of Exercise

HIGHPOWER INTERNATIONAL, INC.

Attention: Chief Financial Officer

The undersigned hereby irrevocably elects to exercise the right of purchase pursuant to the provisions of the Warrant the securities of the Company, as provided for therein, as follows (check the applicable box):

- tenders herewith payment of the exercise price in full in the form of (i) cash (by check) or by wire transfer or (ii) by cancellation by the Holder of indebtedness of the Company to the Holder, in the amount of \$ _____ for _____ shares of Common Stock pursuant to the terms of the attached Warrant at \$ _____ per share (the applicable Exercise Price as of the date of this Notice of Exercise).
- elects the Net Issue Exercise option pursuant to Section 2(b) of the Warrant, and accordingly requests delivery of a net of _____ shares of Common Stock.

The undersigned hereby represents and warrants that Representations and Warranties in Section 3 of the Warrant are true and correct as of the date hereof.

Please issue a certificate or certificates for such securities in the name of, and pay any cash for any fractional share to (please print name, address and social security number):

Name: _____

Address: _____

Signature: _____

Note: The above signature should correspond exactly with the name on the first page of this Warrant or with the name of the assignee appearing in the assignment form below.

If said number of shares shall not be all the shares purchasable under the within Warrant, a new Warrant is to be issued in the name of said undersigned for the balance remaining of the shares purchasable thereunder rounded up to the next higher whole number of shares.

EXHIBIT B

Assignment Form

HIGHPOWER INTERNATIONAL, INC.

FOR VALUE RECEIVED, _____ (the "Assignor") hereby sells, assigns and transfers all of the rights of the undersigned under the attached Warrant with respect to the number of shares of Common Stock covered thereby set forth below, unto:

Name of Assignee

Address/Fax Number

No. of Shares

1. **Obligations of Assignee.** Assignee agrees to take and hold the Warrant and any Warrant Shares issued upon its exercise (the "Securities") subject to, and to be bound by, the terms and conditions set forth in the Warrant to the same extent as if Assignee were the original holder thereof.

2. **Investment Intent.** Assignee represents and warrants that the Securities are being acquired for investment for its own account, not as a nominee or agent, and not with a view to, or for resale in connection with, the distribution thereof, and that Assignee has no present intention of selling, granting any participation in, or otherwise distributing the shares, nor does it have any contract, undertaking, agreement or arrangement for the same, and all representations and warranties set forth in Section 4 of the Warrant are true and correct as to Assignee as of the date hereof.

ASSIGNEE

ASSIGNOR

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

Working Capital Loan Contract

Reference No. : 2014zhenzhongyinbujiezi No.00010

Party A: Springpower Technology (Shenzhen) Co., Ltd

Business Licences: 440306503295562

Legal Representative: Dangyu Pan

Address: Factory A, Chaoshun Industrial Zone, Renmin Road, Fumin Residential Area, Guanlan, BaoAn District,

Postal code: 518000

Deposit A/C and financial institutions: Bank of China, Pinghu Sub-branch, Shenzhen, Telephone: 2802 9923 ; Facsimile: 2802 9923

Party B: Bank of China, Buji Sub-branch.

Legal Representative: Li Yanshan

Address: 108, Buji Road, Buji Town, Longgang District, Shenzhen; Postal code: 518112

Telephone: 0755-2827 4825; Facsimile: 0755-2827 0847

This contract is the affiliated specific credit contract under the "Comprehensive Credit Line Contract" (Reference No.: 2013zhenzhongyinebuxiezi No. 0000132), which is signed by Springpower Technology (Shenzhen) Co., Ltd and Bank of China, Buji Sub-branch.

The parties agree as follow.

Clause 1 Amount

Party B agrees to provide the following loan:

Currency in: RMB

Amount: RMB Ten million only

RMB 10,000,000.00

Clause 2 Period

The period of the loan is 6 months starting from the first withdrawal date in part or in whole. It is Party A's obligation to withdraw funds on the date as agreed. Any late withdrawal will not result in delay/extension of repayment.

Clause 3 Use of loan

Purpose of loan: Purchase of raw materials

Party A is prohibited from changing the use of loan without Party B's written approval. The restrictions include but are not limited to changing the use of loan to fixed assets or equity investments, as well as production activities prohibited by the central governments.

Clause 4 lending rate and interest calculations

Lending rate is floating rate, which is reset every six months starting from the first withdrawal date. The rate resetting date is the first day of each floating period.

For each withdrawal in installments:

■ RMB floating rate

A. First withdrawal (during the first floating period) interest rate is the six-month benchmark lending interest rate, set by People's Bank of China, plus 10%;

B. On the interest resetting date, the new interest rate is the spot one-year lending interest rate, benchmarked by People's Bank of China, plus 10% on all outstanding loan amounts.

2. Interest calculation

Interest is calculated starting from the actual withdrawal date on the actual amount of money withdrawn and the number of days outstanding.

Interest calculation formula: Interest = Principal × actual number of days × daily rate.

Daily rate calculation is: daily rate = APR / 360.

3. The method of interest settlement

Interest settlement takes place on the 20th of each month, the 21st is the interest payment date.

If the final loan principal payment date is different from the interest payment date, the borrower should pay off all interest on the principal payment date.

4. Penalty interest

(1) For the loan overdue or violated use the loan purpose, penalty interest rate will apply to the loan amount that is overdue or misappropriated from the date of overdue or misappropriation until the principal and interest are paid off.

On both overdue and misappropriation of loans, a higher penalty interest rate shall be charged.

(2) If the borrower does not pay interest and/or penalty interest by the interest payment date, the interest is calculated based on Clause 3 and 4.

(3) Penalty rate

■ The penalty interest rate on floating-rate loans

According to the floating period and the method of floating as agreed in Clause 1, the penalty interest rate of the overdue loan shall be the agreed interest rate plus 50%, and the penalty interest rate of the misappropriated loan shall be the agreed interest rate plus 100%;

Clause 5 Withdrawal Conditions

Withdrawal must meet the following conditions:

1. This contract and its attachments have become effective.
2. Party A has provided guarantees requested by Party B, and the guarantee contract has become effective and has accomplished legal procedures of approval and registration.
3. Party A has provided Party B with loan documents, seals, personnel list, specimen signature, and complete the relevant evidence.
4. Party A has opened the account for fulfilling this contract requested by Party B.
5. Party A should submit written withdrawal application, documentary proof for using of loans and complete the relevant formalities for withdrawal before 5 banking days.
6. Party A has submitted resolution books and power of attorney signed by the board or other authorities to Party B.

Withdrawal can be refused by Party B if Party A has not met the above conditions, but agreed by Party B.

Clause 6 Date and method of withdrawal

1. All loans should be withdrawn in 30 days from 16th Jan 2014.
-

2. Party B has the right to refuse the withdrawal application of unused loan which is over the date of withdrawal.

Clause 7 Payment of the loan

1. The account

The loan should be granted and paid through the account opened by Party A:

Account Name: Springpower Technology (Shenzhen) Co., Ltd

Account number:764057938815

2. The way of payment

(1) The way of payment should be in accordance with laws and regulations, regulatory requirements and the contract. The way of single payment of the Loan should be approved in written withdrawal application. Party B has the right to change the way of payment or stop providing the loan if the way of payment in the application doesn't meet the requirement.

(3) Borrower makes the payment on its own.

(4) The change of payment. The way of payment should be changed when the payment, credit rating or other conditions of Party A has changed after submitting withdrawal application. Party A should provide the written change application, should resubmit the withdrawal application and documentary proof for using of loans if the sum, payment object or the use of loans has changed.

3. The specific requirements of entrusted payment

(1) Entrusted payment. Party B pay to the specified account directly which is written in this contract, including the name of account, account number and the sum of payment.

(2) To provide the transaction information. Party A should provide the account of loans, the account information of counterparty and relevant documents when entrusted payment. All document provided to Party B should be true, integral and effective, or Party B does not assume any responsibility for failed transaction, and occurred repayment obligations do not be affected.

(3) Party B's obligations under the entrusted payment

A. Party B pay to the specified account after examination and approval of Party A's commission books and other related transaction information when entrusted payment.

B. If Party B found that the proof materials and other related trading purposes material provided by Party A does not comply with this contract or the presence of other defects, Party B has the right to require Party A to supplement, replace, description or re-submit the relevant materials. Before these materials are submitted, Party B has the right to refuse the issuance and payment of the relevant amounts.

C. Party B will assume no responsibility and the generated obligations of Party A will be not affected if Party B cannot pay the loan to the counterparty in time in accordance with payment order of Party A because of the refund by opening bank of the counterparty. Party A hereby authorizes Party B to freeze the fund returned by opening bank of the counterparty. In this case, Party A shall resubmit the payment order and use proven materials and other related transaction materials.

(4) Party A shall not piecemeal way to circumvent the trustee to pay Party B.

5. Party B has right to redefine the terms of payment and loan disbursement or stop the loan if the following situations occurred:

(1) Party A violates the contract to circumvent entrusted payment of Party B by piecemeal way.

(2) Party A's credit status drops or main business profitability is not good.

(3) The use of loan is abnormal.

(4) Party A fails to provide the records and information of the loan requested by Party B timely.

(5) Party A contravenes this section to use the loan.

Clause 8 Repayment

1. Party A shall specify the following account as capital recovery account and provide the information of this account. Party B has the right to ask Party A to explain inflows and outflows of large-sum and abnormal capital, as well as monitor capital recovery account.

Account Name: Springpower Technology (Shenzhen) Co., Ltd
Account number:764057938815

2. Except otherwise agreed, on the expiry date, Party A must repay all the loans under this contract.

If Party A wants to change the plan of repayment, a written application confirmed in writing by both parties jointly should be submitted in 10 banking days before the loans maturity.

3. Unless otherwise agreed, Party A has the right to decide repayment order of the principal or interest. If there are several expiring loans or overdue loans which are repaid in installment way under this contract, Party B has the right to decide the liquidation sequence of a repayment. Party B has the right to decide the priority of the repayment order if multiple contracts expire at the same time.

4. Unless otherwise agreed, Party A can repay in advance, but Party A should notice Party B in written 15 banking days advance. The amount of the first advance payment used to repay the final maturity of the loan, in reverse order to repay the loans.

5. Party A must deposit funds in the following account three banking days advance of every expiring principle with interest. Party B has the right to take the funds from the account on the expiry date.

Account Name: Springpower Technology (Shenzhen) Co., Ltd
Account number:764057938815

Clause 9 Guarantee

1. To ensure that borrowing under this agreement is repaid, the following guarantees shall be adopted:
 - 1) This contract is the main contract of Guaranty Contract of Maximum Amount (NO: 2013ZHENZHONGYINBUBAOEZI0016) signed by SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. (Guarantor) and Party B. Guarantor provides the maximum amount guarantee.
 - 2) This contract is the main contract of Guaranty Contract of Maximum Amount (NO: 2013ZHENZHONGYINBUBAOEZI0017) signed by DAGNYU PAN (Guarantor) And Party B. Guarantor provides the maximum amount guarantee.
 - 3) This contract is the main contract of pledge of account receivable (NO: 2013ZHENZHONGYINBUZHIXIEZI0008) signed by Springpower Technology (Shenzhen) Co., Ltd And Party B.
-

2. Under certain circumstance, Party B believes that will affect the capacity for fulfilling the contract of Party A or Guarantor, or Guarantee Contracts are invalid, revoked or dissolved, or the financial position of Party A/Guarantor deteriorate or Party A/Guarantor involved in litigation issues, or other factors which might affect its repayment ability, or guarantors were found default in other contracts with Party B, or devaluation, dismiss or damage of collaterals which might cause the value of the collaterals slaked or losses, Party B reserves the right to request Party A and Party A has the obligation to add or replace the guarantor.

Clause 10 Statement and Commitment

1. Party A's statement:

- 1) Party A is legally register and exist with full capacity for civil rights and civil conduct;
- 2) Signing and performing the contract is the true will of Party A, Party A has been granted all legal and valid authorizations before signing the contract. The contract does not form a default for other contracts signed and performed by Party A and other legal documents. It is Party A's responsibility to complete all required approvals, registrations, permits and filings.
- 3) All document and information, financial statement, certificates and other materials provided by Party A to Party B are true, complete, accurate and effective.
- 4) All the transactions mentioned by Party A for apply specific credit line should be real and not for illegal purposes such as: money laundry.
- 5) No hidden events regarding Party A and guarantor's financial and repayment abilities.
- 6) Party A and the loan project reach the national environmental standards, not in the list of the enterprises which have problems of energy consumption and pollution, don't have the risk of energy consumption and pollution.

2. Party A's commitment:

- 1) Party A shall submit the financial statements and other relevant information regularly, including but not limited to annual, quarterly and monthly financial reports.
 - 2) Any counter-guarantee agreement between the guarantors and Party A will not affect the Party B's underlying rights under this contract.
 - 3) Cooperated in Party B's exam and inspection on the utilization of the loan as well as Party A's financials and operations.
-

- 4) Under circumstances Party A or Guarantor's capability of performing the contract might be affected, Party A should notify Party B in written in time. Those circumstances included but not limited to merger, division, decrease of capital, equity transfer, investment, a substantial increase of debt financing, a major asset and credit assignment.

Party A should notify Party B in time, when the following things occurred:

- A. changes of articles of association, the scope of business, registered capital and legal representative of Party A or Guarantor.
 - B. Any form of management mode change, including joint operation, invest and cooperate with foreigners, contract management, reorganization, restructuring, listing plan.
 - C. Party A is involved in major litigation or arbitration, or property or collateral is seized, detained or regulated, or set new guarantee in collateral.
 - D. Out of business, dissolution, liquidation, suspend business for rectification, cancellation, revocation of the business license or (be) filed for bankruptcy.
 - E. Shareholders, directors and senior management personnel suspected of serious cases or economic disputes.
 - F. Default events in other contracts.
 - G. Operating difficulties and financial situation has deteriorated.
- (5) The repayment to Party B prior to shareholders, and is comparable to other creditors of the same kind debts.
- Party A is prohibited to repay the loan to shareholders before paying off the principal and interests under the contract.
- (6) If Party A fails to pay principal, interests and fees on time in the fiscal year, any form of dividends is forbidden.
- (7) Party A cannot dispose of assets to reduce its debt paying ability and promises the total amount of external guarantee is not 1 time higher than its net assets, and the total amount of external guarantee and the amount of single guarantee shall not exceed the limitation set by the articles of association.
- (8) Except the use agreed in this contract or agreed by Party B, Party A is prohibited to transfer the loans to other accounts or related accounts.
-

Party A should provide documentary proof when the loan is transferred to other accounts or related accounts.

(9) Party B has the right to call the loan advanced according to the situation of capital return of Party A.

Clause 11 disclosure of the affiliated transaction inside Party A 's group

Party A is a Group customer confirmed by Party B according to the "Commercial Bank Group guidelines for customer credit risk management business"(hereinafter referred to as "guideline"). During the credit period, Party A shall promptly report to Party B about more than 10% of net assets associated with the transaction, including but not limited to: the parties to the transaction of the association; trading program and nature of the transaction; the amount of the transaction or the corresponding ratio; pricing policies (including no amount or only nominal amounts of transactions).

Under any of the following circumstances, Party B shall have the right to unilaterally decide to suspend the unused loan and recover part or all of the principal and interest of the loan in advance: use the false contracts which are signed with affiliated parties to discount or pledge at bank and to obtain bank funds or credit with notes receivable and accounts receivable without actual trade background; the occurrence of major mergers, acquisitions and reorganization which are considered by Party B may affect the loan safety; evasion or discarding of bank debts on purpose through affiliated transactions; other circumstances stipulated in article eighteenth of "guidelines".

Clause 12 Breach of Covenants

Each of the following events and issues constitute Party A in the event of default under the contract:

1. Party A did not perform the repayment obligation under this contract;
 2. Party A has not used the credit funds according to agreed purposes, or has not paid the loan by agreed way in this contract;
 3. Party A's statements in this contract are untrue or in violation with commitments made by Party A in this contract.
 4. Under the circumstance defined in 2.(4) of Clause 10, Party A refused to provide additional guarantee or replacement of a new guarantor.
-

5. Deterioration of credit, or profitability, debt paying ability, operating ability, cash flow and other financial indicators of Party A deteriorate, breaking the contract index constraint agreed or other financial covenants.
6. Party A breaches other contracts signed with Party B or other affiliated institutions of Bank of China.
7. Guarantors breach contracts, or have default events with Party B or other affiliated institutions of Bank of China.
8. The termination of business or dissolution, revocation or bankruptcy of Party A.
9. Party A is or may be involved in major economic disputes, litigation, arbitration, or its assets were seized, detained or enforced, or investigated or punished by the judicial organ or taxation, industry and commerce administrative organs in accordance with the law, has been or may affect its ability to fulfill the obligations under this contract.
10. Abnormal change, missing, legal restriction of personal liberty and investigation by judicial authorities of Party A's major individual investors, key management personnel, which have been or may affect Party A to fulfill the obligations under this contract.
11. Party B finds the problems which may affect the borrower or guarantor's financial situation and performance capabilities when reviewing Party A's financial condition and performance capabilities every year (every year from the effective date of the contract);
12. Party A cannot provide materials to Party B to explain large and abnormal capital inflow and outflow in the account.
13. Party A is in violation with other rights and obligations agreed in this contract.

When any of the above situations occurred, Party B will perform the following in separate or all at the same time according to the specific situation:

- 1) Require Party A or Guarantor to rectify defaults within a definite time.
 - 2) Reduce completely or partly, pause or terminate Party A's Credit limit.
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- 3) Pause or terminate completely or partly Party A's business applications in this contract or in other contracts between Party A and Party B specific credit line under this contract. Pause or terminate completely or partly, or cancel or stop offering, paying and settling the unissued loans and unsettled trade financing.
- 4) Announce the immediate expiration on all or part of the outstanding loans, principle and interest of trade financing and other accounts payable under this contract or other contracts between Party A and Party B.
- 5) Terminate or release this contract, terminate or release contracts between Party A and Party B completely or partly.
- 6) Require compensation from Party A on the losses caused by Party A to Party B.
- 7) Deduct the fund from Party A's deposit accounts to pay off the debts to Party B under this contract. All the undue funds in the accounts were considered as acceleration of maturity. If the currency in deposit account is different from the currency of Party B's loans, the exchange rate on the date of the hold in custody will be applied.
- 8) Real rights of pledge will be executed.
- 9) Require Guarantors assume liability of guaranty.
- 10) Other necessary or probable procedures on Party B's concern.

Clause 13 Rights reserved

One party does not perform part or all of the rights under this contract, nor does not require the other party to perform, undertake part or all of the obligations and responsibilities, which does not mean the abdication of the right or exemption of the obligation and responsibility. Any tolerance, extension or delay from one party to another party for exercising of rights under this contract does not affect the rights one party enjoys according to this contract and laws and regulations, and does not mean the abdication of the right.

Clause 14 Changes, Modification, Termination

Upon negotiation and agreed by both parties, this contract can be changed and modified by written. Any of the changes and modifications should form the inseparable part of this contract.

Unless otherwise provided for in any law or regulation or stipulated between the parties, this contract would not be terminated prior to all the rights and obligations are fulfilled.

Unless otherwise provided for in any law or regulation or stipulated between the parties, the invalidation of single terms under this contract should not affect the validation of other terms under this contract.

Clause 15 Applicable Law and Resolution for Dispute

1. This contract is applicable to the laws of People's Republic of China.

During the performance of this contract or in connection with all disputes relating to this contract, the two parties settled through friendly consultations. If negotiation cannot reach agreement, both parties can apply to the local people's court of Party A or other affiliated institutions of Bank of China.

Clause 16 Attachments

The Appendix hereof and the other appendix confirmed by both parties shall form an integral part of this contract, and shall be of legally equal effect with this contract.

1. Withdrawal application;

Clause 17 Other terms and conditions

1. Without Party B's written approval, Party A is not allowed to transfer the rights and obligations under this contract to the 3rd Parties.
 2. Party A should give the consent that Party B might somehow authorize other affiliated institution of Bank of China to perform the obligation. The performing party entitles all the rights and obligations under this contract, the performing party reserves the rights to appeal a resolution of dispute if necessary.
 3. The contract has equivalent restrictions to the successors or inherits of both parties.
 4. Unless otherwise agreed, the domicile addresses stated in this contract are for corresponding use; both parties should notify each other in writing about any changes of its domicile addresses.
 5. The transactions under the contract based on independent interests. According to relevant laws, regulations and regulatory requirements, other parties of the transaction constitutes a connected party or associated persons, any party shall not seek to use this relationship to affect the fair of transaction.
-

6. The title and name of business in this contract is only for business purposes, will not be used for interpretation of the contract terms, the rights and obligations.
7. In accordance with the provisions of the relevant laws and regulations, supervision, Party B has the right to provide the information of this contract and other relevant information to the credit system of the people's Bank of China and other legally established credit information database, for organizations or individuals who have the appropriate qualifications to query and use.
8. If the drawdown date or the repayment date is in legal holidays, then it is delayed to the first working day after the holidays.
9. If required by the governing institutions, Party B might not be able to perform the obligations agreed in this contract, Party B has the right to stop or change the contract or its clauses, and Party B is exempted from punishment under this circumstance.

Clause 18 Effective of the contract

This contract enters into force upon the date when it is signed or sealed and affixed with official seals by the legal representatives or entrusted agents of Party A and Party B.

This contract is signed in quadruplicate, each party holds two copies, which have the equal legal effect.

/s/ [Stamp of Party A]
Signature
Jan 16, 2014

/s/ [Stamp of Party B]
Signature
Jan 16, 2014

Comprehensive Credit Line Contract

Reference No. : 2014zhenzhongyinbuexiezi No.0000162

Party A: Shenzhen Highpower Technology (Shenzhen) Co., Ltd

Business License: 440307503274740

Legal Representative: Dangyu Pan

Address: Building A2, Luoshan Industrial Zone, Longgang District, Shenzhen

Postal code: 518111

Deposit A/C and financial institutions: Bank of China, Pinghu Sub-branch, Shenzhen,

Telephone: 8968 6236 ; Facsimile: 8968 6298

Party B: Bank of China, Buji Sub-branch.

Legal Representative: LI YANSHAN

Address: 108, Buji Road, Buji Town, Longgang District, Shenzhen; Postal code: 518112

Telephone: 2827 4825 ; Facsimile: 2827 0847

The parties agree as follow.

Clause 1 Scope of Business

Satisfied by condition precedent defined in this contract, Party A is allowed to apply for recurring, temporary or one-off credit line from Party B in the form of a short-term loan, deposit account overdraft, bank acceptance, trade finance, bank guarantee, or other monetary financing or credit authorization business ("Specific credit line business").

The trade finance business under this contract is included and limited to: international letter of credit, domestic letter of credit, import bill advance, shipping guarantee, packing credit, export bill purchase, export bill discount, import bill advance under LC, negotiation credit and other international and domestic trade finance business.

The bank guarantee business under this contract is including bank guarantee, standby letter of credit and all sorts of bank guarantee business.

Clause 2 Types and amount of credit line

Party B agrees to offer the following:

Currency in: Renminbi

Amount: Renmibi Seventy million

RMB 70,000,000.00

Types: 1. Loans : RMB40,000,000.00

2. Bank Acceptances: RMB30,000,000.00

Clause 3 Usage of credit lines

1. Within the credit line period, under the agreed upper limits on each type of credit line, Party A can use the credit line recurrently. If Party A needs to apply for the one-off credit line, a written application is required. And both parties should agree that Party B has the final say on whether and how the one-off credit line will be granted. Party B will notify Party A in written once the decision is made.
2. This contract will override all the credit line contracts previously signed by Party A and Party B. Upon the effective date of this contract, all the used and unused credit lines prior to this contract will be considered as used and unused credit lines under this contract
3. Unless otherwise agreed, the following business will not occupy the credit line under this contract.
 - 1) Export bill purchase business with precisely matched bills, documents and certificates
 - 2) Outwards letters of credit, bank guarantee and trade finance business which Party B agreed to act as confirming bank.
 - 3) Any credit line business which guaranteed by Party A by deposits, government bonds, deposit certificates issued by Party B, bank acceptance, guarantee or standby letters of credit accepted by Party B
 - 4) Any other business agreed by both parties.The above defined businesses, although they will not occupy the credit limits under this contract, they will still be considered as inseparable part of the contract.

Clause 4 Application of specific credit line business

Written applications or separate contracts are required from Party A to apply for a specific credit line.

Clause 5 Period

The credit line defined in clause 2 under this contract will be started from the effective date and end on Mar 10th 2015.

Upon negotiation, both parties can extend the contract period by signing supplementary contracts. Party B will continue to provide credit lines under supplementary contracts. All terms and conditions under this contract have the equivalent legal effects and restrictions on the supplementary contracts.

The termination of a specific credit line will only occur when all the rights and obligations are fulfilled. The above period has no limitation on specific credit line under this contract.

Clause 6 Condition Precedents of specific credit line business

Party A should fulfill the following conditions precedent before applying for a specific credit line business

- 1) File the necessary documents, stamps and signatures in Party B in relating to this contract and all the specific credit line contract under this contracts
 - 2) Open the necessary bank account
 - 3) Make sure the required guarantee contracts are properly in place
 - 4) Other conditions precedent required for specific credit line contracts
 - 5) Other conditions precedent required by Party B
-

Clause 7 Guaranty

For all the liabilities occurred under this contract and the specific credit line contract affiliated to this contract should be guaranteed by the following:

Maximum Amount Guarantee provided by:

- 1) Springpower Technology Co. Ltd., a guarantee contract is signed separately;
- 2) Dangyu Pan, a guarantee contract is signed separately;

Collateral on the Maximum Amount

- 1) The collateral is provided by Party A, a collateral contract is signed separately;

Under certain circumstances that Party A or the Guarantor might be unable to fulfill or make Party B believe they are unable to fulfill the contractual capacity, e.g: Guarantee Contracts are invalid, Party A is or will be under significant business difficulties or risks: deteriorated financials, litigation issues which might affect its repayment ability, Guarantors were found default in other contracts with Party B, devaluation, dismissal or damage of collaterals which might cause the value of the collaterals slaked or losses. Party B reserves the right to and Party A has the obligation to additional or replace the guarantor.

Clause 8 Statement and Commitment

1. Party A's statement:

- 1) Party A is legally registered and operating, and owning the full civil rights required by this contract.
- 2) Signing and performing the contract is the true will of Party A, Party A has been granted all necessary authorizations in effect before signing the contract. The contract does not form a default for other contracts signed and performed by Party A. It is Party A's responsibility to complete all required approvals, registrations, permits and filings.
- 3) All documents and information provided by Party A to Party B are true, complete, accurate and effective.
- 4) All the transactions mentioned by Party A for apply specific credit line should be real and not for illegal purposes such as: money laundry.
- 5) No hidden events regarding Party A and guarantor's financial and repayment abilities

2. Party A's commitment:

- 1) Timely delivery of the financial statements and other relevant information, (including but not limited to annual, quarterly and monthly financial reports.
 - 2) Cooperate in Party B's exam and inspection on the utilization of the loan as well as Party A's financials and operations
 - 3) Any counter-guarantee agreement between the guarantors and Party A will not affect the Party B's underlying rights under this contract
 - 4) Under circumstances Party A or Guarantor's capability of performing the contract might be affected, Party A should notify Party B in time. Those circumstances include but are not limited to significant organizational changes, e.g. business splitting, merger and termination, disposal of major assets, restructuring, reorganization, joint venture arrangement with foreign capitals, changing of controlling shareholders or de facto control of Party A, capital reduction, liquidation, re-pledge of the encumbered assets, withdrawal, bankruptcy, dissolution and involvement in significant lawsuits.
-

- 5) As for undefined business practice, Party A is committed to follow Party B's regulation and normal practice in daily operation.
- 6) Party A committed not to distribute bonus during the credit period
- 7) Agreed by both parties, for the purpose to ensure the Party B's claims on credit funds and Party B's convenience to monitoring the repayment progress, Party A should guarantee the proportion of sales fund received in Party A's account opened with Party B over Party A's total sales should be matching to the proportion of Party A's credit line received from Party B over Party A's total credit line received from financial institution.
- 8) At any time credit balance does not exceed 10 million

Clause 9 Related party and related party transaction of Party A

Party A is not defined as Group Credit Customer by Party B in accordance with "Guidance of Risk Management by Commercial Banks for Granting Credit to Customer Groups"

Clause 10 Breach of Covenants

Any of the following situations would be considered as breach of contract covenant:

1. Party A did not perform the repayment obligation under this contract or the affiliated specific credit line contracts
 2. Party A has not used the credit funds according to agreed purposes.
 3. Party A's statement in this contract or the affiliated specific contracts are untrue or in violation with Party A's commitment in this or the affiliated specific contracts.
 4. Under the circumstance defined in 2.4) in Clause 8, Party A refused to provide additional guarantee or replacement of new guarantor
 5. Party B is or will be under significant business difficulties or risks: deteriorated financials, significant financial losses and loss of assets (including but not limited asset losses for fulfill guarantee obligations) or other financial crisis.
 6. Party A is in violation with other rights and obligations agreed in this contract.
 7. Party A breaches the covenants on other credit line contracts with Party B or other affiliated institutions of Bank of China.
 8. Guarantors breach the covenants on other credit line contracts with Party B or other affiliated institutions of Bank of China.
- When any of the above mentioned situation noticed, Party B will perform the following in separate or all at the same time:
- 1) Request Party A or Guarantor to rectify within a definite time.
 - 2) Reduce, temporarily pause or permanently terminate Party A's Credit limit in part or in all
-

- 3) Temporarily pause or permanently terminate in part or in all of Party A's application on specific credit line under this contract.
- 4) Announce the immediate expiration on all the credit lines granted under this contract and affiliated specific credit line contracts.
- 5) Terminate or release this contract, terminate or release in part or in all of the affiliated specific credit line contracts as well as the other contracts signed between Party A and Party B.
- 6) Request compensation from Party A on the losses thereafter caused.
- 7) Party A's deposit account in Party B will be hold in custody for debt pay off for the comprehensive credit line and specific credit line under this contract. All the undue liabilities were deeming due and entitled the immediate payoff from Party A's restricted accounts. If the currency in deposit account is different from the currency of the liabilities, the exchange rate on the date of the hold in custody will be applied.
- 8) Real rights granted by way of security will be executed.
- 9) Assume the guarantee responsibility on Guarantors.
- 10) Other necessary procedures on Party B's concern

Clause 11 Rights reserved

Either party might reserve part of or all of the rights under this contract and the affiliated specific credit line contracts, this does not imply the party has surrendered or remitted the unperformed rights and obligations.

Either party might sometimes tolerate, extend or delay the execution of certain rights, this does not deem as the party has surrendered or remitted the rights.

Clause 12 Change, Modification, Termination and Partial invalidity

Upon negotiation and agreement by both parties, this contract can be changed and modified, the written record of the changes and modifications should form the inseparable part of this contract.

Unless ruled by law or both parties formed a separate agreement, the contract would not be terminated prior to all the rights and obligations defined are fulfilled.

Unless ruled by law or both parties formed a separate agreement, the void of single terms under this contract should no invalid other contract under this contract.

Clause 13 Applicable Law and Resolution for Dispute

1. This contract is entered into according with the People's Republic of China, and applicable to the law of the People's Republic of China.
 2. The resolution of dispute should be appealed in Party B or other Bank of China subsidiaries defined in this contract or other affiliated contracts
-

Clause 14 Attachments

Below attachments are agreed by both parties, formed an inseparable part of this contract, thereafter in the same legal position as this contract.
Attachment 1: Appendix terms.

Clause 15 Other terms and conditions

1. Without Party B's prior written approval, Party A is not allowed to transfer the rights and obligations under this contract to 3rd Parties.
2. Party A should give the consent that, Party B might somehow authorize other affiliated institutions of Bank of China to perform the obligation. The performing party is entitled to all the rights and obligations under this contract and the affiliated credit line contracts, the performing party reserves the rights to appeal a resolution of dispute if necessary.
3. The contract has equivalent restrictions to the successors or inherits of both parties.
4. Unless otherwise agreed, the domicile addresses stated in this contract are for corresponding use; both parties should notify each other in writing about any changes of its domicile addresses.
5. The title and name of business product is for business purposes, will not used for interpretation of the contract terms and the rights and obligations.
6. If required by the governing institutions, Party B might not be able to perform the obligations agreed in this contract. Party is exempted from punishment under this circumstance.

Clause 16 Effectiveness of the contract

This contract is established and entered into effective upon signing or sealing by the legal representatives (or person-in-charge) of Party A and Party B or their duly authorized agents, together with sealing by the company chop.

This contract will be print and signed in seven copies, Party A and the guarantors hold one copy each, Party B holds three copies, collateral registry authority holds one copy, each copy has the same legal effect.

/s/ Dangyu Pan
Stamp of Party A
Signature of director or authorized representative
Mar 10, 2013

/s/ [COMPANY SEAL]
Stamp of Party B
Signature of legal representative or authorized representative
Mar 10, 2013

Attachment 1:

If there are discrepancies in contents in the attachment with this contract, this contract should prevail.

Specific to the 2nd paragraph of *Clause 3*: "This contract will override all the credit line contracts previously signed by Party A and Party B. Upon the effective date of this contract, all the used and unused credit lines prior to this contract will be considered as used and unused credit lines under this contract".

"all the credit line contracts previously signed" here means the contract signed with reference no of "2013zhzhongyinyinbuexiezi No. 0000099.

Maximum Amount Guaranty Contract

Reference No. : 2014zhenzhongyinbubaoezi No.0013

Guarantor: Springpower Technology (Shenzhen) Co., Ltd

Business Licences: 440306503295562

Legal Representative: Dangyu Pan

Address: Factory A, Chaoshun Industrial Zone, Renmin Road, Fumin Residential Area, Guanlan, BaoAn District,

Postal code: 518000

Deposit A/C and financial institutions: Bank of China, Pinghu Sub-branch, Shenzhen,

Telephone: 2802 9923 ; Facsimile: 2802 9923

Creditor: Bank of China, Buji Sub-branch.

Legal Representative: LI YANSHAN

Address: 108, Buji Road, Buji Town, Longgang District, Shenzhen; Postal code: 518112

Telephone: 2827 4825 ; Facsimile: 2827 0847

To guarantee the performing of the principle contract stated in Clause 1, both parties agree the following:

Clause 1 Principle Contract

1. The principle contract is "Comprehensive credit contract (2014zhenzhongyinbuxiezi No 0000162)" and its supplements signed between Creditor and Debtor, Shenzhen Highpower Technology (Shenzhen) Co., Ltd
2. The principle contract is "Fixed asset loan contract (2012zhenzhongyinbujiezi No 00002)" and its supplements signed between Creditor and Debtor, Shenzhen Highpower Technology (Shenzhen) Co., Ltd

Clause 2 Principle Creditor's rights and the period

Unless otherwise agreed, the creditor's rights under the following contracts and the creditor's rights occurred before the engagement of this contract constitutes the principle creditor's rights of this contract.

1. The creditor's right occurred under comprehensive contract starting from the date of effectiveness, and ends upon the expiration of all the specific creditor's rights.
2. The creditor's right occurred under fixed assets loan contract starting from the date of effectiveness, and ends upon the repayment date defined on the contract.

Clause 3 The maximum amount guaranteed

1. The maximum amount assumed guaranteed is:
Currency: Renminbi
Amount (Capital letter): One hundred and six million
Amount (in numbers): 106,000,000
-

2. The principle creditor's rights under the principle contract constitute the principle creditor's rights under this contract, which includes: loan principle, interest, compound interest, punitive interest, liquidated damage, the cost for realization of the creditor's right (includes but not limited to the announcement fee, delivery fees, appraisal fees, legal fees, travel expenses, assessment fees, auction fees, the property preservation fee, compulsory execution fee and etc), as well as the Pledgee's loss due to the breach of covenants.

The sum of the above terms constitutes the maximum amount of guaranteed for this contract.

Clause 4 Types of guaranty

Joint responsibility guaranty.

Clause 5 The guarantee responsibilities

Under the circumstance that, the debtor of principle contract failed to pay off the creditor's rights when due (on due date or early termination date), the guaranty is assumed to be responsible in accordance with this contract.

The due date in the previous sentence means the repayment date agreed in the principle contract. The early termination date is the termination date request by creditor per law or per agreements under the principle contracts.

Creditor's rights on other guarantee contracts or collateral contracts should not have an impact on the performing of this contract. Guarantor should assume responsibility under this contract rather than plea with the execution in order.

Clause 6 The responsible period

The responsible period for this contract is two years after the establishment of the creditor's rights under Clause 2

During the period, Creditor is entitled to the right to request the assumption of responsibility from Guarantor in full or in part on one or on all creditor rights.

Clause 7 The duration of action

During the period that the creditor's rights have not been paid off when due, Guarantor is assumed responsible under the joint responsibility guarantee. Creditor is entitled to claim the rights within the responsible period defined in Clause 6, the duration of action started upon the request.

Clause 8 The relationship between this contract and the principle contract

Upon the termination or early termination of the principle contract, Guarantor assumes guarantee responsibility on occurred debt. The change of principle contract will not be informed to the Guarantor unless under the following circumstances, change of currency, interest rate, amount, period, or other terms which might affect the increase of the amount of the principle creditor's rights or extend the effective period of the principle contract. Guarantor remains obligated to assume the guarantee responsibility to the changed principle contract. Under the previous stated circumstance which Guarantor's consent is required, Pledgor Guarantor is entitled to the right to reject to assume the guarantee responsibility on the incremental portion. Under the circumstances that, Creditor provide the letter of credit, trade financing services to debtor under the principle contract, Guarantor won't be notified but assumed guarantee responsibility. It is the Creditor's responsibility to registry for the incremental business contract.

Clause 9 Statements and Commitments

Guarantor's statement:

1. Guarantor is legally registered and operating, and owns the full civil rights required by this contract.
2. Signing and performing the contract is the true will of Guarantor, Guarantor has been granted all necessary authorizations in effect before signing the contract. The contract does not form a default for other contracts signed and performed by Guarantor. It is Guarantor's responsibility to complete all required approvals, registrations, permits and filings.
3. All document and information provided by Guarantor to Creditor are true, complete, accurate and effective.
4. Guarantor is willing to cooperate in the check and inspection on its financial conditions performed by Creditor.
5. Guarantor did not conceal any existing liability upon the signing of the contract
6. Inform the Creditor in time for any issues might affect Guarantor's performing capability, which including but not limited to business splitting, merger and termination, disposal of major assets, restructuring, reorganization, joint venture arrangement with foreign capitals, changing of controlling shareholders or de facto control of Party A, capital reduction, liquidation, re-pledge the encumbered assets, withdrawal, bankruptcy, dissolution and involved in significant law suits.

Clause 10 Breach of covenants

Any of the following situations would be considered as breach of contract covenant:

1. Guarantor is in violation with the previous terms of the contract.
 2. The statements of the Guarantor is untrue or in violation with its commitments
 3. The occurrence of issues defined under the point 6 of clause 9 which might affect the Guarantor's financial position and performing capability.
 4. Experiencing the termination of operation or bankruptcy.
 5. In violation with other rights and obligations agreed in this contract.
 6. Guarantor breaches the covenants on other credit line contracts with Party B or other affiliated institutions of Bank of China.
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When any of the above mentioned situations noticed, Creditor will perform the following in separate or all at the same time:

- 1) Request Guarantor to rectify within a definite time.
- 2) Reduce, temporarily pause or permanently terminate Guarantor's Credit limit in part or in all
- 3) Temporarily pause or permanently terminate in part or in all of Guarantor's application on specific credit line under this contract.
- 4) Announce the immediate expiration on all the credit lines granted under this contract and affiliated specific credit line contracts.
- 5) Terminate or release this contract, terminate or release in part or in all of the affiliated specific credit line contracts as well as the other contracts signed between Guarantor and Creditor
- 6) Request compensation from Guarantor on the losses thereafter caused.
- 7) Assume the guarantee responsibility on Guarantors.
- 8) Other necessary procedures on Party B's concern

Clause 11 Rights reserved

Either party might reserve part of or all of the rights under this contract and the affiliated specific credit line contracts, this does not imply the party has surrendered or remitted the unperformed rights and obligations.

Either party might sometimes tolerate, extend or delay the execution of certain rights, this does not deem as the party has surrendered or remitted the rights.

Clause 12 Change, Modification, Termination and Partial invalidity

Upon negotiation and agreed by both parties, this contract can be changed and modified, the written record of the changes and modifications should form the inseparable part of this contract.

Unless ruled by law or both parties formed a separate agreement, the contract would not be terminated prior to all the rights and obligations defined are fulfilled.

Unless ruled by law or both parties formed a separate agreement, the void of single terms under this contract should no invalid other contract under this contract.

Clause 13 Applicable Law and Resolution for Dispute

1. This contract is entered into according with the People's Republic of China, and applicable to the law of the People's Republic of China.
2. The resolution of dispute should be appealed in Party B or other Bank of China subsidiaries defined in this contract or other affiliated contracts

Clause 14 Attachments

Not applicable

Clause 15 Other terms and conditions

1. Without Creditor's prior written approval, Guarantor is not allowed to transfer the rights and obligations under this contract to 3rd Parties.
2. Guarantor should give the consent that, Creditor might somehow authorize other affiliated institution of Bank of China to perform the obligation. The performing party entitles all the rights and obligations under this contract and the affiliated credit line contracts, the performing party reserves the rights to appeal a resolution of dispute if necessary.
3. The contract has equivalent restrictions to the successors or inherits of both parties.
4. Unless otherwise agreed, the domicile addresses stated in this contract are for corresponding use; both parties should notify each other in writing about any changes of its domicile addresses.
5. The title and name of business product is for business purposes, will not used for interpretation of the contract terms and the rights and obligations.

Clause 16 Effectiveness of the contract

This contract is established and enters into effective upon signing or sealing by the legal representatives (or person-in-charge) of Guarantor and Creditor or their duly authorized agents, together with sealing by the company chop.

The pledge is established upon the effectiveness of this contract.

This contract will be printed and signed in five copies, Guarantor and the debtor hold one copy each, Creditor holds three copies; each copy has the same legal effect

[COMPANY SEAL]

Stamp of Guarantor (if Guarantor is a corporation)

Signature of Authorized Representative

Mar 10, 2014

/s/ [COMPANY SEAL]

Stamp of Creditor (if Creditor is a corporation)

Signature of legal representative or authorized representative

Mar 10, 2014

Maximum Amount Guaranty Contract
(Applicable if guarantor is natural person)

Reference No. : 2014zhenzhongyinbubaoezi No.0014

Guarantor: Dangyu Pan

Type of certification: identification card

Certification number:

Address: Building A2, Luoshan Industrial Zone, Longgang District, Shenzhen

Postal code: 518111

Telephone: 8968 6236 ; Facsimile: 8968 6298

Creditor: Bank of China, Buji Sub-branch.

Legal Representative: LI YANSHAN

Address: 108, Buji Road, Buji Town, Longgang District, Shenzhen; Postal code: 518112

Telephone: 2827 4825 ; Facsimile: 2827 0847

To guarantee the performing of the principle contract stated in Clause 1, both parties agree the following:

Clause 1 Principle Contract

1. The principle contract is "Comprehensive credit contract (2014zhenzhongyinbuxiezi No 0000162)" and its supplements signed between Creditor and Debtor, Shenzhen Highpower Technology (Shenzhen) Co., Ltd
2. The principle contract is "Fixed asset loan contract (2012zhenzhongyinbujiezi No 00002)" and its supplements signed between Creditor and Debtor, Shenzhen Highpower Technology (Shenzhen) Co., Ltd

Clause 2 Principle Creditor's rights and the period

Unless otherwise agreed, the creditor's rights under the following contracts and the creditor's rights occurred before the engagement of this contract constitutes the principle creditor's rights of this contract.

1. The creditor's right occurred under comprehensive contract starting from the date of effectiveness, and ends upon the expiration of all the specific creditor's rights.
2. The creditor's right occurred under fixed assets loan contract starting from the date of effectiveness, and ends upon the repayment date defined on the contract.

Clause 3 The maximum amount guaranteed

1. The maximum amount assumed guaranteed is:
Currency: Renminbi
Amount (Capital letter): One hundred and six million only
Amount (in numbers): 106,000,000
-

2. The principle creditor's rights under the principle contract constitute the principle creditor's rights under this contract, which includes: loan principle, interest, compound interest, punitive interest, liquidated damage, the cost for realization of the creditor's right (includes but not limited to the announcement fee, delivery fees, appraisal fees, legal fees, travel expenses, assessment fees, auction fees, the property preservation fee, compulsory execution fee and etc), as well as the Pledgee's loss due to the breach of covenants.

The sum of the above terms constitutes the maximum amount of guaranteed for this contract.

Clause 4 Types of guaranty

Joint responsibility guaranty.

Clause 5 The guarantee responsibilities

Under the circumstance that, the debtor of principle contract failed to pay off the creditor's rights when due (on due date or early termination date), the guaranty is assumed to be responsible in accordance with this contract.

The due date in the previous sentence means the repayment date agreed in the principle contract. The early termination date is the termination date request by creditor per law or per agreements under the principle contracts.

Creditor's rights on other guarantee contracts or collateral contracts should not have an impact on the performing of this contract. Guarantor should assume responsibility under this contract rather than plea with the execution in order.

Clause 6 The responsible period

The responsible period for this contract is two years after the establishment of the creditor's rights under Clause 2

During the period, Creditor is entitled to the right to request the assumption of responsibility from Guarantor in full or in part on one or on all creditor rights.

Clause 7 The duration of action

During the period that the creditor's rights have not been paid off when due, Guarantor is assumed responsible under the joint responsibility guarantee. Creditor is entitled to claim the rights within the responsible period defined in Clause 6, the duration of action started upon the request.

Clause 8 The relationship between this contract and the principle contract

Upon the termination or early termination of the principle contract, Guarantor assumes guarantee responsibility on occurred debt. The change of principle contract will not be informed to the Guarantor unless under the following circumstances, change of currency, interest rate, amount, period, or other terms which might affect the increase of the amount of the principle creditor's rights or extend the effective period of the principle contract. Guarantor remains obligated to assume the guarantee responsibility to the changed principle contract. Under the previous stated circumstance which Guarantor's consent is required, Pledgor Guarantor is entitled to the right to reject to assume the guarantee responsibility on the incremental portion. Under the circumstances that, Creditor provide the letter of credit, trade financing services to debtor under the principle contract, Guarantor won't be notified but assumed guarantee responsibility. It is the Creditor's responsibility to registry for the incremental business contract.

Clause 9 Statements and Commitments

Guarantor's statement:

- a) Guarantor is a natural person who possesses the capacity for civil rights and civil conducts in People's Republic of China to perform this contract. Party A can perform the civil conduct independently, no bad credit records such as debt overdue, overdue interest, malicious overdraft on credit card, no criminal records, qualified to be a legal guarantor.
- b) Guarantor has full understanding about the terms and conditions set forth in the contract. It is Guarantor's true will to provide guarantee to debtor.
- c) The establishment of this contract will not constitute a breach of covenant of any other previous contract Guarantor engaged in.
- d) All documents and information provided by Guarantor to Creditor are true, complete, accurate and effective.
- e) Guarantor is willing to cooperate in the checking and inspection of its financial conditions performed by Creditor.
- f) Guarantor did not conceal any existing liability upon the signing of the contract
- g) Inform the Creditor in time for any issues might affect Guarantor's performing capability, which including but not limited to losses of assets, transfer, donation, assume responsibility on liabilities, involved in significant law suits or disputes.
- h) If the Guarantor is married, make sure the sponsor's consent is obtained.

Clause 10 Authorization of access to personal information

Guarantor authorizes the access of personal information in the personal credit information database in the People's Bank of China to Creditor under the following circumstances.

1. Reference check on the Guarantor's credit status.
 2. Reference check on the Guarantor's guarantee status.
 3. After-loan management on the personal credit and guarantee status
-

4. Accept the credit line application of which the Guarantor guaranteed or to be legal representative or one of the funders.

Clause 11 Breach of covenants

Any of the following situations would be considered as breach of contract covenant:

1. Guarantor is in violation with the previous terms of the contract.
2. The statements of the Guarantor is untrue or in violation with its commitments
3. The occurrence of issues defined under the point 7 of clause 9 which might affect the Guarantor's financial position and performing capability.
4. In violation with other rights and obligations agreed in this contract.
5. Guarantor breaches the covenants on other credit line contracts with Party B or other affiliated institutions of Bank of China.

When any of the above mentioned situations noticed, Creditor will perform the following in separate or all at the same time:

- 1) Request Guarantor to rectify within a definite time.
- 2) Reduce, temporarily pause or permanently terminate Guarantor's Credit limit in part or in all
- 3) Temporarily pause or permanently terminate in part or in all of Guarantor's application on specific credit line under this contract.
- 4) Announce the immediate expiration on all the credit lines granted under this contract and affiliated specific credit line contracts.
- 5) Terminate or release this contract, terminate or release in part or in all of the affiliated specific credit line contracts as well as the other contracts signed between Guarantor and Creditor
- 6) Request compensation from Guarantor on the losses thereafter caused.
- 7) Assume the guarantee responsibility on Guarantors.
- 8) Other necessary procedures on Party B's concern

Clause 12 Rights reserved

Either party might reserve part of or all of the rights under this contract and the affiliated specific credit line contracts, this does not imply the party has surrendered or remitted the unperformed rights and obligations.

Either party might sometimes tolerate, extend or delay the execution of certain rights, this does not deem as the party has surrendered or remitted the rights.

Clause 13 Change, Modification, Termination and Partial invalidity

Upon negotiation and agreement by both parties, this contract can be changed and modified, the written record of the changes and modifications should form the inseparable part of this contract.

Unless ruled by law or both parties formed a separate agreement, the contract would not be terminated prior to all the rights and obligations defined are fulfilled.

Unless ruled by law or both parties formed a separate agreement, the void of single terms under this contract should no invalid other contract under this contract.

Clause 14 Applicable Law and Resolution for Dispute

1. This contract is entered into according with the People's Republic of China, and applicable to the law of the People's Republic of China.
2. The resolution of dispute should be appealed in Party B or other Bank of China subsidiaries defined in this contract or other affiliated contracts

Clause 15 Attachments

Sponsor's consent.

Clause 16 Other terms and conditions

1. Without Creditor's prior written approval, Guarantor is not allowed to transfer the rights and obligations under this contract to 3rd Parties.
2. Guarantor should give the consent that, Creditor might somehow authorize other affiliated institutions of Bank of China to perform the obligation. The performing party is entitled to all the rights and obligations under this contract and the affiliated credit line contracts, the performing party reserves the rights to appeal a resolution of dispute if necessary.
3. The contract has equivalent restrictions to the successors or inherits of both parties.
4. Unless otherwise agreed, the domicile addresses stated in this contract are for corresponding use; both parties should notify each other in writing about any changes of its domicile addresses.
5. The title and name of business product is for business purposes, will not used for interpretation of the contract terms and the rights and obligations.

Clause 17 Effectiveness of the contract

This contract is established and entered into effective upon signing or sealing by the legal representatives (or person-in-charge) of Pledgor and Pledgee or their duly authorized agents, together with sealing by the company chop.

The pledge is established upon the effectiveness of this contract.

This contract will be printed and signed in five copies, Guarantor and the debtor hold one copy each, Creditor holds three copies; each copy has the same legal effect

/s/ Dangyu Pan

Signature of Guarantor and Sponsor

Mar 10, 2014

/s/ [COMPANY SEAL]

Stamp of Creditor (if Pledgee is a corporation)

Signature of legal representative or authorized representative

Mar 10, 2014

Collateral Contract

Reference No. : 2014zhenzhongyinbudiezi No.0015

Pledgor: Shenzhen Highpower Technology (Shenzhen) Co., Ltd

Business License: 440307503274740

Legal Representative: Dangyu Pan

Address: Building A2, Luoshan Industrial Zone, Longgang District, Shenzhen

Postal code: 518111

Deposit A/C and financial institutions: Bank of China, Pinghu Sub-branch, Shenzhen,

Telephone: 8968 6236 ; Facsimile: 8968 6298

Pledgee: Bank of China, Buji Sub-branch.

Legal Representative: LI YANSHAN

Address: 108, Buji Road, Buji Town, Longgang District, Shenzhen; Postal code: 518112

Telephone: 2827 4825 ; Facsimile: 2827 0847

To guarantee the performing of the principle contract stated in Clause 1, both party agrees the following:

Clause 1 Principle Contract

1. The principle contract is "Comprehensive credit contract (2014 zhenzhongyinbuxiezi No 0000162)" and its supplements signed between Creditor and Debtor, Shenzhen Highpower Technology (Shenzhen) Co., Ltd
2. The principle contract is "Fixed asset loan contract (2012zhenzhongyinbujiezi No 00002)" and its supplements signed between Creditor and Debtor, Shenzhen Highpower Technology (Shenzhen) Co., Ltd

Clause 2 Principle Creditor's rights and the period

Unless otherwise agreed, the creditor's rights under the following contracts and the creditor's rights occurred before the engagement of this contract constitute the principle creditor's rights of this contract.

1. The creditor's right occurred under comprehensive contract starting from the date of effectiveness, and end upon the expiration of all the specific creditor's rights.
 2. The creditor's right occurred under fixed assets loan contract starting from the date of effectiveness, and end upon the repayment date defined on the contract.
-

Clause 3 The maximum amount guaranteed

1. The maximum amount assumed guaranteed is:

Currency: Renminbi

Amount (Capital letter): thirty five million three hundred and twenty five thousand nine hundred and seventy eight only

Amount (in numbers): 35,325,978

2. The principle creditor's rights under the principle contract constitute the principle creditor's rights under this contract, which includes: loan principle, interest, compound interest, punitive interest, liquidated damage, the cost for realization of the creditor's right (includes but not limited to the announcement fee, delivery fees, appraisal fees, legal fees, travel expenses, assessment fees, auction fees, the property preservation fee, compulsory execution fee and etc), as well as the Pledgee's loss due to the breach of covenants.

The sum of the above terms constitutes the maximum amount of guaranteed for this contract.

Clause 4 The Collateral

For details of the collateral please refer to the appendix "Details of the underlying assets".

During the period of collateral, if the Collateral is broken or damaged, Pledgee is entitled to the primary rights for compensation from insurance, compensation or subsidy, Pledgee can withdraw the compensation amount even though the collateral period is undue

If the Collateral is buildings, Pledgor should notify the Pledgee immediately after the Pledgor acknowledged the removal of the building. If the compensation of the removal is through change of property, Pledgor should coordinate the paid off of the principle of creditor's rights with debtor and Pledgee per Pledgee's request, or replace the Collateral with the new building or new collateral per Pledgee's request. After the original Collateral is lost and the new Collateral is not yet registered, Pledgor should provide additional guarantee by qualified guarantor. For the compensation that is in the form of cash, Pledgee is entitled to the primary rights from compensation, and entitled to the right to request the Pledgor to deposit the cash into the appointed custody accounts, and subsequent security by deposit contract should be signed and effected.

Clause 5 The registration

With 30 days after the sign-off of this contract, Pledgor and Pledgee should finish the registry in the authorities.

Pledgor and Pledgee should file a change in registry with the authorities within 30 days after the change.

Clause 6 The possession and management of the Collateral

The possession and management of the Collateral will be on the Pledgor, however, the certifications of rights should be under the custody of the Pledgee. Pledgor should accept the inspection and check from time to time. Pledgor should properly maintain the Collateral to ensure the safety and well-being of the Collaterals, Pledgor should take responsibility on daily maintenance and repairs. Without the written consent of the Pledgee, Pledgor is not allowed to transfer, lend, invest, or restructure the Collateral. With Pledgee's written consent, the proceedings of disposal should be deposited in the appointed accounts.

Clause 7 The circumstances that the value of the Collaterals is diminished

Before the creditor's rights has been fully paid off, Pledgee is entitled to the right to stop Pledgor's behavior, if such behavior is diminishing the value of the underlying assets. Pledgee is entitled to the right to request Pledgor to recover the value of the asset or provide additional guarantee to secure the proportion of lost. If the Pledgor failed to recover the value of the asset nor can it provide addition guarantee, Pledgee might request early pay-off of the creditor's rights. Pledgee might execute the rights to assume guarantee responsibility if the Pledgor refused the above. If the diminished value is due to the irresistible reason, Pledgor should take action to avoid further deteriorate and notify the Pledgee in writing immediately

Clause 8 Interest generated from the account receivables

The interest generated from the pledged account receivables should be assumed responsible to the creditor's rights after the deduction of the cost of collecting those interests.

Clause 9 Insurance of the underlying assets (Optional)

Not applicable

Clause 10 The guarantee responsibilities

Under the circumstance that, the debtor of principle contract failed to pay off the creditor's rights when due (on due date or early termination date), the pledge is assumed to be responsible in accordance with this contract. The due date in the previous sentence means the repayment date agreed in the principle contract. The early termination date is the termination date request by creditor per law or per agreements under the principle contracts.

Clause 11 The realization of the pledgee's rights

Once guarantee responsibility established, Pledgee is entitled to the right to request the execution of the assumption of the guarantee 's responsibility in accordance to law and regulation. Pledgor should execute the rights within the duration of action.

Clause 12 The realization of the pledgee's rights

Once guarantee responsibility is assumed, Pledgee is entitled to the right to request the execution immediately. The execution action includes but is not limited to compromise for discount, sale the assets through auction, etc. Pledgor should cooperate on the above mentioned actions. The proceeds received after the cost of execution, should be use to pay off the principle creditor's rights under the principle contracts.

Under the circumstance that, the expiration of account receivables is earlier than the expiration of the principle creditor's rights, the amount collected from the pledged account receivables by Pledgor should be deposited in the appointed account. And the deposit should still assume the guarantee responsibility for the undue principle creditor's rights.

Pledgor's rights on other guarantee contracts or collateral contracts should not have an impact on the performing of this contract. Pledgor should assume responsibility under this contract rather than plea with the execution in order.

Clause 13 The relationship between this contract and the principle contract

Upon the termination or early termination of the principle contract, Pledgor assumed guarantee responsibility on occurred debt.

The change of principle contract will not be informed to the Pledgor unless under the following circumstances, change of currency, interest rate, amount, period, or other terms which might affect the increase of the amount of the principle creditor's rights or extend the effective period of the principle contract. Pledgor remains to assume the guarantee responsibility to the changed principle contract.

Under the previous stated circumstance which Pledgor's consent is required, Pledgor is entitled to the right to reject the assumption of the guarantee responsibility on the incremental portion.

Under the circumstances that, Pledgee provide the letter of credit, trade financing services to debtor under the principle contract, Pledgor won't be notified but assumed guarantee responsibility. It is the Pledgee's responsibility to register for the incremental business contract.

Clause 14 Statements and Commitments

Pledgor's statement:

1. Pledgor is legally registry and operating, and owning the full civil rights required by this contract.
 2. Pledgor committed that no joint owner attached on the Collateral, or if any, written consents has been obtained. Pledgor agreed to hand over the written consent to Pledgee for custody.
 3. Signing and performing the contract is the true will of Pledgor, Pledgor has been granted all necessary authorizations in effect before signing the contract. The contract does not form a default for other contracts signed and performed by Pledgor. It is Pledgor's responsibility to complete all required approvals, registrations, permits and filings.
 4. All documents and information provided by Pledgor to Pledgee are true, complete, accurate and effective.
 5. Pledgor did not conceal all the other creditor's rights, factoring and financing attached to the underlying assets.
 6. Under the circumstances that new creditor's rights are attached on the underlying assets or significant argue and dispute on the underlying contracts, Pledgor should notify Pledgee immediately.
-

7. If the Collateral is construction in process, Pledgor committed that no other creditor's rights is attached, if any, a written consent of abortion is obtained. Pledgor agreed to hand over the written consent to Pledgee for custody.

Clause 15 Default of the contract

Pledgor's absent or delay in the registration procedure will be considered the event of default. Pledgee's loss from the default should be compensated by Pledgor.

Clause 16 Breach of covenants

Any of the following situations would be considered as breach of contract covenant:

1. Pledgor is in violation with the previous terms of the contract, transferred or disposed all or part of the assets.
2. Pledgor impeded in any form Pledgee's execution the rights.
3. Under the clause 7 of this contract that diminished of the value of the accounts receivables, and Pledgor cannot provide additional guarantee.
4. The statements of the Pledgor are untrue or in violation with its commitments
5. Pledgor is in violation with other rights and obligations agreed in this contract.
6. Pledgor is or will be under significant business changes such as termination of operation, dismissal or bankruptcy.
7. Pledgor breaches the covenants on other credit line contracts with Party B or other affiliated institutions of Bank of China.

When any of the above mentioned situations noticed, Pledgee will perform the following in separate or all at the same time:

- 1) Request Pledgor to rectify within a definite time.
 - 2) Reduce, temporarily pause or permanently terminate Pledgor's Credit limit in part or in all
 - 3) Temporarily pause or permanently terminate in part or in all of Pledgor's application on specific credit line under this contract.
 - 4) Announce the immediate expiration on all the credit lines granted under this contract and affiliated specific credit line contracts.
 - 5) Terminate or release this contract, terminate or release in part or in all of the affiliated specific credit line contracts as well as the other contracts signed between Pledgor and Pledgee
 - 6) Request compensation from Pledgor on the losses thereafter caused.
 - 7) Assume the guarantee responsibility on Guarantors.
 - 8) Other necessary procedures on Party B's concern
-

Clause 17 Rights reserved

Either party might reserve part of or all of the rights under this contract and the affiliated specific credit line contracts, this does not imply the party has surrendered or remitted the unperformed rights and obligations.

Either party might sometimes tolerate, extend or delay the execution of certain rights, this does not deem as the party has surrendered or remitted the rights.

Clause 18 Change, Modification, Termination and Partial invalid

Upon negotiation and agreed by both parties, this contract can be changed and modified, the written record of the changes and modifications should form the inseparable part of this contract.

Unless ruled by law or both parties formed a separate agreement, the contract would not be terminated prior to all the rights and obligations defined are fulfilled.

Unless ruled by law or both parties formed a separate agreement, the void of single terms under this contract should no invalid other contract under this contract.

Clause 19 Applicable Law and Resolution for Dispute

1. This contract entered into according with the People's Republic of China, and applicable to the law of the People's Republic of China.

2. The resolution of dispute should be appealed in Party B or other Bank of China subsidiaries defined in this contract or other affiliated contracts

Clause 20 Attachments

Details of underlying assets.

Clause 21 Other terms and conditions

1. Without Pledgee's prior written approval, Pledgor is not allowed to transfer the rights and obligations under this contract to 3rd Parties.

2. Pledgor should give the consent that, Pledgee might somehow authorize other affiliated institutions of Bank of China to perform the obligation. The performing party is entitled to all the rights and obligations under this contract and the affiliated credit line contracts, the performing party reserves the rights to appeal a resolution of dispute if necessary.

3. The contract has equivalent restrictions to the successors or inherits of both parties.

4. Unless otherwise agreed, the domicile addresses stated in this contract are for corresponding use; both parties should notify each other in writing about any changes of its domicile addresses.

5. The title and name of business product is for business purposes, will not used for interpretation of the contract terms and the rights and obligations.

6. Special agreements between Pledgor and Pledgee, If the realization value of the underlying assets exceeds the maximum amount of guarantee specified in Clause 3, Pledgor agree that the primary compensation to Pledgee will not restricted to the amount defined in Clause 3 and Clause 10. Pledgee entitled the compensation from the full proceeds from disposal.

Clause 22 Effectiveness of the contract

This contract is established and enters into effective upon signing or sealing by the legal representatives (or person-in-charge) of Pledgor and Pledgee or their duly authorized agents, together with sealing by the company chop.

The pledge is established upon the effectiveness of this contract.

This contract will be printed and signed in six copies, Pledgor and the debtor hold one copy each, Pledgee holds three copies, the registration authority holds one copy, each copy has the same legal effect

Stamp of Pledgor

Signature of director or authorized representative

Mar 10, 2014

/s/ [COMPANY SEAL]

Stamp of Pledgee (if Pledgee is a corporation)

Signature of legal representative or authorized representative

Mar 10, 2014

Attachment:

Details of the underlying assets (Ref No: 2014zhenzhongyinbudiezi No.0015)

Underlying asset: Land use right of industrial land

Amount

Valuation amount: 35,325,978

Certification of rights: "Certification of land use right of state-owned land" huifuguoyong(2007) No.13021920300

Location: Shangliao County Ma'an Town Huizhou city

Collateral Contract

Reference No. : 2014zhenzhongyinbudiezi No.0016

Pledgor: Shenzhen Highpower Technology (Shenzhen) Co., Ltd
Business License: 440307503274740
Legal Representative: Dangyu Pan
Address: Building A2, Luoshan Industrial Zone, Longgang District, Shenzhen
Postal code: 518111
Deposit A/C and financial institutions: Bank of China, Pinghu Sub-branch, Shenzhen,
Telephone: 8968 6236 ; Facsimile: 8968 6298

Pledgee: Bank of China, Buji Sub-branch.
Legal Representative: LI YANSHAN
Address: 108, Buji Road, Buji Town, Longgang District, Shenzhen; Postal code: 518112
Telephone: 2827 4825 ; Facsimile: 2827 0847

To guarantee the performing of the principle contract stated in Clause 1, both party agrees the following:

Clause 1 Principle Contract

1. The principle contract is "Comprehensive credit contract (2014 zhenzhongyinbuexiezi No 0000162)" and its supplements signed between Creditor and Debtor, Shenzhen Highpower Technology (Shenzhen) Co., Ltd

Clause 2 Principle Creditor's rights and the period

1. The principle creditor's rights under the principle contract constitute the principle creditor's rights under this contract, which includes: loan principle, interest, compound interest, punitive interest, liquidated damage, the cost for realization of the creditor's right (includes but not limited to the announcement fee, delivery fees, appraisal fees, legal fees, travel expenses, assessment fees, auction fees, the property preservation fee, compulsory execution fee and etc), as well as the Pledgee's loss due to the breach of covenants.
2. The period is from Jan 13 2012 to Jan 21 2017.

Clause 3 The Collateral

For details of the collateral please refer to the appendix "Details of the underlying assets".

During the period of collateral, if the Collateral is broken or damaged, Pledgee is entitled to the primary rights for compensation from insurance, compensation or subsidy, Pledgee can withdraw the compensation amount even though the collateral period is undue

If the Collateral is buildings, Pledgor should notify the Pledgee immediately after the Pledgor acknowledged the removal of the building. If the compensation of the removal is through change of property, Pledgor should coordinate the paid off of the principle of creditor's rights with debtor and Pledgee per Pledgee's request, or replace the Collateral with the new building or new collateral per Pledgee's request. After the original Collateral is lost and the new Collateral is not yet registered, Pledgor should provide additional guarantee by qualified guarantor. For the compensation that is in the form of cash, Pledgee is entitled to the primary rights from compensation, and entitled to the right to request the Pledgor to deposit the cash into the appointed custody accounts, and subsequent security by deposit contract should be signed and effected.

Clause 4 The registration

With 30 days after the sign-off of this contract, Pledgor and Pledgee should finish the registry in the authorities. Pledgor and Pledgee should file a change in registry with the authorities within 30 days after the change.

Clause 5 The possession and management of the Collateral

The possession and management of the Collateral will be on the Pledgor, however, the certifications of rights should be under the custody of the Pledgee. Pledgor should accept the inspection and check from time to time.

Pledgor should properly maintain the Collateral to ensure the safety and well-being of the Collaterals, Pledgor should take responsibility on daily maintenance and repairs.

Without the written consent of the Pledgee, Pledgor is not allowed to transfer, lend, invest, or restructure the Collateral. With Pledgee's written consent, the proceedings of disposal should be deposited in the appointed accounts.

Clause 6 The circumstances that the value of the Collaterals is diminished

Before the creditor's rights has been fully paid off, Pledgee is entitled to the right to stop Pledgor's behavior, if such behavior is diminishing the value of the underlying assets. Pledgee is entitled to the right to request Pledgor to recover the value of the asset or provide additional guarantee to secure the proportion of lost.

If the Pledgor failed to recover the value of the asset nor can it provide addition guarantee, Pledgee might request early pay-off of the creditor's rights. Pledgee might execute the rights to assume guarantee responsibility if the Pledgor refused the above.

If the diminished value is due to the irresistible reason, Pledgor should take action to avoid further deteriorate and notify the Pledgee in writing immediately

Clause 7 Interest generated from the account receivables

The interest generated from the pledged account receivables should be assumed responsible to the creditor's rights after the deduction of the cost of collecting those interests.

Clause 8 Insurance of the underlying assets (Optional)

Not applicable

Clause 9 The guarantee responsibilities

Under the circumstance that, the debtor of principle contract failed to pay off the creditor's rights when due (on due date or early termination date), the pledge is assumed to be responsible in accordance with this contract.

The due date in the previous sentence means the repayment date agreed in the principle contract. The early termination date is the termination date request by creditor per law or per agreements under the principle contracts.

Clause 10 The realization of the pledgee's rights

Once guarantee responsibility established, Pledgee is entitled to the right to request the execution of the assumption of the guarantee 's responsibility in accordance to law and regulation.

Pledgee should execute the rights within the duration of action.

Clause 11 The realization of the pledgee's rights

Once guarantee responsibility is assumed, Pledgee is entitled to the right to request the execution immediately. The execution action includes but is not limited to compromise for discount, sale the assets through auction, etc. Pledgor should cooperate on the above mentioned actions. The proceeds received after the cost of execution, should be use to pay off the principle creditor's rights under the principle contracts.

Under the circumstance that, the expiration of account receivables is earlier than the expiration of the principle creditor's rights, the amount collected from the pledged account receivables by Pledgor should be deposited in the appointed account. And the deposit should still assume the guarantee responsibility for the undue principle creditor's rights.

Pledgor's rights on other guarantee contracts or collateral contracts should not have an impact on the performing of this contract. Pledgor should assume responsibility under this contract rather than plea with the execution in order.

Clause 12 The relationship between this contract and the principle contract

Upon the termination or early termination of the principle contract, Pledgor assumed guarantee responsibility on occurred debt.

The change of principle contract will not be informed to the Pledgor unless under the following circumstances, change of currency, interest rate, amount, period, or other terms which might affect the increase of the amount of the principle creditor's rights or extend the effective period of the principle contract. Pledgor remains to assume the guarantee responsibility to the changed principle contract.

Under the previous stated circumstance which Pledgor's consent is required, Pledgor is entitled to the right to reject the assumption of the guarantee responsibility on the incremental portion.

Under the circumstances that, Pledgee provide the letter of credit, trade financing services to debtor under the principle contract, Pledgor won't be notified but assumed guarantee responsibility. It is the Pledgee's responsibility to register for the incremental business contract.

Clause 13 Statements and Commitments

Pledgor's statement:

1. Pledgor is legally registry and operating, and owning the full civil rights required by this contract.
2. Pledgor committed that no joint owner attached on the Collateral, or if any, written consents has been obtained. Pledgor agreed to hand over the written consent to Pledgee for custody.
3. Signing and performing the contract is the true will of Pledgor, Pledgor has been granted all necessary authorizations in effect before signing the contract. The contract does not form a default for other contracts signed and performed by Pledgor. It is Pledgor's responsibility to complete all required approvals, registrations, permits and filings.
4. All documents and information provided by Pledgor to Pledgee are true, complete, accurate and effective.
5. Pledgor did not conceal all the other creditor's rights, factoring and financing attached to the underlying assets.
6. Under the circumstances that new creditor's rights are attached on the underlying assets or significant argue and dispute on the underlying contracts, Pledgor should notify Pledgee immediately.
7. If the Collateral is construction in process, Pledgor committed that no other creditor's rights is attached, if any, a written consent of abortion is obtained. Pledgor agreed to hand over the written consent to Pledgee for custody.

Clause 14 Default of the contract

Pledgor's absent or delay in the registration procedure will be considered the event of default. Pledgee's loss from the default should be compensated by Pledgor.

Clause 15 Breach of covenants

Any of the following situations would be considered as breach of contract covenant:

1. Pledgor is in violation with the previous terms of the contract, transferred or disposed all or part of the assets.
 2. Pledgor impeded in any form Pledgee's execution the rights.
 3. Under the clause 7 of this contract that diminished of the value of the accounts receivables, and Pledgor cannot provide additional guarantee.
 4. The statements of the Pledgor are untrue or in violation with its commitments
 5. Pledgor is in violation with other rights and obligations agreed in this contract.
 6. Pledgor is or will be under significant business changes such as termination of operation, dismissal or bankruptcy.
 7. Pledgor breaches the covenants on other credit line contracts with Party B or other affiliated institutions of Bank of China.
-

When any of the above mentioned situations noticed, Pledgee will perform the following in separate or all at the same time:

- 1) Request Pledgor to rectify within a definite time.
- 2) Reduce, temporarily pause or permanently terminate Pledgor's Credit limit in part or in all
- 3) Temporarily pause or permanently terminate in part or in all of Pledgor's application on specific credit line under this contract.
- 4) Announce the immediate expiration on all the credit lines granted under this contract and affiliated specific credit line contracts.
- 5) Terminate or release this contract, terminate or release in part or in all of the affiliated specific credit line contracts as well as the other contracts signed between Pledgor and Pledgee
- 6) Request compensation from Pledgor on the losses thereafter caused.
- 7) Assume the guarantee responsibility on Guarantors.
- 8) Other necessary procedures on Party B's concern

Clause 16 Rights reserved

Either party might reserve part of or all of the rights under this contract and the affiliated specific credit line contracts, this does not imply the party has surrendered or remitted the unperformed rights and obligations.

Either party might sometimes tolerate, extend or delay the execution of certain rights, this does not deem as the party has surrendered or remitted the rights.

Clause 17 Change, Modification, Termination and Partial invalid

Upon negotiation and agreed by both parties, this contract can be changed and modified, the written record of the changes and modifications should form the inseparable part of this contract.

Unless ruled by law or both parties formed a separate agreement, the contract would not be terminated prior to all the rights and obligations defined are fulfilled.

Unless ruled by law or both parties formed a separate agreement, the void of single terms under this contract should no invalid other contract under this contract.

Clause 18 Applicable Law and Resolution for Dispute

1. This contract entered into according with the People's Republic of China, and applicable to the law of the People's Republic of China.
2. The resolution of dispute should be appealed in Party B or other Bank of China subsidiaries defined in this contract or other affiliated contracts

Clause 19 Attachments

Details of underlying assets.

Clause 20 Other terms and conditions

1. Without Pledgee's prior written approval, Pledgor is not allowed to transfer the rights and obligations under this contract to 3rd Parties.
2. Pledgor should give the consent that, Pledgee might somehow authorize other affiliated institutions of Bank of China to perform the obligation. The performing party is entitled to all the rights and obligations under this contract and the affiliated credit line contracts, the performing party reserves the rights to appeal a resolution of dispute if necessary.
3. The contract has equivalent restrictions to the successors or inherits of both parties.
4. Unless otherwise agreed, the domicile addresses stated in this contract are for corresponding use; both parties should notify each other in writing about any changes of its domicile addresses.
5. The title and name of business product is for business purposes, will not used for interpretation of the contract terms and the rights and obligations.
6. Special agreements between Pledgor and Pledgee, If the realization value of the underlying assets exceeds the maximum amount of guarantee specified in Clause 3, Pledgor agree that the primary compensation to Pledgee will not restricted to the amount defined in Clause 3 and Clause 10. Pledgee entitled the compensation from the full proceeds from disposal.

Clause 21 Effectiveness of the contract

This contract is established and enters into effective upon signing or sealing by the legal representatives (or person-in-charge) of Pledgor and Pledgee or their duly authorized agents, together with sealing by the company chop.

The pledge is established upon the effectiveness of this contract.

This contract will be printed and signed in six copies, Pledgor and the debtor hold one copy each, Pledgee holds three copies, the registration authority holds one copy, each copy has the same legal effect

Stamp of Pledgor

Signature of director or authorized representative

Mar 10, 2014

/s/ [COMPANY SEAL]

Stamp of Pledgee (if Pledgee is a corporation)

Signature of legal representative or authorized representative

Mar 10, 2014

Attachment:

Details of the underlying assets (Ref No: 2014zhenzhongyinbudiezi No.0016)

Collateral Contract

Reference No. : 2014zhenzhongyinbudiezi No.0016B

Pledgor: Shenzhen Highpower Technology (Shenzhen) Co., Ltd
Business License: 440307503274740
Legal Representative: Dangyu Pan
Address: Building A2, Luoshan Industrial Zone, Longgang District, Shenzhen
Postal code: 518111
Deposit A/C and financial institutions: Bank of China, Pinghu Sub-branch, Shenzhen,
Telephone: 8968 6236 ; Facsimile: 8968 6298

Pledgee: Bank of China, Buji Sub-branch.
Legal Representative: LI YANSHAN
Address: 108, Buji Road, Buji Town, Longgang District, Shenzhen; Postal code: 518112
Telephone: 2827 4825 ; Facsimile: 2827 0847

To guarantee the performing of the principle contract stated in Clause 1, both party agrees the following:

Clause 1 Principle Contract

1. The principle contract is “Comprehensive credit contract (2014 zhenzhongyinbudiezi No 0000162)” and its supplements signed between Creditor and Debtor, Shenzhen Highpower Technology (Shenzhen) Co., Ltd

Clause 2 Principle Creditor's rights and the period

Unless otherwise agreed, the creditor's rights under the following contracts and the creditor's rights occurred before the engagement of this contract constitute the principle creditor's rights of this contract.

1. The creditor's right occurred under comprehensive contract starting from the date of effectiveness, and end upon the expiration of all the specific creditor's rights.

Clause 3 The maximum amount guaranteed

1. The maximum amount assumed guaranteed is:
Currency: Renminbi
Amount (Capital letter): thirty million six hundred twenty nine thousand four hundred and forty three only
Amount (in numbers): 30,629,443
-

2. The principle creditor's rights under the principle contract constitute the principle creditor's rights under this contract, which includes: loan principle, interest, compound interest, punitive interest, liquidated damage, the cost for realization of the creditor's right (includes but not limited to the announcement fee, delivery fees, appraisal fees, legal fees, travel expenses, assessment fees, auction fees, the property preservation fee, compulsory execution fee and etc), as well as the Pledgee's loss due to the breach of covenants.

The sum of the above terms constitutes the maximum amount of guaranteed for this contract.

Clause 4 The Collateral

For details of the collateral please refer to the appendix "Details of the underlying assets".

During the period of collateral, if the Collateral is broken or damaged, Pledgee is entitled to the primary rights for compensation from insurance, compensation or subsidy, Pledgee can withdraw the compensation amount even though the collateral period is undue

If the Collateral is buildings, Pledgor should notify the Pledgee immediately after the Pledgor acknowledged the removal of the building. If the compensation of the removal is through change of property, Pledgor should coordinate the paid off of the principle of creditor's rights with debtor and Pledgee per Pledgee's request, or replace the Collateral with the new building or new collateral per Pledgee's request. After the original Collateral is lost and the new Collateral is not yet registered, Pledgor should provide additional guarantee by qualified guarantor. For the compensation that is in the form of cash, Pledgee is entitled to the primary rights from compensation, and entitled to the right to request the Pledgor to deposit the cash into the appointed custody accounts, and subsequent security by deposit contract should be signed and effected.

Clause 5 The registration

With 30 days after the sign-off of this contract, Pledgor and Pledgee should finish the registry in the authorities.

Pledgor and Pledgee should file a change in registry with the authorities within 30 days after the change.

Clause 6 The possession and management of the Collateral

The possession and management of the Collateral will be on the Pledgor, however, the certifications of rights should be under the custody of the Pledgee. Pledgor should accept the inspection and check from time to time.

Pledgor should properly maintain the Collateral to ensure the safety and well-being of the Collaterals, Pledgor should take responsibility on daily maintenance and repairs.

Without the written consent of the Pledgee, Pledgor is not allowed to transfer, lend, invest, or restructure the Collateral. With Pledgee's written consent, the proceedings of disposal should be deposited in the appointed accounts.

Clause 7 The circumstances that the value of the Collaterals is diminished

Before the creditor's rights has been fully paid off, Pledgee is entitled to the right to stop Pledgor's behavior, if such behavior is diminishing the value of the underlying assets. Pledgee is entitled to the right to request Pledgor to recover the value of the asset or provide additional guarantee to secure the proportion of lost.

If the Pledgor failed to recover the value of the asset nor can it provide addition guarantee, Pledgee might request early pay-off of the creditor's rights. Pledgee might execute the rights to assume guarantee responsibility if the Pledgor refused the above.

If the diminished value is due to the irresistible reason, Pledgor should take action to avoid further deteriorate and notify the Pledgee in writing immediately

Clause 8 Interest generated from the account receivables

The interest generated from the pledged account receivables should be assumed responsible to the creditor's rights after the deduction of the cost of collecting those interests.

Clause 9 Insurance of the underlying assets (Optional)

Not applicable

Clause 10 The guarantee responsibilities

Under the circumstance that, the debtor of principle contract failed to pay off the creditor's rights when due (on due date or early termination date), the pledge is assumed to be responsible in accordance with this contract.

The due date in the previous sentence means the repayment date agreed in the principle contract. The early termination date is the termination date request by creditor per law or per agreements under the principle contracts.

Clause 11 The realization of the pledgee's rights

Once guarantee responsibility established, Pledgee is entitled to the right to request the execution of the assumption of the guarantee 's responsibility in accordance to law and regulation.

Pledgee should execute the rights within the duration of action.

Clause 12 The realization of the pledgee's rights

Once guarantee responsibility is assumed, Pledgee is entitled to the right to request the execution immediately. The execution action includes but is not limited to compromise for discount, sale the assets through auction, etc. Pledgor should cooperate on the above mentioned actions. The proceeds received after the cost of execution, should be use to pay off the principle creditor's rights under the principle contracts.

Under the circumstance that, the expiration of account receivables is earlier than the expiration of the principle creditor's rights, the amount collected from the pledged account receivables by Pledgor should be deposited in the appointed account. And the deposit should still assume the guarantee responsibility for the undue principle creditor's rights.

Pledgor's rights on other guarantee contracts or collateral contracts should not have an impact on the performing of this contract. Pledgor should assume responsibility under this contract rather than plea with the execution in order.

Clause 13 The relationship between this contract and the principle contract

Upon the termination or early termination of the principle contract, Pledgor assumed guarantee responsibility on occurred debt. The change of principle contract will not be informed to the Pledgor unless under the following circumstances, change of currency, interest rate, amount, period, or other terms which might affect the increase of the amount of the principle creditor's rights or extend the effective period of the principle contract. Pledgor remains to assume the guarantee responsibility to the changed principle contract. Under the previous stated circumstance which Pledgor's consent is required, Pledgor is entitled to the right to reject the assumption of the guarantee responsibility on the incremental portion. Under the circumstances that, Pledgee provide the letter of credit, trade financing services to debtor under the principle contract, Pledgor won't be notified but assumed guarantee responsibility. It is the Pledgee's responsibility to register for the incremental business contract.

Clause 14 Statements and Commitments

Pledgor's statement:

1. Pledgor is legally registry and operating, and owning the full civil rights required by this contract.
 2. Pledgor committed that no joint owner attached on the Collateral, or if any, written consents has been obtained. Pledgor agreed to hand over the written consent to Pledgee for custody.
 3. Signing and performing the contract is the true will of Pledgor, Pledgor has been granted all necessary authorizations in effect before signing the contract. The contract does not form a default for other contracts signed and performed by Pledgor. It is Pledgor's responsibility to complete all required approvals, registrations, permits and filings.
 4. All documents and information provided by Pledgor to Pledgee are true, complete, accurate and effective.
 5. Pledgor did not conceal all the other creditor's rights, factoring and financing attached to the underlying assets.
 6. Under the circumstances that new creditor's rights are attached on the underlying assets or significant argue and dispute on the underlying contracts, Pledgor should notify Pledgee immediately.
 7. If the Collateral is construction in process, Pledgor committed that no other creditor's rights is attached, if any, a written consent of abortion is obtained. Pledgor agreed to hand over the written consent to Pledgee for custody.
-

Clause 15 Default of the contract

Pledgor's absent or delay in the registration procedure will be considered the event of default. Pledgee's loss from the default should be compensated by Pledgor.

Clause 16 Breach of covenants

Any of the following situations would be considered as breach of contract covenant:

1. Pledgor is in violation with the previous terms of the contract, transferred or disposed all or part of the assets.
2. Pledgor impeded in any form Pledgee's execution the rights.
3. Under the clause 7 of this contract that diminished of the value of the accounts receivables, and Pledgor cannot provide additional guarantee.
4. The statements of the Pledgor are untrue or in violation with its commitments
5. Pledgor is in violation with other rights and obligations agreed in this contract.
6. Pledgor is or will be under significant business changes such as termination of operation, dismissal or bankruptcy.
7. Pledgor breaches the covenants on other credit line contracts with Party B or other affiliated institutions of Bank of China.

When any of the above mentioned situations noticed, Pledgee will perform the following in separate or all at the same time:

- 1) Request Pledgor to rectify within a definite time.
- 2) Reduce, temporarily pause or permanently terminate Pledgor's Credit limit in part or in all
- 3) Temporarily pause or permanently terminate in part or in all of Pledgor's application on specific credit line under this contract.
- 4) Announce the immediate expiration on all the credit lines granted under this contract and affiliated specific credit line contracts.
- 5) Terminate or release this contract, terminate or release in part or in all of the affiliated specific credit line contracts as well as the other contracts signed between Pledgor and Pledgee
- 6) Request compensation from Pledgor on the losses thereafter caused.
- 7) Assume the guarantee responsibility on Guarantors.
- 8) Other necessary procedures on Party B's concern

Clause 17 Rights reserved

Either party might reserve part of or all of the rights under this contract and the affiliated specific credit line contracts, this does not imply the party has surrendered or remitted the unperformed rights and obligations.

Either party might sometimes tolerate, extend or delay the execution of certain rights, this does not deem as the party has surrendered or remitted the rights.

Clause 18 Change, Modification, Termination and Partial invalid

Upon negotiation and agreed by both parties, this contract can be changed and modified, the written record of the changes and modifications should form the inseparable part of this contract.

Unless ruled by law or both parties formed a separate agreement, the contract would not be terminated prior to all the rights and obligations defined are fulfilled.

Unless ruled by law or both parties formed a separate agreement, the void of single terms under this contract should no invalid other contract under this contract.

Clause 19 Applicable Law and Resolution for Dispute

1. This contract entered into according with the People's Republic of China, and applicable to the law of the People's Republic of China.
2. The resolution of dispute should be appealed in Party B or other Bank of China subsidiaries defined in this contract or other affiliated contracts

Clause 20 Attachments

Details of underlying assets.

Clause 21 Other terms and conditions

1. Without Pledgee's prior written approval, Pledgor is not allowed to transfer the rights and obligations under this contract to 3rd Parties.
2. Pledgor should give the consent that, Pledgee might somehow authorize other affiliated institutions of Bank of China to perform the obligation. The performing party is entitled to all the rights and obligations under this contract and the affiliated credit line contracts, the performing party reserves the rights to appeal a resolution of dispute if necessary.
3. The contract has equivalent restrictions to the successors or inherits of both parties.
4. Unless otherwise agreed, the domicile addresses stated in this contract are for corresponding use; both parties should notify each other in writing about any changes of its domicile addresses.
5. The title and name of business product is for business purposes, will not used for interpretation of the contract terms and the rights and obligations.
6. Special agreements between Pledgor and Pledgee, If the realization value of the underlying assets exceeds the maximum amount of guarantee specified in Clause 3, Pledgor agree that the primary compensation to Pledgee will not restricted to the amount defined in Clause 3 and Clause 10. Pledgee entitled the compensation from the full proceeds from disposal.

Clause 22 Effectiveness of the contract

This contract is established and enters into effective upon signing or sealing by the legal representatives (or person-in-charge) of Pledgor and Pledgee or their duly authorized agents, together with sealing by the company chop.

The pledge is established upon the effectiveness of this contract.

This contract will be printed and signed in six copies, Pledgor and the debtor hold one copy each, Pledgee holds three copies, the registration authority holds one copy, each copy has the same legal effect

Stamp of Pledgor

Signature of director or authorized representative

Mar 10, 2014

/s/ [COMPANY SEAL]

Stamp of Pledgee (if Pledgee is a corporation)

Signature of legal representative or authorized representative

Mar 10, 2014

Attachment:

Details of the underlying assets (Ref No: 2014zhenzhongyinbudiezi No.0016B)

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

I, Dang Yu Pan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Highpower International, Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
-

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

Date: May 12, 2014

/s/ Dang Yu Pan

By: Dang Yu Pan

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

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

I, Henry Sun, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Highpower International, Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
-

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

Date: May 12, 2014

/s/ Henry Sun

Henry Sun

Chief Financial Officer

(Principal Financial Officer)

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

In connection with the quarterly report of Highpower International, Inc. (the "Company") on Form 10-Q for the quarter ending March 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dang Yu Pan

Dang Yu Pan
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)
May 12, 2014

/s/ Henry Sun

Henry Sun
Chief Financial Officer
(Principal Financial and Accounting Officer)
May 12, 2014

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.
