

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

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

For The Quarterly Period Ended June 30, 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 August 13, 2014.

HIGHPOWER INTERNATIONAL, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED June 30, 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)

	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
	<i>(Unaudited)</i>	
	\$	\$
ASSETS		
Current Assets:		
Cash and cash equivalents	12,820,421	7,973,459
Restricted cash	20,053,350	28,586,121
Accounts receivable, net	33,544,964	33,961,014
Notes receivable	2,564,585	1,014,891
Prepayments	6,127,204	4,969,743
Other receivables	800,986	1,063,656
Inventories	<u>20,654,074</u>	<u>19,739,360</u>
Total Current Assets	<u>96,565,584</u>	<u>97,308,244</u>
Property, plant and equipment, net	48,699,905	48,548,203
Land use right, net	4,334,591	4,421,415
Intangible asset, net	625,000	650,000
Deferred tax assets	1,343,954	802,225
Foreign currency derivatives assets	<u>-</u>	<u>63,289</u>
TOTAL ASSETS	<u><u>151,569,034</u></u>	<u><u>151,793,376</u></u>
LIABILITIES AND EQUITY		
LIABILITIES		
Current Liabilities:		
Foreign currency derivatives liabilities	68,007	-
Accounts payable	46,370,345	40,026,698
Deferred income	1,007,753	675,521
Short-term loan	31,216,964	36,142,105
Notes payable	21,616,432	25,271,256
Other payables and accrued liabilities	5,564,376	7,801,431
Income taxes payable	1,357,123	1,279,658
Current portion of long-term loan	<u>1,950,490</u>	<u>1,967,536</u>
Total Current Liabilities	<u>109,151,490</u>	<u>113,164,205</u>
Warrant Liability	1,099,404	-
Long-term loan	<u>2,925,735</u>	<u>3,935,071</u>
TOTAL LIABILITIES	<u><u>113,176,629</u></u>	<u><u>117,099,276</u></u>
COMMITMENTS AND CONTINGENCIES	-	-

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

	<u>June 30,</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, 15,052,158 shares issued and outstanding at June 30, 2014 and 13,978,106 shares issued and outstanding at December 31, 2013)	1,505	1,398
Additional paid-in capital	10,254,841	6,011,305
Statutory and other reserves	3,142,411	3,142,411
Retained earnings	18,268,224	18,390,875
Accumulated other comprehensive income	<u>5,498,899</u>	<u>5,848,859</u>
Total equity for the Company's stockholders	<u>37,165,880</u>	<u>33,394,848</u>
Non-controlling interest	<u>1,226,525</u>	<u>1,299,252</u>
TOTAL EQUITY	<u>38,392,405</u>	<u>34,694,100</u>
TOTAL LIABILITIES AND EQUITY	<u>151,569,034</u>	<u>151,793,376</u>

See notes to consolidated financial statements

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Net sales	38,134,636	31,177,616	67,294,950	55,576,988
Cost of sales	<u>(30,405,145)</u>	<u>(25,443,157)</u>	<u>(53,634,514)</u>	<u>(45,079,349)</u>
Gross profit	<u>7,729,491</u>	<u>5,734,459</u>	<u>13,660,436</u>	<u>10,497,639</u>
Research and development expenses	(1,976,965)	(1,350,997)	(3,788,917)	(2,453,465)
Selling and distribution expenses	(1,587,726)	(1,392,576)	(3,124,886)	(2,787,978)
General and administrative expenses, including stock-based compensation	(3,312,296)	(2,612,855)	(6,883,576)	(5,418,246)
Foreign currency transaction gain (loss)	247,102	(180,010)	349,695	(219,957)
Gain (loss) on derivative instruments	21,147	112,335	(116,134)	222,283
Total operating expenses	<u>(6,608,738)</u>	<u>(5,424,103)</u>	<u>(13,563,818)</u>	<u>(10,657,363)</u>
Income (loss) from operations	1,120,753	310,356	96,618	(159,724)
Gain on change of fair value of warrant liability	74,548	-	74,548	-
Other income	361,954	281,236	903,374	497,385
Interest expenses	<u>(474,162)</u>	<u>(365,146)</u>	<u>(1,069,543)</u>	<u>(701,412)</u>
Income (loss) before taxes	<u>1,083,093</u>	<u>226,446</u>	<u>4,997</u>	<u>(363,751)</u>
Income taxes expenses	<u>(281,364)</u>	<u>(159,110)</u>	<u>(189,213)</u>	<u>(207,329)</u>
Net income (loss)	<u>801,729</u>	<u>67,336</u>	<u>(184,216)</u>	<u>(571,080)</u>
Less: net loss attributable to non-controlling interest	(10,769)	(41,953)	(61,565)	(71,489)
Net income (loss) attributable to the Company	<u>812,498</u>	<u>109,289</u>	<u>(122,651)</u>	<u>(499,591)</u>
Comprehensive income (loss)				
Net income (loss)	801,729	67,336	(184,216)	(571,080)
Foreign currency translation gain (loss)	<u>(19,936)</u>	<u>526,996</u>	<u>(361,122)</u>	<u>298,942</u>
Comprehensive income (loss)	781,793	594,332	(545,338)	(272,138)
Less: comprehensive loss attributable to non-controlling interest	(11,294)	(31,257)	(72,727)	(65,475)
Comprehensive income (loss) attributable to the Company	<u>793,087</u>	<u>625,589</u>	<u>(472,611)</u>	<u>(206,663)</u>
Earnings (loss) per share of common stock attributable to the Company				
- Basic	<u>0.05</u>	<u>0.01</u>	<u>(0.01)</u>	<u>(0.04)</u>
- Diluted	<u>0.05</u>	<u>0.01</u>	<u>(0.01)</u>	<u>(0.04)</u>
Weighted average number of common stock outstanding				
- Basic	<u>14,853,219</u>	<u>13,582,106</u>	<u>14,415,662</u>	<u>13,582,106</u>
- Diluted	<u>15,277,743</u>	<u>13,582,106</u>	<u>14,415,662</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>Six months ended June 30,</i>	
	<u>2014</u>	<u>2013</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$
Cash flows from operating activities		
Net loss	(184,216)	(571,080)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,053,486	1,182,314
Allowance for doubtful accounts	266	(3,965)
Loss on disposal of property, plant and equipment	151,237	102,926
Loss on derivative instruments	130,948	123,333
Deferred income tax	(549,140)	(137,726)
Share based payment	916,244	94,710
Gain on change of fair value of warrant liability	(74,548)	-
Changes in operating assets and liabilities:		
Accounts receivable	159,094	(41,371)
Notes receivable	(1,560,871)	(167,535)
Prepayments	(1,200,028)	(1,372,932)
Other receivable	253,843	8,451
Inventories	(1,086,899)	(1,924,454)
Accounts payable	6,887,622	1,414,867
Deferred income	1,009,295	-
Other payables and accrued liabilities	(2,175,844)	1,725,062
Income taxes payable	88,688	(228,533)
Net cash flows provided by operating activities	<u>4,819,177</u>	<u>204,067</u>
Cash flows from investing activities		
Acquisition of plant and equipment	(3,503,027)	(7,335,376)
Net cash flows used in investing activities	<u>(3,503,027)</u>	<u>(7,335,376)</u>
Cash flows from financing activities		
Proceeds from short-term bank loans	9,611,198	15,581,691
Repayment of short-term bank loans	(14,367,008)	(8,515,280)
Repayment of long-term bank loans	(976,737)	(962,603)
Proceeds from notes payable	21,753,902	20,038,103
Repayment of notes payable	(25,195,047)	(26,517,924)
Proceeds from issuance of capital stock, net	4,633,164	-
Change in restricted cash	8,316,169	3,280,806
Net cash flows provided by financing activities	<u>3,775,641</u>	<u>2,904,793</u>
Effect of foreign currency translation on cash and cash equivalents	(244,829)	265,988
Net increase (decrease) in cash and cash equivalents	4,846,962	(3,960,528)
Cash and cash equivalents - beginning of period	7,973,459	6,627,334
Cash and cash equivalents - end of period	<u>12,820,421</u>	<u>2,666,806</u>
Supplemental disclosures for cash flow information:		
Cash paid for:		
Income taxes	649,665	573,588
Interest expenses	1,061,904	701,412
Non-cash transactions		
Accounts payable for construction in progress	794,356	1,649,807
Offset of deferred income and property, plant and equipment	669,668	-

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 Company 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%.

In April 2014, the Company and certain institutional investors entered into a securities purchase agreement, pursuant to which the Company sold 1,000,000 shares of common stock and warrants exercisable for 500,000 shares of common stock in a registered direct offering at a price of \$5.05 per fixed combination for aggregate proceeds of \$5.05 million. The shares and warrants were sold in multiples of a fixed combination consisting of (i) one share of common stock and (ii) one immediately exercisable warrant to purchase 0.50 shares of common stock. The net proceeds from the offering was \$4,633,164, after deducting fees due the placement agent and offering expenses.

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 June 30, 2014 and for the three and six month periods ended June 30, 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 June 30, 2014, its consolidated results of operations and cash flows for the six month periods ended June 30, 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.

No customer accounted for 10% or more of total sales during six months ended June 30, 2014. During the six months ended June 30, 2013, there was one customer, Energizer Holdings, Inc., that accounted for 11.4% of total net sales.

No supplier accounted for 10% or more of total purchase amount during six months ended June 30, 2014, and one major supplier accounted for 13.3% of total purchase amount during six months ended June 30, 2013.

None of the Company's customers accounted for 10% or more of the accounts receivable as of June 30, 2014 and 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 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 asset is recognized on the consolidated balance sheet as deferred income and deducted in calculating the carrying amount of the related asset. The revenue from such grant is recognized in profit or loss over the life of the related depreciable asset as a reduction of depreciation expense. As of June 30, 2014 and December 31, 2013, the Company recorded deferred income of \$1,007,753 and \$675,521, respectively, for the government grants to purchase of non-current assets.

Government grants as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related benefit are recognized as other income in the period in which they become receivable. In the six months ended June 30, 2014 and 2013, approximately \$180,923 and \$68,886 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 \$413,112 and \$364,935, respectively, for the six months ended June 30, 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 six months ended June 30, 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 June 30, 2014 and December 31, 2013.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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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.

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

2. Summary of significant accounting policies (continued)

Warrant Liabilities

For warrants that are not indexed to the Company's stock, the Company records the fair value of the issued warrants as a liability at each balance sheet date and records changes in the estimated fair value as a non-cash gain or loss in the consolidated statement of operations and comprehensive loss. The fair values of these warrants have been determined using the Black-Scholes pricing model. The Black-Scholes pricing model provides for assumptions regarding volatility, call and put features and risk-free interest rates within the total period to maturity. These values are subject to a significant degree of judgment on the part of the Company.

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.

Earnings 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. Potential dilutive securities are excluded from the calculation of diluted EPS in loss periods as their effect would be anti-dilutive.

Recently issued accounting pronouncements

As of August 13, 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2013-01 up to ASU 2014-14, which are not expected to have a material impact on the consolidated financial statements upon adoption.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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3. Restricted cash

As of June 30, 2014 and December 31, 2013, restricted cash consisted of the following:

	<u>June 30,</u> <u>2014</u> <i>(Unaudited)</i>	<u>December 31,</u> <u>2013</u>
	\$	\$
Securities for bank acceptance bill	11,491,295	14,132,921
Time deposit	8,562,055	14,453,200
	<u>20,053,350</u>	<u>28,586,121</u>

4. Accounts receivable, net

As of June 30, 2014 and December 31, 2013, accounts receivable consisted of the following:

	<u>June 30,</u> <u>2014</u> <i>(Unaudited)</i>	<u>December 31,</u> <u>2013</u>
	\$	\$
Accounts receivable	36,042,801	36,467,233
Less: allowance for doubtful debts	<u>2,497,837</u>	<u>2,506,219</u>
	<u>33,544,964</u>	<u>33,961,014</u>

The Company recorded bad debt expense of \$266 during the six months ended June 30, 2014, and the company reversed bad debt expenses of \$3,965 during the six months ended June 30, 2013.

The Company wrote off accounts receivable of \$2,951 and \$1,348, respectively, in the six months ended June 30, 2014 and 2013.

The account receivable attributable to SZ Springpower, with a carrying amount of \$13,573,855, was pledged as collateral for bank loans as of June 30, 2014 and December 31, 2013, respectively.

5. Prepayments

	<u>June 30,</u> <u>2014</u> <i>(Unaudited)</i>	<u>December 31,</u> <u>2013</u>
	\$	\$
Purchase deposits paid	3,144,748	2,876,267
Value-added tax prepayment	1,583,020	1,032,619
Deferred share-based compensation	-	131,812
Rental deposit	207,283	209,095
Deferred insurance fee	145,353	53,297
Advances to staff for operations	176,220	48,499
Other deposits and prepayments	<u>870,580</u>	<u>618,154</u>
	<u>6,127,204</u>	<u>4,969,743</u>

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

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

6. Other receivables

	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
	<i>(Unaudited)</i>	
	\$	\$
Deposit for land use right	514,110	518,603
Others	<u>286,876</u>	<u>545,053</u>
	<u>800,986</u>	<u>1,063,656</u>

7. Inventories

	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
	<i>(Unaudited)</i>	
	\$	\$
Raw materials	4,606,341	4,281,232
Work in progress	2,479,712	2,047,627
Finished goods	13,077,479	13,087,995
Packing materials	19,003	20,591
Consumables	<u>471,539</u>	<u>301,915</u>
	<u>20,654,074</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. \$325,505 and \$78,396 was written down for inventories in the six months ended June 30, 2014 and 2013, respectively.

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

8. Property, plant and equipment, net

	<i>June 30,</i> <i>2014</i>	<i>December 31,</i> <i>2013</i>
	<i>(Unaudited)</i>	
	\$	\$
Cost		
Construction in progress	3,461,604	6,681,652
Furniture, fixtures and office equipment	3,316,549	3,282,818
Leasehold improvement	1,256,185	940,089
Machinery and equipment	25,924,888	24,600,773
Motor vehicles	1,339,183	1,430,611
Building	<u>24,437,093</u>	<u>21,521,416</u>
	59,735,502	58,457,359
Less: accumulated depreciation	<u>11,035,597</u>	<u>9,909,156</u>
	<u><u>48,699,905</u></u>	<u><u>48,548,203</u></u>

The Company recorded depreciation expenses of \$1,979,893 and \$1,101,403 for the six months ended June 30, 2014 and 2013, and \$1,009,036 and \$568,964 for the three months ended June 30, 2014 and 2013, respectively.

During the six months ended June 30, 2014 and 2013, the Company deducted deferred income related to government grants of \$669,668 and \$nil, respectively, in calculating the carrying amount of property, plant and equipment.

The buildings comprising the Huizhou facilities were pledged as collateral for bank loans as of June 30, 2014 and December 31, 2013. The carrying amount of the building was estimated to be \$10,654,184 and \$10,867,411 as of June 30, 2014 and December 31, 2013, respectively.

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

9. Land use rights, net

	<i>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>(Unaudited)</i>	
	\$	\$
Cost		
Land located in Huizhou	3,490,250	3,520,752
Land located in Ganzhou	1,361,616	1,373,515
	4,851,866	4,894,267
Accumulated amortization	(517,275)	(472,852)
Net	4,334,591	4,421,415

As of June 30, 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	48,519
2015	97,038
2016	97,038
2017	97,038
2018	97,038
2019	97,038
2020 and thereafter	3,800,882
	4,334,591

The Company recorded amortization expenses of \$48,593 and \$47,890 for the six months ended June 30, 2014 and 2013, respectively, and \$20,149 and \$24,110 for the three months ended June 30, 2014 and 2013, respectively.

The land use right for land located in Huizhou City was pledged as collateral for bank loans as of June 30, 2014 and December 31, 2013.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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10. Intangible asset

	<i>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>(Unaudited)</i>	
	\$	\$
Cost		
Consumer battery license fee	1,000,000	1,000,000
Accumulated amortization	(375,000)	(350,000)
Net	625,000	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 June 30, 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 \$25,000 for the six months ended June 30, 2014 and 2013, and \$12,500 for the three months ended June 30, 2014 and 2013.

11. Other payables and accrued liabilities

	<i>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>(Unaudited)</i>	
	\$	\$
Accrued expenses	3,909,851	3,877,095
Royalty payable	577,440	582,486
VAT payable	35,148	1,406,086
Sales deposits received	796,749	1,574,258
Other payables	245,188	361,506
	5,564,376	7,801,431

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

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 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 has reapplied 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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Stated in US Dollars)

12. Taxation (continued)

The components of the provision for income taxes expenses are:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Current	411,598	185,132	738,353	345,055
Deferred	(130,234)	(26,022)	(549,140)	(137,726)
Total	<u>281,364</u>	<u>159,110</u>	<u>189,213</u>	<u>207,329</u>

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Income (loss) before tax	1,083,093	226,446	4,997	(363,751)
Provision for income taxes at applicable income tax rate	226,097	54,201	(80,869)	(102,420)
Effect of preferential tax rate	(190,789)	(12,524)	(213,923)	43,970
R&D expenses eligible for super deduction	(71,605)	-	(71,605)	-
Non-deductible expenses	62,353	17,912	80,491	43,699
Change in valuation allowance	<u>255,308</u>	<u>99,521</u>	<u>475,119</u>	<u>222,080</u>
Effective enterprise income tax	<u>281,364</u>	<u>159,110</u>	<u>189,213</u>	<u>207,329</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.

	<i>June 30,</i>	<i>December 31,</i>
	<u>2014</u>	<u>2013</u>
	<i>(Unaudited)</i>	
	\$	\$
Tax loss carry-forward	3,568,435	2,601,823
Allowance for doubtful receivables	111,096	112,446
Allowance for inventory obsolescence	115,015	46,441
Fair value change of currency forwards	10,201	(9,493)
Difference for sales cut-off	28,199	46,824
Deferred income	<u>151,163</u>	<u>168,880</u>
Total gross deferred tax assets	3,984,109	2,966,921
Valuation allowance	<u>(2,640,155)</u>	<u>(2,164,696)</u>
Total net deferred tax assets	<u>1,343,954</u>	<u>802,225</u>

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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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 \$21,616,432 and \$25,271,256 as of June 30, 2014 and December 31, 2013, respectively.

14. Short-term loans

	<i>June 30, 2014</i>	<i>December 31, 2013</i>
	<i>(Unaudited)</i>	
	\$	\$
Short-term bank loans guaranteed and repayable within one year	31,216,964	36,142,105

As of June 30, 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 \$3,036,518, the building with a carrying amount of \$10,654,145 and a trade receivable with a carrying amount of \$13,573,855.

The loans were primarily obtained from eight banks with interest rates ranging from 1.0% to 7.8% per annum. The interest expenses were \$869,559 and \$419,188 for the six months ended June 30, 2014 and 2013, respectively, and \$377,796 and \$184,981 for the three months ended June 30, 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 June 30, 2014 and December 31, 2013:

<i>Lender</i>	<i>June 30, 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	12,596,915	6,264,415
Industrial and Commercial Bank of China	7/26/2012	7/25/2015	6,501,634	1,787,949
China Everbright Bank	9/4/2013	9/3/2014	1,137,786	-
Industrial Bank Co., Ltd	7/24/2013	7/24/2014(i)	8,127,042	6,501,634
The Shanghai Commercial&saving	8/29/2013	8/29/2014	3,000,000	1,250,000
Ping An Bank	11/12/2013	9/17/2014	11,377,859	5,063,301
China Minsheng Banking Corp.,Ltd	5/22/2014	5/22/2015	3,250,817	3,250,817
China Construction Bank (Asia) Corporation Ltd	6/4/2014	9/4/2014	6,451,363	387,082
China Citic Bank	6/25/2014	6/25/2015	7,314,337	6,657,673
Total			59,757,753	31,162,871

(i) The line of credit from this bank was terminated at maturity date.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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15. **Lines of credit (continued)**

<i>Lender</i>	<i>December 31, 2013</i>			
	<u>Starting date</u>	<u>Maturity date</u>	<u>Line of credit</u>	<u>Unused line of credit</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	(ii) 7,378,259	5,738,646
Bank of China	1/25/2013	1/25/2014	(i) 3,689,129	247,582
Bank of China	1/10/2013	1/10/2014	(ii) 12,707,001	1,674,876
China Everbright Bank	5/30/2013	5/29/2014	(i) 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	(i) 8,198,065	6,558,452
Jiang Su Bank Co., Ltd	6/21/2013	6/20/2014	(i) 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) Ltd	7/29/2013	1/29/2014	(i) 7,093,296	3,084,294
Total			<u>74,606,494</u>	<u>29,303,645</u>

(i) The lines of credit from these banks are terminated at maturity dates.

(ii) The lines of credit from these banks are rolled over after maturity dates.

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 June 30, 2014 and December 31, 2013, the Company was in compliance with all material covenants in its loan agreements.

16. **Long-term loans**

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
	<u>(Unaudited)</u>	
	\$	\$
Long term loans from Bank of China	4,876,225	5,902,607
Less: current portion of long-term borrowings	1,950,490	1,967,536
Long- term bank loans, net of current portion	<u>2,925,735</u>	<u>3,935,071</u>

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16. Long-term loans (continued)

On January 13, 2012, the Company borrowed \$8,127,042 (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 June 30, 2014. Interest expenses are to be paid quarterly.

The interest expenses were \$199,984 and \$282,224 for the six months ended June 30, 2014 and 2013, respectively, and \$96,366 and \$130,939 for the three months ended June 30, 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	975,245
2015	1,950,490
2016	1,950,490
	4,876,225

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 at 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 June 30, 2014, approximately 647,549 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

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Remaining Contractual Term in Years</u>
		\$	
Outstanding, January 1, 2013	665,000	2.81	8.35
Granted	540,000	2.63	-
Exercised	-	-	-
Forfeited	(100,000)	1.15	-
Canceled	-	-	-
Outstanding, December 31, 2013	<u>1,105,000</u>	<u>2.87</u>	<u>8.51</u>
Exercisable, December 31, 2013	380,000	3.14	7.19
Vested and expected to vest, December 31, 2013	<u>940,022</u>	<u>2.90</u>	<u>8.33</u>
		\$	
Outstanding, January 1, 2014	1,105,000	2.87	8.51
Granted	-	-	-
Exercised	(160,000)	2.69	-
Forfeited	(15,549)	2.63	-
Canceled	-	-	-
Outstanding, June 30, 2014	<u>929,451</u>	<u>2.90</u>	<u>8.19</u>
Exercisable, June 30, 2014	265,000	3.45	6.58
Vested and expected to vest, June 30, 2014	<u>896,571</u>	<u>2.95</u>	<u>8.03</u>

The aggregate intrinsic value of options vested and expected to vest as of June 30, 2014 and December 31, 2013 was approximately \$1.64 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 six months ended June 30, 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. As a result, the Company issued 74,052 shares of common stock to this employee by net share settlement. Two employees had resigned and his options to purchase a total of 15,549 shares of the Company's common stock were forfeited.

During the six months ended June 30, 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 RSAs 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 six months ended June 30, 2014 and 2013.

The following table summarizes the restricted stock awards activities for the six months ended June 30, 2014:

	<i>Number of Shares</i>	<i>Weighted Average Exercise Price</i> \$	<i>Remaining Contractual Term in Years</i>
Outstanding, January 1, 2014	172,200	2.81	0.95
Granted	-	-	
Exercised	-	-	
Forfeited	-	-	
Outstanding, June 30, 2014	<u>172,200</u>	<u>2.81</u>	<u>1.27</u>
Expected to vest, June 30, 2014	<u>155,219</u>	<u>2.81</u>	<u>1.27</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 common stock to the consulting firm on August 15, 2013. The shares were fully vested upon issuance and the fair value of the shares 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 was being amortized over the consulting service period. In the second quarter of 2014, the service agreement was terminated. Therefore, the remaining unamortized balance, approximately \$131,812, was recognized as share-based compensation expense during the six months ended June 30, 2014.

The Company also agreed to issue another 150,000 shares of the Company’s common stock to the consulting firm after a specific financing target is completed. As the financing target was not achieved before the termination of the service agreement in the second quarter of 2014, such 150,000 shares of common stock was not issued to the consulting firm.

Also, in connection with this consulting agreement, on January 17, 2014 the Company issued five year warrants to purchase 200,000 shares of the Company’s common stock. The shares were fully vested upon issuance and the aggregate fair value of the warrants was approximately \$390,000, which was calculated using the Black-Scholes pricing model, with the following weighted-average assumptions:

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	Six Months Ended	
	June 30,	
	2014	2013
Expected volatility	83.6%	-
Risk-free interest rate	1.64%	-
Expected term from grant date (in years)	4.75	-
Dividend rate	-	-
Fair value	\$ 2.02	-

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 six-month periods ended June 30, 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. In the second quarter of 2014, the service agreement was terminated. Therefore, the remaining unamortized balance, approximately \$235,000, was recognized as share-based compensation expense during the three months ended June 30, 2014.

Total Share-based Compensation Expenses

As of June 30, 2014 the gross amount of unrecognized share-based compensation expense relating to unvested share-based awards held by employees was approximately \$1.2 million, which the Company anticipates recognizing as a charge against income over a weighted average period of 9.17 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 \$394,645 and \$521,599, respectively, for the six-month period ended June 30, 2014 and stock-based compensation charges of \$94,208 and \$502, respectively, for the six-month period ended June 30, 2013. The Company recorded stock-based compensation charges of \$169,365 and \$345,933, respectively, for the three-month period ended June 30, 2014 and stock-based compensation charges of \$45,671 and \$nil, respectively, for the three-month period ended June 30, 2013.

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18. Earnings (loss) 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 six months ended June 30, 2014 and 2013, and the three months ended June 30, 2014 and 2013.

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Numerator:				
Net income (loss) attributable to the Company	<u>812,498</u>	<u>109,289</u>	<u>(122,651)</u>	<u>(499,591)</u>
Denominator:				
Weighted-average shares outstanding				
- Basic	14,853,219	13,582,106	14,415,662	13,582,106
- Diluted	<u>15,277,743</u>	<u>13,582,106</u>	<u>14,415,662</u>	<u>13,582,106</u>
Earnings (loss) per common share				
- Basic	<u>0.05</u>	<u>0.01</u>	<u>(0.01)</u>	<u>(0.04)</u>
- Diluted	<u>0.05</u>	<u>0.01</u>	<u>(0.01)</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 1,669,452 and 612,500 options and warrants outstanding as of June 30, 2014 and 2013 respectively, which were not included in the computation of diluted EPS for the periods ended June 30, 2014 and 2013 because of the net loss sustained for the six months ended June 30, 2014 and 2013.

929,451 shares of stock options and 200,000 shares of warrants with a total dilutive effect of 424,524 shares were included in the computation of diluted EPS for the three months ended June 30, 2014. There were 612,500 options and warrants outstanding as of June 30, 2013, which were not included in the calculation of diluted earnings per share for the three months ended June 30, 2013 because their exercise price would be above average market value.

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19. Securities Offering Transaction

In April 2014, the Company and certain institutional investors entered into a securities purchase agreement, pursuant to which the Company sold 1,000,000 shares of common stock and warrants exercisable for 500,000 shares of common stock in a registered direct offering at a price of \$5.05 per fixed combination for aggregate proceeds of \$5.05 million. The shares and warrants were sold in multiples of a fixed combination consisting of (i) one share of common stock and (ii) one immediately exercisable warrant to purchase 0.50 shares of common stock. The net proceeds from the offering was \$4,633,164, after deducting fees due the placement agent and offering expenses.

The warrants have an initial exercise price of \$6.33 per share and are exercisable until April 17, 2017. The exercise price of the warrants, and in some cases the number of shares issuable upon exercise of the warrants, will be subject to appropriate adjustment in relation to certain events. In addition, if the Company issues shares in the future at a price below \$6.33 per share, the exercise price of the warrants will be reduced to such lower price. No adjustment will be made to the number of shares purchasable in such event.

The warrants were classified as a liability. The aggregate fair value of the warrant liability at issuance dates was \$1,173,952. The residual balance of \$3,459,212 was allocated to common shares issued.

The fair values of the warrants were calculated using the Black-Scholes pricing model with the following assumptions:

	Six Months Ended June 30,	
	2014	2013
Expected volatility	84.88%	NA
Risk-free interest rate	0.8%	NA
Expected term (in years)	2.8	NA
Dividend rate	-	NA
Fair value	\$ 2.2	NA

The fair value of the investor warrant liability will be re-measured at each period and recorded as a gain or loss on fair value of warrant liability. As of June 30, 2014, the fair value of warrant liability was \$1,099,404 and the Company recognized a gain of \$74,548 on the change of fair value of warrant liability.

In conjunction with the securities offering transaction, the Company issued three year warrants to investment bankers to purchase 40,000 shares of the Company's common stock at \$6.33 per share. The aggregate fair value of the warrants was \$94,982, which was recognized as a share-based compensation and resulted in an increase of additional paid-in capital. As such compensation was offering cost, it resulted in a reduction in additional paid-in capital. Hence, such transaction has no net impact on the Company's financial position as of June 30, 2014.

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20. 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 \$703,703 and \$823,060 for the six months ended June 30, 2014 and 2013, respectively, and \$343,651 and \$452,729 for the three months ended June 30, 2014 and 2013, respectively.

21. Non-controlling interest

GZ Highpower is the Company's majority-owned subsidiary which is consolidated in the Company's financial statements 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 June 30, 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 June 30, 2014 and December 31, 2013, non-controlling interest related to GZ Highpower in the consolidated balance sheet was \$1,226,525 and \$1,299,252, respectively.

Non-controlling interest related to GZ Highpower in the consolidated statements of operations was loss of \$61,565 and \$71,489 for the six months ended June 30, 2014 and 2013, respectively, and \$10,769 and \$41,953 for the three months ended June 30, 2014 and 2013.

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22. Commitments and contingencies

Operating leases commitments

The Company leases factory and office premises under various non-cancelable operating lease agreements that expire at various dates through years 2014 to 2017, 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 June 30, 2014 are as follows:

	\$
Remaining 2014	802,320
2015	1,480,201
2016	1,338,219
2017	<u>333,826</u>
	<u>3,954,566</u>

Rent expenses for the six months ended June 30, 2014 and 2013 were \$792,321 and 630,382, respectively, and for the three months ended June 30, 2014 and 2013, rent expenses were \$404,641 and \$301,483, 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 June 30, 2014 and December 31, 2013, respectively.

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23. 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:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Net sales				
Ni-MH Batteries	19,153,435	17,866,800	34,640,938	32,916,770
Lithium Batteries	17,511,963	12,328,277	30,902,207	21,580,499
New Materials	1,469,238	982,539	1,751,805	1,079,719
Total	<u>38,134,636</u>	<u>31,177,616</u>	<u>67,294,950</u>	<u>55,576,988</u>
Cost of Sales				
Ni-MH Batteries	15,224,391	14,174,402	27,514,189	26,271,502
Lithium Batteries	13,877,599	10,363,888	24,580,425	17,805,800
New Materials	1,303,155	904,867	1,539,900	1,002,047
Total	<u>30,405,145</u>	<u>25,443,157</u>	<u>53,634,514</u>	<u>45,079,349</u>
Gross Profit				
Ni-MH Batteries	3,929,044	3,692,398	7,126,749	6,645,268
Lithium Batteries	3,634,364	1,964,389	6,321,782	3,774,699
New Materials	166,083	77,672	211,905	77,672
Total	<u>7,729,491</u>	<u>5,734,459</u>	<u>13,660,436</u>	<u>10,497,639</u>
Total Assets				
			<u>June 30, 2014</u>	<u>December 31, 2013</u>
			<i>(Unaudited)</i>	
			\$	\$
Ni-MH Batteries			61,294,348	66,960,366
Lithium Batteries			81,983,799	76,357,912
New Materials			8,290,887	8,475,098
Total			<u>151,569,034</u>	<u>151,793,376</u>

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23. 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:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	\$	\$	\$	\$
Net sales				
China (including Hong Kong)	26,334,013	16,745,956	44,366,237	27,627,991
Asia, others	2,261,183	3,674,631	4,324,547	7,108,620
Europe	7,053,769	8,065,607	13,443,062	15,467,649
North America	2,254,835	2,355,550	4,597,142	4,775,500
South America	76,320	126,358	201,701	291,366
Africa	77,365	175,976	237,144	219,398
Others	77,151	33,538	125,117	86,464
	<u>38,134,636</u>	<u>31,177,616</u>	<u>67,294,950</u>	<u>55,576,988</u>

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
	<u>(Unaudited)</u>	
	\$	\$
Accounts receivable		
China (including Hong Kong)	26,109,417	24,554,617
Asia, others	1,200,059	3,278,001
Europe	5,796,364	5,191,444
North America	291,354	863,156
South America	28,357	50,691
Africa	45,891	25
Others	73,522	23,080
	<u>33,544,964</u>	<u>33,961,014</u>

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 August 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 June 30, 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 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 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 June 30, 2014 and 2013

Net sales for the three months ended June 30, 2014 were \$38.1 million compared to \$31.2 million for the three months ended June 30, 2013, an increase of \$7.0 million, or 22.3%. The increase was due to a \$5.2 million increase in net sales of our lithium batteries (resulting from a 28.8% increase in the volume of batteries sold and an 10.2% increase in the average selling price of such batteries) and a \$1.3 million increase in net sales of our Ni-MH batteries (resulting from a 18.2% increase in the number of Ni-MH battery units sold which was partly offset a 9.3% decrease in the average selling price of such batteries), and a \$486,699 increase in revenue from our new material business. The increase in the number of Ni-MH battery units sold in the three months ended June 30, 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 June 30, 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 \$30.4 million for the three months ended June 30, 2014, as compared to \$25.4 million for the comparable period in 2013. As a percentage of net sales, cost of sales decreased to 79.7% for the three months ended June 30, 2014 compared to 81.6% 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 June 30, 2014 was \$7.7 million, or 20.3% of net sales, compared to \$5.7 million, or 18.4% 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 \$2.0 million, or 5.2% of net sales, for the three months ended June 30, 2014 as compared to approximately \$1.4 million, or 4.3% of net sales, for the comparable period in 2013, an increase of 46.3%. 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 \$1.6 million, or 4.2% of net sales, for the three months ended June 30, 2014 compared to \$1.4 million, or 4.5% of net sales, for the comparable period in 2013, an increase of 14.0%. 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 \$3.3 million, or 8.7% of net sales, for the three months ended June 30, 2014, compared to \$2.6 million, or 8.4% 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 \$515,298, up from \$45,671 in the second quarter of 2013.

We experienced a gain of \$247,102 for the three months ended June 30, 2014 and a loss of \$180,010 for the three months ended June 30, 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 gain on derivative instruments of \$21,147 in the three months ended June 30, 2014, which included a gain of \$14,814 on settled currency forwards and a gain of \$6,333 on unsettled currency forwards, as compared to a gain of \$112,335 for the comparable period in 2013, which included a gain of \$104,689 on settled currency forwards and a gain of \$7,646 on unsettled currency forwards.

Interest expenses were \$474,162 for the three months ended June 30, 2014, as compared to approximately \$365,146 for the comparable period in 2013. The fluctuation was due to a \$109,016 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 \$361,954 for the three months ended June 30, 2014, as compared to approximately \$281,236 for the comparable period in 2013, an increase of \$80,718. The increase was due to an increase in government grants and bank interest income.

During the three months ended June 30, 2014, we recorded provision for income tax expenses of \$281,364 as compared to income tax expense of \$159,110 for the comparable period in 2013. The increase was due to the increase in net income during the three months ended June 30, 2014.

Net income attributable to the Company (excluding net loss attributable to non-controlling interest) for the three months ended June 30, 2014 was \$812,498, compared to net income attributable to the Company (excluding net loss attributable to non-controlling interest) of \$109,289 for the comparable period in 2013.

Six Months Ended June 30, 2014 and 2013

Net sales for the six months ended June 30, 2014 were \$67.3 million compared to \$55.6 million for the six months ended June 30, 2013, an increase of \$11.7 million, or 21.1%. The increase was due to a \$9.3 million increase in net sales of our lithium batteries (resulting from a 26.1% increase in the volume of batteries sold and an 13.6% increase in the average selling price of such batteries) and a \$1.7 million increase in net sales of our Ni-MH batteries (resulting from a 12.8% increase in the number of Ni-MH battery units sold which was partly offset a 6.7% decrease in the average selling price of such batteries), and a \$672,086 increase in revenue from our new material business. The increase in the number of Ni-MH battery units sold in the six months ended June 30, 2014 was primarily attributable to increased orders from our new customers and the increase in the volume of lithium batteries sold in the six months ended June 30, 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 \$53.6 million for the six months ended June 30, 2014, as compared to \$45.1 million for the comparable period in 2013. As a percentage of net sales, cost of sales decreased to 79.7% for the six months ended June 30, 2014 compared to 81.1% for the comparable period in 2013. This decrease was attributable to increase in the average selling price of lithium batteries.

Gross profit for the six months ended June 30, 2014 was \$13.7 million, or 20.3% of net sales, compared to \$10.5 million, or 18.9% 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 \$3.8 million, or 5.6% of net sales, for the six months ended June 30, 2014 as compared to approximately \$2.5 million, or 4.4% of net sales, for the comparable period in 2013, an increase of 54.4%. 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 \$3.1 million, or 4.6% of net sales, for the six months ended June 30, 2014 compared to \$2.8 million, or 5.0% of net sales, for the comparable period in 2013, an increase of 12.1%. 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 \$6.9 million, or 10.2% of net sales, for the six months ended June 30, 2014, compared to \$5.4 million, or 9.8% 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 \$916,244, up from \$94,710 in the first half of 2013.

We experienced a gain of \$349,695 for the six months ended June 30, 2014 and a loss of \$219,957 for the six months ended June 30, 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 \$116,134 in the six months ended June 30, 2014. The primary reason for a loss of \$130,948 on unsettled currency forwards for the depreciation of the RMB relative to the U.S. Dollar, as compared to a gain of \$222,283 for the comparable period in 2013, which included a gain of \$345,483 on settled currency forwards and a loss of \$123,200 on unsettled currency forwards.

Interest expenses were \$1.1 million for the six months ended June 30, 2014, as compared to approximately \$701,412 for the comparable period in 2013. The fluctuation was due to a \$368,131 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 \$903,374 for the six months ended June 30, 2014, as compared to approximately \$497,385 for the comparable period in 2013, an increase of \$405,989. The increase was due to an increase in government grants and bank interest income.

During the six months ended June 30, 2014, we recorded provision for income tax expense of \$189,213 as compared to income tax expense of \$207,329 for the comparable period in 2013.

Net loss attributable to the Company (excluding net loss attributable to non-controlling interest) for the six months ended June 30, 2014 was \$122,651, compared to net income attributable to the Company (excluding net loss attributable to non-controlling interest) of \$499,591 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 six months ended June 30, 2014, the exchange rate of the RMB to the U.S. Dollar devaluated 0.9% 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 June 30, 2014, the Company had a series of currency forwards totaling a notional amount of \$4.0 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 \$116,134 are included in “loss of derivative instruments” for the six months ended June 30, 2014 and \$222,283 attributable to these activities are included in “gain of derivative instruments” for the six months ended June 30, 2013, respectively.

Liquidity and Capital Resources

We had cash and cash equivalents of approximately \$12.8 million as of June 30, 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 June 30, 2014, we had in place general banking facilities with nine financial institutions aggregating \$59.8 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 June 30, 2014, we had utilized approximately \$28.6 million under such general credit facilities and had available unused credit facilities of \$31.2 million.

On April 17, 2014, we issued 1,000,000 shares of common stock and warrants exercisable for 500,000 shares of common stock in a registered direct offering at a price of \$5.05 per fixed combination. The net proceeds from the offering was \$4.6 million, after deducting fees due the placement agent and offering expenses.

For the six months ended June 30, 2014, net cash provided by operating activities was approximately \$4.8 million, as compared to \$0.2 million for the comparable period in 2013. The net cash increase of \$4.6 million provided by operating activities is primarily attributable to, among other items, a decrease of \$837,555 in cash outflow from inventories, a decrease of \$5.5 million in outflow from accounts payable, which was significantly offset by a increase of \$3.9 million in cash outflow from other payables and accrued liabilities, and a decrease of \$1.4 in cash inflow from notes receivable.

Net cash used in investing activities was \$3.5 million for the six months ended June 30, 2014 compared to \$7.3 million for the comparable period in 2013. The net decrease of \$3.8 million 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 provided by financing activities was \$3.8 million during the six months ended June 30, 2014, as compared to \$2.9 million for the comparable period in 2013. The net increase of \$870,848 in net cash used in financing activities was primarily attributable to an increase of \$4.6 million in proceeds from issuance of capital stock, an increase of \$1.7 million in proceeds from notes payable, a decrease of \$1.3 million in repayment of notes payable, a decrease of 5.0 million in restricted cash, which was partly offset by a decrease of \$6.0 million in proceeds from short-term bank loans, an increase of \$5.9 million in repayment of short-term bank loans,.

For the six months ended June 30, 2014 and 2013, our inventory turnover was 5.3 times and 5.1 times, respectively. The average days outstanding of our accounts receivable at June 30, 2014 was 90 days, as compared to 82 days at June 30, 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 \$348,804 and \$452,729 in the three months ended June 30, 2014 and 2013, respectively, and \$703,703 and \$823,060 in the six months ended June 30, 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 60 to 150 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 2014-14, 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 June 30, 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 June 30, 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 June 30, 2014, we had outstanding options exercisable for an aggregate of 265,000 shares of common stock at a weighted average exercise price of \$3.45 per share and warrants exercisable for an aggregate of 740,001 shares of common stock at a weighted average exercise price of \$5.43 per share. We have registered the issuance of all the shares issuable upon exercise of the options and 540,001 of the shares underlying warrant, 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 April 17, 2014, in connection with its April 2014 offering and pursuant to the engagement letter with Ardour Capital Investments, LLC (“Ardour”) dated April 14, 2014, the Company issued warrant to Ardour and its assignees warrants to purchase an aggregate of 40,000 shares of common stock. The warrants have an initial exercise price of \$6.33 per share and are exercisable beginning on October 18, 2014 (as permitted by FINRA Rule 5110) and expire April 17, 2017. The warrants have the same terms as the warrants issued to the purchasers in the April 2014 offering, except for the price-based anti-dilution provision, which terms are described in the Company’s Current Report on Form 8-K filed with the SEC on April 16, 2014. The warrants and underlying shares to be issued pursuant to the warrants 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 holders to the effect that each 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 Highpower and Bank of China, Buji Sub-branch

On April 14, 2014, SZ Highpower entered into a working capital loan contract with Bank of China, Buji Sub-branch providing for an aggregate loan of RMB20,000,000 (US\$3,250,817) to be used by SZ Highpower to purchase raw materials. The term of the loan is 12 months from the first withdrawal date. SZ Highpower must withdraw the loan on or before April 30, 2014, after which time the bank may cancel all or part of the facility. The interest rate will float and adjust every 6 months. Upon the first withdraw and during the first floating period, the interest rate will equal the one year benchmark lending rate promulgated by the People’s Bank of China, plus 25%. The loan is guaranteed by SZ Springpower and our Chief Executive Officer, Dang Yu Pan.

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 Highpower 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 Highpower or such a person or entity’s becoming subject to investigation or restriction by the judiciary, which have or may affect SZ Highpower’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 Highpower or a guarantor after the bank’s annual review of SZ Highpower’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 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 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 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 contract; exercise the real rights for security; request repayment from a guarantor; or take any other procedures deemed necessary by the bank.

Credit Line Contracts Between SZ Highpower and China Minsheng Banking Co., Ltd. Shenzhen Branch

On May 22, 2014, SZ Highpower entered into a comprehensive credit line contract with China Minsheng Banking Co., Ltd. Shenzhen Branch, which provides for a revolving line of credit of up to RMB20,000,000 (US\$3,250,817) (CCL Agreement). The amount may be used for bank acceptance and bank guarantee, although the maximum amount that the company may have outstanding under the facility at any given time is RMB20 million. Also on May 22, 2014, SZ Highpower entered into a trade financing agreement with China Minsheng Banking Co., Ltd. Shenzhen Branch providing for a revolving line of credit of up to RMB20,000,000 (US\$3,250,817) to be used as bank guarantee (the "BG Agreement"). The limit for the principals granted by the bank to SZ Highpower for trade financing business will be irregularly adjusted and determined within the maximum amount of RMB 20 million. SZ Highpower may withdraw from each loan, from time to time as needed, but must make a specific drawdown application on or before May 22, 2015, after which time the bank may cancel all or part of the facilities. Each loan is guaranteed by SZ Springpower, HZ HTC and our Chief Executive Officer, Dang Yu Pan.

The following constitute events of default under CCL Agreement: the occurrence of significant business difficulties or adverse changes on the financial conditions of SZ Highpower; an adverse change in the SZ Highpower's business market; any major adjustment of relevant national policies; SZ Highpower violates any other contract or agreement concluded with others, or any commitment or warranty unilaterally made by SZ Highpower, which constitutes breach of other debts or other debts have been or may be announced acceleration by other creditor; the guarantor's guarantee capacity becomes obviously insufficient, or the guarantor violates the guarantee contract or any obligation specified in the commitments made by the guarantor; any pledged or mortgaged property is damaged or lost, and SZ Highpower fails to provide a new guarantee as required by the bank; SZ Highpower indicates directly or by its conduct that it will not perform its obligations under the contract or other specified contracts with the bank; SZ Highpower's providing false information or withholding of important financial facts (including balance sheet, profit and loss statement and other important materials), or refusal to accept the bank's supervision of the use of the loan and the company's operational and financial activities; SZ Highpower transfers its assets, withdraws funds, evades debts or has any other behavior which damages the bank's rights and interest; SZ Highpower's suffering major change in financial conditions, or involving in litigation, arbitration, administrative punishment or other judicial administrative proceedings, which may have adverse impact the execution of the contract; or any adversely affect SZ Highpower's ability to perform its obligations under the loan facility. Upon the occurrence of an event of default under the CCL Agreement, the bank may adjust or cancel a credit line, and demand SZ Highpower to prepay all the borrowings having been withdrawn under the contract.

The following constitute events of default under BG Agreement: SZ Highpower fails to pay the matured debts on time and in full, including but not limited to the principal, interest or any other expenses specified in the contract or any affiliated specific contract, or fails to deposit sufficient money to the account designated by the bank under the stipulations of the contract or any affiliated specific contract; SZ Highpower fails to use the financing funds according to the stipulations of the contract or any affiliated specific contract; any representation or warranty of SZ Highpower in the contract is or proves to have been untrue or inaccurate in any material respect; SZ Highpower does not perform its any commitment, responsibility or obligation completely and properly under the contract or any affiliated specific contract; SZ Highpower is unable to repay its any debt under the loan contract or credit granting contract concluded with any a third party, or has any event of default under any other contract, agreement or commitment, or any other debt owed by SZ Highpower is announced acceleration prior to the specified date of maturity; any other event which may materially endanger or damage the Bank's rights and interests under the contract, including but not limited to, SZ Highpower's major change of the operation conditions, significant adverse change of the financial status, suffering major adverse litigation or legal proceeding, major change of the market conditions related to the business operation or major change of relevant credit policies or industrial policies of China, which may have material adverse impact on the operation conditions; the guarantor has any event of default under any guarantee contract; or any other event or behavior which has serious adverse effect on the creditor's rights or guarantee rights and interests of the bank.

Upon the occurrence of an event of default under the BG Agreement, the bank may: adjust the limit amount, limit revolving and credit term under the Comprehensive Credit Granting Contract or under the BG Agreement until the use of the limit is terminated; adjust the scope of the trade financing products stipulated in the contract; announce acceleration of all the debts directly or indirectly deriving from the contract, and demand the SZ Highpower to make repayment immediately; execute the guarantee under the contract; demand SZ Highpower to provide or increase security in various forms, including but not limited to guarantee, mortgage or pledge; make deduction directly from the any account of SZ Highpower opened with the bank and any branch of China Minsheng Bank for paying the debts under the contract; or take any other measures permitted by laws and regulations and complying with provisions of relevant laws in order to maintain its rights and interests under the contract.

Credit Line Contract Between Both SZ Highpower and SZ Springpower and China Citic Bank, Shenzhen Branch

On June 25, 2014, SZ Highpower and SZ Springpower as a common borrower entered into a comprehensive credit line contract with China Citic Bank, Shenzhen Branch, which provides for a revolving line of credit of up to RMB45,000,000 (US\$7,314,338). The maximum amount that SZ Springpower may have outstanding under the facility at any given time is RMB10,000,000 (US\$1,625,408), and at the same time, the maximum amount that the borrowers may have outstanding under the facility at any given time is RMB45 million. Both borrowers may withdraw the loan, from time to time as needed, but must make specific drawdown application on before June 25, 2015, after which time the bank may cancel all or part of the facilities. The loan is guaranteed by SZ Highpower, SZ Springpower, HZ HTC and our Chief Executive Officer, Dang Yu Pan.

The following constitute events of default under the loan agreement: the borrower's violation or intention to violate the terms of the agreement or any other agreements executed between the borrower and the bank regarding the application of a specific line of credit; the borrower's failure to perform any of its obligation under the agreement; any statement made by the borrower in the agreement turns out to be untrue, misleading, or incomplete; the borrower's failure or indication that it is unable to repay the debt according to agreement; the borrower goes into shutdown, out of business, announced bankruptcy, dissolution, business license revoked or cancelled, or there is any litigation, arbitration, or criminal or administrative sanction which causes adverse consequences for the borrower's operation or property conditions, which may affect or damage or has affected or damaged the bank's rights and interests; the borrower's domicile, business scope, legal representative, or industrial and commercial registered item is changed, or the borrower has serious external investment, which seriously affects or threatens the realization of the creditor's rights of the bank; the borrower's experiencing a severe financial downturn, loss of assets, or other financial crisis which might affect the bank's ability to collect on the loan; the borrower's change in the use of the loan proceeds without the prior consent of the bank; the occurrence of a financial crisis on The borrower's controlling stockholder and the related parties with which the borrower has a strong business connection; a severe downturn in The borrower's industry; any involvement by the borrower's senior management in significant corruption which the bank believes might affect its ability to collect on the loan; the borrower's breach of other covenants under other agreements; the borrower's guarantor violates the guarantee contract or has any event of default under a guarantee contract, and the borrower fails to provide a new security according to the bank's requirements; any seizure, foreclosure or dispute of ownership of any collateral for the agreement and the borrower fails to provide a new security according to the bank's requirements; the borrower uses a false contract with an affiliated party to discount or pledge on the basis of bill receivable and accounts receivable without real trade background to take the bank's capital or credit; the borrower refuses to accept the bank's supervision and inspection on the execution situations of the specific business contract and relevant operation and financial activities; the borrower has escaped or attempts to escape its debts owing the bank through affiliated transactions; or any other circumstance affecting the borrower that may affect the bank's ability to collect on the loan.

Upon the occurrence of an event of default, the bank may: adjust, cancel or suspend the comprehensive contract or adjust the effective period for the contract; terminate the unused portion of the credit line and announce the debt outstanding under the agreement immediately due and payable; require additional guarantee to ensure the bank's rights; require the guarantors to repay the debt; hold the borrower's deposit account in the bank in custody for repayment of amounts outstanding under the agreement and specific credit lines under the agreement; or the expenses for realization of the creditor's rights by the bank (including but not limited to litigation cost, business traveling expenses, property preservation cost, notarization fee, certification fee, translation fee, and evaluation and auction expenses) shall be borne the borrower.

Working Capital Contract Between HKHTC and China Construction Bank (Asia)

On June 4, 2014, HKHTC entered into a working capital loan contract with China Construction Bank (Asia) providing for a term loan of up to HKD50,000,000 (US\$6,451,363). HKHTC may withdraw the loan on or before September 4 2014. Each drawdown shall be made at a minimum amount of HKD20,000,000 (or US\$3,000,000) with at least 2 business day's prior written notice to the bank. All the outstanding liabilities under the facility shall be repaid by the final maturity date, which is 12 months after the drawdown date. The interest rate and all other fees and charges shall be subject to variation from time to time by the bank, and the interest rate charged on the loans is at HIBOR plus 2.7% per annum. Interest is payable monthly commencing one month after the drawdown date or at the due date, whichever is earlier. The loan is guaranteed by SBLC(s) which is issued by China Merchants Bank or China Minsheng Bank and our Chief Executive Officer, Dang Yu Pan.

On and at any time after HKHTC have not provided all the documents according to the bank's requirement or violated any other provision of this contract, the bank may cancel the facilities and demand that all the outstanding amount under the facilities be immediately due and payable.

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 10.1-10.5 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	Form of Warrant issued on April 17, 2014 to Ardour Capital Investments, LLC and its assignees
10.1	Working Capital Loan Contract dated April 14, 2014 by and between Bank of China, Buji Sub-branch and Springpower Shenzhen Highpower Technology Co., Ltd (translated to English).
10.2	Comprehensive Credit Line Contract dated May 22, 2014 by and between China Minsheng Banking Co., Ltd. Shenzhen Branch and Shenzhen Highpower Technology Co., Ltd (translated to English).
10.2(a)	Maximum Amount Guaranty Contract dated May 22, 2014 by and between China Minsheng Banking Co., Ltd. Shenzhen Branch and Springpower Technology (Shenzhen) Co., Ltd (translated to English).
10.2(b)	Maximum Amount Guaranty Contract dated May 22, 2014 by and between China Minsheng Banking Co., Ltd. Shenzhen Branch and Dangyu Pan (translated to English).
10.2(c)	Maximum Amount Guaranty Contract dated May 22, 2014 by and between China Minsheng Banking Co., Ltd. Shenzhen Branch and Huizhou Highpower Technology Co., Ltd (translated to English).
10.3	Trade Financing Contract dated May 22, 2014 by and between China Minsheng Banking Co., Ltd. Shenzhen Branch and Shenzhen Highpower Technology Co., Ltd (translated to English).
10.4	Comprehensive Credit Line Contract dated June 4, 2014 by and between China Citic Bank, Shenzhen Branch and Both Shenzhen Highpower Technology Co., Ltd and Springpower Technology (Shenzhen) Co., Ltd (translated to English).
10.4(a)	Maximum Amount Guaranty Contract dated June 25, 2014 by and between China Citic Bank, Shenzhen Branch and Springpower Technology (Shenzhen) Co., Ltd (translated to English)
10.4(b)	Maximum Amount Guaranty Contract dated June 25, 2014 by and between China Citic Bank, Shenzhen Branch and Shenzhen Highpower Technology Co., Ltd (translated to English)
10.4(c)	Maximum Amount Guaranty Contract dated June 25, 2014 by and between China Citic Bank, Shenzhen Branch and Huizhou Highpower Technology Co., Ltd (translated to English)
10.4(d)	Maximum Amount Guaranty Contract dated June 25, 2014 by and between China Citic Bank, Shenzhen Branch and Dangyu Pan (translated to English)
10.5	Working Capital Loan Contract dated June 4, 2014 by and between China Construction Bank (Asia) and Hong Kong Highpower Technology 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: August 13, 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)

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

COMMON STOCK PURCHASE WARRANT

HIGHPOWER INTERNATIONAL, INC.

Warrant Shares: _____

Initial Exercise Date: October 18, 2014

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, ARDOUR CAPITAL INVESTMENTS, LLC or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the "Initial Exercise Date") and on or prior to the close of business on the three (3) year anniversary of the Initial Exercise Date (the "Termination Date") but not thereafter, to subscribe for and purchase from Highpower International, Inc., a Delaware corporation (the "Company"), up to _____ shares (as subject to adjustment hereunder, the "Warrant Shares") of Common Stock. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b). This Warrant is issued by the Company as of the date hereof pursuant to (i) Section 7(b) of the Engagement Agreement, dated April 14, 2014, between the Company and Ardour Capital Investments, LLC and (ii) Section 4(2) of the Securities Act and Rule 506 promulgated thereunder

Section 1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Securities Purchase Agreement (the "Purchase Agreement"), dated April 14, 2014, among the Company and the purchasers signatory thereto.

Section 2. Exercise.

a) Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile copy of the Notice of Exercise in the form annexed hereto. Within three (3) Trading Days following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price for the shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank unless the cashless exercise procedure specified in Section 2(c) below is specified in the applicable Notice of Exercise. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise within one (1) Business Day of receipt of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

b) Exercise Price. The exercise price per share of the Common Stock under this Warrant shall be **\$6.33**, subject to adjustment hereunder (the "Exercise Price").

c) Cashless Exercise. If, and only if, at the time of exercise hereof there is no effective registration statement registering, or the prospectus contained therein is not available for the issuance of the Warrant Shares to the Holder, then this Warrant may be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the VWAP on the Trading Day immediately preceding the date on which Holder elects to exercise this Warrant by means of a "cashless exercise," as set forth in the applicable Notice of Exercise;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

“VWAP” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if the OTC Bulletin Board is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board, (c) if the Common Stock is not then listed or quoted for trading on the OTC Bulletin Board and if prices for the Common Stock are then reported in the “Pink Sheets” published by Pink OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

d) Mechanics of Exercise.

- i. Delivery of Warrant Shares Upon Exercise. The Company shall cause the Warrant Shares purchased hereunder to be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder’s prime broker with The Depository Trust Company through its Deposit or Withdrawal at Custodian system (“DWAC”) if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by Holder or (B) this Warrant is being exercised via cashless exercise, and otherwise by physical delivery to the address specified by the Holder in the Notice of Exercise by the date that is three (3) Trading Days after (A) the delivery to the Company of the Notice of Exercise, (B) surrender of this Warrant (if required pursuant to this Warrant) and (C) payment of the aggregate Exercise Price as set forth above (including payment by cashless exercise, if permitted) (such date, the “Warrant Share Delivery Date”). For clarity, the Company must issue shares on or before the Warrant Share Delivery Date so long as B (if applicable) and C are met by such date, not necessarily three Trading Days prior. The Company shall have no obligation to issue any Warrant Shares for which it has not been paid (unless cashless exercise is permissible). The Warrant Shares shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price (or by cashless exercise, if permitted) and all taxes required to be paid by the Holder, if any, pursuant to Section 2(d)(vi) prior to the issuance of such shares, having been paid.
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ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares pursuant to Section 2(d)(i) by the the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

iv. Compensation for Buy-In on Failure to Timely Deliver Warrant Shares Upon Exercise. In addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares pursuant to an exercise on or before the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a "Buy-In"), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of \$10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder \$1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

v. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

vi. Charges, Taxes and Expenses. Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such Warrant Shares, all of which taxes and expenses shall be paid by the Company, and such Warrant Shares shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Exercise and all customary fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Warrant Shares.

vii. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

e) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Common Stock Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 2(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(e), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Holder, upon not less than 61 days' prior notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 2(e), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant held by the Holder and the provisions of this Section 2(e) shall continue to apply. Any such increase or decrease will not be effective until the 61st day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

Section 3. Certain Adjustments.

a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Warrant), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) [RESERVED]

c) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 3(a) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

d) Pro Rata Distributions. During such time as this Warrant is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "Distribution"), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder's right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any shares of Common Stock as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

e) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(e) on the exercise of this Warrant), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(d) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

f) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

g) Notice to Holder.

i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly mail to the Holder a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be mailed to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 4. Transfer of Warrant.

a) Transferability. Neither this Warrant nor any Warrant Shares issued upon exercise of this Warrant shall be sold, transferred, assigned, pledged, or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the securities by any person for a period of 180 days immediately following the date of effectiveness or commencement of sales of the offering pursuant to which this Warrant is being issued, except the transfer of any security:

- i. by operation of law or by reason of reorganization of the Company;
- ii. to any FINRA member firm participating in the offering and the officers or partners thereof, if all securities so transferred remain subject to the lock-up restriction in this Section 4(a) for the remainder of the time period;
- iii. if the aggregate amount of securities of the Company held by the Holder or related person do not exceed 1% of the securities being offered;
- iv. that is beneficially owned on a pro-rata basis by all equity owners of an investment fund, provided that no participating member manages or otherwise directs investments by the fund, and participating members in the aggregate do not own more than 10% of the equity in the fund; or
- v. the exercise or conversion of any security, if all securities received remain subject to the lock-up restriction in this Section 4(a) for the remainder of the time period.

Subject to the foregoing restriction, any applicable securities laws and the conditions set forth in Section 4(d), this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company unless the Holder has assigned this Warrant in full, in which case, the Holder shall surrender this Warrant to the Company within three (3) Trading Days of the date the Holder delivers an assignment form to the Company assigning this Warrant full. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the initial issuance date of this Warrant and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the “Warrant Register”), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d) Transfer Restrictions. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant or the sale of Warrant Shares, the transfer of this Warrant or the Warrant Shares, as applicable, shall not be either (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer or sale, that the Holder provide to the Company an opinion of counsel selected by the Holder and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer or sale does not require registration of such transferred security under the Securities Act.

e) Representations by the Holder. The Holder, by the acceptance hereof, represents and warrants that (a) it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act and (b) at the time the Holder was offered this Warrant, it was, and as of the date hereof it is, and on each date on which it exercises this Warrants, it will either be an “accredited investor” as defined in Rule 501(a) under the Securities Act or a “qualified institutional buyer” as defined in Rule 144A(a) under the Securities Act.

Section 5. Miscellaneous.

a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i), except as expressly set forth in Section 3.

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares.

The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

e) Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Purchase Agreement.

f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered, will have restrictions upon resale imposed by state and federal securities laws unless the Holder utilizes the cashless exercise provisions hereof and has held this Warrant for at least six (6) months (or one year in the event that there is not current public information available with respect to the Company as required by Rule 144(c)) and the Holder is not and has not been an Affiliate of the Company within 90 days of the date of exercise..

g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. Without limiting any other provision of this Warrant or the Purchase Agreement, if the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

h) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

k) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

l) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

m) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

n) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

HIGHPOWER INTERNATIONAL, INC.

By: _____
Dang Yu Pan
Chairman of the Board, Chief Executive Officer

NOTICE OF EXERCISE

TO: HIGHPOWER INTERNATIONAL, INC.

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

in lawful money of the United States; or

if permitted, the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

(3) Please issue said Warrant Shares in the name of the undersigned or in such other name as is specified below:

The Warrant Shares shall be delivered to the following DWAC Account Number:

[SIGNATURE OF HOLDER]

Name of Investing Entity:

Signature of Authorized Signatory of Investing Entity:

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Date: _____

ASSIGNMENT FORM

(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name: _____
(Please Print)

Address: _____
(Please Print)

Dated: _____, ____

Holder's Signature: _____

Holder's Address: _____

Working Capital Loan Contract

Reference No. : 2014zhenzhongyinbujiezi No.00023

Party A: Shenzhen Highpower Technology Co., Ltd

Business License: 440307503274740

Legal Representative: Dangyu Pan

Address: Building A1, 68 Xinxia Street, Pinghu, Longgang, Shenzhen;

Postal code: 518111

Deposit A/C and financial institutions: Bank of China, Pinghu Sub-branch, Shenzhen, 744557938816

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

This contract is the affiliated specific credit contract under the "Comprehensive Credit Line Contract" (Reference No.: 2014zhenzhongyinebuxiezi No. 0000162), which is signed by Shenzhen Highpower Technology 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: RMBAmount: RMB Twenty millions onlyRMB 20,000,000.00*Clause 2 Period*

The period of the loan is 12 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 one-year benchmark lending interest rate, set by People's Bank of China, plus 25%;

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 25% 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 11th Apr 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: Shenzhen Highpower Technology Co., Ltd.

Account number:

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: Shenzhen Highpower Technology Co., Ltd.
Account number:

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: Shenzhen Highpower Technology Co., Ltd.
Account number:

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 Pledge Contract of Maximum Amount (NO: 2014ZHENZHONGYINBUDIEZI0015) signed by SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. And Party B.
 - 2) This contract is the main contract of Pledge Contract of Maximum Amount (NO: 2014ZHENZHONGYINBUDIEZI0016B) signed by SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. And Party B.
 - 3) This contract is the main contract of Guaranty Contract of Maximum Amount (NO: 2014ZHENZHONGYINBUBAOEZI0013) signed by SPRINGPOWER TECHNOLOGY (SHENZHEN) CO., LTD. (Guarantor) and Party B. Guarantor provides the maximum amount guarantee.
 - 4) This contract is the main contract of Guaranty Contract of Maximum Amount (NO: 2014ZHENZHONGYINBUBAOEZI0014) signed by DAGNYU PAN (Guarantor) And Party B. Guarantor provides the maximum amount guarantee.
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.
-

- 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
Apr 14, 2014

/s/ [Stamp of Party B]
Signature
Apr 14, 2014

Text Encoding: CMBC-HT031 (GS2007)

Comprehensive Credit Granting Contract

(Applicable to corporate credit granting)

No.: GSXZ 2014 SHJZBZEZ No. 014

SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. (Seal)

CHINA MINSHENG BANKING CORP., LTD. SHENZHEN BRANCH (Seal)

CHINA MINSHENG BANKING CORP., LTD.

Comprehensive Credit Granting Contract

Credit Receiver: SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. ((hereinafter referred to as Party A)

Address: Bldg. 1, No. 68, Xinsha Road, Pinghu Street, Longgang District, Shenzhen

P. C.:

Legal Representative / Main Principal: Pan Dangyu

Tel.:

Fax:

Opening Bank:

Account No.:

Credit Grantor: CHINA MINSHENG BANKING CORP., LTD. SHENZHEN BRANCH (hereinafter referred to as Party B)

Address: Minsheng Bank Building, Xinzhou No. 11 Street, Futian District, Shenzhen City

P. C.: 518048

Legal Representative / Main Principal: Ou Yangyong

Tel.:

Fax:

In accordance with the *Contract Law*, the *Law on Commercial Banks* and other relevant laws and regulations, Party A and Party B make and enter into this Contract upon consensus through consultation on the principles of faithfulness, credit, equality and willingness. Both Parties shall commonly observe this Contract.

Chapter 1 Credit Line and Category

Article 1 During the valid credit period specified in this Contract, the highest credit line Party A may apply Party B for use is (in words) twenty million Yuan only, adopting RMB as the currency.

The line under this Contract shall:

be used by Party A;

be used by Party A and its subordinate wholly-owned or holding companies (hereinafter referred to as its subsidiary companies). Refer to annex 1 for the list of subsidiary companies which can use the comprehensive credit line;

Credit line hereunder means the net amount after deducting the deposit. In other words, the equal financing used after Party A or a third party other than Party A pays the deposit (or pledge of deposit) may not occupy the said line.

Article 2 The highest credit line hereunder shall be used for the following credit category:

RMB business: (1) loan;

(2) Acceptance of draft;

(3) Discount of draft;

(4) Letter of guarantee;

(5) Others:

Trade financing business: (1) foreign currency loan;

(2) Letter of guarantee;

(3) Outward documentary bill;

(4) Discount of bill;

(5) Acceptance of draft;

(6) Opening of L/C;

(7) Others: _____

Other business: _____

Chapter 2 Credit Term

Article 3 The effective term of the highest credit line specified in Article 1 herein shall be one year, from May 22, 2014 to May 22, 2015.

Article 4 Party B is entitled to examine the use of the credit line hereunder at any time. In case of any event of default as specified in Chapter 7 herein, Party B shall have the right to adjust the credit term.

Chapter 3 Guarantee

Article 5 In order to ensure repayment of the creditor's rights produced herein, the following one or several guarantees are adopted:

The guarantor Shupeng Technology (Shenzhen) Co., Ltd. and Party B conclude a *Maximum Guarantee Contract* of 2014 SHJZBZEZ No. 014-1;

The Mortgagor and Party B (i.e. the Mortgagee) conclude a *Maximum Guarantee Contract* of No. ;

The Pledgor and Party B (i.e. the Pledgee) conclude a *Maximum Guarantee Contract* of No. ;

Party A shall provide maximum guarantee for the credit line used by the subsidiary company listed in the annex.

Others: the Guarantor Huizhou Highpower Technology Co., Ltd. and Party B conclude a *Maximum Guarantee Contract* of 2014 SHJZBZEZ No. 014-2;

The Guarantor Pan Dangyu and Party B conclude a *Maximum Guarantee Contract* of 2014 SHJZBZEZ No. 014-3;

Article 6 When Party A and Party B concludes a specific business contract hereunder, Party B has the right to demand Party A to provide any security other than that specified in Article 5 herein.

Article 4 Use of Credit Line

Article 7 Within the credit term and highest credit line specified herein, Party A may use the credit line once or several times. If Party B complies with the stipulations of this Contract through review, Party B shall conclude a relevant specific credit granting business contract or agreement with Party A (hereinafter referred to as the specific business contract).

Article 8 The accumulative balance of all the credit lines used by Party A (the accumulative amount of principals used and not repaid) shall not exceed the highest credit line at any time within the credit term. During the credit term, Party A may apply for reusing the credit line that Party A has repaid. The credit line not used during the credit term shall be cancelled automatically when the credit term expires. If Party A fails to perform its obligations under this Contract or under the specific business contract, Party B shall have the right to stop Party A continuously using the remaining credit line.

Article 9 Party A must use credit lines within the credit term specified in Article 3 herein. The date of use of a credit line shall not be later than the deadline of the credit term (if the business type specified in the specific business contract is loan/import and export bill purchase, the date of release of each loan shall not be later than the deadline; if the business type specified in the Main Contract is acceptance of bill/discount/opening of L/C/ opening of letter of guarantee (or letter of guarantee for the release of goods), the date of draft of acceptance of bill/discount/opening of L/C/ opening of letter of guarantee (or letter of guarantee for the release of goods) shall not be later than the deadline). In case of adjustment of the credit term, the deadline shall be the deadline after this adjustment. The use term of each credit line shall accord with the specific business contract.

Article 10 When this Contract becomes effective, Party A may not use any line hereunder until it meets the following preconditions simultaneously, or Party B shall have the right to refuse conclusion of a specific business contract with Party A.

10.1 Party A has provided documents according to Party B's requirements, including but not limited to: Party A's business license, organization code certificate and tax registration certificate which are qualified through annual inspection; Party A's current effective articles of association; identity certificate and a photocopy of the OD card of the Company's legal representative;

10.2 Guarantee-related documents as the credit guarantee hereunder are effective, and the mortgage right/pledge right has been established;

10.3 Party A has never conducted any event of default, or Party A has conducted any event of default but the default has been solved satisfying Party B or has been exempted by Party B;

10.4 Party A's commitments given in Chapter 5 herein have been kept prior to the date of withdrawal;

10.5 Party A's financial conditions when the credit line is applied for use are basically the same as those when this Contract is signed, and there is no material adverse change;

Article 11 The expenses which should be charged under bills, letter of guarantee, international trade financing and other related business, the discount rate under discount of bills, and the interest rate and exchange rate which should be determined in inward and outward documentary bills shall be agreed by Party A and Party B in each specific business contract.

Article 12 In case of any discrepancy between this Contract and the specific business contract made and entered into by and between Party A and Party B, the specific business contract shall prevail.

Chapter 5 Party A's Commitments

Article 13 Party A's use of the credit line shall comply with the provisions of laws and the stipulations of this Contract and the specific business contract, and Party B is entitled to check the situations of the specific business at any time.

Article 14 During the credit use period (from the date of signature of this Contract to the date when Party B's all creditor's rights are compensated), Party A shall report true financial statements and all relevant information concerning the opening bank, account number and deposit and loan balances according to Party B's requirements.

Article 15 If providing security for any other's debts, Party A shall notify Party B in advance, and the performance of the specific business contract made and entered into with Party B shall not be affected.

Article 16 During the credit use period, Party A shall notify Party B 30 days in advance if Party A conducts activity of asset reorganization by means of merger, acquisition, consolidation and division, or any activity changing its operation right in any form, such as contracting and lease, or any activity changing its organization and operation method, or any activity for selling, transferring or disposing its any material asset or equipment in other forms and making major investment. Party A shall repay Party B's creditor's rights in advance or implement the responsibility of repaying creditor's rights according to Party B's requirements.

Article 17 In case of any event which endangers Party A's normal operation or constitutes any major threat to performance of the obligation of repayment hereunder (including but not limited to the events specified in sub-clause 10.3 herein), Party A shall notify Party B immediately in written form.

Article 18 In case of change of the domicile or business site of the legal person of Party A, or increase or decrease of Party A's registered capital, or change of Party A's legal representative and other senior management personnel, Party A shall notify Party B within seven days after occurrence of the change.

Article 19 Party A shall repay on time the principal and interests of the funds of the specific business under the credit line and pay on time the expenses payable.

Article 20 If Party A uses international trade financing credit line (including packing loan, import and export bill purchase, opening of L/C, letter of guarantee, discount of bill and acceptance of bill of exchange), Party A shall ensure:

1. the settled amount of the import and export business conducted through Party B during the credit period shall not be less than RMB _____Yuan, of which the settled amount of the export business shall not be less than RMB Yuan;
2. When the business is conducted, the latest *Uniform Customs and Practice for Documentary Credits*, the *Uniform Rules for Collections* and other related international practices prevailing when this Contract is signed shall be strictly observed. Party B's reputation and interest shall not be damaged due to any business dispute.

Chapter 6 Party B's Commitments

Article 21 If Party A's application for use of a credit line complies with the stipulations of this Contract, Party B shall approve and perform the application timely according to the specific business contract signed.

Article 22 Party B shall not make adjustment of the credit term and the highest credit line bad for Party A, unless otherwise specified in Chapter 7 of this Contract.

Chapter 7 Adjustment of Credit Line and Acceleration

Article 23 Under the following circumstances during the performance period of this Contract, Party B is entitled to adjust or cancel a credit line, and demand Party A to prepay all the borrowings having been withdrawn by Party A under this Contract:

- 23.1 Party A's operating status is worsen or Party A has any major operational difficulty;
 - 23.2 there is any major change of the market related to Party A's operation;
 - 23.3 there is any major adjustment of relevant national policies;
 - 23.4 Party A violates any other contract or agreement concluded with others, or Party A makes any commitment or warranty unilaterally, which constitutes breach of other debts or other debts have been or may be announced acceleration by other creditor;
 - 23.5 the guarantee capacity of the guarantor hereunder becomes obviously insufficient, or the guarantor violates the guarantee contract, or the guarantor violates any obligation specified in the commitments given by the guarantor, or the pledged or mortgaged property hereunder is damaged or its value is obviously decreased, and Party A fails to provide a new guarantee required according to Party B's requirements;
 - 23.6 during the valid period of this Contract, Party A expressly indicates or indicates by acts that Party A is unable to or fails to perform its obligations specified in this Contract, the specific business contract or Party A's commitments;
 - 23.7 Party A provides Party B with any balance sheet, statement of profits and losses and other important materials which contain false information or conceal important facts, or Party A refuses Party B's supervision on Party A's use of the credit line and relevant production, operation and financial activities;
 - 23.8 Party A transfers its assets, withdraws funds, evades debts or has any other behavior which damages Party B's rights and interest;
-

23.9 there is any major change of Party A's financial conditions, or Party A is involved in litigation, arbitration, administrative punishment or other judicial administrative proceedings, which may have adverse impact for Party A on the execution of this Contract;

23.10 there are any other circumstances under which Party A loses or may lose its ability to perform obligations;

23.11 Party A violates its any commitment given in Chapter 5 herein or fails to perform its obligations under this Contract or the specific business contract.

Article 8 Effectiveness of Contract

Article 24 This Contract shall become effective when both Parties' legal representatives/main principals or authorized agents sign or seal and both Parties affix their official seals/special contract seals.

Chapter 9 Dispute Settlement

Article 25 Any and all disputes between Party A and Party B arising from and in connection with the execution of this Contract and/or the specific business contract shall be governed by the court at the location where Party B is located, except that there are additional stipulations in the specific business contract for governing of disputes under this Contract.

Chapter 10 Supplementary Provisions

Article 26 All the specific business contracts concluded between Party A or its subsidiary companies listed in Annex 1 of this Contract and Party B for each specific credit granting business on the basis of this Contract shall be deemed as an integral part of this Contract and constitute this Contract as a whole.

Article 27 The Contract has been made out in three originals for Party A, Party B and the guarantor each holding one, which shall be equally authentic.

Article 28 When this Contract is signed, Party B has explained and interpreted in details all the terms and conditions of this Contract to Party A, and both Parties have no objection to the terms and conditions of this Contract. Both Parties have accurate understanding of the legal meaning of their corresponding rights and obligations, limitation of responsibilities or disclaimers.

Article 29 Other provisions agreed by both Parties

The credit category under this Contract includes: bank acceptance bills, with the single deposit ratio not lower than 30% and the maximum term not exceeding 6 months (the maximum term for bank acceptance bill is 12 months); financing letter of guarantee, with the single deposit ratio not lower than 50%. Shupeng Technology (Shenzhen) Co., Ltd., Huizhou Highpower Technology Co., Ltd. and Party A's legal representative Pan Dangyu shall provide joint liability for Party A's warranty guarantee for Party B's debts under this Contract.

Article 30 The credit lines granted to Party A and/or its subsidiary companies in accordance with the *Comprehensive Credit Granting Contract* or any other contract ("Original Credit Granting Contract") prior to the signature of this Contract may be performed continuously according to the Original Credit Granting Contract and the relevant specific business contract. However, the outstanding credit line under the Original Credit Granting Contract shall be included in the highest credit line specified in Article 1 herein for calculation and management.

Article 31 Both Parties agree and authorize Party B irrevocably to report relevant information to the financial credit information database established by the State. Such information shall include the name, registered address and other related information of this institution, the transaction records, credit information and bad information (including failure to perform obligations of this Contract, the institution's performance of obligations and enforcement ruled or judged by the people's court, and other relevant bad information prescribed by laws and regulations) generated during business activities and performance activities of this institution under this Contract.

This Contract is signed by Party A and Party B in Shenzhen.

Party A: *SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. (Seal) (Seal)*
Legal Representative / Main Principal: *Pan Dangyu (Signature)*
(Or Authorized Agent) (Signature or Seal)
Date: May 13, 2014

Party B: *CHINA MINSHENG BANKING CORP., LTD. SHENZHEN BRANCH (Seal) (Seal)*
Legal Representative / Main Principal:
(Or Authorized Agent) (Signature or Seal)
Date: May 22, 2014

Annex:

List of subsidiary companies agreed by the Credit Receiver (Party A) for using the lines under the Comprehensive Credit Granting Contract:

1. Full name of the Company:

Address:

Legal Representative:

P. C.:

Tel.:

Fax:

Opening Bank:

Account No.:

2. Full name of the Company:

Address:

Legal Representative:

P. C.:

Tel.:

Fax:

Opening Bank:

Account No.:

3. Full name of the Company:

Address:

Legal Representative:

P. C.:

Tel.:

Fax:

Opening Bank:

Account No.:

4. Full name of the Company:

Address:

Legal Representative:

P. C.:

Tel.:

Fax:

Opening Bank:

Account No.:

5. Full name of the Company:

Address:

Legal Representative:

P. C.:

Tel.:

Fax:

Opening Bank:

Account No.:

Note: the Credit Receiver shall affix its official seal on this page. Where there is any control of the line for use by a subsidiary company, a limit may be indicated or another page may be made for format explanation.

Text Encoding: CMBC-HT041 (GS2007)

Maximum Guarantee Contract

(Applicable where the guarantor is a unit)

No.: GGBZ 2014 SHJZBZEZ No. 014-1

Springpower Technology (Shenzhen) Co.,wd Ltd. (Seal)

CHINA MINSHENG BANKING CORP., LTD. SHENZHEN BRANCH (Seal)

CHINA MINSHENG BANKING CORP., LTD.

Maximum Guarantee Contract

Guarantor: Springpower Technology (Shenzhen) Co., Ltd. (hereinafter referred to as Party A)

Address: Workshop Building A, Shunchao Industrial Zone, Renmin Road, Danhu Community, Guanlan Street, Bao'an District, Shenzhen City

P. C.:

Legal Representative / Main Principal: Pan Dangyu

Tel.:

Fax:

Opening Bank:

Account No.:

Creditor: CHINA MINSHENG BANKING CORP., LTD. SHENZHEN BRANCH (hereinafter referred to as Party B)

Address: Minsheng Bank Building, Xinzhou No. 11 Street, Futian District, Shenzhen City

P. C.: 518048

Legal Representative / Main Principal: Ou Yangyong

Tel.:

Fax:

In order to ensure the performance of the Main Contract made and entered into by and between Party B and SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. (hereinafter referred to as "Debtor of the Main Contract"), Party A is willing to provide maximum guarantee for all/part of the debts under the Main Contract. IN WITNESS WHEREOF, Party A and Party B conclude and sign this Contract through friendly consultation in accordance with relevant national laws and regulations.

Chapter 1 Category of the Principal Creditor's Right Guaranteed and Maximum Amount of Debts

Article 1 The Main Contract of this Contract is selected as follows:

The Comprehensive Credit Granting Contract of 2014 SHJZBZEZ No. 014 made and entered into by and between Party B and the Debtor of the Main Contract, this Contract, and the specific business contracts, applications IOU, and certificates of creditor's rights or electronic data under this Contract shall constitute the Main Contract of this Contract;

All of continuously made and entered into by and between Party B and the Debtor of the Main Contract during the period of the principal creditor's right specified in Article 3 herein shall constitute the Main Contract of this Contract. The amount of all the outstanding principals used by the Debtor of this Contract at any time shall not exceed the limit specified in Article 2 herein. However, within this limit, the Debtor of the Main Contract may apply for recycling the limit of all the outstanding principals.

Article 2 The maximum amount of debts guaranteed by Party A is: (currency) RMB, (amount in words): twenty million Yuan only.

The maximum amount of debts is the maximum limit for balance of principals, defined as follows:

The maximum limit for balance of principals is the maximum limit for principals of principal creditor's rights only. If the principal does not exceed the said limit, Party A is willing to undertake joint guarantee liability for all the accounts payable within the scope specified in Article 6 of this Contract.

Chapter 2 Period of the Principal Creditor's Right Guaranteed

Article 3 The period of the principal credit's right guaranteed under this Contract shall be from May 22, 2014 to May 22, 2015. The stipulations of this article have the following meanings:

3.1 If the business specified in the Main Contract is a loan business, the date of release of each loan shall not be later than the expiry date of this period.

3.2 If the business specified in the Main Contract is a business of acceptance of bill/discount/ opening of L/C/ opening of letter of guarantee (or letter of guarantee for the release of goods), the date of draft of acceptance of bill/discount/ opening of L/C/ opening of letter of guarantee (or letter of guarantee for the release of goods) shall not be later than the expiry date of this period.

Chapter 3 Guarantee Method

Article 4 Joint liability guarantee is adopted as the method of guarantee by Party A.

Article 5 Besides the guarantee method specified in this Contract, if there is any other guarantee under the Main Contract (including the Debtor of the Main Contract provides mortgage/pledge guarantee for Party B to the extent of the Debtor's own property), Party A's guarantee liability undertaken for Party B shall not be affected by any other guarantee nor be exempted or reduced arising therefrom. Party B is entitled to select to exercise the guarantee right under this Contract first and Party A waives the prior right of defense of any other guarantee. If Party B's priority to gain compensation from the said mortgage right/pledge right is lost or reduced due to Party B's waiver of the mortgage right/pledge right for the property of the Debtor of the Main Contract for any reason or due to Party B's change of the sequence or contents of the mortgage right/pledge right, as promised by Party A, Party A's guarantee liability undertaken for Party B shall not be exempted or reduced.

Chapter 4 Scope of Guarantee

Article 6 Party A's guarantee scope: the maximum principal of the principal creditor's rights specified in Article 2 of this Contract and other accounts payable (including but not limited to interest, default interest, compound interest, penalty, damages, expenses for realizing creditor's rights and guarantee right (including but not limited to legal cost, attorney fee and business traveling expenses), and all other reasonable expenses payable). Other accounts payable specified in the said scope shall be included in the scope of guarantee liability undertaken by Party A but shall not be included in the maximum limit for balance of principals guaranteed under this Contract.

Article 7 The funds (including the funds Party B obtains from exercising the right specified in sub-clause 12.2 of this Contract) that Party A pays Party B for the purpose for performing Party A's responsibility under this Contract shall be paid according to the following order: (1) Party B's expenses for realizing creditor's rights and guarantee right; (2) damages; (3) penalty; (4) compound interest; (5) default interest; (6) interest; (7) principal. Party B is entitled to change the said order.

Chapter 5 Determination of the Creditor's Right Guaranteed

Article 8 The creditor's right guaranteed under this Contract shall be determined under any one of the following circumstances:

8.1 the period of the principal creditor's right specified in Article 3 of this Contract expires;

8.2 the Main Creditor announces acceleration of all debts under the Main Contract by law or according to relevant stipulations of the Main Contract;

8.3 other circumstances for determining the creditor's right guaranteed prescribed by law.

Article 9 When the creditor's right guaranteed under this Contract is determined, the following shall become effective:

9.1 When the creditor's right guaranteed under this Contract is determined, the outstanding creditor's right under the Main Contract shall be included in the scope of the creditor's right guaranteed no matter whether the performance period of the creditor's right has expired or not or there is any other additional condition.

9.2 When the creditor's right guaranteed under this Contract is determined, all funds other than principals specified in Article 6 of this Contract shall be included in the scope of the creditor's right guaranteed no matter whether the funds have been occurred or not;

9.3 From the date when the creditor's right guaranteed under this Contract is determined to the date of full repayment of the creditor's right guaranteed, if the Debtor of the Main Contract fails to perform the obligation of repayment of debts, Party B shall have the right to directly claim Party A for compensation and Party A shall repay Party B relevant debts immediately.

Chapter 6 Guarantee Period

Article 10 The guarantee period of the guarantee liability undertaken by Party A shall be two years and the date of start shall be determined according to the following method:

10.1 If the expiry date of the performance period of a debt under the Main Contract is early than or equals to the date of determination of the creditor's right guaranteed, the guarantee period of the guarantee liability undertaken by Party A for the debt shall start from the date of determination of the creditor's right guaranteed;

10.2 If the expiry date of the performance period of a debt under the Main Contract is later than the date of determination of the creditor's right guaranteed, the guarantee period of the guarantee liability undertaken by Party A for the debt shall start from the expiry date of the performance period of this debt;

10.3 The term “expiry date of the performance period of a debt” indicated in the preceding paragraph includes the expiry date of the debt when the Debtor of the Main Contract repays the debt by installments and also includes the expiry date of acceleration announced by the Creditor according to the stipulations of the Main Contract;

10.4 If the business under the Main Contract is a business of letter of credit, bank acceptance bill, letter of guarantee or letter of guarantee for the release of goods, the date of external payment shall be deemed as the expiry date of the performance period of the debt.

Chapter 7 Both Parties’ Rights and Obligations

Article 11 Rights and obligations of Party A

11.1 Party A is a legal person duly established and validly existing, has the capacity for civil rights and the capacity for civil conducts for signing and executing this Contract, and has obtained all necessary licenses, approvals, registration and files required for signature of this Contract;

11.2 All the internal authorization formalities required for Party A for signing this Contract have been completely handled and become fully effective. Party A’s signature of this Contract and performance of its obligations under this Contract shall not conflict with the current articles of association and the internal rules and regulations, or any other contract, agreement and document binding upon Party A.

11.3 Party A shall ensure the authenticity, legitimacy and effectiveness of the documents that Party A provides Party B for demonstrating Party A’s legal identity and its ability for performing the guarantee liability under this Contract;

11.4 When the creditor’s right guaranteed under this Contract is determined, if the Debtor of the Main Contract fails to perform the debt prior to the expiry date of the performance period of the debt, Party A shall have the obligation to make payment to Party b immediately on the date of receiving of Party B’s written notice;

11.5 When giving guarantee under this Guarantee Contract, Party A is not involved in any litigation or arbitration which may be sufficient to affect its ability for undertaking the guarantee liability under this Contract;

11.6 Party A shall not bear the guarantee liability under the Guarantee Contract when the Debtor of the Main Contract has repaid all the debts under the Main Contract on schedule;

11.7 During the guarantee period, Party B may transfer to a third party the creditor’s right under the Main Contract without obtaining Party A’s consent, and Party A shall continue to undertake guarantee liability;

11.8 If the Debtor of the Main Contract and Party B changes the Main Contract through signing an agreement, Party A’s consent may not be obtained if such change does not increase the Debtor’s debts. However, if such change extends the term or increases the amount of principle of the principal creditor’s right guaranteed by Party A or allows transfer of debts by the Debtor of the Main Contract, Party A’s consent shall be obtained. Party A commits to undertake guarantee liability according to the Main Contract after change;

11.9 During the valid period of this Contract, Party B shall be notified thirty days in advance where there is any change of Party A's operation mechanism, registered capital, equity, or Party A sells, transfers or disposes by any other means its material assets. Party B shall be notified within seven days if Party A's address, name or legal representative is changed;

11.10 If Party A provides guarantee for any other third party during the valid period of this Contract, Party B's rights and interests shall not be damaged.

11.11 Loans under the Main Contract may be used for borrowing for repaying. Party A is willing to undertake guarantee liability.

11.12 If the Debtor of the Main Contract changes the purpose of the funds at random, Party A shall undertake guarantee liability for the debts under the Main Contract and the default interest and penalty arising from misappropriation of funds.

Article 12 Rights and obligations of Party B

12.1 Party B is entitled to demand Party A at any time to provide the financial reports, financial statements or other data reflecting Party A's operation conditions and credit status;

12.2 If Party B demands Party a to undertake guarantee liability according to the stipulations of this Contract, Party A authorizes Party B to deduct relevant funds directly from the account opened with the bank institutions of China Minsheng Banking designated by Party A. With respect to the part insufficient for deduction, Party B is entitled to make deduction from any other account opened by Party A with the bank institutions of China Minsheng Banking or demand Party A to make repayment. Party B shall not bear any responsibility for losses on interest and any other losses caused to Party A arising from Party B's behavior of deduction;

12.3 Party A may not be notified when Party B and the Debtor of the Main Contract sign a specific business contract (or agreement) on a specific credit granting business under the Main Contract.

Chapter 8 Liabilities for Breach of Contract

Article 13 When this Contract becomes effective, Party A and Party B shall perform the obligations specified in this Contract. Any party which fails to wholly or partly perform its obligations specified herein shall undertake relevant liabilities for breach of contract and make compensation for losses caused to the other party.

Chapter 9 Contract Effectiveness, Change and Termination

Article 14 This Contract shall become effective when both Parties' legal representatives/main principals or authorized agents sign or seal and both Parties affix their official seals/special contract seals.

Article 15 When the Contract comes into force, Party A and Party B shall not change or cancel the Contract in advance at random. Should the Contract be changed or cancelled, a written agreement shall be reached and concluded upon unanimity through consultation.

Chapter 10 Dispute Settlement

Article 16 Any and all disputes between Party A and Party B arising from and in connection with the execution of this Contract shall be settled through consultation between both Parties. Where consultation fails, the dispute shall be governed by the people's court at the location where Party B is located.

Chapter 11 Supplementary Provisions

Article 17 Notice and service

17.1 Any and all notices or written communications that one party sends to the other party under this Contract, including (but not limited to) any and all written documents or notices which must be sent under this Contract, shall be sent by registered post, fax, special delivery or other means to the address of the other party given on the first page of this Contract;

17.2 If sent by registered post, the forth day after the said document or notice is posted shall be deemed as the date of service and receiving; if sent by fax, the date indicated in the receipt of being sent successfully shall be deemed as the date of service and receiving; if sent by special delivery, the date when the special person sends the said document or notice to the address of the addressee shall be deemed as the date of service and receiving. In case of change of any contact information, the related party shall notify the other party in writing of the contact information changed within seven days after such change. Then, the notices, documents or applications specified herein shall be sent according to the contact information after the change.

Article 18 The validity of this Contract shall be independent of this Contract and may not be affected by the invalidity of the Main Contract.

Article 19 Other provisions agreed by both Parties

Article 20 This Contract has been made out in three originals, for Party A, Party B and the related party each holding one, which shall be equally authentic.

Article 21 When this Contract is signed, Party B has explained and interpreted in details all the terms and conditions of this Contract to Party A, and both Parties have no objection to the terms and conditions of this Contract. Both Parties have accurate understanding of the legal meaning of their corresponding rights and obligations, limitation of responsibilities or disclaimers.

Article 22 Both Parties agree and authorize Party B irrevocably to report relevant information to the financial credit information database established by the State. Such information shall include the name, registered address and other related information of this institution, the transaction records, credit information and bad information (including failure to perform obligations of this Contract, the institution's performance of obligations and enforcement ruled or judged by the people's court, and other relevant bad information prescribed by laws and regulations) generated during business activities and performance activities of this institution under this Contract.

This Contract is signed by Party A and Party B in Shenzhen.

Party A: *Springpower Technology (Shenzhen) Co.,wd Ltd. (Seal) (Seal)*
Legal Representative / Main Principal: *Pan Dangyu (Seal)*
Date: May 13, 2014

Party B: *CHINA MINSHENG BANKING CORP., LTD. SHENZHEN BRANCH (Seal) (Seal)*
Legal Representative / Main Principal: *Ou Yangyong (Signature)*
(Or Authorized Agent) (Signature or Seal)
Date: May 22, 2014

Text Encoding: CMBC-HT-494 (XW2012)

Maximum Guarantee Contract

No.: 2014 SHJZBZEZ No. 014-3

CHINA MINSHENG BANKING CORP., LTD.

Prompt of Party D: the text of this Contract is announced in Party D's website (www.cmbc.com.cn). All the Parties hereto must carefully read all the terms and conditions of this Contract before signature of this Contract. In case of any unclear information, please consult us immediately and we will answer you actively. When the text of this Contract is signed by all the Parties, all the Parties hereto shall be deemed to have agreed all the terms and conditions of this Contract and have full understanding of the legal meanings of relevant rights, obligations, limitation of liability and disclaimer.

Maximum Guarantee Contract

Guarantor: Pan Dangyu (hereinafter referred to as Party A)
Legal Representative / Principal: ID card No.: 430104196803184316

Address:
P.C.:
Tel.:

Pledgor: _____ (hereinafter referred to as Party B)
Legal Representative / Principal:
Address:
P.C.:
Tel.:

Mortgagor: _____ (hereinafter referred to as Party C)
Legal Representative / Principal:
Address:
P.C.:
Tel.:

Secured Party: CHINA MINSHENG BANKING CORP., LTD. SHENZHEN BRANCH (hereinafter referred to as Party D)

Principal: Ou Yangyong

Address: Minsheng Bank Building, Xinzhou No. 11 Street, Futian District, Shenzhen City

P. C.: 518048

Tel.:

(If the Guarantor is a natural person, please fill the effective identity certificate name and number after "Legal Representative / Principal").

In order to ensure the execution of the Main Contract between SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. (hereinafter referred to as the Debtor under the Main Contract) and Party D, Party A is willing to provided maximum joint guarantee liability for the debts under the Main Contract; Party B is willing to provide maximum pledge guarantee for the debts under the Main Contract to the extent of its properties; and Party C is willing to provide maximum mortgage guarantee for the debts under the Main Contract to the extent of its properties. In accordance with relevant national laws and regulations, the Parties hereto make and enter into this Contract upon consensus through consultation. All the Parties shall commonly abide by this Contract.

Party A, Party B and Party C are hereinafter referred to collectively as the Guarantor.

Part 1

Chapter 1 Guaranteed principal creditor's right

Article 1 Guaranteed principal creditor's right

The principal creditor's right hereunder is as following 1.1:

1.1 Party D's all creditor's rights (including contingent liabilities) under the Comprehensible Credit Granting Contract of 2014 SHJZBZEZ No. 014 made and entered into by and between the Debtor under the Main Contract and Party D (the contract and the specific business contract produced under the contract commonly constitute the Main Contract of this Contract, hereinafter referred to as the Main Contract). The period of the principal creditor's rights secured with maximum guarantee is from May 22, 2014 to May 22, 2015.

1.2 Party D's all creditor's rights (including contingent liabilities) under all the contracts made and entered into by and between Party D and the Debtor under the Main Contract during the period from _____ to _____ (period of the principal creditor's rights) (all these contracts and the specific business contracts under these contracts commonly constitute the Main Contract of this Contract, hereinafter referred to as the Main Contract).

1.3 Party D's all unpaid creditor's rights under _____ of No _____. (the contract and the specific business contract produced under the contract commonly constitute the Main Contract of this Contract, hereinafter referred to as the Main Contract). The period of the principal creditor's rights secured with maximum guarantee is from _____ to _____.

1.4 Others: _____

Article 2 Maximum amount of creditor's rights

2.1 The maximum amount of creditor's rights guaranteed by the Guarantor is (in words) twenty million Yuan only (in figures) (20,000,000.00) and the currency is RMB. The exchange rate of foreign currencies other than RMB shall be converted according to the rate of foreign exchange issued by Party B when the specific business actually occurs.

2.2 The maximum amount of creditor's rights is the maximum limit of the balance of unpaid creditor's rights. Provided that the balance of unpaid creditor's rights is not higher than the said maximum limit, the Guarantor agrees to undertake guarantee liability for all the accounts payable caused within the guarantee scope specified herein.

Chapter 2 Guarantee

Article 3 Party A is willing to provide guarantee for the debts under the Main Contract according to the following _____ mode:

3.1 Joint liability guarantee.

3.2 Periodic joint liability guarantee, Party A shall bear periodic joint liability guarantee for the principal creditor's rights of the Debtor under the Main Contract caused during the following _____ period:

3.2.1 From the date of signature of this Contract to the date when the effective housing ownership certificate and housing other rights certificate of the mortgaged real estate under the Main Contract;

3.2.2 From the date of signature of this Contract to _____;

3.2.3 Others: _____.

Chapter 3 Pledge

Article 4 Party B shall provide maximum pledge guarantee for Party D for all the debts under the Main Contract to the extent of the pledged property specified in the following annex _____. Refer to annex 1 for the pledged property in details.

4.1 List of pledged rights;

4.2 List of pledged movable properties;

4.3 List of pledged fixed deposit account or security deposit account in the card/passbook (hereinafter referred to collectively as the special account);

4.4 List of pledged accounts receivable;

4.5 Others: _____.

According to Party D's requirements, Party B shall may not (express with "√" in for option and "×" in for deletion) handle insurance for the pledged property under this Contract. If Party B may not handle insurance for the pledged property under this Contract, the insurance clauses of this Contract shall be inapplicable.

Article 5 Party B shall submit to Party D the pledged property under this Contract (document of title where it is pledged with rights) on the date of signature of this Contract, or Party B shall go through the formalities for pledge registration with the relevant pledge registration organ within fifteen days as of the date of effectiveness of this Contract. If the formalities for pledge registration for the pledged property hereunder are not handled due to causes attributable to Party B, Party D may charge Party B penalty according to the following standard: ___% of the amount of secured principal creditor's rights. Should the document of title be endorsed for pledge or transfer according to the provisions of relevant laws, Party B shall endorse the document of title and indicate the pattern "Pledge" prior to delivery of the document of title.

Article 6 Where the pledged property is accounts receivable, Party B shall open with Party D a special account for repayment of loan pledged with accounts receivable, account No. _____, specifically for collecting the accounts receivable that the debtor of the accounts receivable pays Party B. Party B agrees to provide pledge guarantee for Party D with the funds in the special account. Without Party D's consent, Party B shall have no right to use any money in the special account.

Article 7 Both Party B and Party D confirm that the value of the pledged property hereunder is RMB (in words) _____ (in figures) (_____) when this Contract is signed. The (appraisal / agreement) value is provided for reference only and the final value of the pledged property shall accord with the funds (or net incomes) from actual disposal of the pledged property when the right to pledge is realized.

Article 8 In the event that the document of title pledged hereunder expires earlier than the maturity date of the debts under the Main Contract (or Party D announces early maturity according to the stipulations of the Main Contract), Party D may cash or take delivery of goods after the maturity of the pledged document of title, and dispose the cashed money or the incomes obtained from sales of the goods according to any one of the following methods:

8.1 To prepay all the debts guaranteed by Party B under the Main Contract;

8.2 To draw and deposit to a third party;

8.3 To deposit in the fixed deposit account or security deposit account (special account, same below) in the card that Party B opened with Party D, account No. (card No.): , continuously used as pledge guarantee for the creditor's rights under the Main Contract.

Article 9 The co-owner of the pledged property under this Contract agrees to pledge the pledged property hereunder and agrees to accept the terms and conditions of this Contract.

Pledged property co-owner (1) _____, Identity certificate Name and No.: _____

Pledged property co-owner (2) _____, Identity certificate Name and No.: _____

Chapter 4 Mortgage

Article 10 Party C is willing to provide maximum mortgage guarantee for all the debts under the Main Contract with the property listed in the following _____. Refer to annex 2 for the mortgaged property in details:

1. *List of Mortgaged Property (Movable Property);*
2. *List of Mortgaged Property (Real Estate);*
3. *List of Mortgaged Property (Transport Means);*
4. *List of Mortgaged Property (_____)*

10.1 According to Party D's requirements, Party C shall may not (express with "√" in for option and "×" in for deletion) handle insurance for the mortgaged property under this Contract. If Party C may not handle insurance for the mortgaged property under this Contract, the insurance clauses of this Contract shall be inapplicable.

10.2 Where the mortgaged property is a real estate, when the real estate is removed:

10.2.1 If the mortgaged property is removed and compensated through exchange of property right, Party D shall have the right to ask the Debtor under the Main Contract to immediately repay the debts under the Main Contract, or ask Party C to take the exchanged real estate as the mortgaged property hereunder and conclude and sign a new mortgage contract and handle mortgage registration. When the formalities for new mortgage registration are not completed, the Debtor under the Main Contract shall provide other guarantees according to Party D's requirements.

10.2.2 If the mortgaged property is removed and compensated with compensation money, Party D shall have the right to ask Party C to deposit the compensation money to Party D and sign a pledge contract, and the receipt of the compensation money shall be taken as the guarantee under the Main Contract; or ask Party C to open a special security deposit account with Party D and sign a pledge contract, and the compensation money shall be deposited in the special account as the guarantee under the Main Contract.

Article 11 Both Party C and Party D confirm that the value of the mortgaged property hereunder is RMB (in words _____) (in figures) (_____). The (appraisal / agreement) value is provided for reference only and the final value of the mortgaged property shall accord with the funds (or net incomes) from actual disposal of the mortgaged property when the right to mortgage is realized.

Article 12 The co-owner of the mortgaged property under this Contract agrees to mortgage the mortgaged property hereunder and agrees to accept the terms and conditions of this Contract.

Mortgaged property co-owner (1) _____, Identity certificate Name and No.: _____

Mortgaged property co-owner (2) _____, Identity certificate Name and No.: _____

Article 13 Party C and Party D shall, within fifteen days as of the date of effectiveness of this Contract, go through the formalities for mortgage registration with the relevant mortgage registration organ. If the formalities for mortgage registration for the mortgaged property hereunder are not handled due to causes attributable to Party C, Party D may charge Party C penalty according to the following standard: % of the amount of secured principal creditor's rights.

Chapter 5 Liability for breach

Article 14 Party A, Party B and Party C shall perform their obligations specified in this Contract. Party A, Party B or Party C's failure to wholly or partly perform its obligations specified herein shall constitute a default. In case of any default, Party D shall have the right to choose any one or several of the following measures to ask the default party to bear liability for breach:

14.1 The default party shall pay a penalty equivalent to % of the amount of creditor's rights under the Main Contract. Where the penalty is not enough to make up Party D's losses, the default party shall make compensation for the actual losses.

14.2 Party D has the right to ask the default party to undertake guarantee liability.

Chapter 6 Miscellaneous

Article 15 Others agreed by the Parties hereto:

15.1 The Guarantor acknowledges and agrees that the creditor's rights it secures under the Main Contract may be generated between Party D and the Debtor under the Main Contract, and between Party D and the credit-drawing third person designated by the Debtor under the Main Contract (including but not limited to the operating entity of or other third party designated by the Debtor under the Main Contract), to which the Guarantor shall have no objection. The Guarantor agrees to provide guarantee for all the unpaid creditor's rights of Party D for the credit-drawing person under the Main Contract according to the stipulations of this Contract.

15.2 _____

Article 16 This Contract has been made out in three originals for Party D holding one and for the other parties each holding one, which shall be equally authentic.

Part 2

Chapter 1 Representations and warranties

Article 17 For the purpose of signing and performing this Contract, the Guarantor hereby gives to the other parties hereto the following representations and warranties:

17.1 The Guarantor acknowledges and agrees all the terms and conditions of the Main Contract, and is willing to provide guarantee for the Debtor under the Main Contract;

17.2 The Guarantor has sufficient capacity for civil rights and capacity for civil conducts. The Guarantor has obtained enough authorization for concluding and performing this Contract;

17.3 The Guarantor ensures good credit status and no major bad credit record;

17.4 The Guarantor ensures not to refuse the performance of guarantee obligation for an excuse of any dispute with a third party;

17.5 The Guarantor is willing to accept Party D's investigation and understanding of the credit status and performance capability of the Guarantor. The Guarantor ensures to provide relevant information and data faithfully, including personal career, marital state, conditions of assets, incomes, expenditures, liabilities and external security;

17.6 The Guarantor ensures that the explanation and certification concerning its credit conditions, financial and accounting statements or other related data and materials provided by Party D are genuine and legitimate and have no false representation and concealed information. During the valid period of this Contract, the Guarantor shall provide financial statements and materials (including but not limited to balance sheet, income statement and cash flow statement) faithfully according to Party D's requirements and positively coordinate Party D to investigate, understand and supervise the Guarantor's production, operating and finance conditions;

17.7 During the period of conclusion of this Contract and the valid period of this Contract, the Guarantor shall not provide any third party with guarantee in any form without Party D's consent;

17.8 The Guarantor ensures that, when this Contract is signed, the Guarantor has never have nor has any litigation, arbitration, administrative proceeding, or any executive proceeding of juridical or administrative authorities which are presented and may have major adverse effect on the Guarantor's performance of guarantee liability, or other potential major dispute; meanwhile, the Guarantor has no major debt or contingent liability which has not disclosed to Party D;

17.9 If the legal registered name or effective identity certificate number of the Guarantor is changed, the Guarantor shall, within five days as of the date of obtaining of the official document and/or certificate changed, notify Party D in written form and submit the originals and copies of the document/certificate changed to Party D for examination;

17.10 Party B and Party C ensure that they are the lawful owner or disposer of the mortgaged / pledged property under this Contract. If the mortgaged / pledged property hereunder is commonly owned, they have obtained the co-owner's consent;

17.11 Party B and Party C ensure that the establishment of mortgage / pledge under this Contract will not be restricted nor cause illegal situation;

17.12 Party B and Party C ensure that all the certificates of property right or use right of the mortgaged / pledged property and other effective proof documents that they provide or submit to Party D are genuine, legitimate and valid;

17.13 Party B and Party C ensure that the mortgaged / pledged property under this Contract has not been leased before the establishment of guarantee, or has been leased but Party D was notified in written form. If the mortgaged property hereunder is leased after the establishment of guarantee, Party C shall ensure to obtain Party D's consent in advance and notify the lessee of the establishment of guarantee;

17.14 Party B and Party C ensure not to conduct any activity in violation of national laws and regulations by taking advantage of the guaranteed property under this Contract.

17.15 Party B and Party C ensure that they have not disposed or established other guarantee for the guaranteed property hereunder prior to the signature of this Contract, or they have established any other guarantee and have notified Party D in written form; there is not other third party's right to the guaranteed property; without Party D's written consent, they shall not present, transfer, re-mortgage or dispose the mortgaged property in any other from prior to the cancellation of guarantee pursuant to this Contract.

17.16 Where the mortgaged property under this Contract is a real estate, Party B shall ensure to notify Party D of the renewal information immediately after it obtains the information about removal of the mortgaged real estate;

17.17 Without Party D's written consent, Party B shall not ask for unfreezing, reporting for loss, withdrawing in advance or disposing the pledged property in any other form by any excuse;

17.18 Where the pledged property under this Contract is a deposit certificate of Party B in other bank, Party B shall ensure to coordinate Party D to complete the formalities for mortgagee of the deposit certificate and other formalities required by Party D prior to delivery of the relevant document of title, and the fixed deposit must be taken with a seal impression or password. Party B shall ensure to provide Party D with the seal impression reserved in the deposit bank. Where the pledged property under this Contract is the right of a deposit certificate or accounts receivable, Party B shall coordinate Party D to complete the formalities for obtaining the deposit bank's confirmation letter and the accounts receivable debtor's confirmation letter prior to delivery of the relevant document of title;

17.19 In case of omission or error of the contents registered for guarantee or any change of the registered contents, Party B and Party C agree Party D or others entrusted by Party D to continuously handle the formalities for registration of change according to the actual situations and the conditions after change.

Article 18 For the purpose of signing and performing this Contract, Party D hereby gives the following representations and warranties:

18.1 Party D has obtained sufficient authorization for signing and concluding this Contract;

18.2 Party D promises to keep confidential the other parties' information and business secrets acquired during the performance of this Contract, unless otherwise prescribed by laws and regulations.

Chapter 2 Guarantee

Article 19 The guarantee scope of any one guarantor shall be the principal of the guaranteed principal creditor's rights specified in this Contract and other accounts payable. Other accounts payable include interest, default interest, compound interest, penalty, damages, expenses for realization of creditor's rights and guarantee right (including but not limited to legal cost, attorney fee, business traveling expenses, expenses for settlement of the real estate mortgagor and maintenance cost) and all other reasonable expenses payable. Other accounts payable covered in the said scope shall be listed in the scope of guarantee liability that one guarantor shall undertake but shall not be listed in the maximum limit of balance of the principal secured under this Contract.

Article 20 In the event that the Debtor under the Main Contract changes the loan purpose privately, one guarantor shall bear guarantee liability for the main debts under the Main Contract and the default interest and penalty arising from misappropriation of loan, except that Party D and the Debtor under the Main Contract have malicious collaboration.

Article 21 As agreed by all the Parties hereto, Party D is entitled to announce determination of the principal creditor's rights under the maximum guarantee in any event of default, except under the circumstances prescribed by laws.

Article 22 Party D is entitled to exercise the guarantee right if (1) the performance period of the debts specified in the Main Contract expires (including early maturity of debts announced by Party D in accordance with the Main Contract) and the Debtor under the Main Contract fails to repay the debts according to the stipulations of the Main Contract; or (2) there is any breach of contract specified in the Main Contract; or (3) there is any circumstance under which the Guarantor shall bear liability for breach according to the stipulations of this Contract.

Article 23 Party D is entitled to exercise the guarantee right for the guaranteed property by the following method:

23.1 Through consultation with the Guarantor, discount the guaranteed property to offset debts or be compensated firstly from the incomes obtaining from selling at auction or selling off the guaranteed property;

23.2 Apply to the people's court for selling at auction or selling off the guaranteed property, and be compensated firstly from the incomes therefrom;

23.3 Where the pledged property is accounts receivable, besides sub-clause 23.1 and sub-clause 23.2, Party D is entitled to take the following methods for exercising the right to pledge the pledged property:

23.3.1 Party B is compensated firstly from the funds paid by the debtor of the accounts receivable;

23.3.2 Through concluding an agreement with Party B, Party B transfers the accounts receivable under this Contract to Party D for disposal;

23.4 Where the pledged property is the deposit in the special account, Party D is entitled to deduct relevant money directly from the special account for repaying debts;

23.5 Where the pledged property hereunder is any right, besides sub-clause 23.1 and sub-clause 23.2, Party D is entitled to dispose the pledged property unilaterally by the following methods:

23.5.1 Transfer the pledged right or allow others to use the pledged right and be compensated firstly from the transfer fee and licensing fee obtained therefrom;

23.5.2 Cash the document of title or sell of the goods taken, and be compensated firstly from the funds obtained therefrom.

Article 24 At the request of Party D, one guarantor requested must assist Party D in obtaining all necessary approvals or agreements related to realization of the creditor's rights of Party D, or assist Party D in handling all the necessary procedures.

Article 25 The funds obtained by Party D from exercising the guarantee right under this Contract shall be used for repaying the debts of Party D according to the following order: (1) expenses for realization of creditor's rights and guarantee right; (2) penalty; (3) damages; (4) compound interest; (5) default interest; (6) interest; (7) principal. Party D is entitled to change this order.

Article 26 Insurance for the guaranteed property

26.1 Should Party B and Party C handle insurance for the guaranteed property according to Party D's requirements, Party B and Party C shall handle insurance procedures for the guaranteed property taking Party D as the sole beneficiary or insurant in the insurance company which is accepted through consultation. When this Contract is signed, the Guarantor shall submit the original of the insurance policy for the guaranteed property to Party D for keeping.

26.2 The insurance contract shall be accepted by Party D. There shall be no clause damaging or restricting Party D's rights and interests in the insurance contract. The insurance shall be kept effective all the time before the termination of this Contract and shall not be interrupted or cancelled by any excuse. If insurance is interrupted, Party D shall have the right to handle insurance procedures on behalf and all the expenses arising therefrom shall be borne by the related guarantor. The related guarantor shall not conduct any behavior which may result in the insurance company's refusal of claim settlement.

26.3 The related guarantor shall not conduct any behavior which may result in the insurance company's refusal of claim settlement, or the related guarantor shall bear the legal consequences arising therefrom;

26.4 In case of any insurance accident prior to repayment of all the debts by the Debtor under the Contract, the insurance compensation shall be taken as the guaranteed property under this Contract and be deposited in the account designated by Party D.

Article 27 If the Debtor under the Contract and Party D have an agreement to amend the Main Contract, increase of the principal of the principal creditor's rights, extension of the period of the Main Contract and transfer of debts by the Debtor under the Contract shall be consented by the Guarantor, and the other changes may not be consented by the Guarantor. All the guarantors promise to undertake guarantee liability according to the contract amended.

Article 28 The guarantee liability undertaken by the Guarantor may not be affected by, nor be exempted or reduced due to, other guarantees under the Main Contract and this Contract. Party D is entitled to claim one guarantor for guarantee right. All the guarantors under this Contract waive the priority of defense right for any other guarantee (including but not limited to right of plea for preference claims and defense on the self things of the debtor).

Article 29 As agreed by the Guarantor, Party D has the right to transfer any or all of its principal creditor's rights under this Contract to a third party. Party D may not obtain the Guarantor's consent nor notify the Guarantor when Party D transfers its principal creditor's rights.

Article 30 Where the pledged property is accounts receivable, in addition to other terms and conditions of this Contract, Party B shall also observe the following terms and conditions:

30.1 When this Contract is signed, Party B shall submit to Party D the original of the basic contract which has been concluded under this Contract and the original of relevant document of title for other accounts receivable (if any). Party B shall ensure to submit to Party D all the basic contracts signed after the conclusion of this Contract within five working days after the signature of such a contract;

30.2 If Party B applies to Party D for withdrawing and using the funds in the special account for repayment of pledge loan of the accounts receivable after the debtor of the accounts receivable pays the funds to the special account for repayment of pledge loan of the accounts receivable specified in this Contract, Party B shall submit the proof materials accredited by Party D and supplement relevant accounts receivable to the special account for repayment of pledge loan of the accounts receivable, or Party D shall have the right to refuse Party B's application;

30.3 In the event that the period for the debtor of the accounts receivable to perform the obligation of payment expires earlier than the expiry date of the performance period of the debts under the Main Contract, Party D may use the money paid by the debtor of the accounts receivable to prepay the principal creditor's rights secured hereunder or deposit the money to the special account for repayment of pledge loan of the accounts receivable opened by Party B with Party D, when the money may be continuously taken as the pledge guarantee for the principal creditor's rights secured hereunder or be withdrawn or deposited to a third party.

Article 31 In addition to other terms and conditions of this Contract, Party A shall also observe the following terms and conditions:

31.1 The guarantee period under this Contract shall be from the date of effectiveness of this Contract to two years after the expiry date of the period for performance of debts by the Debtor under the Main Contract specified in the Main Contract. If the business under the Main Contract is bank acceptance or bank guarantee, the date of external payment shall be deemed as the expiry date of the performance period of the debt. If the business is discount of draft, payment refusal date of the draft shall be deemed as the expiry date of the performance period of the debt.

31.2 If Party D requests Party A to undertake guarantee liability according to the stipulations of this Contract, Party D is entitled to choose by itself to exercise the right of set-off directly from the Guarantor's any other account (including but not limited to current deposit or fixed deposit) opened with any branch of China Minsheng Banking Corp. Ltd. or ask the Debtor under the Main Contract to make repayment continuously. In case of interest loss and any other loss caused due to such deduction behavior, Party D shall bear no liability and shall not be deemed as a waiver of the right for asking the debtor to make repayment continuously and bearing expansion of loss for an excuse of no deduction.

31.3 After Party D claims to exercise the guarantee right and requests Party A to undertake guarantee liability, if Party A agrees to establish new maximum joint guarantee liability pursuant to this Contract to guarantee all the principal creditor's rights of Party D under the Main Contract, it is unnecessary to make and enter into a new contract for the newly established maximum guarantee.

Article 32 If the Guarantor adds new guaranteed property after the establishment of Party D's guarantee right under this Contract, all the Parties agree to establish new maximum guarantee for the new guaranteed property pursuant to this Contract to guarantee all the principal creditor's rights of Party D under the Main Contract, and it is unnecessary to make and enter into a new contract for the newly established maximum guarantee.

If there is any remaining of the guaranteed property after Party D exercises the guarantee right, all the Parties agree to establish new maximum guarantee for the remaining guaranteed property pursuant to this Contract to guarantee all the principal creditor's rights of Party D under the Main Contract, and it is unnecessary to make and enter into a new contract for the newly established maximum guarantee.

Chapter 3 Rights and obligations

Article 33 Rights and obligations of the Guarantor

33.1 The Guarantor acknowledges and agrees all the terms and conditions of the Main Contract, and is willing to sign this Contract and provide guarantee for the debts under the Main Contract;

33.2 All the expenses for relevant guarantees under this Contract, including but not limited to the expenses for attorney service, tax, property insurance, notarization, appraisal, evaluation, registration and transfer of household, shall be determined by the Parties hereto through consultation in accordance with relevant laws and regulations;

33.3 If Party D agrees to transfer the guaranteed property under this Contract, the Guarantor shall use the funds obtained from transfer of the guaranteed property to repay Party D all the debts guaranteed under the Main Contract or deposit the funds obtained therefrom to the account opened by Party D as the special pledge, or upon consent by Party D, withdraw and deposit the funds to a third party;

33.4 During the valid period of this Contract, Party D shall be notified in writing immediately when there is any event (including but not limited to major change of financial and assets conditions, or involved in litigation, arbitration or administrative punishment, or any other events which may affect one guarantor's guarantee capability) which endangers one guarantor's normal business or has adverse effect on one guarantor's performance of the guarantee obligation under this Contract;

33.5 Party D shall be notified one month in advance if one guarantor has the following changes, including merger, division, combination, shareholding reform, contracting, lease, joint operation, applying for suspension of business for rectification, applying for dissolution, applying for reconciliation /reorganization /bankruptcy, or transferring or disposing any significant assets in other forms, and other behaviors which are enough to affect Party D's rights and interests;

33.6 If the Guarantor's name, legal representative, address or permanent dwelling address, mailing address, work unit or contact information is changed, Party D shall be notified within five days after the change;

33.7 During the period of the loan, the Guarantor agrees and authorizes Party D to provide the individual/enterprise credit information and relevant guarantee conditions provided by the Guarantor for the individual enterprise credit information database of the People's Bank of China and the credit database established upon approval by the competent credit investigation authorities;

33.8 The mortgaged property under this Contract shall be occupied, managed and used by Party C. Party C shall keep properly and use reasonably the mortgaged property to ensure the mortgaged property under sound conditions without any damage. Party D is entitled to check the conditions of management and use of the mortgaged property;

33.9 If the mortgaged property is or may be infringed by any a third party, Party C shall have the obligation to take measures to avoid infringement. In case of damage to or loss of the mortgaged property, Party C shall notify Party D timely and take measures immediately to prevent expansion of losses. Meanwhile, Party C shall timely submit to Party D the certificates of damage and loss causes issued by the relevant competent authorities;

33.10 In the event that the Debtor under the Main Contract fails to repay debts on time (including Party D announces early maturity of the debts in accordance with the stipulations of the Main Contract) as agreed in the Main Contract, Party A shall perform the obligation of repayment on behalf immediately after Party D requests Party A to undertake guarantee liability;

33.11 If the pledged property is damaged or the value of the pledged property is decreased, which is enough to endanger Party D's rights, Party D shall have the right to request Party B to provide relevant guarantee. In the event that Party B fails to provide relevant guarantee, Party D may unilaterally sell at auction or sell of the pledged property and use the funds obtained therefrom to prepay all the debts guaranteed by Party B under the Main Contract or withdraw and deposit to a third party;

33.12 Where the guaranteed property under this Contract is the deposit in the special account, Party B shall open a special account with Party D on the date of signature of this Contract and deposit the agreed amount of money in the special account. During the pledge period, deposit interest shall be calculated according to corresponding deposit interest rate of the bank. The fruits produced during the pledge period shall be listed in the pledged property under this Contract.

Article 34 Rights and obligations of Party D

34.1 Party D shall keep confidential the materials provided by the other Parties hereto, unless otherwise prescribed by laws and regulations;

34.2 During the valid period of this Contract, Party D is entitled to ask the Guarantor to coordinate Party D in investigating, understanding and supervising the Guarantor's production, operating and financial conditions; Party D is entitled to ask the Guarantor to provide financial statements and other relevant materials faithfully;

34.3 Party D is entitled to claim the other Parties hereto for liability for breach or ask the other Parties hereto to make compensation to Party D for the actual losses caused to Party D according to the stipulations of this Contract;

34.5 If Party C's behavior is enough to reduce the value of the mortgaged property, Party D shall have the right to ask Party C to stop such behavior immediately. When the value of the mortgaged property is reduced, Party D shall have the right to ask Party C to restore the value of the mortgaged property or ask Party C to provide a guarantee equivalent to the value reduced. Where Party C does not recover the value of the mortgaged property nor provide a guarantee, Party D shall have the right to ask the Debtor under the Main Contract to prepay debts or provide a new guarantee in full amount;

34.6 When all the debts within the scope of mortgage guarantee specified in this Contract are fully repaid on schedule, Party D shall assist Party C in handling the formalities for cancellation of mortgage registration. The certificate of property right or use right of the mortgaged property, and relevant effective proof documents, if kept by Party D, shall be returned to Party C;

34.7 Where the guaranteed property under this Contract is the deposit in a special account, Party D shall have the right to freeze the deposit in the said special account. The deposit cannot be unfroze until the debts under the Main Contract are fully repaid, except that Party D deducts money from the account for repaying the debts under the Main Contract as specified in this Contract.

Chapter 4 Effectiveness, amendment and cancellation of the Contract

Article 35 This Contract shall come into force (1) upon the signature or seal by all the Parties to Party A other than Party D; and (2) as of the date when Party D makes signature and affixes its official seal /special seal for contract uses only. However, if one guarantor fails to sign this Contract, this Contract shall not be binding upon the guarantor which has not sign but shall be binding upon the other Parties which have signed.

Article 36 Allowed by law, the validity of this Contract shall be independent of the Main Contract and shall not be affected by the invalidity of the Main Contract.

Chapter 5 Dispute settlement

Article 37 Any and all disputes in connection with this Contract shall be settled by the Parties hereto through consultation. Where consultation fails, the dispute shall be governed by the local people's court at the location where Party D's dwelling address is located.

Article 38 In the event that Party D adopts litigation proceeding for realizing creditor's rights due to one party's breach of contract, the default party shall bear the expenses paid by Party D for realizing creditor's rights and guarantee right (including but not limited to attorney fee and traveling expenses).

Chapter 6 Supplementary provisions

Article 39 Notice and service

39.1 According to the stipulations of this Contract, any and all notices or written communications that one party sends to the other party shall be given by registered post, fax, special delivery or other communication means to the party's address given in the first page of this Contract;

39.2 If sent by registered post, the 4th day after the said document or notice is posted shall be deemed as the date of service and receiving; if sent by fax, the date indicated in the receipt of successful delivery shall be deemed as the date of service and receiving; if sent by special delivery, the date when the special delivery person delivers the said document or notice to the receiver shall be deemed as the date of service and receiving. In case of any change of the contact information, the party of the change shall notify the other party in writing of the contact information changed within five days after the occurrence of change. Afterwards, the notices, documents or applications specified in this article shall be sent to the contact information changed.

Article 40 This Contract is composed of Part 1 and Part 2. For the matters not provided herein, the Parties hereto may have additional agreements and conclude a written agreement as an annex to this Contract. Annexes to this Contract are an integral part of this Contract and shall have the same equal legal force as the text of this Contract.

Article 41 Contents of this Contract shall be determined upon consensus through consultation amongst the signatory Parties. Where there are special provisions, the provisions are supplemented and amended in Article 15 of this Contract. In case of any discrepancy between these special provisions and relevant clauses of this Contract, the special provisions given in Article 15 of this Contract shall prevail.

Article 42 Headlines given in this Contract are provided for reading convenience only and shall not affect or restrict the contents and interpretation of relevant terms and conditions.

Article 43 The situations not agreed in this Contract or Party D's failure to take actions immediately shall not be deemed as a waiver or restriction of Party D's legal or agreed rights, unless otherwise stated by Party D.

Article 44 Party D may not obtain the Guarantor's consent nor notify the Guarantor when it concludes a specific business application or a specific business contract with the Debtor under the Main Contract for handling a specific business.

Article 45 Party D has made detailed explanation and interpretation for all the terms and conditions of this Contract to Party A, Party B and Party C before this Contract is signed. Party A, Party B and Party C have no objection to all the terms and conditions of this Contract and they have accurate understanding of the legal meanings of relevant rights, obligations, limitation of liability or exceptions.

This Contract is signed by the Parties hereto on May 22, 2014.

(The remainder of this page is intentionally left blank.)

Party A: (Seal)

Legal Representative / Principal *Pan Dangyu (Signature)* (Signature or Seal)

(or Authorized Agent)

(Note: signature is required only if Party A is a natural person.)

Party B and Co-owner: (Seal)

Legal Representative / Principal (Signature or Seal)

(or Authorized Agent)

(Note: signature is required only if Party B and the co-owner is a natural person.)

Party C and Co-owner: (Seal)

Legal Representative / Principal (Signature or Seal)

(or Authorized Agent)

(Note: signature is required only if Party C and the co-owner is a natural person.)

Party D: *CHINA MINSHENG BANKING CORP., LTD. SHENZHEN BRANCH (Special Seal for Comprehensive Credit Granting Contract Uses Only)*

Legal Representative / Principal *Ou Yangyong (Signature)* (Signature or Seal)

(or Authorized Agent)

Text Encoding: CMBC-HT041 (GS2007)

Maximum Guarantee Contract

(Applicable where the guarantor is a unit)

No.: GGBZ 2014 SHJZBZEZ No. 014-2

SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. (Seal)

CHINA MINSHENG BANKING CORP., LTD. SHENZHEN BRANCH (Seal)

CHINA MINSHENG BANKING CORP., LTD.

Maximum Guarantee Contract

Guarantor: Huizhou Highpower Technology Co., Ltd. (hereinafter referred to as Party A)

Address: Xinqu Industrial Development Zone, Ma'an Town, Huicheng District, Huizhou City

P. C.:

Legal Representative / Main Principal: Pan Dangyu

Tel.:

Fax:

Opening Bank:

Account No.:

Creditor: CHINA MINSHENG BANKING CORP., LTD. SHENZHEN BRANCH (hereinafter referred to as Party B)

Address: Minsheng Bank Building, Xinzhou No. 11 Street, Futian District, Shenzhen City

P. C.: 518048

Legal Representative / Main Principal: Ou Yangyong

Tel.:

Fax:

In order to ensure the performance of the Main Contract made and entered into by and between Party B and SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. (hereinafter referred to as "Debtor of the Main Contract"), Party A is willing to provide maximum guarantee for all/part of the debts under the Main Contract. IN WITNESS WHEREOF, Party A and Party B conclude and sign this Contract through friendly consultation in accordance with relevant national laws and regulations.

Chapter 1 Category of the Principal Creditor's Right Guaranteed and Maximum Amount of Debts

Article 1 The Main Contract of this Contract is selected as follows:

The Comprehensive Credit Granting Contract of 2014 SHJZBZEZ No. 014 made and entered into by and between Party B and the Debtor of the Main Contract, this Contract, and the specific business contracts, applications IOU, and certificates of creditor's rights or electronic data under this Contract shall constitute the Main Contract of this Contract;

All of continuously made and entered into by and between Party B and the Debtor of the Main Contract during the period of the principal creditor's right specified in Article 3 herein shall constitute the Main Contract of this Contract. The amount of all the outstanding principals used by the Debtor of this Contract at any time shall not exceed the limit specified in Article 2 herein. However, within this limit, the Debtor of the Main Contract may apply for recycling the limit of all the outstanding principals.

Article 2 The maximum amount of debts guaranteed by Party A is: (currency) RMB, (amount in words): twenty million Yuan only.

The maximum amount of debts is the maximum limit for balance of principals, defined as follows:

The maximum limit for balance of principals is the maximum limit for principals of principal creditor's rights only. If the principal does not exceed the said limit, Party A is willing to undertake joint guarantee liability for all the accounts payable within the scope specified in Article 6 of this Contract.

Chapter 2 Period of the Principal Creditor's Right Guaranteed

Article 3 The period of the principal credit's right guaranteed under this Contract shall be from May 22, 2014 to May 22, 2015. The stipulations of this article have the following meanings:

3.1 If the business specified in the Main Contract is a loan business, the date of release of each loan shall not be later than the expiry date of this period.

3.2 If the business specified in the Main Contract is a business of acceptance of bill/discount/ opening of L/C/ opening of letter of guarantee (or letter of guarantee for the release of goods), the date of draft of acceptance of bill/discount/ opening of L/C/ opening of letter of guarantee (or letter of guarantee for the release of goods) shall not be later than the expiry date of this period.

Chapter 3 Guarantee Method

Article 4 Joint liability guarantee is adopted as the method of guarantee by Party A.

Article 5 Besides the guarantee method specified in this Contract, if there is any other guarantee under the Main Contract (including the Debtor of the Main Contract provides mortgage/pledge guarantee for Party B to the extent of the Debtor's own property), Party A's guarantee liability undertaken for Party B shall not be affected by any other guarantee nor be exempted or reduced arising therefrom. Party B is entitled to select to exercise the guarantee right under this Contract first and Party A waives the prior right of defense of any other guarantee. If Party B's priority to gain compensation from the said mortgage right/pledge right is lost or reduced due to Party B's waiver of the mortgage right/pledge right for the property of the Debtor of the Main Contract for any reason or due to Party B's change of the sequence or contents of the mortgage right/pledge right, as promised by Party A, Party A's guarantee liability undertaken for Party B shall not be exempted or reduced.

Chapter 4 Scope of Guarantee

Article 6 Party A's guarantee scope: the maximum principal of the principal creditor's rights specified in Article 2 of this Contract and other accounts payable (including but not limited to interest, default interest, compound interest, penalty, damages, expenses for realizing creditor's rights and guarantee right (including but not limited to legal cost, attorney fee and business traveling expenses), and all other reasonable expenses payable). Other accounts payable specified in the said scope shall be included in the scope of guarantee liability undertaken by Party A but shall not be included in the maximum limit for balance of principals guaranteed under this Contract.

Article 7 The funds (including the funds Party B obtains from exercising the right specified in sub-clause 12.2 of this Contract) that Party A pays Party B for the purpose for performing Party A's responsibility under this Contract shall be paid according to the following order: (1) Party B's expenses for realizing creditor's rights and guarantee right; (2) damages; (3) penalty; (4) compound interest; (5) default interest; (6) interest; (7) principal. Party B is entitled to change the said order.

Chapter 5 Determination of the Creditor's Right Guaranteed

Article 8 The creditor's right guaranteed under this Contract shall be determined under any one of the following circumstances:

8.1 the period of the principal creditor's right specified in Article 3 of this Contract expires;

8.2 the Main Creditor announces acceleration of all debts under the Main Contract by law or according to relevant stipulations of the Main Contract;

8.3 other circumstances for determining the creditor's right guaranteed prescribed by law.

Article 9 When the creditor's right guaranteed under this Contract is determined, the following shall become effective:

9.1 When the creditor's right guaranteed under this Contract is determined, the outstanding creditor's right under the Main Contract shall be included in the scope of the creditor's right guaranteed no matter whether the performance period of the creditor's right has expired or not or there is any other additional condition.

9.2 When the creditor's right guaranteed under this Contract is determined, all funds other than principals specified in Article 6 of this Contract shall be included in the scope of the creditor's right guaranteed no matter whether the funds have been occurred or not;

9.3 From the date when the creditor's right guaranteed under this Contract is determined to the date of full repayment of the creditor's right guaranteed, if the Debtor of the Main Contract fails to perform the obligation of repayment of debts, Party B shall have the right to directly claim Party A for compensation and Party A shall repay Party B relevant debts immediately.

Chapter 6 Guarantee Period

Article 10 The guarantee period of the guarantee liability undertaken by Party A shall be two years and the date of start shall be determined according to the following method:

10.1 If the expiry date of the performance period of a debt under the Main Contract is early than or equals to the date of determination of the creditor's right guaranteed, the guarantee period of the guarantee liability undertaken by Party A for the debt shall start from the date of determination of the creditor's right guaranteed;

10.2 If the expiry date of the performance period of a debt under the Main Contract is later than the date of determination of the creditor's right guaranteed, the guarantee period of the guarantee liability undertaken by Party A for the debt shall start from the expiry date of the performance period of this debt;

10.3 The term “expiry date of the performance period of a debt” indicated in the preceding paragraph includes the expiry date of the debt when the Debtor of the Main Contract repays the debt by installments and also includes the expiry date of acceleration announced by the Creditor according to the stipulations of the Main Contract;

10.4 If the business under the Main Contract is a business of letter of credit, bank acceptance bill, letter of guarantee or letter of guarantee for the release of goods, the date of external payment shall be deemed as the expiry date of the performance period of the debt.

Chapter 7 Both Parties’ Rights and Obligations

Article 11 Rights and obligations of Party A

11.1 Party A is a legal person duly established and validly existing, has the capacity for civil rights and the capacity for civil conducts for signing and executing this Contract, and has obtained all necessary licenses, approvals, registration and files required for signature of this Contract;

11.2 All the internal authorization formalities required for Party A for signing this Contract have been completely handled and become fully effective. Party A’s signature of this Contract and performance of its obligations under this Contract shall not conflict with the current articles of association and the internal rules and regulations, or any other contract, agreement and document binding upon Party A.

11.3 Party A shall ensure the authenticity, legitimacy and effectiveness of the documents that Party A provides Party B for demonstrating Party A’s legal identity and its ability for performing the guarantee liability under this Contract;

11.4 When the creditor’s right guaranteed under this Contract is determined, if the Debtor of the Main Contract fails to perform the debt prior to the expiry date of the performance period of the debt, Party A shall have the obligation to make payment to Party b immediately on the date of receiving of Party B’s written notice;

11.5 When giving guarantee under this Guarantee Contract, Party A is not involved in any litigation or arbitration which may be sufficient to affect its ability for undertaking the guarantee liability under this Contract;

11.6 Party A shall not bear the guarantee liability under the Guarantee Contract when the Debtor of the Main Contract has repaid all the debts under the Main Contract on schedule;

11.7 During the guarantee period, Party B may transfer to a third party the creditor’s right under the Main Contract without obtaining Party A’s consent, and Party A shall continue to undertake guarantee liability;

11.8 If the Debtor of the Main Contract and Party B changes the Main Contract through signing an agreement, Party A’s consent may not be obtained if such change does not increase the Debtor’s debts. However, if such change extends the term or increases the amount of principle of the principal creditor’s right guaranteed by Party A or allows transfer of debts by the Debtor of the Main Contract, Party A’s consent shall be obtained. Party A commits to undertake guarantee liability according to the Main Contract after change;

11.9 During the valid period of this Contract, Party B shall be notified thirty days in advance where there is any change of Party A's operation mechanism, registered capital, equity, or Party A sells, transfers or disposes by any other means its material assets. Party B shall be notified within seven days if Party A's address, name or legal representative is changed;

11.10 If Party A provides guarantee for any other third party during the valid period of this Contract, Party B's rights and interests shall not be damaged.

11.11 Loans under the Main Contract may be used for borrowing for repaying. Party A is willing to undertake guarantee liability.

11.12 If the Debtor of the Main Contract changes the purpose of the funds at random, Party A shall undertake guarantee liability for the debts under the Main Contract and the default interest and penalty arising from misappropriation of funds.

Article 12 Rights and obligations of Party B

12.1 Party B is entitled to demand Party A at any time to provide the financial reports, financial statements or other data reflecting Party A's operation conditions and credit status;

12.2 If Party B demands Party a to undertake guarantee liability according to the stipulations of this Contract, Party A authorizes Party B to deduct relevant funds directly from the account opened with the bank institutions of China Minsheng Banking designated by Party A. With respect to the part insufficient for deduction, Party B is entitled to make deduction from any other account opened by Party A with the bank institutions of China Minsheng Banking or demand Party A to make repayment. Party B shall not bear any responsibility for losses on interest and any other losses caused to Party A arising from Party B's behavior of deduction;

12.3 Party A may not be notified when Party B and the Debtor of the Main Contract sign a specific business contract (or agreement) on a specific credit granting business under the Main Contract.

Chapter 8 Liabilities for Breach of Contract

Article 13 When this Contract becomes effective, Party A and Party B shall perform the obligations specified in this Contract. Any party which fails to wholly or partly perform its obligations specified herein shall undertake relevant liabilities for breach of contract and make compensation for losses caused to the other party.

Chapter 9 Contract Effectiveness, Change and Termination

Article 14 This Contract shall become effective when both Parties' legal representatives/main principals or authorized agents sign or seal and both Parties affix their official seals/special contract seals.

Article 15 When the Contract comes into force, Party A and Party B shall not change or cancel the Contract in advance at random. Should the Contract be changed or cancelled, a written agreement shall be reached and concluded upon unanimity through consultation.

Chapter 10 Dispute Settlement

Article 16 Any and all disputes between Party A and Party B arising from and in connection with the execution of this Contract shall be settled through consultation between both Parties. Where consultation fails, the dispute shall be governed by the people's court at the location where Party B is located.

Chapter 11 Supplementary Provisions

Article 17 Notice and service

17.1 Any and all notices or written communications that one party sends to the other party under this Contract, including (but not limited to) any and all written documents or notices which must be sent under this Contract, shall be sent by registered post, fax, special delivery or other means to the address of the other party given on the first page of this Contract;

17.2 If sent by registered post, the forth day after the said document or notice is posted shall be deemed as the date of service and receiving; if sent by fax, the date indicated in the receipt of being sent successfully shall be deemed as the date of service and receiving; if sent by special delivery, the date when the special person sends the said document or notice to the address of the addressee shall be deemed as the date of service and receiving. In case of change of any contact information, the related party shall notify the other party in writing of the contact information changed within seven days after such change. Then, the notices, documents or applications specified herein shall be sent according to the contact information after the change.

Article 18 The validity of this Contract shall be independent of this Contract and may not be affected by the invalidity of the Main Contract.

Article 19 Other provisions agreed by both Parties

Article 20 This Contract has been made out in three originals, for Party A, Party B and the related party each holding one, which shall be equally authentic.

Article 21 When this Contract is signed, Party B has explained and interpreted in details all the terms and conditions of this Contract to Party A, and both Parties have no objection to the terms and conditions of this Contract. Both Parties have accurate understanding of the legal meaning of their corresponding rights and obligations, limitation of responsibilities or disclaimers.

Article 22 Both Parties agree and authorize Party B irrevocably to report relevant information to the financial credit information database established by the State. Such information shall include the name, registered address and other related information of this institution, the transaction records, credit information and bad information (including failure to perform obligations of this Contract, the institution's performance of obligations and enforcement ruled or judged by the people's court, and other relevant bad information prescribed by laws and regulations) generated during business activities and performance activities of this institution under this Contract.

This Contract is signed by Party A and Party B in Shenzhen.

Party A: *SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD.* (Seal) (Seal)
Legal Representative / Main Principal: *Pan Dangyu* (Signature)
Date: May 13, 2015

Party B: *CHINA MINSHENG BANKING CORP., LTD. SHENZHEN BRANCH* (Seal) (Seal)
Legal Representative / Main Principal: *Ou Yangyong* (Signature)
(Or Authorized Agent) (Signature or Seal)
Date: May 22, 2014

Text Encoding: CMBC-HT080 (MY 2007)

Trade Financing Master Agreement

(Applicable to limits or single financing under import and export)

No.: MRZ 2014 SHJZBZEZ No. 014

CHINA MINSHENG BANKING CORP., LTD.

Trade Financing Master Agreement

Party A: SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. (hereinafter referred to as the Client)

Legal Representative / Main Principal: Pan Dangyu

Domicile or Mailing Address: Bldg. 1, No. 68, Xinsha Road, Pinghu Street, Longgang District, Shenzhen

P. C.:

Fax:

Tel.:

Party B: CHINA MINSHENG BANKING CORP., LTD. SHENZHEN BRANCH (hereinafter referred to as the Bank)

Legal Representative / Main Principal: Ou Yangyong

Address: Minsheng Bank Building, Xinzhou No. 11 Street, Futian District, Shenzhen City

P. C.: 518048

Fax:

Tel.:

In order to strengthen cooperation between the Bank and the Client on trade financing business, as having applied by the Client, the Bank has agreed to provide trade financing service for the Client as long as the Client meets the requirements of the Bank. On the basis of equality, mutual benefits and friendly consultation, both parties make and enter into this Agreement on the matters concerning trade financing business as the precondition for the Bank to conclude specific trade financing business documents with the Client and provide the Client with trade financing service.

Chapter 1 Trade Financing Limit

Article 1 The term "trade financing limit" referred to in this Agreement means (please express with "√" in , same below):

1.1 It means the limit for the principals granted by the Bank to the Client for trade financing business and irregularly adjusted and determined within the maximum credit line determined in the *Comprehensive Credit Granting Contract* on the basis of the *Comprehensive Credit Granting Contract* of 2014 SHJZBZEZ No. 014 made and entered into by and between the Client and the Bank on May 22, 2014 (hereinafter referred to as the *Comprehensive Credit Granting Contract*);

1.2 It means the trade financing limit that the Client may apply the Bank for use within the following specified limit and during the following use period: the amount is (in words)_____ (in figures_____) and the currency is:_____.

The Client may use the limit during the period from_____ to_____. The accumulative trade financing balance used by the Client (that is, the accumulative amount of the outstanding principals in use) shall not exceed this limit at any time during the valid period of this limit. During the valid period of this limit, the Client may reapply for use of the amount having been repaid and the amount not used shall be cancelled automatically when the valid period expires. Meanwhile, the Client shall apply for use of the limit within the valid period of this limit. The starting date of each limit shall not be later than the deadline of the valid period of this limit. In case of adjustment of the valid period of this limit, the deadline shall be the deadline after this adjustment.

1.3 The category that the Client applies the Bank for single trade financing business is_____. The amount is (in words)_____ (in figures) and the currency is:_____. This business is a single business and cannot be revolved.

To facilitate illustration, the trade financing limit or amount involved hereinafter is hereinafter referred to as "trade financing limit" or "limit" if sub-clause 1.1, sub-clause 1.2 or sub-clause 1.3 is selected.

Article 2 Within the limit specified in sub-clause 1.1 or sub-clause 1.2 of this Agreement, upon examination and consent by the Bank, the Client may apply for handling a specific business under this Agreement for a currency other than the credit currency. In this case, the Bank shall determine the exchange rate for conversion combined with the market practice.

Article 3 In the event that the Bank confirms through examination that the trade financing product applied by the Client is a full margin or a low risk financing business product under other commitment or acceptance accepted by the Bank, the Bank may handle relevant trade financing business without occupying the aforesaid trade financing limit.

Chapter 2 Trade Financing Business Product and its Application

Article 4 Trade financing business products that the Client may apply for handling under this Agreement include:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Letter of credit | <input type="checkbox"/> Sight letter of credit |
| | <input type="checkbox"/> Usance letter of credit |
| <input checked="" type="checkbox"/> Inward documentary bills: | <input type="checkbox"/> Inward documentary bills under letter of credit |
| | <input type="checkbox"/> Inward documentary bills under collection |
| | <input type="checkbox"/> T/T inward documentary bills |
| <input checked="" type="checkbox"/> Outward documentary bills: | <input type="checkbox"/> Outward documentary bills under letter of credit |
| | <input type="checkbox"/> Outward documentary bills under collection |
| | <input type="checkbox"/> Financing under short-term export credit insurance |
| | <input type="checkbox"/> Export invoice financing |
-

- Import refinance
- Packing loan
- Shipping guarantee
- Bank guarantee
- RMB and foreign currency all-in-one ticket

Others (please indicate):

Article 5 If applying for handling various trade financing business specified in Article 4 of this Agreement, the Client shall submit specific business documents for each business according to the requirements of the Bank. The specific business documents are the documents submitted by the Client to the Bank and constituting the contracting relationship between the Client and the Bank under the specific business (regardless of their names), including but not limited to application, letter of commitment, guarantee documents and business vouchers issued by the Bank or the Bank's designated agency. The Bank shall examine the Client's application documents and decide whether to agree according to the stipulations of this Agreement, and relevant business management regulations and credit examination requirements currently implemented by the Bank and combined with the specific business conditions. If examined and agreed by the Bank, the Bank shall handle relevant business according to the stipulations of this Agreement.

Article 6 Without affecting the stipulations of sub-clause 1.1 of this Agreement, the limit and amount used for various specific trade financing businesses under this Agreement that the Bank handles for the Client shall accord with that specified in the specific business documents. Where there is no specific agreement in the specific business documents, the amount of limit used shall be calculated according to the financing principal provided by the Bank and the principal provided in the name of credit support by the Bank on the starting date of the limit.

Chapter 3 Preconditions for Applying for Trade Financing Business

Article 7 The Client may apply the Bank for use of the business products listed in Article 4 of this Agreement. The Client shall meet the following conditions before it submit to the Bank an application for handling trade financing business under this Agreement:

7.1 The Client has provided the Bank its establishment documents in forms and contents complying with the Bank's requirements and other documents required reasonably by the Bank; the related specific guarantee documents are effective; the mortgage right/pledge right has been established; any and all formalities for approval and registration by the government department or others have been finished;

7.2 The Client has opened related accounts with the Bank as required;

7.3 The Client has no breach or potential breach under the *Comprehensive Credit Granting Contract*/ this Agreement; and

7.4 Other conditions prescribed by law and agreed by both parties have been met.

Chapter 4 Applicable Scope

Article 8 This Agreement applies to various trade financing businesses provided by the Bank for the Client and listed in Article 4 of this Agreement.

Article 9 With respect to a specific trade financing business, the terms and conditions of this Agreement shall apply to the degree and scope of the specific trade financing business.

Article 10 In case of any discrepancy between the clauses of this Agreement and any other written agreement (including but not limited to any specific business document under this Agreement) concluded between the Bank and the Client through appropriate authorization and related to the trade financing business under this Agreement, the clauses of such written agreement shall prevail.

Article 11 Except otherwise specified in this Agreement or any specific business document under this Agreement, letters of credit, collection business and bank guarantees under this Agreement shall be bound by the latest *Uniform Customs and Practice for Documentary Credits*, *Uniform Rules for bank-to-bank Reimbursement Under Documentary Credits*, *Uniform Rules for Collections*, *Uniform Rules for Demand Guarantees* and other relevant practices and rules of the International Chamber of Commerce.

Chapter 5 Guarantee

Article 12 All and part of the debts of the Client under this Agreement shall be guaranteed with the following documents. These guarantee documents shall be deemed as an integral part of this Agreement.

The *Maximum Guarantee Contract* of 2014 SHJZBZEZ No. 014-1 made and entered into by and between the Guarantor Shupeng Technology (Shenzhen) Co., Ltd. and the Bank;

The *Maximum Guarantee Contract* of _____ made and entered into by and between the Mortgagor and the Bank (mortgagee);

The *Maximum Guarantee Contract* of _____ made and entered into by and between the Pledgor and the Bank (pledgee);

Other guarantees: The *Maximum Guarantee Contract* of 2014 SHJZBZEZ No. 014-2 made and entered into by and between the Guarantor Huizhou Highpower Technology Co., Ltd. and Party B;

The *Maximum Guarantee Contract* of 2014 SHJZBZEZ No. 014-3 made and entered into by and between the Guarantor Pan Dangyu and Party B;

Article 13 The Client hereby agrees that the Bank has the right to hold the following items as guarantee for sustainable guarantee for the Client's debts owing the Bank and other obligations of the Client under this Contract:

13.1 All the goods that the Client or any person for the seek of the Client's interests or according to the instructions of the Client submits to the Bank or the agent or representative of the Bank for keeping at present or in the future;

13.2 The goods that the Client places in the Bank or the Bank's agency at present or in the future (either for the seek of keeping, custody or for other reasons), all the related notes, shipping or transportation documents, bill of lading, warehouse receipts and other ownership documents or receipts, and any other goods related to these documents.

Article 14 For the purpose of Article 13 of this Agreement, the Client agrees that, at the Bank's request, the Client shall submit to the Bank for keeping all the drafts, documents, cheque and other notes issued, accepted or endorsed by the Client, the transportation documents, bill of lading and warehouse receipts based on which the Bank releases loans to the Client or provides other financing goods, the certificates, receipts, invoices and other notes issued by the dock company, warehouse or warehouse keeping, or endorse all related documents to the Bank as the guarantee for the Client's debts under this Agreement.

Article 15 The Bank is entitled to, according to the changes of its business policies and its independent judgment on the Client's ability for repaying the debts under this Agreement, adjust the requirements for guarantee conditions for the use of relevant trade financing limit by the Client, including but not limited to demanding the Client to provide security deposit, guarantor and guaranteed property, etc. The Client shall, according to the requirements of the Bank, sign relevant guarantee documents and complete all the necessary formalities related to the establishment, improvement and maintenance of such guarantee.

Article 16 In case of any discrepancy between the guarantee provisions of this Chapter and the terms and conditions of any specific guarantee document, the terms and conditions of the specific guarantee document shall prevail.

Chapter 6 Interest and expenses

Article 17 Except otherwise specified in this Agreement or a specific business document, the interest of a single business under this Agreement shall be calculated according to the actual occupation days \times actual financing amount \times daily interest rate from the date of release or date of payment by the Bank. If the currency is Hong Kong dollar or pounds, the daily interest rate is = annual interest rate /365. In the event that a currency other than Hong Kong dollar or pounds is used, the daily interest rate is = annual interest rate /360. Interest of a specific business shall be calculated according to the stipulations of relevant business documents. The funds received prior to the financing amount of a specific business is due may be used directly for prepaying relevant financing principal and interest.

Article 18 In the event that the Client fails to repay any principal, interest and other expenses specified in this Agreement or a specific business document under this Agreement, the Bank shall have the right to charge penalty interest at the overdue interest rate from the date of delay in repaying the financing principal, interest and other expenses until the Client repays all of the financial principal and interest. The overdue interest rate shall be % plus the interest rate level specified in the specific business document under this Agreement.

Article 19 In the event that the Client fails to pay interest on time, the Bank shall have the right to charge compound interest at the overdue interest rate by month on the expiry date for interest or a date corresponding to the expiry date for interest. Compound interest shall be calculated according to the number of actual days delayed and accrued cumulatively month by month.

Article 20 In the event that the People's Bank of China adjusts the benchmark interest rates of loans and such adjustment applies to the trade financing business under this Agreement, the Bank shall have the right to determine the new contract loan interest rate according to the original floating proportion on the basis of the benchmark interest rates after this adjustment, and interest shall be calculated by period. The contract loan interest rate after this adjustment shall be applicable from the first day after the first expiry date for interest after this adjustment. Interest shall be calculated at the contract loan interest rate after adjustment on the current date of application.

In case of change of the contract loan interest rate, the overdue interest rate shall be changed automatically and shall be applied at the same time with the contract loan interest rate. Interest shall be calculated by period.

In case of adjustment of the interest rate pursuant to this Agreement, both parties may not sign an agreement. One party may not obtain the other party's consent nor notify the guarantor or obtain the guarantor's consent.

Article 21 Under this Agreement, the Client shall pay the Bank expenses, including but not limited to:

Where the Client has any breach, the expenses of the Bank for collecting the letter of credit, documents, guarantees and funds under guarantees related to the trade financing business under this Agreement and claimed for relevant parties;

Chapter 7 Representations and Warranties

Article 22 The Client hereby gives the following representatives and warranties to the Bank:

22.1 The Client is an independent legal person duly established and validly existing. The Client has full and appropriate qualifications and ability for concluding and performing this Agreement and any other document related to this Agreement. The institutions and signatories who sign, submit, receive and perform the abovementioned documents on behalf of the Client have obtained legitimate and official authorization and have the right to represent the Client to conduct the abovementioned activities;

22.2 All the documents, data and vouchers that the Client provides the Bank for the purpose for signing this Agreement and any other document related to this Agreement are genuine, complete, accurate and effective. All the financial statements and other documents reflecting the operation conditions of the Client that the Client provides the Bank give a true view of the Client's financial status and operation conditions as of the date of reporting. From the date of issue of these statements or documents, there is no major adverse change of the operation conditions and financial status of the Client;

22.3 When this Agreement is signed, there is no breach specified in Article 29 of this Agreement occurring and under going, and the Client does not violate any law, rule, regulation, judgment and ruling applicable to the Client or its assets, and any agreement, contract or other contractual document signed by the Client. In addition, the Client's signature of this Agreement or any document under this Agreement or the Client's performance of any obligation under this Agreement or the document may not result in the Client's breach of any other agreement or document;

22.4 When this Agreement is signed, there is no litigation, arbitration, enforcement or other judicial or administrative proceeding which may seriously affect the Client's ability for performing any obligation under this Agreement or any document related to this Agreement according to the Bank's reasonable judgment;

22.5 The basic transaction that the Client applies for a specific business under this Agreement is genuine and legitimate, and the basic transaction contract, document, tax vouchers and other materials submitted by the Client are genuine, complete, accurate and effective.

Chapter 8 Commitments

Article 23 The Client hereby gives the following commitments to the Bank:

23.1 The Client shall completely and appropriately perform the debts of the Client under this Agreement and all the commitments, warranties, obligations and responsibilities of the Client under this Agreement and the relevant specific business documents;

23.2 The Client warrants that it has obtained all necessary approvals, authorizations, licenses and consents from government and / or other governments and warrants that all these approvals, authorizations, licenses and consents remain completely legitimate and effective. The Client shall take or force others to take all necessary actions for performing its obligations under this Agreement;

23.3 Where, prior to full repayment of the Client's debts owing the Bank under this Agreement, there is any significant litigation or legal proceeding against the Client, or any event which has major adverse effect on the Client's ability for performing its obligations under this Agreement or any event of default under this Agreement, the Client shall notify the Bank within five (5) working days after the occurrence or awareness of occurrence of such event and try to take actions for remedy or make relevant arrangement to protect the Bank's rights and interests according to the requirements of the Bank and within the scope permitted by law;

23.4 The Client shall read carefully all the terms and conditions specified in various business application documents (front side and back side) and fill in relevant applications according to the requirements of the Bank. The Client shall undertake all the losses and responsibilities arising from wrong or illegible handwriting;

23.5 Without the Bank's prior written instructions or prior written consent, the Client shall not or not attempt to transfer any document and / or goods under this Agreement, or establish or allow the establishment of any guarantee right and interest, or disposal by any other means such documents and / or goods.

Chapter 9 Bank's Rights for Documents and Goods

Article 24 The Bank shall be deemed as the legal bearer or legal holder of the draft and / or document and be deemed having obtained relevant bill of lading and other document title and the ownership of the goods thereof once the Bank purchases, or discounts or negotiates relevant draft and / or other document of a specific business under this Agreement and has actually paid for the discount or negotiated amount. The Bank is entitled to dispose the relevant document and goods by appropriate means at any time that the Bank thinks necessary. The Bank shall sign and take all the documents and actions that the Bank thinks necessary to ensure and complete the transfer of the ownership of the aforesaid goods.

Article 25 In the event that the Client takes any draft and / or other document, and / or the collection right or goods represented by such document in accordance with any specific business document under this Agreement, the Bank shall obtain the right of pledge of the relevant draft and / or document and the goods thereof. Without prejudice to the Bank's rights under Article 26 of this Agreement, the Bank is entitled to endorse relevant draft or complete various procedures required by laws and regulations, including but not limited to registration and delivery, and dispose relevant document and goods by appropriate means at any time that the Bank thinks necessary.

Article 26 Under any one of the following circumstances, the Bank is entitled to decide on its' own to realize, sell, transfer or dispose by any other means the document and / or goods at a price that the Bank thinks appropriate and at any time. It is unnecessary to take any legal proceeding or any other action for the Client or any other person. The Bank shall not bear responsibility for any loss (if any) arising from such realization, sale, transfer or disposal.

26.1 The party which has the obligation of acceptance or payment has any event of default when accepting or paying any document;

26.2 The Client fails to repay any debt owing the Bank or violate any stipulation of this Agreement;

26.3 The Client, or the payer or acceptor of any document or the person undertaking the obligation of payment of any document fails to or acknowledges inability to accept or pay the document, or goes into bankruptcy and liquidation, or suffers from compulsory measures taken by relevant authorities for its any property;

26.4 There may be or is any litigation under going which may damage the Bank's lawful rights and interests under relevant document and goods;

26.5 The Bank thinks reasonable for selling or realizing relevant goods and / or document.

Article 27 The Bank may use the funds obtained from disposal of relevant goods and / or document set forth in Article 26 for repaying the Bank's debts owing the Bank according to the order determined in Article 31 of this Agreement. In the event that the funds obtained therefrom are not enough to pay the expenses for disposal of the goods and / or document and the Client's debts owing the Bank, the Client shall make up the difference immediately.

Chapter 10 Authorization

Article 28 The Client hereby authorizes the Bank to:

28.1 Represent the Client to, or in the name of the Client, sign, deliver, improve and conduct all the documents, actions or events which are possibly required or the Bank thinks property, and enable them completely effective, in order to execute the Client's obligations under this Agreement or enable the Bank to maintain various guarantee rights established under this Agreement;

Designate any other party as the Bank's affiliated bank, designated person, service provider or agent, and the Bank may grant its any right under this Agreement to the said party;

28.2 Make arrangement with the seller, shipper, carrier, warehouse keeper and / or any other related party; the Bank bears no responsibility for event of default or negligence by such party in the aforesaid events;

28.3 Notify the Bank's rights and interests for relevant document and / or goods to other related parties according to relevant provisions of laws and regulations;

28.4 Within the scope permitted by law, take actions that the Bank independently thinks necessary to protect the Bank's rights and interests for relevant document and / or goods.

Chapter 11 Event of Default

Article 29 Any one of the following events shall constitute an event of default of the Client under this Agreement:

29.1 The Client fails to pay the matured debts on time and in full, including but not limited to the principal, interest or any other expenses specified in this Agreement or specified in a specific business document, or the Client fails to deposit sufficient money to the account designated by the Bank prior to the date of external payment by the Bank according to the stipulations of this Agreement or any specific business document under this Agreement;

29.2 The Client fails to use the financing funds according to the stipulations of this Agreement or a specific business document;

30.3 Any representation and warranty given by the Client in this Agreement or any document, data or information that the Client provides the Bank under this Agreement is proved incorrect or inaccurate; or the Client does not perform its any commitment, responsibility or obligation completely and properly under this Agreement or the relevant specific business document;

29.4 The Client is unable to or shows inability to repay its any debt under the loan contract or credit granting contract concluded with any a third party, or the Client has any event of default under any other contract, agreement or commitment, or any other debt owed by the Client is announced acceleration prior to the specified date of maturity;

29.5 According to reasonable judgment of the Bank, there is any other event which may materially endanger or damage the Bank's rights and interests under this Agreement, including but not limited to: major change of the operation conditions of the Client; significant adverse change of the financial status of the Client; major averse litigation or legal proceeding against the Client; major change of the market conditions related to the business operation of the Client or major change of relevant credit policies or industrial policies of China, which may have material adverse impact on the operation conditions of the Client, and so on;

29.6 The guarantor has any event of default under any guarantee document; or

29.7 There is any other event or behavior which has serious adverse effect on the creditor's rights or guarantee rights and interests of the Bank.

Article 30 In case of any event of default set forth in Article 29 of this Agreement, the Bank shall have the right to take any one or all of the following measures:

30.1 To adjust the limit amount, limit revolving and credit term under the *Comprehensive Credit Granting Contract* or under this Agreement until the use of the limit is terminated;

30.2 To adjust the scope of the trade financing products set forth in Article 4 of this Agreement;

30.3 To announce acceleration of all the debts directly or indirectly deriving from this Agreement, and demand the Client to make repayment immediately;

30.4 To execute the guarantee under this Agreement;

30.5 To demand the Client to provide or increase security in various forms, including but not limited to guarantee, mortgage or pledge;

30.6 To make deduction directly from the any account of the Client opened with the Bank and any branch of China Minsheng Bank for paying the Client's any funds payable for the Bank under this Agreement;

30.7 To take any other measures permitted by laws and regulations and complying with provisions of relevant laws in order to maintain its rights and interests under this Agreement.

Article 31 Any and all funds obtained by the Bank from exercising any right prescribed by law or specified in this Contract shall be used for repaying the creditor's rights of the Bank according to the following order: (1) expenses for realization of the creditor's rights and guarantee rights; (2) other expenses paid in advance by the Bank or chargeable by the Bank; (3) compound interest and default interest; (4) interest; (5) principal; and (6) other funds payable. The Bank is entitled to make an independent decision on change of the said payment order.

Chapter 12 Currency and Payment

Article 32 The Client shall pay the Bank any and all funds due and payable on time and in full according to the stipulations of this Agreement and any specific business document under this Agreement or according to the instructions issued by the Bank irregularly. The Client shall make payment according to the currency when the specific business occurs, unless otherwise specified.

Article 33 In the event that the Client shall pay the Bank some money in one currency pursuant to this Agreement but the Bank makes payment to the Bank in another currency for any reason, the Bank shall have the right to decide whether to accept such payment. In the event that the Bank agrees to accept this payment, conversion shall be made at the exchange rate determined by the Bank by law.

Article 34 Any and all funds payable by the Client under this Agreement may not be discounted, withdrawn or deducted nor be attached with any condition. Should the Client make any deduction or withdrawal (either related to tax or not) according to relevant legitimate provisions, the Client shall pay an extra sum in addition to the amount payable to ensure that the Bank will receive an amount receivable without making such deduction or withdrawal.

Chapter 13 Offset

Article 35 As agreed by the Client, without affecting any legal right of offset or any similar right reserved by the Bank, if permitted by law, the Bank is entitled to deduct any money from any account of the Client (regardless of the nature or currency of the account) opened with the Bank and any branch of China Minsheng Bank for setting off the Client's debts of any nature or currency owed the Bank, and the Bank shall bear no responsibility for the losses on interest and any other loss arising therefrom. In the event that such offset requires converting one currency into another currency, conversion shall be made at the exchange rate determined by the Bank by law.

Chapter 14 Miscellaneous

Article 36 Independence

Each clause of this Agreement shall be independent. In the event that one clause or several clauses of this Agreement become illegal, invalid or non-enforceable, the legitimacy, validity and enforceability of the other clauses of this Agreement shall not be affected.

Article 37 Notice

37.1 Any and all notices, requirements, instructions or other documents under or in connection with this Agreement shall be made in written form and sent to the address or number firstly given in this Agreement or any other address notified by the party at least five (5) working days in advance.

37.2 Any and all notices, requirements, instructions or other documents given by one party to the other party under this Agreement shall be deemed having been served under the following circumstances:

- At the time of actually receiving, if sent by a special person or express mail service (EMS);
- At the time when the sender receives a fax response report for determination, if sent by fax;
- On the fifty (5th) working day after the letter is put in the envelope with correct address of the other party and is posted by means of postage paid, if sent by letter.

Article 38 Applicable laws and dispute settlement

38.1 This Agreement and various specific business documents under this Agreement shall be governed by laws of the People's Republic of China;

38.2 Any and all disputes arising from and in connection with the execution of this Agreement shall be settled firstly through consultation between both parties. Where consultation fails, any party shall have the right to institute a lawsuit in the people's court at the location where the Bank is located.

Article 39 Transfer

39.1 Without the Bank's written consent in advance, the Client shall not transfer to a third party any right or obligation under this Agreement, nor establish any guarantee or similar right and interest on the Client's right;

39.2 The Client agrees that the Bank may transfer to a third party, set up guarantee or establish trust for, the Bank's rights and interests under this Agreement, the *Comprehensive Credit Granting Contract* and relevant guarantee documents. The Bank may notify the Client of its abovementioned actions by a method it thinks proper. The Client shall continue to undertake responsibility for the Bank and the Bank's right and interest transferee and beneficiary according to the stipulations of this Agreement.

Article 40 Effectiveness, change and cancellation

40.1 This Agreement shall become effective when both parties' legal representatives/main principals or authorized agents give their signatures or affix their seals and both parties affix their official seals/special contract seals;

40.2 Change or amendment of this Agreement shall be made in written form and shall come into force when the legal representatives or authorized agents of the Bank and the Client give their signatures or affix their seals and affix their official seals;

40.3 This Agreement shall be terminated under the following circumstances:

The credit term or the agreed business period expires;

Any party terminates this Agreement or the *Comprehensive Credit Granting Contract* according to the stipulations of this Agreement or the *Comprehensive Credit Granting Contract*, or both parties reach an agreement on the termination of this Agreement.

The termination of this Agreement shall not affect the rights and obligations of both parties which have been produced and have not been completed pursuant to this Agreement.

Chapter 15 Other Provisions

Chapter 16 Special Statement

The Client confirms that it has carefully read, and full understanding of, and accepts the contents of this Agreement. The Client's signature and execution of this Agreement is of its own willingness. The expression of all meanings of the Client under this Agreement is true.

The Client agrees and authorizes the Bank irrevocably to report relevant information to the financial credit information database established by the State. Such information shall include the name, registered address and other related information of this institution, the transaction records, credit information and bad information (including failure to perform obligations of this Contract, the institution's performance of obligations and enforcement ruled or judged by the people's court, and other relevant bad information prescribed by laws and regulations) generated during business activities and performance activities of this institution under this Contract.

Client : (Seal) *Shenzhen Highpower Technology Co., Ltd. (Seal)*

Legal Representative / Main Principal:

(Or Authorized Agent) (Signature or Seal): *Pan Dangyu (Seal)*

May 13, 2014

Bank: (Seal) *CHINA MINSHENG BANKING CORP., LTD. SHENZHEN BRANCH (Seal)*

Legal Representative / Main Principal:

(Or Authorized Agent) (Signature or Seal):

May 22, 2014

Comprehensive Credit Granting Contract

(Applicable to the business of group clients)

CHINA CITIC BANK

SHENZHEN BRANCH

Filling Explanation

1. This Contract shall be signed with a black blue or black gel pen or an ink pen.
 2. This Contract shall be filled in completely, legibly and neatly.
 3. The monetary currency shall be filled in Chinese characters instead of currency symbol. The monetary amount shall have the Chinese currency name before the amount in words and the currency symbol before the amount in figures.
 4. Blanks in the withdrawal plan and the repayment plan may be deleted with a cross line, affixed with the seal "Blank below" or filled with the characters "Blank below". Other blanks without essential contents may be deleted with "7".
-

Comprehensive Credit Granting Contract

(Applicable to the business of group clients)

Credit Receiver 1: Shenzhen Highpower Technology Co., Ltd.

(hereinafter referred to as the Credit Receiver 1 or Party A 1)

Domicile: Building A2, Luoshan Industrial Park, Shanxia, Pinghu Town, Longgang District, Shenzhen City

P. C.: 518000

Tel.: 0755-89686802

Fax: 0755-89686819

Legal Representative: Pan Dangyu

Opening Bank and Account No.: China Citic Bank, Henggang Branch

Credit Receiver 2: Springpower Technology (Shenzhen) Co., Ltd.

(hereinafter referred to as the Credit Receiver 2 or Party A 2)

Domicile: Workshop Building A, Shunchao Industrial Zone, Renmin Road, Fumin, Guanlan Street, Bao'an District, Shenzhen City

P. C.: 518000

Tel.: 0755-89686802

Fax:

Legal Representative: Pan Dangyu

Opening Bank and Account No.: China Citic Bank, Henggang Branch

Party A 1 and Party A 2 are hereinafter referred to collectively as Party A.

Credit Grantor: CHINA CITIC BANK CORPORATION LIMITED SHENZHEN BRANCH (hereinafter referred to as Party B)

Domicile: Phase 2, Zhuoyue Times Square, Third Fuhua Road, Futian District, Shenzhen City

P. C.: 518031

Tel.: 0755-28633966

Fax: 0755-28632766

Legal Representative/Principal): Chen Xuying

Place of Signature: Futian District, Shenzhen City

Date of Signature: _____, 2014

In accordance with the *Commercial Banking Law of the People's Republic of China*, the *Contract Law of the People's Republic of China*, the *Guidelines on the Risk Management of Credits Granted by Commercial Banks to Group Clients* and other relevant laws and regulations, and on the principles of good faith, honesty, equality and willingness, Party A and Party B conclude this Contract upon consensus through consultation.

Article 1 Definitions

The following terms referred to herein shall be defined as follows, unless otherwise specified in the context:

The term “comprehensive credit” means the following one or several business types that Party B grants to Party A: RMB or foreign loans for working capital, issuance of bank acceptance bills, discount of bills, issuance of letters of credit, packing loans, inward documentary bills, outward documentary bills, issuance of letters of guarantee or other credit business types accepted by Party B.

The term “comprehensive credit line” means the maximum amount of the credit balance that Party B grants to Party A.

The term “credit balance” means the sum of balances of principles of outstanding debts produced from Party A’s application for use of a comprehensive credit line under this Contract. Under the business of issuance of bank acceptance bills, it means the sum of amounts of drafts opened and unpaid by Party B hereunder; under the business of issuance of letters of credit, it means the sum of amounts of the letters of credit opened and unpaid by Party B hereunder; under the business of issuance of letters of guarantee, it means the sum of amounts of the letter of guarantee opened and unpaid by Party B hereunder.

Article 2 Comprehensive credit line and type

2.1 The comprehensive credit line that Party A may apply Party B for use within the service life of the comprehensive credit line specified herein is:

Currency RMB (in words) Forty-five Million Yuan Only, (in figures) ¥45,000,000.00

2.2 The comprehensive credit line hereunder may be used in the following one or several business types: loans, acceptance of bills, discount of bills, issuance of letters of credit, packing loans, inward documentary bills, outward documentary bills, issuance of letters of guarantee or other credit business types accepted by Party B.

2.3 The specific business type, line, term and purpose of the said comprehensive credit line applied by Party A shall accord with the stipulations of the specific business contract made and entered into by and between Party A and Party B hereunder. Party B shall perform the obligation of release of loans and other related obligations only according to the stipulations of the specific business contract concluded by Party A and Party B hereunder.

Article 3 Use of the comprehensive credit line

3.1 The service life of the comprehensive credit line specified herein is one year from , 2014 to , 2015.

3.2 Within the service life and the comprehensive credit line specified herein, Party A may apply Party B in writing for using the comprehensive credit line once or several times.

When Party A applies for using the comprehensive credit line, the written application shall indicate the credit type, term and amount to be used. If Party B through examination thinks Party A complying with the credit conditions and the stipulations of this Contract, Party B shall conclude a specific business contract with Party A or other statutory documents accredited by Party B.

3.3 The credit balance used by Party A shall not exceed the comprehensive credit line at any time within the service life of the comprehensive credit line. Party B agrees to take the following (1) to handle the comprehensive credit line repaid by Party A within the service life of the comprehensive credit line. The comprehensive credit line not used within the service life of the comprehensive credit line shall be automatically cancelled when the service life expires.

(1) It may be recycled. In other words, under the comprehensive credit line specified in Article 2 herein, for Party A's debts repaid within the service life of the said comprehensive credit line, Party B may grant recovering corresponding line to Party A and Party A may reuse the line within the service life of the comprehensive credit line;

(2) It may not be recycled. In other words, under the comprehensive credit line specified in Article 2 herein, for Party A's debts repaid within the service life of the said comprehensive credit line, Party B may not grant recovering corresponding line to Party A and Party A may not reuse the line within the service life of the comprehensive credit line;

3.4 The expenses which should be charged under bank acceptance bills, letter of guarantee, international trade financing and other related business, the discount rate under discount of bills, and the interest rate and exchange rate which should be determined in inward and outward documentary bills shall be agreed by Party A and Party B in each specific business contract.

3.5 In case of any discrepancy between this Contract and the specific business contract made and entered into by and between Party A and Party B, the specific business contract shall prevail.

3.6 If Party A's application for use of a credit line complies with the credit conditions and the stipulations of this Contract through Party B's examination, Party A and Party B shall conclude and execute the specific business contract.

Article 4 Party A's representations and warranties

4.1 Party A is a Chinese legal person or other organization established under the laws of the People's Republic of China, has the capacity for civil rights and civil conducts required for signing and executing this Contract and is able to bear civil liabilities independently. Meanwhile, Party A has obtained all required and legitimate internal and external approvals and authorizations for signing this Contract.

4.2 Party A shall ensure to use the credit line according to the provisions of laws and regulations and the stipulations of this Contract and the specific business contract and shall, according to Party B's requirements, coordinate Party B's inspection on the execution of the relevant specific business contract.

4.3 Party A shall ensure to timely submit genuine financial statements and other materials reflecting the enterprise's production and operation conditions according to Party B's requirements within the service life of the comprehensive credit line. Party A shall ensure that the materials, documents, data and information provided are genuine, accurate, complete, legitimate and effective.

4.4 Party A shall ensure to conduct production and operation activities by law within the service life of the comprehensive credit line, and take effective actions to prevent occurrence of the events which endanger or damage, or may endanger or damage Party B's rights and interests.

Article 5 Party A's rights and obligations

5.1 Party A shall notify Party B in writing of its any major change of operation decisions during the service life of the comprehensive credit line at least thirty days in advance. Such change shall include but not be limited to transfer of equity, reorganization, merger, division, shareholding reform, joint venture, cooperation, joint cooperation, contracting and lease, business scope and registered capital, and other changes which may affect Party B's rights and interests. Meanwhile, Party A shall fulfill the responsibility of repayment of debts hereunder or prepayment of debts upon Party B's written consent or provide a security approved by Party B.

5.2 If Party A disposes its all or the major part of its material assets or business revenues by means of transfer, lease or establishment of guarantee for debts other than the debts hereunder, Party A shall notify Party B in writing at least thirty days in advance and obtain Party B's prior written consent.

5.3 In case of any event which has adverse impact on performance of the debts hereunder, including but not limited to Party A's involvement of litigation, arbitration, criminal investigation, administrative punishment, shutdown, out of business, dissolution, announced bankruptcy, business license revoked, canceled and deterioration of financial status, Party A shall notify Party B in writing within three days after occurrence or possible occurrence of the said event and take effective actions to protect the creditor's rights of Party B.

5.4 Party A shall provide a new security approved by Party B if the guarantor has any one of the following situations, including but not limited to shutdown, out of business, announced bankruptcy, dissolution, business license revoked, loss of business, wholly or partly loss of corresponding guarantee capacity hereunder, or the value of the mortgaged property, pledged property or pledge right guaranteed hereunder is reduced.

5.5 Without Party B's written consent, Party A shall not transfer in whole or in part its debts hereunder to a third party.

5.6 Party A shall ensure to repay the credit principal and interest on time and pay the expenses payable on time. With respect to the funds due, payable and unpaid by Party A under this Contract and a specific business contract, including but not limited to loan principal, interest, default interest and other expenses payable, Party B is entitled to deduct from Party A's any account opened with Party B and Party B's any branch without obtaining Party A's prior consent. If the currency in the account is different from the business currency when Party B makes deduction automatically according to the stipulations of this Contract and a specific business contract, conversion shall be made at the exchange rate issued by Party B on the date of settlement.

5.7 In case of change of Party A's legal person name, legal representative, project principal, domicile, telephone number or fax number within the service life of the comprehensive credit line, Party A shall notify Party B in writing within seven days after such change.

5.8 Party A shall provide Party B with the information of the group members, including name, legal representative, actual controller, place of registration, registered capital, main business, equity structure, senior management personnel, financial status, items of material assets, guarantee situations and important litigation situations. Party A shall ensure the information genuine, accurate, complete, legitimate and effective. In case of change of the said information and data of the group members, Party A shall notify Party B in writing within three days after such change.

5.9 Party A shall give a written report to Party B timely about the situations of the affiliated transaction accounting for over 10% (inclusive) of Party A's net assets which has already occurred or will occur, including but not limited to affiliated relations amongst transaction parties, transaction project, transaction nature, transaction amount or corresponding proportion and pricing policy (including the transaction without an amount or with a symbolic amount).

5.10. Party A shall not conclude any contract with any a third party which may damage Party B's rights and interests under this Contract and a specific business contract.

Article 6 Party B's rights and obligations

6.1 Party B is entitled to, according to relevant management regulations and credit examination and approval procedures of China Citic Bank, decide whether to conclude a specific business contract with Party A and check and supervise the execution situations of the specific business contract at any time.

6.2 If Party A's application for use of a credit line complies with the credit conditions and the stipulations of this Contract through Party B's examination, Party A and Party B shall conclude and execute the specific business contract.

6.3 Party B's failure to exercise or delay in exercising its any right specified in this Agreement or a specific business contract shall not be deemed as Party B's waiver of such right nor constitute any barrier for Party B to exercise the right at any time.

6.4 Party B shall keep confidential Party A's materials, documents and information provided by Party A, unless otherwise required for inquiry or disclosure by laws and regulations.

Article 7 Guarantee

7.1 In order to ensure repayment of the creditor's rights produced herein, the guarantee method of the following (1) is adopted:

(1) The *Maximum Guarantee Contract* of 2014 SYHEBZ No. 0005, 2014 SYHZBZ No. 0004, 2014 SYHEBZ No. 0005 and 2014 SYHZBZ No. 0006 made and entered into by and between the guarantor Pan Dangyu, Springpower Technology (Shenzhen) Co., Ltd., Shenzhen Highpower Technology Co., Ltd. and Huizhou Highpower Technology Co., Ltd. and Party B;

(2) The *Maximum Guarantee Contract* of _____ / _____ made and entered into by and between the mortgagor / and Party B;

(3) The *Maximum Movable Property Pledge Contract* of _____ / _____ made and entered into by and between the pledgor / and Party B;

(4) The *Maximum Right Pledge Contract* of _____ / _____ made and entered into by and between the pledgor / and Party B;

(5) Other guarantee methods _____ / _____.

7.2 When Party A and Party B conclude a specific business contract hereunder, Party B shall have the right to demand Party A to provide security other than the security specified herein.

Article 8 Liability for breach of contract

8.1 Party A and Party B shall strictly perform the stipulations of this Contract and the specific business contract. If one party fails to partly or wholly perform its obligations specified herein, the party shall bear relevant liability for breach of contract and make compensation for losses caused to the other party.

8.2 During the execution process of this Contract, Party A shall be deemed having an event of default under any one of the following circumstances:

8.2.1 During the valid period of this Contract, Party A expressly indicates or indicates by its acts that Party A is unable to or fails to perform its obligations specified in this Contract or the specific business contract;

8.2.2 Party A does not perform any one obligation specified herein;

8.2.3 The documents in connection with this Contract that Party A submits to Party B and Party A's representations and warranties given in Article 4 herein are proved untrue, inaccurate, incomplete or misleading;

8.2.4 Party A stops repayment of its debts due, or is unable to or shows inability to repay its debts;

8.2.5 Party A goes into shutdown, out of business, announced bankruptcy, dissolution, business license revoked or cancelled, or there is any litigation, arbitration, or criminal or administrative sanction which causes adverse consequences for Party A's operation or property conditions, which may affect or damage or has affected or damaged Party B's rights and interests hereunder that Party B thinks;

8.2.6 Party A's domicile, business scope, legal representative, or industrial and commercial registered item is changed, or Party A has serious external investment, which seriously affects or threatens the realization of the creditor's rights of Party B;

8.2.7 Party A suffers from major financial loss, asset loss, there is asset loss or other financial crisis arising from Party A's external guarantee, which may affect or damage or has affected or damaged Party B's rights and interests hereunder that Party B thinks;

8.2.8 Party A changes the credit purpose at random;

8.2.9 Party A's controlling shareholder and other affiliated company suffers from major crisis in operation or finance, or there is any major affiliated transaction between Party A and its controlling shareholder and other affiliated company, which affects Party A's normal operation;

8.2.10 There is adverse change to the industry where Party A is located, which seriously affects or threatens the realization of the creditor's rights of Party B;

8.2.11 Party A's senior management personnel are suspected of a significant corruption, bribery, fraud or illegal business case, which may affect or damage or has affected or damaged Party B's rights and interests hereunder that Party B thinks;

8.2.12 Party A has any other breach for any other creditor, which affects the realization of the creditor's rights of Party B;

8.2.13 Party A's guarantor violates the guarantee contract or has any event of default under a guarantee contract, and Party A fails to provide a new security according to Party B's requirements;

8.2.14 The mortgaged or pledged property hereunder is sealed, detained, reported loss, stopped payment or taken other compulsory measures, or has ownership dispute, suffers from or may suffer from any infringement from a third party, or its safety or soundness status is or will be adversely affected, and Party A fails to provide a new security according to Party B's requirements;

8.2.15 Party A uses a false contract with an affiliated party to discount or pledge on the basis of bill receivable and accounts receivable without real trade background to take Party B's capital or credit;

8.2.16 Party A refuses to accept Party B's supervision and inspection on the execution situations of the specific business contract and relevant operation and financial activities;

8.2.17 Party A has escaped or attempts to escape its debts owing Party B through affiliated transactions;

8.2.18 Party A has other event which may affect or damage or has affected or damaged Party B's rights and interests hereunder that Party B thinks;

8.3 Under any one of the circumstances specified in sub-clause 8.2 of this Contract, Party B shall have the right to exercise one or several of the following measures, to which Party A shall have no objection:

8.3.1 To adjust, cancel or terminate the comprehensive credit line hereunder, or to adjust the service life of the line;

8.3.2 To stop release of the comprehensive credit line hereunder; to announce immediate maturity of all or part of the debts hereunder; to demand Party A to immediately repay all or part of the credit line used;

8.3.3 To demand Party A to add security or take other measures to ensure Party B's lawful rights and interests not infringed;

8.3.4 To exercise the right of guarantee;

8.3.5 According to the stipulations of this Contract, to make deduction directly from Party A's any account opened with Party B or Party B's branch for repaying its all debts (including the debts that Party B requires prepayment) under this Contract and the specific business contract, without obtaining Party A's prior consent.

8.4 The expenses for realization of the creditor's rights by Party B (including but not limited to litigation cost, business traveling expenses, property preservation cost, notarization fee, certification fee, translation fee, and evaluation and auction expenses) shall be borne by Party A.

Article 9 Contract effectiveness, change and termination

9.1 This Contract shall come into force when Party A's legal representative or authorized agent and Party B's legal representative, or principal or authorized agent give their signatures (or affix their seals) and affix their official seals or special contract seals. However, Party B shall have no obligation for allowing Party A to use any financing limit before Party A and its guarantor concludes a guarantee contract according to Party B's requirements and the guarantee right under the guarantee contract becomes effective by law.

9.2 When the Contract comes into force, Party A and Party B shall not change or cancel this Contract in advance at random. Should the Contract be changed or cancelled, a written agreement shall be reached and concluded upon unanimity through consultation.

Article 10 Dispute settlement

10.1 Any and all disputes arising from and in connection with the execution of this Contract shall be settled through consultation between both parties. Where consultation fails, both parties agree to take the following (2) for dispute settlement:

- (1) to apply the / Arbitration Committee for arbitration.
- (2) To initiate a lawsuit in the people's court at the location where Party B is located;

Article 11 Supplementary provisions

11.1 Any notice and document that Party A or Party B gives to the other party by telegram or fax shall be deemed served once it is sent; if sent by postage method, it shall be deemed served three days after it is posted.

11.2 Other provisions agreed by both parties:

The line that Springpower Technology (Shenzhen) Co., Ltd. may use shall not exceed RMB ten million Yuan, and at the same time, the line commonly used by Shenzhen Highpower Technology Co., Ltd. and Springpower Technology (Shenzhen) Co., Ltd. shall not exceed RMB forty-five million Yuan.

Where there is any stipulation in the specific business contract, the contents specified in the specific business contract shall prevail. The specific business contract and annex(s) thereof signed by Party A and Party B for each credit granting business of this Contract shall be deemed as an integral part of this Contract and constitute this Contract as a whole.

11.3 For matters not provided herein, Party A and Party B may reach a written agreement as an annex to this Contract. Any annex, amendment or supplementation of this Contract shall be deemed as an integral part of this Contract and shall have the same legal force as this Contract.

11.4 This Contract has been made out in three originals for Party A and Party B each holding one.

11.5 Party B has take reasonable measures to remind Party A to pay attention to the clauses of exempting or restricting its responsibilities and, according to Party A's requirements, has given full explanation of relevant clauses. Party A and Party B have no objection to the understanding of the contents of all clauses of this Contract.

Party A 1 (Official Seal or Special Contract Seal): Party B (Official Seal or Special Contract Seal):

Legal Representative:
Representative/Principal:
(or Authorized Agent)

Legal
(or Authorized Agent)

Party A 2 (Official Seal or Special Contract Seal):

Legal Representative:
(or Authorized Agent)

Supplementary Agreement

Party A 1: Shenzhen Highpower Technology Co., Ltd.
Party A 2: Springpower Technology (Shenzhen) Co., Ltd.

Party B: CHINA CITIC BANK CORPORATION LIMITED SHENZHEN BRANCH

Party A 1 and Party A 2 are hereinafter referred to collectively as Party A.

On the basis of friendly consultation, Party A and Party B reach the following supplementary agreement on the *Comprehensive Credit Granting Contract* of 2014 SYHZZ No. 0007 concluded by and between both parties dated _____:

1. Party A and Party B hereby confirm that the term "credit balance" specified in Article 1 of the *Comprehensive Credit Granting Contract* means the sum of balances of principles of outstanding debts produced from Party A's application for use of a comprehensive credit line under this Contract. Under the business of issuance of bank acceptance bills, it means the sum of amounts of drafts opened and unpaid by Party B hereunder after deducting the deposit under the bank acceptance bills; under the business of issuance of letters of credit, it means the sum of amounts of letters of credit opened and unpaid by Party B hereunder after deducting the deposit under letter of credit; under the business of issuance of letters of guarantee, it means the sum of amounts secured under the letter of guarantee opened and unpaid by Party B hereunder after deducting the deposit under the letter of guarantee.

2. Party A and Party B agree to make management according to "exposure" line. Therefore, sub-clause 3.3 of the *Comprehensive Credit Granting Contract* is cancelled.

3. In case of discrepancy between the Supplementary Agreement and Article 1 of the *Comprehensive Credit Granting Contract*, this Agreement shall prevail.

4. This Agreement is a supplementary agreement to the *Comprehensive Credit Granting Contract* and shall have the same equal legal force as the *Comprehensive Credit Granting Contract*.

5. This Agreement has been made out in three originals for Party A and Party B each holding one, which shall be equally authentic.

Party A 1 (Seal):

Party B (Seal):

Legal Representative / Authorized Agent (Signature/Seal)
Representative / Authorized Agent (Signature/Seal)

Legal

Date:

Date:

Party A 2 (Seal):

Party A 3 (Seal):

Legal Representative / Authorized Agent (Signature/Seal)
Representative / Authorized Agent (Signature/Seal)

Legal

Date:

Date:

Contract No.: 2014 Shen Yin Heng Zui Bao Zi No. 0004

Guaranty Contract of Maximum Amount

(Version 1.0, 2013)



INSTRUCTIONS FOR COMPLETION

I. Use ONLY BLUE BLACK or BLACK SIGN PEN or PEN for filling the Contract

II. Fill all the details completely, legibly, and neatly.

III. Fill the currency in Chinese. No currency symbol is allowed. Chinese currency name should be added before the capitalized amount and currency symbol before amount in figures.

IV. Draw a line or slash for and fill in the blanks with extra space. Stamp the seal of or fill in “blank below”.

Guaranty Contract of Maximum Amount

Guarantor

Springpower Science & Technology (Shenzhen) (“Party A”) Co., Ltd

(for authority)

(for individual)

Address;	A-plant, Chaoshun Industrial Park, Renmin Road, Fumin Community, Guanlan Street, Bao’an District, Shenzhen City	Type of certificate
P.O.:	518000	Certificate No.:
Contact by:		Address;
Tel:	89686802	P.O.:
Fax:		Employer:
Email:		Tel:
Legal representative:	Pan Dangyu	Email:
Opening bank and account:		

Creditor:

China CITIC Bank Corporation Limited (“Party B”) Shenzhen Branch

Address;	Block North, 2 nd Phase, Times Square Excellence, Zhong Xin San Road, Futan District, Shenzhen City
P.O.:	518031
Contact by:	
Tel:	0755-25941266
Fax:	
Email:	
Legal representative/principle:	Chen Xuying

At: _____
Date: _____

In order to ensure the implementation of the creditor's rights, successively occurrence in a certain period of time, between Party B and Huizhou Haopeng Science & Technology Co., Ltd ("the debtor to the principal contract") and to guaranty the realization of the creditor's rights of Party B, Party A is willing to provide the maximum guaranty to the creditor for his implementation of the liabilities. Party B agrees to accept such maximum guaranty provided by Party A. Therefore, this Contract is made in accordance with the *Contract Law of the People's Republic of China*, the *Security Law of the People's Republic of China*, and other relevant laws and regulations on the basis of the principles of equal consultation for specifying the rights and obligations between Party A and Party B:

Article 1 Definitions

1.1 The maximum guaranty refers to Party A provide guaranty to Party B against the debtor to the principal contract in the creditor's rights, successively occurrence in a certain period of time, with the designated maximum debt subscribed in the contract. In the event of the occurrence of the guaranty responsibility that borne by Part A regulated in this contract, Party B is entitled to request Party A to undertake such liability subject to the agreed amount.

Article 2 Creditor's right of the principal contract and the guaranty

2.1 Subject to the time limit prescribed in Article 2.2 in this contract, a series of contracts, agreements and other legal documents regarding to the relations of creditor's rights and debt obligation signed between Party B and the debtor to the principal contract constitute the principal contract of this contract ("principal contract").

2.2 The creditor's rights of which hold by Party A under this contract refers to the series of creditor's rights owned by Party B according to the principal contract signed with the debtor to the principal contract from____(day) ____ (month), 2014 to ____ (day) ____ (month), 2015.

Where Party B is responsible for providing the debtor to the principal contract with the following specific businesses, including bill, letter of credit, letter of guaranty, commercial acceptance bill (including the debtor to the principal contract is the acceptor and holder, etc) or other contingent liabilities business, Party A shall irrevocably promise and guaranty that all the creditor's rights which held by Party B based on the businesses will be recorded in the scope of guaranteed under this agreement when one of the above mentioned business corresponding contract signing days, the open days or expiration days of the bills, letter of credit, and letter of guaranty or the actual days of money advances of Party B, and the days of performing the liability for guaranty is occurred within the designated period in this paragraph. Herewith, Party A is willing to undertake the corresponding liability to guaranty.

Where Party B provides the debtor to the principal contract with the factoring business, as the specific business, Party A shall irrevocably promise and guaranty that all the creditor's rights which held by Party B based on the businesses will be recorded in the scope of guaranteed under this agreement as long as the above mentioned factoring business corresponding contract signing day or the repurchase implementing day is occurred within the designated period in this paragraph. Herewith, Party A is willing to undertake the corresponding liability to guaranty.

2.3 The maximum creditor's rights guaranteed by Party A under this contract are determined by the following_____item:

(1) (Currency) _____ (in words) : _____

(2) The principal of the creditor's rights (currency) (amount in words)_____and the corresponding interest, penalties, liquidated damages, as well as all other expenditures spent for the realization of the creditor's rights and the guaranteed rights (including but not limited to legal fare, arbitration fee, attorney fee, travel expense, assessment cost, transfer fee, cost of preservation, announcement fee, notarial and certification fee, translation fee, and execution cost, etc.) and all other payables.

2.4 The "principal" in paragraph 2.3 refers to the principal of the creditor's rights enjoyed by Party B against the debtor to the principal contract under the principal contract, including but not limited to the payable principal of Renminbi and foreign currency loan of the principal debtor, the bill amount of banker's acceptance draft applied, the L/C issuing amount, and the L/G amount, etc.

2.5 Approved through negotiation between Party A and Party B, the creditor's rights holding by Party B under the *List of Transfer to the Maximum Guaranty Creditor's Rights*, attached to this contract, signed between Party B and the debtor to the principal contract before this Contract enters into effect will transfer to the scope of the creditor's rights under this contract.

Article 3 Scope of guaranty

3.1 The scopes of guaranty include: the principal contract principal creditor's rights, interest, default interest, compound interest, liquidated damages, damage awards, expenditures spent for the realization of the creditor's rights (including but not limited to legal fare, arbitration fee, attorney fee, travel expense, assessment cost, transfer fee, cost of preservation, announcement fee, execution cost, etc.) and all other payables.

Article 4 Modes of guaranty

4.1 The mode of guaranty under this contract is joint liability guaranty. Where the implementation validity of a single debt under the principal contract is expired, and the debtor fails to fulfill or wholly fulfill his liabilities, Party B shall be entitled to directly request Party A to undertake such responsibilities.

Article 5 Guaranty period

5.1 The guaranty period under this contract is two years calculating from the expiration of the debt performing limitation under the principal contract, namely, two years calculating from the date of debt performing limitation performed by the debtor according to the specific business contract. The guaranty period of each specific business contract is calculated separately.

5.2 The principal contract shall prevail regarding to the debt performing limitation of the debtor to the principal contract. However, where the principal contract debt is matured in advance due to the reasons of the laws, regulations, rules, or the agreement under the principal contract, or the unanimity consent by the parties to the principal contract, or the parties to the principal contract decide to extend such limitation and approved by Party A, the accelerated due date or the extended due date shall be deemed as the expiration date of such debt performance. Where the principal contract states that the debtor may repay the debt in installment, the expiration date of such debt shall be deemed as the expiration date of such debt performance.

Where the businesses under the principal contract are letter of credit or bank acceptance bill, the date of L/C or the advance date of bank acceptance bill shall be deemed as the expiration date of such debt performance of the debtor to the principal contract.

Where the business under the principal contract is letter of guaranty, the actual performance date of such letter of guaranty fulfilled by Party B shall be deemed as the expiration date of such debt performance of the debtor to the principal contract.

Where the business under the principal contract is factoring one, the payment date of the repurchase price regulated in the factoring contract shall be deemed as the expiration date of such debt performance of the debtor to the principal contract.

Where the business under the principal contract is other contingent liabilities one, the actual payment date paid by Party B t shall be deemed as the expiration date of such debt performance of the debtor to the principal contract.

Article 6 Representations and warranties of Party A

6.1 (*for authority*) Party A, as a Chinese legal person or other organization, legally established in the People's Republic of China according to the laws of China, has the qualified capacities for civil rights to sign and perform this contract and the ability to independently bear civil liabilities. Party A was awarded the necessary and legal approval and authorization, internally or externally, to sign this agreement.

(*For individual*) Party A, as a natural person, has the qualified capacities for civil rights and behavior to sign and perform this contract and the ability to independently bear civil liabilities. Party A has no overdue loans, debit interest, malicious overdraft of credit card and other bad credit history, and no criminal record. Party A is qualified with all the conditions for Guarantor in accordance with laws and regulations.

6.2 Party A fully understands and agrees to all terms of the principal contract, and confirms the authenticity of the businesses relating to the principal contract. Party A voluntarily gives priority to the debtor to the principal contract in providing guaranty. All the meaning of such party under this contract is true. Party A hereby commitments that Party A will bear his guaranty responsibilities in accordance with the contract even if the actual uses of such credit amount adopted by the debtor to the principal contract are discrepancy to the uses under the principal contract (including but not limited to repaying loan with loan).

6.3 Party A confirms that the guaranty provided will not be restricted or banned nor will cause any illegal situation.

6.4 All data and information provided by Party A are legality, truthfulness, accuracy, and integrally. Except for the information disclosed to Party B in written form, Party A has disclosed Party B with all other major liabilities (including contingent liabilities), default behavior, litigation, arbitration events or other significant issues, and other key assets-influenced cases that may affect the performance of this contract.

6.5 Party A confirms: in the event the debtor to the principal contract fails to perform due debts or the occurrence of the agreed Guarantor bearing the guaranty responsibilities, regardless Party B possess other guaranty (including but not limited to the debtor to the principal contract and/or a third person provide material guaranty, guaranty, letter of guaranty, standby letter of credit and guaranty modes) to the creditor's rights under this contract, Party B shall have the right to directly request Party A in fulfilling his guaranty rights prescribed in the guaranty scope without exercising other guaranty rights in advance (including but not limited to priority procedure of material guaranty provided by the debtor to the principal contract and/or the third party); where the guaranty scope under this contract contains several creditor's rights, Party B shall have the right to determine the discharge order and proportion to the creditor's rights.

6.6 Where Party B abandons other guaranty rights (whether such guaranty is provided by the debtor or by a third party) for any reason or changes the order or contents of the aforesaid guaranty rights, and such actions cause any deprivation or decreasing of the priority of compensation under the aforesaid guaranty rights, Party A confirms that no guaranty responsibilities against Party B will be waived or decreased.

Article 7 Rights and obligations of Party A

7.1 (*for authority*) during the validity period of this contract, in the event that Party A encounters the following cases, including but not limited to, equity transfer, reorganization, merger, and acquisition; reorganization into stock company, joint venture company, cooperative enterprise, affiliated company, and contracting enterprise; changes in the scope of business and the registered capital; and material assets transfer that may or enough to affect its guaranty ability, Party A should issue written notice to Party B thirty (30) days in advance. Where Party A transfers, leases or sets guaranty for other debts beyond such debt under this contract, or disposes its material assets, such events should be approved by Party B in written form.

(*For individual*) in the event of the enterprise, Party A is servicing as the controlling shareholder or actual controller, encounters the following cases, including but not limited to, equity transfer, reorganization, merger, and acquisition; reorganization into stock company, joint venture company, cooperative enterprise, affiliated company, and contracting enterprise; changes in the scope of business and the registered capital; and material assets transfer that may or enough to affect its guaranty ability, Party A should issue written notice to Party B three (3) days in advance.

7.2 (*for authority*) during the validity period of this contract, in the event that Party A encounters the following cases, including but not limited to, business suspension, close, application for bankruptcy, accepted bankruptcy petition, declared of bankrupt, dissolving, revocation of business license, cancellation, deterioration of financial position, or being involved in any litigation, arbitration, criminal case, civil and administrative penalty, and economic disputes that may or enough to affect its guaranty ability, Party A should issue a written notice to Party B when the above mentioned cases are happened or potentially to be occurred within three (3) days.

(*For individual*) in the event of the enterprise, Party A is servicing as the controlling shareholder or actual controller, encounters the following cases, including but not limited to, business suspension, close, application for bankruptcy, accepted bankruptcy petition, declared of bankrupt, dissolving, revocation of business license, cancellation, deterioration of financial position, or being involved in any litigation, arbitration, criminal case, civil and administrative penalty, and economic disputes that may or enough to affect its guaranty ability, Party A should issue a written notice to Party B when the above mentioned cases are happened or potentially to be occurred within three (3) days.

7.3 (*for authority*) during the validity period of this contract, in the event that Party A's legal representative, principle or controlling shareholders encounters the following cases, including but not limited to, change his nationality, address, and marriage status; becoming unemployment, disability, and serious illness; or being involved in any litigation, arbitration, criminal case, civil and administrative penalty, and economic disputes that may or enough to affect its guaranty ability, Party A should issue a written notice to Party B when the above mentioned cases are happened or potentially to be occurred within three (3) days.

(*For individual*) during the validity period of this contract, in the event that Party A encounters the following cases, including but not limited to, change his nationality, address, and marriage status; becoming unemployment, disability, and serious illness; or being involved in any litigation, arbitration, criminal case, civil and administrative penalty, and economic disputes that may or enough to affect its guaranty ability, Party A should issue a written notice to Party B when the above mentioned cases are happened or potentially to be occurred within three (3) days.

7.4 During the validity period of this contract, where Party A changes his name, residence place, contact information, etc., he should issue a written notice to Party B three (3) days after such amendment.

7.5 During the validity period of this contract, in the event any case prescribed in Article 7.1, 7.2 and 7.3 occurs against Party A, Party A confirms to properly implement all guaranty responsibilities under this contract subject to the requirements presented by Party B, and to provide the concrete solutions in implementing such responsibilities.

7.6 Party A confirms that all the declaration and guaranty made are truthfulness, effectiveness, and integrally. During the validity period of this contract, in the event Party A violates the provisions prescribed in Article 6 under this contract, Party A confirms to properly implement all guaranty responsibilities under this contract subject to the requirements presented by Party B, and to provide the concrete solutions in implementing such responsibilities.

7.7 Where Party B and the debtor to the principal contract determine to amend the principal contract, except for the extension period or the increase of creditor's rights amount, such two parties may exercise such amendment without prior consent of Party A. Accordingly, Party A will continue to fulfill his creditor's rights guaranty responsibilities under the principal contract in accordance with the contract.

Where the extension of the principal contract or the increase the amount of creditor's rights without prior consent of Party A, Party A will continue to fulfill his creditor's rights guaranty responsibilities under the principal contract in accordance with the contract.

7.8 During the guaranty period, Party A shall not provide to any third Party with guaranty that beyond its own ability.

7.9 (*For individual*) during the validity period of this contract, Party A shall, at the request of Party B, provide effective certificate of identification status, occupation, income, expenses and liabilities, guaranty and economic disputes with others to prove his performance status and related legal documents.

7.10 In the event of the expiration of the debt performance period under the principal contract or the acceleration of maturity of such debt, and the debtor fails to repay the debt in according with the provision prescribed in the principal contract, Party B shall be entitled to directly request Party A to pay off the debt. Party A confirms that he will never refuse to pay and defense such responsibilities with any reason against any claim requirements presented by Party B.

7.11 Party A shall have the duty to provide Party B with the Balance Sheet and statements to all external guaranty status; regularly or from time to time respond to the requests of Party B; and to provide the statements and other documents that may truly reflect its financial status.

7.12 Where the businesses under the principal contract are domestic letter of credit, buyer-financing under domestic letter of credit, import letter of credit, or import bill advance/import refinance, and the confirming bank and the negotiating bank to Party B or its designated person, authorized person, and letter of credit had delivered the payment or fulfilled other payment behavior, **Party A shall bear the incontestable guaranty responsibilities accordingly. Party A shall not raise an indemnity or counterplead due to any stop payment order and prohibition order issued by any judicial organs or administrative organs against the payment obligation under such letter of credit; or due to seal-up, distraint, freezing of the properties relating to the letter of credit, or other measures or similar measures; or due to any discrepancy to the letter of credit.**

7.13 For delivery against bank guarantee, endorsement of bill of lading, and authorized withdrawal businesses, **Party A shall not raise an indemnity or counterplead due to the non-payment by the debtor to the principal contract against the amount under the letter of credit.**

7.14 During the validity period of this contract, where Party B transfers the creditor's rights under the principal contract, Party A agrees to continue to bear the liability for guarantying the creditor's rights against such assignee according to the stipulation of the contract.

7.15 Party A agrees to authorize Party B to check Party A's credit records via financial credit information basic database and at the credit information service approved by the People's Bank of China; and agrees to allow Party B to provide Party A's credit information to the financial credit information basic database and the credit information service approved by the People's Bank of China.

Article 8 Rights and obligations of Party B

8.1 Where the implementation validity of the debt under the principal contract is expired, and the debtor fails to fulfill, wholly or partly, his liabilities, Party B shall be entitled to directly request Party A to undertake such responsibilities.

8.2 Party B may not notice Party A where Party B signs specific business contract, regarding to the credit business under the principal contract, with the debtor.

8.3 In the event of any cases that may affect the guaranty ability of Party A, including but not limited to cases prescribed in subparagraph from 9.1.2 to 9.1.9, Party B should be entitled to request Party A to supplementary provide a guaranty recognized by Party B.

8.4 Party B should keep secrets of the relevant data, documents and information provided by Party A, except for the query or disclosure required by the laws, regulations, rules or the authorized authorities.

Article 9 Undertaking the guaranty responsibility

9.1 During the validity period of this contract, Party B should be entitled to request Party A to perform the guaranty responsibility, or take appropriate legal measures against Party A or Party A's property or property right if one of the following happens:

9.1.1 Where any debt under the principal contract is expired (including due in advance) and Party B fails to liquidate such debt, or the debtor to the principal contract violates other agreements under the principal contract;

9.1.2 Party A or the debtor to the principal contract encounter business suspension, close, application for bankruptcy, accepted bankruptcy petition, declared of bankrupt, dissolving, liquidation, business suspension for rectification, revocation of business license, and cancellation;

9.1.3 Party A's serious financial loss, assets loss or any assets loss caused by external guaranty, or other financial crisis, and fails to provide the corresponding security guaranty, or the guaranty provided to Party B can not meet the satisfactory status;

9.1.4 Crisis in business or finance of Party A's controlling shareholder or other associated company, or significant connected transaction between Party A and the controlling shareholder or other associated companies that affect Party A's normal operation, and fails to provide the corresponding guaranty or satisfied guaranty to Party B;

9.1.5 Adverse changes in Party A's industry, and fails to provide the corresponding guaranty or satisfied guaranty to Party B;

9.1.6 (*for authority*) Party A's senior management suspected of serious embezzlement, bribery, fraud, or illegal business cases, and fails to provide the corresponding guaranty or satisfied guaranty to Party B;

(for individual) Party A was administrative and criminal penalized, or involved in major civil legal disputes that may or enough to affect the ability to guaranty, and fails to provide the corresponding guaranty or satisfied guaranty to Party B;

9.1.7 Party A violates the provisions of Article 7.5 and 7.6 under this contract in implementing all the guaranty responsibilities under this contract, or fails to provide the specific satisfied solutions of such guaranty responsibility to Party B;

9.1.8 Cross-default provision: where Party A violates the provisions under other debt-based documents and such default action has not been corrected within the applicable grace period, such cases both lead to one of the following circumstances and constitute the violation of this contract

- (1) The debts under other documents are declared or being declared of accelerating the maturity;
- (2) The debts under other documents are not declared or being declared of accelerating the maturity, but default in payment;

9.1.9 Other events that may threaten or damage or have the potential to threaten or damage Party B's equity.

9.2 Where Party B requests Party A to undertake the guaranty responsibility, Party A must delivery the payment to Party B subject to the amount and mode stated in the written notice immediately after the receipt of the notice issued by Party B.

9.3 While performing the guaranty responsibility, Party A should fulfill subject to the following order:

- (1) The payables, liquidated damage, and compensation for damage supporting this contract and the provisions of the principal contract, and relevant laws and regulations;
- (2) To pay the payable penalties and compound interest under the principal contract;
- (3) Payable interests under the principal contract;
- (4) Payable principal under the principal contract;

Where Party A performs the guaranty responsibility but failed to repay or pay the total amount in the same order, Party B should be entitled to choose the order and proportion of such payment.

9.4 Where Party A fails to fulfill the guaranty responsibilities according to the Article 7.5, 7.6, 9.1, and 9.2 under this contract, or Party A performs the guaranty responsibility but failed to repay or pay the total amount in the same order, **Party A authorizes Party B to directly deduct from any account of Party A opened at CITIC Bank and/or to exercise penalty against Party A's assets or property rights legally possessed and managed by Party B in order to pay off the debt under the principal contract. While Party B collects money from Party A's account and the account currency is differnt from the currency of the creditor's rights under the principal contract, the list price released by Party B on that date shall be used for conversion.**

Article 10 Liability for breach of contract

10.1 After this contract comes into effect, Party A and Party B shall fulfill the obligations of this contract. Where one party fails to perform or completely fulfill the obligations of this contract, the defaulting party shall bear the corresponding liability for breach of contract, and compensate the losses to the other party.

10.2 Party A shall compensate Party B to any loss caused by untrue, inaccurate, incomplete or intentionally misleading of the representations and warranties of Article 6 of this contract.

10.3 Where the contract becomes invalid due to the fault of Party A, such party shall compensate all loss to Party B within the scope of the guaranty.

Article 11 Cumulative rights

11.1 All rights of Party B under this contract are cumulative and will not affect and eliminate Party B's any rights enjoyed to Party A according to laws and other contracts. Unless otherwise presented by Party B in written form, Party B's non-exercise, partially exercise and/or delay in exercising his responsibilities will not constitute the waiver or partially waiver of his right, nor affect, stop and interfere to Party B's further exercise of his rights or exercise of any other rights.

Article 12 Continuity of obligation

12.1 All obligations and joint liabilities of Party A under this contract are continuity which generates fully bind to his heir or legatee, legal agent, receiver, and assignee; and to the main body's merger, acquisition, reorganization, reorganization into stock company, and name change. Such obligations and liabilities will not be affected by any dispute, claim and legal procedures, and any contracts and documents signed between the debtor to the principal contract and any natural person or legal person; nor being changed due to the debtor's bankruptcy, insolvency, loss of enterprise qualification, change the Articles of Association, and any change in nature.

Article 13 Other terms

If the paragraph conflicts to any other provisions, this paragraph shall prevail.

Article 14 Applicable law

14.1 The laws of the People's Republic of China are applied to this contract (for the purposes of this contract, including the laws of Hong Kong, Macao and Taiwan).

Article 15 Disputes resolution

15.1 Any dispute rising under this contract and in connection with this contract should be solved by Party A and Party B through consultation; if fails, both parties agree to take in the following (2) item for solution:

(1) Apply to / arbitration commission for arbitration and the existing effective arbitration rules of such commission shall be applied;

(2) To file claims to the People's Court with jurisdiction at Party B's side.

Article 16 Contract effectiveness

16.1 This contract is independent from the principal contract. Where the principal contract is invalid for any reason, the effectiveness of this contract will not be affected and will remain valid, the joint liability of Party A under this contract and the legal responsibility (including but not limited to refund and compensate for the losses) of the debtor to the principal contract under the principal contract.

16.2 In the event a provision or partially contents of a provision under this contract is now or will become null and void in the future, such invalid provision or part will not affect the effectiveness of this contract, other provisions under this contract, or other contents of such provision.

Article 17 Execution, amendment, and termination

17.1 (for authority) this contract comes into effect after it is being signed and stamped (signed the signature or stamped the common seal) and stamped the common seal or specialized contract seal by the legal representative or authorized agent of Party A and the legal representative/principle or authorized agent of Party B.

(for individual) this contract comes into effect after it is being signed and stamped (signed the signature or stamped the common seal) and stamped the common seal or specialized contract seal by Party A or his authorized agent (signature or seal) and the legal representative/principle or authorized agent of Party B.

17.2 After this contract comes into effect, except to the existing agreement of this contract, both Party A and Party B should not unilaterally modify or terminate this contract; if any modification or termination of this contract is necessary, both parties should negotiate it to reach written agreement.

Article 18 Miscellaneous

18.1 What is left unmentioned in contract may be concluded by Party A and Party B in written agreement separately as an appendix. All affixes, amendments or supplements of this contract shall form an integral part of this contract, and have the same legal effectiveness to this contract.

18.2 Notice and delivery

18.2.1 All notices and requests under this contract, and the involved debt-collection and litigation (arbitration) legal documents or other communications may be delivered or sent to the agreed address or contact information stated at the beginning of this contract.

18.2.2 Where all notices, requests, debt-collection letters or other communication issued by Party B to Party A under this contract are sent in the form of telex, telephone, fax, and E-mail shall be deemed to have delivered to Party A; the third day after the delivery date for postal mail will be deemed to have delivered to Party A; for sending in person, the receipt date of Party A shall be deemed as successfully delivery. If Party A refuses to accept, the person serving such document may take photos and video to record the service process, and make the document lien. In this case, the document is deemed as delivered.

18.2.3 The judicial organ or the arbitration organization may deliver relevant (legal) documents to Party A subject to the address and contact information agreed in this contract. Where no one receives such documents or Party A refuses to receive, the person serving such document may take photos and video to record the service process, and make the document lien. In this case, the document is deemed as delivered successfully. In the event the (legal) documents are failed to be successfully delivered or returned back due to Party A provide false contact information or fail to timely notice the change of the contact information after amendment, the returned date of such (legal) documents will be deemed as the delivery date.

18.2.4 In the event the aforesaid contact information, provided by Party A, is changed, Party A should immediately issue notice to Party B in written within three days after the change; where the change of the information is made after the processing of the debt under this contract into the phase of litigation or arbitration, such change should be informed in writing to the trial authority. Otherwise, all notices or other documents issued will be delivered subject to the original information. In such case, the documents will be deemed as successfully delivered even the party receives no documents.

18.3 This contract in _____ copies. Party A holds _____ versions, and Party B holds _____ versions.

18.4 Party B has took the measures of overstriking, bold, highlighting and other reasonable methods to remind Party A of the exemption clauses or responsibility restriction provision under this contract. In addition, Party A has made a full explanation to the related terms according to the requirements of Party A; Party A and Party B both have no dissent to the understanding of all contract terms.

(This page is intentionally left blank.)

(This page is intentionally left blank. It is the signature page of the *Guaranty Contract of Maximum Amount* with the number of _____)

Party A:

(for authority)

(for individual)

(Common seal or specialized contract seal)

Signature of Party A/authorized agent:

Legal representative
(or authorized agent)

The spouse hereby confirms that: I acknowledge the aforesaid contract terms and have unanimity to the guaranty responsibilities under this contract borne by Party A (including but not limited to communal estate). The mailing address of Party A (including after the amendment) is the address of him.

Signature of Party A's spouse/authorized agent:

Party B (common seal or specialized contract seal)

Legal representative/principle (or authorized agent):

Affix: List of Transfer to the Maximum Guaranty Creditor's Rights

Affix

List of Transfer to the Maximum Guaranty Creditor's Rights

Series	Contract No.	Name of contract	Amount of creditor's rights under the contract	Note

Contract No.: 2014 Shen Yin Heng Zui Bao Zi No. 0005

Guaranty Contract of Maximum Amount

(Version 1.0, 2013)



INSTRUCTIONS FOR COMPLETION

I. Use ONLY BLUE BLACK or BLACK SIGN PEN or PEN for filling the Contract

II. . Fill all the details completely, legibly, and neatly.

III. Fill the currency in Chinese. No currency symbol is allowed. Chinese currency name should be added before the capitalized amount and currency symbol before amount in figures.

IV. Draw a line or slash for and fill in the blanks with extra space. Stamp the seal of or fill in “blank below”.

Guaranty Contract of Maximum Amount

Guarantor Shenzhen Haopeng Science & Technology Co., Ltd (“**Party A**”)

(for authority)

(for individual)

Address; Building A2, Luoshan Industrial Park, Pinghu Town, Longgang District, Shenzhen Type of certificate

P.O.: 518000 Certificate No.:

Contact by: Address;

Tel: 89686802 P.O.:

Fax: 89686819 Employer:

Email: Tel:

Legal representative: Pan Dangyu Email:

Opening bank and account:

Creditor: China CITIC Bank Corporation Limited Shenzhen Branch (“**Party B**”)

Address; Block North, 2nd Phase, Times Square Excellence, Zhong Xin San Road, Futan District, Shenzhen City

P.O.: 518031

Contact by:

Tel: 0755-25941266

Fax:

Email:

Legal representative/principle: Chen Xuying

At: _____

Date: _____

In order to ensure the implementation of the creditor's rights, successively occurrence in a certain period of time, between Party B and Shupeng Science & Technology (Shenzhen) Co., Ltd ("the debtor to the principal contract") and to guaranty the realization of the creditor's rights of Party B, Party A is willing to provide the maximum guaranty to the creditor for his implementation of the liabilities. Party B agrees to accept such maximum guaranty provided by Party A. Therefore, this Contract is made in accordance with the *Contract Law of the People's Republic of China*, the *Security Law of the People's Republic of China*, and other relevant laws and regulations on the basis of the principles of equal consultation for specifying the rights and obligations between Party A and Party B:

Article 1 Definitions

1.1 The maximum guaranty refers to Party A provide guaranty to Party B against the debtor to the principal contract in the creditor's rights, successively occurrence in a certain period of time, with the designated maximum debt subscribed in the contract. In the event of the occurrence of the guaranty responsibility that borne by Part A regulated in this contract, Party B is entitled to request Party A to undertake such liability subject to the agreed amount.

Article 2 Creditor's right of the principal contract and the guaranty

2.1 Subject to the time limit prescribed in Article 2.2 in this contract, a series of contracts, agreements and other legal documents regarding to the relations of creditor's rights and debt obligation signed between Party B and the debtor to the principal contract constitute the principal contract of this contract ("principal contract").

2.2 The creditor's rights of which hold by Party A under this contract refers to the series of creditor's rights owned by Party B according to the principal contract signed with the debtor to the principal contract from ____ (day) ____ (month), 2014 to ____ (day)____(month), 2015.

Where Party B is responsible for providing the debtor to the principal contract with the following specific businesses, including bill, letter of credit, letter of guaranty, commercial acceptance bill (including the debtor to the principal contract is the acceptor and holder, etc) or other contingent liabilities business, Party A shall irrevocably promise and guaranty that all the creditor's rights which held by Party B based on the businesses will be recorded in the scope of guaranteed under this agreement when one of the above mentioned business corresponding contract signing days, the open days or expiration days of the bills, letter of credit, and letter of guaranty or the actual days of money advances of Party B, and the days of performing the liability for guaranty is occurred within the designated period in this paragraph. Herewith, Party A is willing to undertake the corresponding liability to guaranty.

Where Party B provides the debtor to the principal contract with the factoring business, as the specific business, Party A shall irrevocably promise and guaranty that all the creditor's rights which held by Party B based on the businesses will be recorded in the scope of guaranteed under this agreement as long as the above mentioned factoring business corresponding contract signing day or the repurchase implementing day is occurred within the designated period in this paragraph. Herewith, Party A is willing to undertake the corresponding liability to guaranty.

2.3 The maximum creditor's rights guaranteed by Party A under this contract are determined by the following _____ item:

(1) (Currency) _____ (in words) : _____

(2) The principal of the creditor's rights (currency) (amount in words) _____ and the corresponding interest, penalties, liquidated damages, as well as all other expenditures spent for the realization of the creditor's rights and the guaranteed rights (including but not limited to legal fare, arbitration fee, attorney fee, travel expense, assessment cost, transfer fee, cost of preservation, announcement fee, notarial and certification fee, translation fee, and execution cost, etc.) and all other payables.

2.4 The "principal" in paragraph 2.3 refers to the principal of the creditor's rights enjoyed by Party B against the debtor to the principal contract under the principal contract, including but not limited to the payable principal of Renminbi and foreign currency loan of the principal debtor, the bill amount of banker's acceptance draft applied, the L/C issuing amount, and the L/G amount, etc.

2.5 Approved through negotiation between Party A and Party B, the creditor's rights holding by Party B under the *List of Transfer to the Maximum Guaranty Creditor's Rights*, attached to this contract, signed between Party B and the debtor to the principal contract before this Contract enters into effect will transfer to the scope of the creditor's rights under this contract.

Article 3 Scope of guaranty

3.1 The scopes of guaranty include: the principal contract principal creditor's rights, interest, default interest, compound interest, liquidated damages, damage awards, expenditures spent for the realization of the creditor's rights (including but not limited to legal fare, arbitration fee, attorney fee, travel expense, assessment cost, transfer fee, cost of preservation, announcement fee, execution cost, etc.) and all other payables.

Article 4 Modes of guaranty

4.1 The mode of guaranty under this contract is joint liability guaranty. Where the implementation validity of a single debt under the principal contract is expired, and the debtor fails to fulfill or wholly fulfill his liabilities, Party B shall be entitled to directly request Party A to undertake such responsibilities.

Article 5 Guaranty period

5.1 The guaranty period under this contract is two years calculating from the expiration of the debt performing limitation under the principal contract, namely, two years calculating from the date of debt performing limitation performed by the debtor according to the specific business contract. The guaranty period of each specific business contract is calculated separately.

5.2 The principal contract shall prevail regarding to the debt performing limitation of the debtor to the principal contract. However, where the principal contract debt is matured in advance due to the reasons of the laws, regulations, rules, or the agreement under the principal contract, or the unanimity consent by the parties to the principal contract, or the parties to the principal contract decide to extend such limitation and approved by Party A, the accelerated due date or the extended due date shall be deemed as the expiration date of such debt performance. Where the principal contract states that the debtor may repay the debt in installment, the expiration date of such debt shall be deemed as the expiration date of such debt performance.

Where the businesses under the principal contract are letter of credit or bank acceptance bill, the date of L/C or the advance date of bank acceptance bill shall be deemed as the expiration date of such debt performance of the debtor to the principal contract.

Where the business under the principal contract is letter of guaranty, the actual performance date of such letter of guaranty fulfilled by Party B shall be deemed as the expiration date of such debt performance of the debtor to the principal contract.

Where the business under the principal contract is factoring one, the payment date of the repurchase price regulated in the factoring contract shall be deemed as the expiration date of such debt performance of the debtor to the principal contract.

Where the business under the principal contract is other contingent liabilities one, the actual payment date paid by Party B t shall be deemed as the expiration date of such debt performance of the debtor to the principal contract.

Article 6 Representations and warranties of Party A

6.1 (*for authority*) Party A, as a Chinese legal person or other organization, legally established in the People's Republic of China according to the laws of China, has the qualified capacities for civil rights to sign and perform this contract and the ability to independently bear civil liabilities. Party A was awarded the necessary and legal approval and authorization, internally or externally, to sign this agreement.

(*For individual*) Party A, as a natural person, has the qualified capacities for civil rights and behavior to sign and perform this contract and the ability to independently bear civil liabilities. Party A has no overdue loans, debit interest, malicious overdraft of credit card and other bad credit history, and no criminal record. Party A is qualified with all the conditions for Guarantor in accordance with laws and regulations.

6.2 Party A fully understands and agrees to all terms of the principal contract, and confirms the authenticity of the businesses relating to the principal contract. Party A voluntarily gives priority to the debtor to the principal contract in providing guaranty. All the meaning of such party under this contract is true. Party A hereby commitments that Party A will bear his guaranty responsibilities in accordance with the contract even if the actual uses of such credit amount adopted by the debtor to the principal contract are discrepancy to the uses under the principal contract (including but not limited to repaying loan with loan).

6.3 Party A confirms that the guaranty provided will not be restricted or banned nor will cause any illegal situation.

6.4 All data and information provided by Party A are legality, truthfulness, accuracy, and integrally. Except for the information disclosed to Party B in written form, Party A has disclosed Party B with all other major liabilities (including contingent liabilities), default behavior, litigation, arbitration events or other significant issues, and other key assets-influenced cases that may affect the performance of this contract.

6.5 Party A confirms: in the event the debtor to the principal contract fails to perform due debts or the occurrence of the agreed Guarantor bearing the guaranty responsibilities, regardless Party B possess other guaranty (including but not limited to the debtor to the principal contract and/or a third person provide material guaranty, guaranty, letter of guaranty, standby letter of credit and guaranty modes) to the creditor's rights under this contract, Party B shall have the right to directly request Party A in fulfilling his guaranty rights prescribed in the guaranty scope without exercising other guaranty rights in advance (including but not limited to priority procedure of material guaranty provided by the debtor to the principal contract and/or the third party); where the guaranty scope under this contract contains several creditor's rights, Party B shall have the right to determine the discharge order and proportion to the creditor's rights.

6.6 Where Party B abandons other guaranty rights (whether such guaranty is provided by the debtor or by a third party) for any reason or changes the order or contents of the aforesaid guaranty rights, and such actions cause any deprivation or decreasing of the priority of compensation under the aforesaid guaranty rights, Party A confirms that no guaranty responsibilities against Party B will be waived or decreased.

Article 7 Rights and obligations of Party A

7.1 (*for authority*) during the validity period of this contract, in the event that Party A encounters the following cases, including but not limited to, equity transfer, reorganization, merger, and acquisition; reorganization into stock company, joint venture company, cooperative enterprise, affiliated company, and contracting enterprise; changes in the scope of business and the registered capital; and material assets transfer that may or enough to affect its guaranty ability, Party A should issue written notice to Party B thirty (30) days in advance. Where Party A transfers, leases or sets guaranty for other debts beyond such debt under this contract, or disposes its material assets, such events should be approved by Party B in written form.

(*For individual*) in the event of the enterprise, Party A is servicing as the controlling shareholder or actual controller, encounters the following cases, including but not limited to, equity transfer, reorganization, merger, and acquisition; reorganization into stock company, joint venture company, cooperative enterprise, affiliated company, and contracting enterprise; changes in the scope of business and the registered capital; and material assets transfer that may or enough to affect its guaranty ability, Party A should issue written notice to Party B three (3) days in advance.

7.2 (*for authority*) during the validity period of this contract, in the event that Party A encounters the following cases, including but not limited to, business suspension, close, application for bankruptcy, accepted bankruptcy petition, declared of bankrupt, dissolving, revocation of business license, cancellation, deterioration of financial position, or being involved in any litigation, arbitration, criminal case, civil and administrative penalty, and economic disputes that may or enough to affect its guaranty ability, Party A should issue a written notice to Party B when the above mentioned cases are happened or potentially to be occurred within three (3) days.

(*For individual*) in the event of the enterprise, Party A is servicing as the controlling shareholder or actual controller, encounters the following cases, including but not limited to, business suspension, close, application for bankruptcy, accepted bankruptcy petition, declared of bankrupt, dissolving, revocation of business license, cancellation, deterioration of financial position, or being involved in any litigation, arbitration, criminal case, civil and administrative penalty, and economic disputes that may or enough to affect its guaranty ability, Party A should issue a written notice to Party B when the above mentioned cases are happened or potentially to be occurred within three (3) days.

7.3 (*for authority*) during the validity period of this contract, in the event that Party A's legal representative, principle or controlling shareholders encounters the following cases, including but not limited to, change his nationality, address, and marriage status; becoming unemployment, disability, and serious illness; or being involved in any litigation, arbitration, criminal case, civil and administrative penalty, and economic disputes that may or enough to affect its guaranty ability, Party A should issue a written notice to Party B when the above mentioned cases are happened or potentially to be occurred within three (3) days.

(*For individual*) during the validity period of this contract, in the event that Party A encounters the following cases, including but not limited to, change his nationality, address, and marriage status; becoming unemployment, disability, and serious illness; or being involved in any litigation, arbitration, criminal case, civil and administrative penalty, and economic disputes that may or enough to affect its guaranty ability, Party A should issue a written notice to Party B when the above mentioned cases are happened or potentially to be occurred within three (3) days.

7.4 During the validity period of this contract, where Party A changes his name, residence place, contact information, etc., he should issue a written notice to Party B three (3) days after such amendment.

7.5 During the validity period of this contract, in the event any case prescribed in Article 7.1, 7.2 and 7.3 occurs against Party A, Party A confirms to properly implement all guaranty responsibilities under this contract subject to the requirements presented by Party B, and to provide the concrete solutions in implementing such responsibilities.

7.6 Party A confirms that all the declaration and guaranty made are truthfulness, effectiveness, and integrally. During the validity period of this contract, in the event Party A violates the provisions prescribed in Article 6 under this contract, Party A confirms to properly implement all guaranty responsibilities under this contract subject to the requirements presented by Party B, and to provide the concrete solutions in implementing such responsibilities.

7.7 Where Party B and the debtor to the principal contract determine to amend the principal contract, except for the extension period or the increase of creditor's rights amount, such two parties may exercise such amendment without prior consent of Party A. Accordingly, Party A will continue to fulfill his creditor's rights guaranty responsibilities under the principal contract in accordance with the contract.

Where the extension of the principal contract or the increase the amount of creditor's rights without prior consent of Party A, Party A will continue to fulfill his creditor's rights guaranty responsibilities under the principal contract in accordance with the contract.

7.8 During the guaranty period, Party A shall not provide to any third Party with guaranty that beyond its own ability.

7.9 (*For individual*) during the validity period of this contract, Party A shall, at the request of Party B, provide effective certificate of identification status, occupation, income, expenses and liabilities, guaranty and economic disputes with others to prove his performance status and related legal documents.

7.10 In the event of the expiration of the debt performance period under the principal contract or the acceleration of maturity of such debt, and the debtor fails to repay the debt in according with the provision prescribed in the principal contract, Party B shall be entitled to directly request Party A to pay off the debt. Party A confirms that he will never refuse to pay and defense such responsibilities with any reason against any claim requirements presented by Party B.

7.11 Party A shall have the duty to provide Party B with the Balance Sheet and statements to all external guaranty status; regularly or from time to time respond to the requests of Party B; and to provide the statements and other documents that may truly reflect its financial status.

7.12 Where the businesses under the principal contract are domestic letter of credit, buyer-financing under domestic letter of credit, import letter of credit, or import bill advance/import refinance, and the confirming bank and the negotiating bank to Party B or its designated person, authorized person, and letter of credit had delivered the payment or fulfilled other payment behavior, **Party A shall bear the incontestable guaranty responsibilities accordingly. Party A shall not raise an indemnity or counterplead due to any stop payment order and prohibition order issued by any judicial organs or administrative organs against the payment obligation under such letter of credit; or due to seal-up, distraint, freezing of the properties relating to the letter of credit, or other measures or similar measures; or due to any discrepancy to the letter of credit.**

7.13 For delivery against bank guarantee, endorsement of bill of lading, and authorized withdrawal businesses, **Party A shall not raise an indemnity or counterplead due to the non-payment by the debtor to the principal contract against the amount under the letter of credit.**

7.14 During the validity period of this contract, where Party B transfers the creditor's rights under the principal contract, Party A agrees to continue to bear the liability for guarantying the creditor's rights against such assignee according to the stipulation of the contract.

7.15 Party A agrees to authorize Party B to check Party A's credit records via financial credit information basic database and at the credit information service approved by the People's Bank of China; and agrees to allow Party B to provide Party A's credit information to the financial credit information basic database and the credit information service approved by the People's Bank of China.

Article 8 Rights and obligations of Party B

8.1 Where the implementation validity of the debt under the principal contract is expired, and the debtor fails to fulfill, wholly or partly, his liabilities, Party B shall be entitled to directly request Party A to undertake such responsibilities.

8.2 Party B may not notice Party A where Party B signs specific business contract, regarding to the credit business under the principal contract, with the debtor.

8.3 In the event of any cases that may affect the guaranty ability of Party A, including but not limited to cases prescribed in subparagraph from 9.1.2 to 9.1.9, Party B should be entitled to request Party A to supplementary provide a guaranty recognized by Party B.

8.4 Party B should keep secrets of the relevant data, documents and information provided by Party A, except for the query or disclosure required by the laws, regulations, rules or the authorized authorities.

Article 9 Undertaking the guaranty responsibility

9.1 During the validity period of this contract, Party B should be entitled to request Party A to perform the guaranty responsibility, or take appropriate legal measures against Party A or Party A's property or property right if one of the following happens:

9.1.1 Where any debt under the principal contract is expired (including due in advance) and Party B fails to liquidate such debt, or the debtor to the principal contract violates other agreements under the principal contract;

9.1.2 Party A or the debtor to the principal contract encounter business suspension, close, application for bankruptcy, accepted bankruptcy petition, declared of bankrupt, dissolving, liquidation, business suspension for rectification, revocation of business license, and cancellation;

9.1.3 Party A's serious financial loss, assets loss or any assets loss caused by external guaranty, or other financial crisis, and fails to provide the corresponding security guaranty, or the guaranty provided to Party B can not meet the satisfactory status;

9.1.4 Crisis in business or finance of Party A's controlling shareholder or other associated company, or significant connected transaction between Party A and the controlling shareholder or other associated companies that affect Party A's normal operation, and fails to provide the corresponding guaranty or satisfied guaranty to Party B;

9.1.5 Adverse changes in Party A's industry, and fails to provide the corresponding guaranty or satisfied guaranty to Party B;

9.1.6 (*for authority*) Party A's senior management suspected of serious embezzlement, bribery, fraud, or illegal business cases, and fails to provide the corresponding guaranty or satisfied guaranty to Party B;

(for individual) Party A was administrative and criminal penalized, or involved in major civil legal disputes that may or enough to affect the ability to guaranty, and fails to provide the corresponding guaranty or satisfied guaranty to Party B;

9.1.7 Party A violates the provisions of Article 7.5 and 7.6 under this contract in implementing all the guaranty responsibilities under this contract, or fails to provide the specific satisfied solutions of such guaranty responsibility to Party B;

9.1.8 Cross-default provision: where Party A violates the provisions under other debt-based documents and such default action has not been corrected within the applicable grace period, such cases both lead to one of the following circumstances and constitute the violation of this contract

- (1) The debts under other documents are declared or being declared of accelerating the maturity;
- (2) The debts under other documents are not declared or being declared of accelerating the maturity, but default in payment;

9.1.9 Other events that may threaten or damage or have the potential to threaten or damage Party B's equity.

9.2 Where Party B requests Party A to undertake the guaranty responsibility, Party A must delivery the payment to Party B subject to the amount and mode stated in the written notice immediately after the receipt of the notice issued by Party B.

9.3 While performing the guaranty responsibility, Party A should fulfill subject to the following order:

- (1) The payables, liquidated damage, and compensation for damage supporting this contract and the provisions of the principal contract, and relevant laws and regulations;
- (2) To pay the payable penalties and compound interest under the principal contract;
- (3) Payable interests under the principal contract;
- (4) Payable principal under the principal contract;

Where Party A performs the guaranty responsibility but failed to repay or pay the total amount in the same order, Party B should be entitled to choose the order and proportion of such payment.

9.4 Where Party A fails to fulfill the guaranty responsibilities according to the Article 7.5, 7.6, 9.1, and 9.2 under this contract, or Party A performs the guaranty responsibility but failed to repay or pay the total amount in the same order, **Party A authorizes Party B to directly deduct from any account of Party A opened at CITIC Bank and/or to exercise penalty against Party A's assets or property rights legally possessed and managed by Party B in order to pay off the debt under the principal contract. While Party B collects money from Party A's account and the account currency is different from the currency of the creditor's rights under the principal contract, the list price released by Party B on that date shall be used for conversion.**

Article 10 Liability for breach of contract

10.1 After this contract comes into effect, Party A and Party B shall fulfill the obligations of this contract. Where one party fails to perform or completely fulfill the obligations of this contract, the defaulting party shall bear the corresponding liability for breach of contract, and compensate the losses to the other party.

10.2 Party A shall compensate Party B to any loss caused by untrue, inaccurate, incomplete or intentionally misleading of the representations and warranties of Article 6 of this contract.

10.3 Where the contract becomes invalid due to the fault of Party A, such party shall compensate all loss to Party B within the scope of the guaranty.

Article 11 Cumulative rights

11.1 All rights of Party B under this contract are cumulative and will not affect and eliminate Party B's any rights enjoyed to Party A according to laws and other contracts. Unless otherwise presented by Party B in written form, Party B's non-exercise, partially exercise and/or delay in exercising his responsibilities will not constitute the waiver or partially waiver of his right, nor affect, stop and interfere to Party B's further exercise of his rights or exercise of any other rights.

Article 12 Continuity of obligation

12.1 All obligations and joint liabilities of Party A under this contract are continuity which generates fully bind to his heir or legatee, legal agent, receiver, and assignee; and to the main body's merger, acquisition, reorganization, reorganization into stock company, and name change. Such obligations and liabilities will not be affected by any dispute, claim and legal procedures, and any contracts and documents signed between the debtor to the principal contract and any natural person or legal person; nor being changed due to the debtor's bankruptcy, insolvency, loss of enterprise qualification, change the Articles of Association, and any change in nature.

Article 13 Other terms

If the paragraph conflicts to any other provisions, this paragraph shall prevail.

Article 14 Applicable law

14.1 The laws of the People's Republic of China are applied to this contract (for the purposes of this contract, including the laws of Hong Kong, Macao and Taiwan).

Article 15 Disputes resolution

15.1 Any dispute rising under this contract and in connection with this contract should be solved by Party A and Party B through consultation; if fails, both parties agree to take in the following (2) item for solution:

- (1) Apply to / arbitration commission for arbitration and the existing effective arbitration rules of such commission shall be applied;
- (2) To file claims to the People's Court with jurisdiction at Party B's side.

Article 16 Contract effectiveness

16.1 This contract is independent from the principal contract. Where the principal contract is invalid for any reason, the effectiveness of this contract will not be affected and will remain valid, the joint liability of Party A under this contract and the legal responsibility (including but not limited to refund and compensate for the losses) of the debtor to the principal contract under the principal contract.

16.2 In the event a provision or partially contents of a provision under this contract is now or will become null and void in the future, such invalid provision or part will not affect the effectiveness of this contract, other provisions under this contract, or other contents of such provision.

Article 17 Execution, amendment, and termination

17.1 (for authority) this contract comes into effect after it is being signed and stamped (signed the signature or stamped the common seal) and stamped the common seal or specialized contract seal by the legal representative or authorized agent of Party A and the legal representative/principle or authorized agent of Party B.

(for individual) this contract comes into effect after it is being signed and stamped (signed the signature or stamped the common seal) and stamped the common seal or specialized contract seal by Party A or his authorized agent (signature or seal) and the legal representative/principle or authorized agent of Party B.

17.2 After this contract comes into effect, except to the existing agreement of this contract, both Party A and Party B should not unilaterally modify or terminate this contract; if any modification or termination of this contract is necessary, both parties should negotiate it to reach written agreement.

Article 18 Miscellaneous

18.1 What is left unmentioned in contract may be concluded by Party A and Party B in written agreement separately as an appendix. All affixes, amendments or supplements of this contract shall form an integral part of this contract, and have the same legal effectiveness to this contract.

18.2 Notice and delivery

18.2.1 All notices and requests under this contract, and the involved debt-collection and litigation (arbitration) legal documents or other communications may be delivered or sent to the agreed address or contact information stated at the beginning of this contract.

18.2.2 Where all notices, requests, debt-collection letters or other communication issued by Party B to Party A under this contract are sent in the form of telex, telephone, fax, and E-mail shall be deemed to have delivered to Party A; the third day after the delivery date for postal mail will be deemed to have delivered to Party A; for sending in person, the receipt date of Party A shall be deemed as successfully delivery. If Party A refuses to accept, the person serving such document may take photos and video to record the service process, and make the document lien. In this case, the document is deemed as delivered.

18.2.3 The judicial organ or the arbitration organization may deliver relevant (legal) documents to Party A subject to the address and contact information agreed in this contract. Where no one receives such documents or Party A refuses to receive, the person serving such document may take photos and video to record the service process, and make the document lien. In this case, the document is deemed as delivered successfully. In the event the (legal) documents are failed to be successfully delivered or returned back due to Party A provide false contact information or fail to timely notice the change of the contact information after amendment, the returned date of such (legal) documents will be deemed as the delivery date.

18.2.4 In the event the aforesaid contact information, provided by Party A, is changed, Party A should immediately issue notice to Party B in written within three days after the change; where the change of the information is made after the processing of the debt under this contract into the phase of litigation or arbitration, such change should be informed in writing to the trial authority. Otherwise, all notices or other documents issued will be delivered subject to the original information. In such case, the documents will be deemed as successfully delivered even the party receives no documents.

18.3 This contract in _____ copies. Party A holds _____ versions, and Party B holds _____ versions.

18.4 Party B has took the measures of overstriking, bold, highlighting and other reasonable methods to remind Party A of the exemption clauses or responsibility restriction provision under this contract. In addition, Party A has made a full explanation to the related terms according to the requirements of Party A; Party A and Party B both have no dissent to the understanding of all contract terms.

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(This page is intentionally left blank. It is the signature page of the *Guaranty Contract of Maximum Amount* with the number of

Party A:

(for authority)

(for individual)

(Common seal or specialized contract seal)

Signature of Party A/authorized agent:

Legal representative

(or authorized agent)

The spouse hereby confirms that: I acknowledge the aforesaid contract terms and have unanimity to the guaranty responsibilities under this contract borne by Party A (including but not limited to communal estate). The mailing address of Party A (including after the amendment) is the address of him.

Signature of Party A's spouse/authorized agent:

Party B (common seal or specialized contract seal)

Legal representative/principle (or authorized agent):

Affix: List of Transfer to the Maximum Guaranty Creditor's Rights

Affix

List of Transfer to the Maximum Guaranty Creditor's Rights

Series	Contract No.	Name of contract	Amount of creditor's rights under the contract	Note
<hr/>				

Contract No.: 2014 Shen Yin Heng Zui Bao Zi No. 0006

Guaranty Contract of Maximum Amount

(Version 1.0, 2013)



INSTRUCTIONS FOR COMPLETION

I. Use ONLY BLUE BLACK or BLACK SIGN PEN or PEN for filling the Contract

II. Fill all the details completely, legibly, and neatly.

III. Fill the currency in Chinese. No currency symbol is allowed. Chinese currency name should be added before the capitalized amount and currency symbol before amount in figures.

IV. Draw a line or slash for and fill in the blanks with extra space. Stamp the seal of or fill in “blank below”.

Guaranty Contract of Maximum Amount

Guarantor Huizhou Highpower Science & Technology Co., Ltd (**"Party A"**)

(for authority)

Address;
P.O.:
Contact by:
Tel: 89686802
Fax: 89686819
Email:
Legal representative:
Opening bank and account:

(for individual)

Type of certificate
Certificate No.:
Address;
P.O.:
Employer:
Tel:
Email:

Creditor: China CITIC Bank Corporation Limited Shenzhen Branch (**"Party B"**)

Address; Block North, 2nd Phase, Times Square Excellence, Zhong Xin San Road, Futan District, Shenzhen City
P.O.: 518031
Contact by:
Tel: 0755-25941266
Fax:
Email:

Legal representative/principle: Chen Xuying

At: _____

Date: _____

In order to ensure the implementation of the creditor's rights, successively occurrence in a certain period of time, between Party B and Shenzhen Highpower Science & Technology Co., Ltd and Shupeng Science & Technology (Shenzhen) Co., Ltd (“the debtor to the principal contract”) and to guaranty the realization of the creditor's rights of Party B, Party A is willing to provide the maximum guaranty to the creditor for his implementation of the liabilities. Party B agrees to accept such maximum guaranty provided by Party A. Therefore, this Contract is made in accordance with the *Contract Law of the People's Republic of China*, the *Security Law of the People's Republic of China*, and other relevant laws and regulations on the basis of the principles of equal consultation for specifying the rights and obligations between Party A and Party B:

Article 1 Definitions

1.1 The maximum guaranty refers to Party A provide guaranty to Party B against the debtor to the principal contract in the creditor's rights, successively occurrence in a certain period of time, with the designated maximum debt subscribed in the contract. In the event of the occurrence of the guaranty responsibility that borne by Part A regulated in this contract, Party B is entitled to request Party A to undertake such liability subject to the agreed amount.

Article 2 Creditor's right of the principal contract and the guaranty

2.1 Subject to the time limit prescribed in Article 2.2 in this contract, a series of contracts, agreements and other legal documents regarding to the relations of creditor's rights and debt obligation signed between Party B and the debtor to the principal contract constitute the principal contract of this contract (“principal contract”).

2.2 The creditor's rights of which hold by Party A under this contract refers to the series of creditor's rights owned by Party B according to the principal contract signed with the debtor to the principal contract from (day)_(month), 2014 to (day) (month), 2015.

Where Party B is responsible for providing the debtor to the principal contract with the following specific businesses, including bill, letter of credit, letter of guaranty, commercial acceptance bill (including the debtor to the principal contract is the acceptor and holder, etc) or other contingent liabilities business, Party A shall irrevocably promise and guaranty that all the creditor's rights which held by Party B based on the businesses will be recorded in the scope of guaranteed under this agreement when one of the above mentioned business corresponding contract signing days, the open days or expiration days of the bills, letter of credit, and letter of guaranty or the actual days of money advances of Party B, and the days of performing the liability for guaranty is occurred within the designated period in this paragraph. Herewith, Party A is willing to undertake the corresponding liability to guaranty.

Where Party B provides the debtor to the principal contract with the factoring business, as the specific business, Party A shall irrevocably promise and guaranty that all the creditor's rights which held by Party B based on the businesses will be recorded in the scope of guaranteed under this agreement as long as the above mentioned factoring business corresponding contract signing day or the repurchase implementing day is occurred within the designated period in this paragraph. Herewith, Party A is willing to undertake the corresponding liability to guaranty.

2.3 The maximum creditor's rights guaranteed by Party A under this contract are determined by the following item:

(1) (Currency) (in words) :

(2) The principal of the creditor's rights (currency) (amount in words) and the corresponding interest, penalties, liquidated damages, as well as all other expenditures spent for the realization of the creditor's rights and the guaranteed rights (including but not limited to legal fare, arbitration fee, attorney fee, travel expense, assessment cost, transfer fee, cost of preservation, announcement fee, notarial and certification fee, translation fee, and execution cost, etc.) and all other payables.

2.4 The "principal" in paragraph 2.3 refers to the principal of the creditor's rights enjoyed by Party B against the debtor to the principal contract under the principal contract, including but not limited to the payable principal of Renminbi and foreign currency loan of the principal debtor, the bill amount of banker's acceptance draft applied, the L/C issuing amount, and the L/G amount, etc.

2.5 Approved through negotiation between Party A and Party B, the creditor's rights holding by Party B under the *List of Transfer to the Maximum Guaranty Creditor's Rights*, attached to this contract, signed between Party B and the debtor to the principal contract before this Contract enters into effect will transfer to the scope of the creditor's rights under this contract.

Article 3 Scope of guaranty

3.1 The scopes of guaranty include: the principal contract principal creditor's rights, interest, default interest, compound interest, liquidated damages, damage awards, expenditures spent for the realization of the creditor's rights (including but not limited to legal fare, arbitration fee, attorney fee, travel expense, assessment cost, transfer fee, cost of preservation, announcement fee, execution cost, etc.) and all other payables.

Article 4 Modes of guaranty

4.1 The mode of guaranty under this contract is joint liability guaranty. Where the implementation validity of a single debt under the principal contract is expired, and the debtor fails to fulfill or wholly fulfill his liabilities, Party B shall be entitled to directly request Party A to undertake such responsibilities.

Article 5 Guaranty period

5.1 The guaranty period under this contract is two years calculating from the expiration of the debt performing limitation under the principal contract, namely, two years calculating from the date of debt performing limitation performed by the debtor according to the specific business contract. The guaranty period of each specific business contract is calculated separately.

5.2 The principal contract shall prevail regarding to the debt performing limitation of the debtor to the principal contract. However, where the principal contract debt is matured in advance due to the reasons of the laws, regulations, rules, or the agreement under the principal contract, or the unanimity consent by the parties to the principal contract, or the parties to the principal contract decide to extend such limitation and approved by Party A, the accelerated due date or the extended due date shall be deemed as the expiration date of such debt performance. Where the principal contract states that the debtor may repay the debt in installment, the expiration date of such debt shall be deemed as the expiration date of such debt performance.

Where the businesses under the principal contract are letter of credit or bank acceptance bill, the date of L/C or the advance date of bank acceptance bill shall be deemed as the expiration date of such debt performance of the debtor to the principal contract.

Where the business under the principal contract is letter of guaranty, the actual performance date of such letter of guaranty fulfilled by Party B shall be deemed as the expiration date of such debt performance of the debtor to the principal contract.

Where the business under the principal contract is factoring one, the payment date of the repurchase price regulated in the factoring contract shall be deemed as the expiration date of such debt performance of the debtor to the principal contract.

Where the business under the principal contract is other contingent liabilities one, the actual payment date paid by Party B t shall be deemed as the expiration date of such debt performance of the debtor to the principal contract.

Article 6 Representations and warranties of Party A

6.1 (*for authority*) Party A, as a Chinese legal person or other organization, legally established in the People's Republic of China according to the laws of China, has the qualified capacities for civil rights to sign and perform this contract and the ability to independently bear civil liabilities. Party A was awarded the necessary and legal approval and authorization, internally or externally, to sign this agreement.

(*For individual*) Party A, as a natural person, has the qualified capacities for civil rights and behavior to sign and perform this contract and the ability to independently bear civil liabilities. Party A has no overdue loans, debit interest, malicious overdraft of credit card and other bad credit history, and no criminal record. Party A is qualified with all the conditions for Guarantor in accordance with laws and regulations.

6.2 Party A fully understands and agrees to all terms of the principal contract, and confirms the authenticity of the businesses relating to the principal contract. Party A voluntarily gives priority to the debtor to the principal contract in providing guaranty. All the meaning of such party under this contract is true. Party A hereby commitments that Party A will bear his guaranty responsibilities in accordance with the contract even if the actual uses of such credit amount adopted by the debtor to the principal contract are discrepancy to the uses under the principal contract (including but not limited to repaying loan with loan).

6.3 Party A confirms that the guaranty provided will not be restricted or banned nor will cause any illegal situation.

6.4 All data and information provided by Party A are legality, truthfulness, accuracy, and integrally. Except for the information disclosed to Party B in written form, Party A has disclosed Party B with all other major liabilities (including contingent liabilities), default behavior, litigation, arbitration events or other significant issues, and other key assets-influenced cases that may affect the performance of this contract.

6.5 Party A confirms: in the event the debtor to the principal contract fails to perform due debts or the occurrence of the agreed Guarantor bearing the guaranty responsibilities, regardless Party B possess other guaranty (including but not limited to the debtor to the principal contract and/or a third person provide material guaranty, guaranty, letter of guaranty, standby letter of credit and guaranty modes) to the creditor's rights under this contract, Party B shall have the right to directly request Party A in fulfilling his guaranty rights prescribed in the guaranty scope without exercising other guaranty rights in advance (including but not limited to priority procedure of material guaranty provided by the debtor to the principal contract and/or the third party); where the guaranty scope under this contract contains several creditor's rights, Party B shall have the right to determine the discharge order and proportion to the creditor's rights.

6.6 Where Party B abandons other guaranty rights (whether such guaranty is provided by the debtor or by a third party) for any reason or changes the order or contents of the aforesaid guaranty rights, and such actions cause any deprivation or decreasing of the priority of compensation under the aforesaid guaranty rights, Party A confirms that no guaranty responsibilities against Party B will be waived or decreased.

Article 7 Rights and obligations of Party A

7.1 (*for authority*) during the validity period of this contract, in the event that Party A encounters the following cases, including but not limited to, equity transfer, reorganization, merger, and acquisition; reorganization into stock company, joint venture company, cooperative enterprise, affiliated company, and contracting enterprise; changes in the scope of business and the registered capital; and material assets transfer that may or enough to affect its guaranty ability, Party A should issue written notice to Party B thirty (30) days in advance. Where Party A transfers, leases or sets guaranty for other debts beyond such debt under this contract, or disposes its material assets, such events should be approved by Party B in written form.

(*For individual*) in the event of the enterprise, Party A is servicing as the controlling shareholder or actual controller, encounters the following cases, including but not limited to, equity transfer, reorganization, merger, and acquisition; reorganization into stock company, joint venture company, cooperative enterprise, affiliated company, and contracting enterprise; changes in the scope of business and the registered capital; and material assets transfer that may or enough to affect its guaranty ability, Party A should issue written notice to Party B three (3) days in advance.

7.2 (*for authority*) during the validity period of this contract, in the event that Party A encounters the following cases, including but not limited to, business suspension, close, application for bankruptcy, accepted bankruptcy petition, declared of bankrupt, dissolving, revocation of business license, cancellation, deterioration of financial position, or being involved in any litigation, arbitration, criminal case, civil and administrative penalty, and economic disputes that may or enough to affect its guaranty ability, Party A should issue a written notice to Party B when the above mentioned cases are happened or potentially to be occurred within three (3) days.

(*For individual*) in the event of the enterprise, Party A is servicing as the controlling shareholder or actual controller, encounters the following cases, including but not limited to, business suspension, close, application for bankruptcy, accepted bankruptcy petition, declared of bankrupt, dissolving, revocation of business license, cancellation, deterioration of financial position, or being involved in any litigation, arbitration, criminal case, civil and administrative penalty, and economic disputes that may or enough to affect its guaranty ability, Party A should issue a written notice to Party B when the above mentioned cases are happened or potentially to be occurred within three (3) days.

7.3 (*for authority*) during the validity period of this contract, in the event that Party A's legal representative, principle or controlling shareholders encounters the following cases, including but not limited to, change his nationality, address, and marriage status; becoming unemployment, disability, and serious illness; or being involved in any litigation, arbitration, criminal case, civil and administrative penalty, and economic disputes that may or enough to affect its guaranty ability, Party A should issue a written notice to Party B when the above mentioned cases are happened or potentially to be occurred within three (3) days.

(*For individual*) during the validity period of this contract, in the event that Party A encounters the following cases, including but not limited to, change his nationality, address, and marriage status; becoming unemployment, disability, and serious illness; or being involved in any litigation, arbitration, criminal case, civil and administrative penalty, and economic disputes that may or enough to affect its guaranty ability, Party A should issue a written notice to Party B when the above mentioned cases are happened or potentially to be occurred within three (3) days.

7.4 During the validity period of this contract, where Party A changes his name, residence place, contact information, etc., he should issue a written notice to Party B three (3) days after such amendment.

7.5 During the validity period of this contract, in the event any case prescribed in Article 7.1, 7.2 and 7.3 occurs against Party A, Party A confirms to properly implement all guaranty responsibilities under this contract subject to the requirements presented by Party B, and to provide the concrete solutions in implementing such responsibilities.

7.6 Party A confirms that all the declaration and guaranty made are truthfulness, effectiveness, and integrally. During the validity period of this contract, in the event Party A violates the provisions prescribed in Article 6 under this contract, Party A confirms to properly implement all guaranty responsibilities under this contract subject to the requirements presented by Party B, and to provide the concrete solutions in implementing such responsibilities.

7.7 Where Party B and the debtor to the principal contract determine to amend the principal contract, except for the extension period or the increase of creditor's rights amount, such two parties may exercise such amendment without prior consent of Party A. Accordingly, Party A will continue to fulfill his creditor's rights guaranty responsibilities under the principal contract in accordance with the contract.

Where the extension of the principal contract or the increase the amount of creditor's rights without prior consent of Party A, Party A will continue to fulfill his creditor's rights guaranty responsibilities under the principal contract in accordance with the contract.

7.8 During the guaranty period, Party A shall not provide to any third Party with guaranty that beyond its own ability.

7.9 (*For individual*) during the validity period of this contract, Party A shall, at the request of Party B, provide effective certificate of identification status, occupation, income, expenses and liabilities, guaranty and economic disputes with others to prove his performance status and related legal documents.

7.10 In the event of the expiration of the debt performance period under the principal contract or the acceleration of maturity of such debt, and the debtor fails to repay the debt in according with the provision prescribed in the principal contract, Party B shall be entitled to directly request Party A to pay off the debt. Party A confirms that he will never refuse to pay and defense such responsibilities with any reason against any claim requirements presented by Party B.

7.11 Party A shall have the duty to provide Party B with the Balance Sheet and statements to all external guaranty status; regularly or from time to time respond to the requests of Party B; and to provide the statements and other documents that may truly reflect its financial status.

7.12 Where the businesses under the principal contract are domestic letter of credit, buyer-financing under domestic letter of credit, import letter of credit, or import bill advance/import refinance, and the confirming bank and the negotiating bank to Party B or its designated person, authorized person, and letter of credit had delivered the payment or fulfilled other payment behavior, **Party A shall bear the incontestable guaranty responsibilities accordingly. Party A shall not raise an indemnity or counterplead due to any stop payment order and prohibition order issued by any judicial organs or administrative organs against the payment obligation under such letter of credit; or due to seal-up, distraint, freezing of the properties relating to the letter of credit, or other measures or similar measures; or due to any discrepancy to the letter of credit.**

7.13 For delivery against bank guarantee, endorsement of bill of lading, and authorized withdrawal businesses, **Party A shall not raise an indemnity or counterplead due to the non-payment by the debtor to the principal contract against the amount under the letter of credit.**

7.14 **During the validity period of this contract, where Party B transfers the creditor's rights under the principal contract, Party A agrees to continue to bear the liability for guarantying the creditor's rights against such assignee according to the stipulation of the contract.**

7.15 **Party A agrees to authorize Party B to check Party A's credit records via financial credit information basic database and at the credit information service approved by the People's Bank of China; and agrees to allow Party B to provide Party A's credit information to the financial credit information basic database and the credit information service approved by the People's Bank of China.**

Article 8 Rights and obligations of Party B

8.1 Where the implementation validity of the debt under the principal contract is expired, and the debtor fails to fulfill, wholly or partly, his liabilities, Party B shall be entitled to directly request Party A to undertake such responsibilities.

8.2 Party B may not notice Party A where Party B signs specific business contract, regarding to the credit business under the principal contract, with the debtor.

8.3 In the event of any cases that may affect the guaranty ability of Party A, including but not limited to cases prescribed in subparagraph from 9.1.2 to 9.1.9, Party B should be entitled to request Party A to supplementary provide a guaranty recognized by Party B.

8.4 Party B should keep secrets of the relevant data, documents and information provided by Party A, except for the query or disclosure required by the laws, regulations, rules or the authorized authorities.

Article 9 Undertaking the guaranty responsibility

9.1 During the validity period of this contract, Party B should be entitled to request Party A to perform the guaranty responsibility, or take appropriate legal measures against Party A or Party A's property or property right if one of the following happens:

9.1.1 Where any debt under the principal contract is expired (including due in advance) and Party B fails to liquidate such debt, or the debtor to the principal contract violates other agreements under the principal contract;

9.1.2 Party A or the debtor to the principal contract encounter business suspension, close, application for bankruptcy, accepted bankruptcy petition, declared of bankrupt, dissolving, liquidation, business suspension for rectification, revocation of business license, and cancellation;

9.1.3 Party A's serious financial loss, assets loss or any assets loss caused by external guaranty, or other financial crisis, and fails to provide the corresponding security guaranty, or the guaranty provided to Party B can not meet the satisfactory status;

9.1.4 Crisis in business or finance of Party A's controlling shareholder or other associated company, or significant connected transaction between Party A and the controlling shareholder or other associated companies that affect Party A's normal operation, and fails to provide the corresponding guaranty or satisfied guaranty to Party B;

9.1.5 Adverse changes in Party A's industry, and fails to provide the corresponding guaranty or satisfied guaranty to Party B;

9.1.6 (*for authority*) Party A's senior management suspected of serious embezzlement, bribery, fraud, or illegal business cases, and fails to provide the corresponding guaranty or satisfied guaranty to Party B;

(for individual) Party A was administrative and criminal penalized, or involved in major civil legal disputes that may or enough to affect the ability to guaranty, and fails to provide the corresponding guaranty or satisfied guaranty to Party B;

9.1.7 Party A violates the provisions of Article 7.5 and 7.6 under this contract in implementing all the guaranty responsibilities under this contract, or fails to provide the specific satisfied solutions of such guaranty responsibility to Party B;

9.1.8 Cross-default provision: where Party A violates the provisions under other debt-based documents and such default action has not been corrected within the applicable grace period, such cases both lead to one of the following circumstances and constitute the violation of this contract

- (1) The debts under other documents are declared or being declared of accelerating the maturity;
- (2) The debts under other documents are not declared or being declared of accelerating the maturity, but default in payment;

9.1.9 Other events that may threaten or damage or have the potential to threaten or damage Party B's equity.

9.2 Where Party B requests Party A to undertake the guaranty responsibility, Party A must delivery the payment to Party B subject to the amount and mode stated in the written notice immediately after the receipt of the notice issued by Party B.

9.3 While performing the guaranty responsibility, Party A should fulfill subject to the following order:

- (1) The payables, liquidated damage, and compensation for damage supporting this contract and the provisions of the principal contract, and relevant laws and regulations;
- (2) To pay the payable penalties and compound interest under the principal contract;
- (3) Payable interests under the principal contract;
- (4) Payable principal under the principal contract;

Where Party A performs the guaranty responsibility but failed to repay or pay the total amount in the same order, Party B should be entitled to choose the order and proportion of such payment.

9.4 Where Party A fails to fulfill the guaranty responsibilities according to the Article 7.5, 7.6, 9.1, and 9.2 under this contract, or Party A performs the guaranty responsibility but failed to repay or pay the total amount in the same order, **Party A authorizes Party B to directly deduct from any account of Party A opened at CITIC Bank and/or to exercise penalty against Party A's assets or property rights legally possessed and managed by Party B in order to pay off the debt under the principal contract. While Party B collects money from Party A's account and the account currency is different from the currency of the creditor's rights under the principal contract, the list price released by Party B on that date shall be used for conversion.**

Article 10 Liability for breach of contract

10.1 After this contract comes into effect, Party A and Party B shall fulfill the obligations of this contract. Where one party fails to perform or completely fulfill the obligations of this contract, the defaulting party shall bear the corresponding liability for breach of contract, and compensate the losses to the other party.

10.2 Party A shall compensate Party B to any loss caused by untrue, inaccurate, incomplete or intentionally misleading of the representations and warranties of Article 6 of this contract.

10.3 Where the contract becomes invalid due to the fault of Party A, such party shall compensate all loss to Party B within the scope of the guaranty.

Article 11 Cumulative rights

11.1 All rights of Party B under this contract are cumulative and will not affect and eliminate Party B's any rights enjoyed to Party A according to laws and other contracts. Unless otherwise presented by Party B in written form, Party B's non-exercise, partially exercise and/or delay in exercising his responsibilities will not constitute the waiver or partially waiver of his right, nor affect, stop and interfere to Party B's further exercise of his rights or exercise of any other rights.

Article 12 Continuity of obligation

12.1 All obligations and joint liabilities of Party A under this contract are continuity which generates fully bind to his heir or legatee, legal agent, receiver, and assignee; and to the main body's merger, acquisition, reorganization, reorganization into stock company, and name change. Such obligations and liabilities will not be affected by any dispute, claim and legal procedures, and any contracts and documents signed between the debtor to the principal contract and any natural person or legal person; nor being changed due to the debtor's bankruptcy, insolvency, loss of enterprise qualification, change the Articles of Association, and any change in nature.

Article 13 Other terms

If the paragraph conflicts to any other provisions, this paragraph shall prevail.

Article 14 Applicable law

14.1 The laws of the People's Republic of China are applied to this contract (for the purposes of this contract, including the laws of Hong Kong, Macao and Taiwan).

Article 15 Disputes resolution

15.1 Any dispute rising under this contract and in connection with this contract should be solved by Party A and Party B through consultation; if fails, both parties agree to take in the following (2) item for solution:

(1) Apply to / arbitration commission for arbitration and the existing effective arbitration rules of such commission shall be applied;

(2) To file claims to the People's Court with jurisdiction at Party B's side.

Article 16 Contract effectiveness

16.1 This contract is independent from the principal contract. Where the principal contract is invalid for any reason, the effectiveness of this contract will not be affected and will remain valid, the joint liability of Party A under this contract and the legal responsibility (including but not limited to refund and compensate for the losses) of the debtor to the principal contract under the principal contract.

16.2 In the event a provision or partially contents of a provision under this contract is now or will become null and void in the future, such invalid provision or part will not affect the effectiveness of this contract, other provisions under this contract, or other contents of such provision.

Article 17 Execution, amendment, and termination

17.1 (for authority) this contract comes into effect after it is being signed and stamped (signed the signature or stamped the common seal) and stamped the common seal or specialized contract seal by the legal representative or authorized agent of Party A and the legal representative/principle or authorized agent of Party B.

(for individual) this contract comes into effect after it is being signed and stamped (signed the signature or stamped the common seal) and stamped the common seal or specialized contract seal by Party A or his authorized agent (signature or seal) and the legal representative/principle or authorized agent of Party B.

17.2 After this contract comes into effect, except to the existing agreement of this contract, both Party A and Party B should not unilaterally modify or terminate this contract; if any modification or termination of this contract is necessary, both parties should negotiate it to reach written agreement.

Article 18 Miscellaneous

18.1 What is left unmentioned in contract may be concluded by Party A and Party B in written agreement separately as an appendix. All affixes, amendments or supplements of this contract shall form an integral part of this contract, and have the same legal effectiveness to this contract.

18.2 Notice and delivery

18.2.1 All notices and requests under this contract, and the involved debt-collection and litigation (arbitration) legal documents or other communications may be delivered or sent to the agreed address or contact information stated at the beginning of this contract.

18.2.2 Where all notices, requests, debt-collection letters or other communication issued by Party B to Party A under this contract are sent in the form of telex, telephone, fax, and E-mail shall be deemed to have delivered to Party A; the third day after the delivery date for postal mail will be deemed to have delivered to Party A; for sending in person, the receipt date of Party A shall be deemed as successfully delivery. If Party A refuses to accept, the person serving such document may take photos and video to record the service process, and make the document lien. In this case, the document is deemed as delivered.

18.2.3 The judicial organ or the arbitration organization may deliver relevant (legal) documents to Party A subject to the address and contact information agreed in this contract. Where no one receives such documents or Party A refuses to receive, the person serving such document may take photos and video to record the service process, and make the document lien. In this case, the document is deemed as delivered successfully. In the event the (legal) documents are failed to be successfully delivered or returned back due to Party A provide false contact information or fail to timely notice the change of the contact information after amendment, the returned date of such (legal) documents will be deemed as the delivery date.

18.2.4 In the event the aforesaid contact information, provided by Party A, is changed, Party A should immediately issue notice to Party B in written within three days after the change; where the change of the information is made after the processing of the debt under this contract into the phase of litigation or arbitration, such change should be informed in writing to the trial authority. Otherwise, all notices or other documents issued will be delivered subject to the original information. In such case, the documents will be deemed as successfully delivered even the party receives no documents.

18.3 This contract in_copies. Party A holds_versions, and Party B holds_versions.

18.4 Party B has taken the measures of overstriking, bold, highlighting and other reasonable methods to remind Party A of the exemption clauses or responsibility restriction provision under this contract. In addition, Party A has made a full explanation to the related terms according to the requirements of Party A; Party A and Party B both have no dissent to the understanding of all contract terms.

(This page is intentionally left blank.)

(This page is intentionally left blank. It is the signature page of the *Guaranty Contract of Maximum Amount* with the number of _____)

Party A:

(for authority)

(for individual)

(Common seal or specialized contract seal)

Signature of Party A/authorized agent:

Legal representative
(or authorized agent)

The spouse hereby confirms that: I acknowledge the aforesaid contract terms and have unanimity to the guaranty responsibilities under this contract borne by Party A (including but not limited to communal estate). The mailing address of Party A (including after the amendment) is the address of him.

Signature of Party A's spouse/authorized agent:

Party B (common seal or specialized contract seal)

Legal representative/principle (or authorized agent):

Affix: List of Transfer to the Maximum Guaranty Creditor's Rights

Affix

List of Transfer to the Maximum Guaranty Creditor's Rights

Series	Contract No.	Name of contract	Amount of creditor's rights under the contract	Note
<hr/>				

Contract No.: 2014 Shen Yin Heng E Bao Zi No. 0005

Guaranty Contract of Maximum Amount

(Version 1.0, 2013)



INSTRUCTIONS FOR COMPLETION

I. Use ONLY BLUE BLACK or BLACK SIGN PEN or PEN for filling the Contract

II. Fill all the details completely, legibly, and neatly.

III. Fill the currency in Chinese. No currency symbol is allowed. Chinese currency name should be added before the capitalized amount and currency symbol before amount in figures.

IV. Draw a line or slash for and fill in the blanks with extra space. Stamp the seal of or fill in “blank below”.

Guaranty Contract of Maximum Amount

Guarantor

Pan Yudang

("Party A")

(for authority)

Address;

P.O.:

Contact by:

Tel:

Fax:

Email:

Legal representative:

(for individual)

Type of certificate

Certificate No.:

Address;

P.O.:

Employer:

Tel:

Email:

ID card

430104196803184316

Building A2, Luoshan Industrial Park, Pinghu Town,
Longgang District, Shenzhen

Opening bank and account:

Creditor:

China CITIC Bank Corporation Limited Shenzhen Branch

("Party B")

Address;

Block North, 2nd Phase, Times Square Excellence, Zhong Xin San Road, Futan District, Shenzhen City
518031

P.O.:

Contact by:

Tel:

0755-25941266

Fax:

Email:

Legal representative/principle: Chen Xuying

At: _____

Date: _____

In order to ensure the implementation of the creditor's rights, successively occurrence in a certain period of time, between Party B and Shenzhen Haopeng Science & Technology Co., Ltd and Shupeng Science & Technology (Shenzhen) Co., Ltd ("the debtor to the principal contract") and to guaranty the realization of the creditor's rights of Party B, Party A is willing to provide the maximum guaranty to the creditor for his implementation of the liabilities. Party B agrees to accept such maximum guaranty provided by Party A. Therefore, this Contract is made in accordance with the *Contract Law of the People's Republic of China*, the *Security Law of the People's Republic of China*, and other relevant laws and regulations on the basis of the principles of equal consultation for specifying the rights and obligations between Party A and Party B:

Article 1 Definitions

1.1 The maximum guaranty refers to Party A provide guaranty to Party B against the debtor to the principal contract in the creditor's rights, successively occurrence in a certain period of time, with the designated maximum debt subscribed in the contract. In the event of the occurrence of the guaranty responsibility that borne by Part A regulated in this contract, Party B is entitled to request Party A to undertake such liability subject to the agreed amount.

Article 2 Creditor's right of the principal contract and the guaranty

2.1 Subject to the time limit prescribed in Article 2.2 in this contract, a series of contracts, agreements and other legal documents regarding to the relations of creditor's rights and debt obligation signed between Party B and the debtor to the principal contract constitute the principal contract of this contract ("principal contract").

2.2 The creditor's rights of which hold by Party A under this contract refers to the series of creditor's rights owned by Party B according to the principal contract signed with the debtor to the principal contract from (day) ____ (month), 2014 to ____ (day) ____ (month), 2015.

Where Party B is responsible for providing the debtor to the principal contract with the following specific businesses, including bill, letter of credit, letter of guaranty, commercial acceptance bill (including the debtor to the principal contract is the acceptor and holder, etc) or other contingent liabilities business, Party A shall irrevocably promise and guaranty that all the creditor's rights which held by Party B based on the businesses will be recorded in the scope of guaranteed under this agreement when one of the above mentioned business corresponding contract signing days, the open days or expiration days of the bills, letter of credit, and letter of guaranty or the actual days of money advances of Party B, and the days of performing the liability for guaranty is occurred within the designated period in this paragraph. Herewith, Party A is willing to undertake the corresponding liability to guaranty.

Where Party B provides the debtor to the principal contract with the factoring business, as the specific business, Party A shall irrevocably promise and guaranty that all the creditor's rights which held by Party B based on the businesses will be recorded in the scope of guaranteed under this agreement as long as the above mentioned factoring business corresponding contract signing day or the repurchase implementing day is occurred within the designated period in this paragraph. Herewith, Party A is willing to undertake the corresponding liability to guaranty.

2.3 The maximum creditor's rights guaranteed by Party A under this contract are determined by the following item:

(1) (Currency) ____ (in words) : _____

(2) The principal of the creditor's rights (currency) (amount in words) _____ and the corresponding interest, penalties, liquidated damages, as well as all other expenditures spent for the realization of the creditor's rights and the guaranteed rights (including but not limited to legal fare, arbitration fee, attorney fee, travel expense, assessment cost, transfer fee, cost of preservation, announcement fee, notarial and certification fee, translation fee, and execution cost, etc.) and all other payables.

2.4 The "principal" in paragraph 2.3 refers to the principal of the creditor's rights enjoyed by Party B against the debtor to the principal contract under the principal contract, including but not limited to the payable principal of Renminbi and foreign currency loan of the principal debtor, the bill amount of banker's acceptance draft applied, the L/C issuing amount, and the L/G amount, etc.

2.5 Approved through negotiation between Party A and Party B, the creditor's rights holding by Party B under the *List of Transfer to the Maximum Guaranty Creditor's Rights*, attached to this contract, signed between Party B and the debtor to the principal contract before this Contract enters into effect will transfer to the scope of the creditor's rights under this contract.

Article 3 Scope of guaranty

3.1 The scopes of guaranty include: the principal contract principal creditor's rights, interest, default interest, compound interest, liquidated damages, damage awards, expenditures spent for the realization of the creditor's rights (including but not limited to legal fare, arbitration fee, attorney fee, travel expense, assessment cost, transfer fee, cost of preservation, announcement fee, execution cost, etc.) and all other payables.

Article 4 Modes of guaranty

4.1 The mode of guaranty under this contract is joint liability guaranty. Where the implementation validity of a single debt under the principal contract is expired, and the debtor fails to fulfill or wholly fulfill his liabilities, Party B shall be entitled to directly request Party A to undertake such responsibilities.

Article 5 Guaranty period

5.1 The guaranty period under this contract is two years calculating from the expiration of the debt performing limitation under the principal contract, namely, two years calculating from the date of debt performing limitation performed by the debtor according to the specific business contract. The guaranty period of each specific business contract is calculated separately.

5.2 The principal contract shall prevail regarding to the debt performing limitation of the debtor to the principal contract. However, where the principal contract debt is matured in advance due to the reasons of the laws, regulations, rules, or the agreement under the principal contract, or the unanimity consent by the parties to the principal contract, or the parties to the principal contract decide to extend such limitation and approved by Party A, the accelerated due date or the extended due date shall be deemed as the expiration date of such debt performance. Where the principal contract states that the debtor may repay the debt in installment, the expiration date of such debt shall be deemed as the expiration date of such debt performance.

Where the businesses under the principal contract are letter of credit or bank acceptance bill, the date of L/C or the advance date of bank acceptance bill shall be deemed as the expiration date of such debt performance of the debtor to the principal contract.

Where the business under the principal contract is letter of guaranty, the actual performance date of such letter of guaranty fulfilled by Party B shall be deemed as the expiration date of such debt performance of the debtor to the principal contract.

Where the business under the principal contract is factoring one, the payment date of the repurchase price regulated in the factoring contract shall be deemed as the expiration date of such debt performance of the debtor to the principal contract.

Where the business under the principal contract is other contingent liabilities one, the actual payment date paid by Party B t shall be deemed as the expiration date of such debt performance of the debtor to the principal contract.

Article 6 Representations and warranties of Party A

6.1 (*for authority*) Party A, as a Chinese legal person or other organization, legally established in the People's Republic of China according to the laws of China, has the qualified capacities for civil rights to sign and perform this contract and the ability to independently bear civil liabilities. Party A was awarded the necessary and legal approval and authorization, internally or externally, to sign this agreement.

(*For individual*) Party A, as a natural person, has the qualified capacities for civil rights and behavior to sign and perform this contract and the ability to independently bear civil liabilities. Party A has no overdue loans, debit interest, malicious overdraft of credit card and other bad credit history, and no criminal record. Party A is qualified with all the conditions for Guarantor in accordance with laws and regulations.

6.2 Party A fully understands and agrees to all terms of the principal contract, and confirms the authenticity of the businesses relating to the principal contract. Party A voluntarily gives priority to the debtor to the principal contract in providing guaranty. All the meaning of such party under this contract is true. Party A hereby commitments that Party A will bear his guaranty responsibilities in accordance with the contract even if the actual uses of such credit amount adopted by the debtor to the principal contract are discrepancy to the uses under the principal contract (including but not limited to repaying loan with loan).

6.3 Party A confirms that the guaranty provided will not be restricted or banned nor will cause any illegal situation.

6.4 All data and information provided by Party A are legality, truthfulness, accuracy, and integrally. Except for the information disclosed to Party B in written form, Party A has disclosed Party B with all other major liabilities (including contingent liabilities), default behavior, litigation, arbitration events or other significant issues, and other key assets-influenced cases that may affect the performance of this contract.

6.5 Party A confirms: in the event the debtor to the principal contract fails to perform due debts or the occurrence of the agreed Guarantor bearing the guaranty responsibilities, regardless Party B possess other guaranty (including but not limited to the debtor to the principal contract and/or a third person provide material guaranty, guaranty, letter of guaranty, standby letter of credit and guaranty modes) to the creditor's rights under this contract, Party B shall have the right to directly request Party A in fulfilling his guaranty rights prescribed in the guaranty scope without exercising other guaranty rights in advance (including but not limited to priority procedure of material guaranty provided by the debtor to the principal contract and/or the third party); where the guaranty scope under this contract contains several creditor's rights, Party B shall have the right to determine the discharge order and proportion to the creditor's rights.

6.6 Where Party B abandons other guaranty rights (whether such guaranty is provided by the debtor or by a third party) for any reason or changes the order or contents of the aforesaid guaranty rights, and such actions cause any deprivation or decreasing of the priority of compensation under the aforesaid guaranty rights, Party A confirms that no guaranty responsibilities against Party B will be waived or decreased.

Article 7 Rights and obligations of Party A

7.1 (*for authority*) during the validity period of this contract, in the event that Party A encounters the following cases, including but not limited to, equity transfer, reorganization, merger, and acquisition; reorganization into stock company, joint venture company, cooperative enterprise, affiliated company, and contracting enterprise; changes in the scope of business and the registered capital; and material assets transfer that may or enough to affect its guaranty ability, Party A should issue written notice to Party B thirty (30) days in advance. Where Party A transfers, leases or sets guaranty for other debts beyond such debt under this contract, or disposes its material assets, such events should be approved by Party B in written form.

(*For individual*) in the event of the enterprise, Party A is servicing as the controlling shareholder or actual controller, encounters the following cases, including but not limited to, equity transfer, reorganization, merger, and acquisition; reorganization into stock company, joint venture company, cooperative enterprise, affiliated company, and contracting enterprise; changes in the scope of business and the registered capital; and material assets transfer that may or enough to affect its guaranty ability, Party A should issue written notice to Party B three (3) days in advance.

7.2 (*for authority*) during the validity period of this contract, in the event that Party A encounters the following cases, including but not limited to, business suspension, close, application for bankruptcy, accepted bankruptcy petition, declared of bankrupt, dissolving, revocation of business license, cancellation, deterioration of financial position, or being involved in any litigation, arbitration, criminal case, civil and administrative penalty, and economic disputes that may or enough to affect its guaranty ability, Party A should issue a written notice to Party B when the above mentioned cases are happened or potentially to be occurred within three (3) days.

(*For individual*) in the event of the enterprise, Party A is servicing as the controlling shareholder or actual controller, encounters the following cases, including but not limited to, business suspension, close, application for bankruptcy, accepted bankruptcy petition, declared of bankrupt, dissolving, revocation of business license, cancellation, deterioration of financial position, or being involved in any litigation, arbitration, criminal case, civil and administrative penalty, and economic disputes that may or enough to affect its guaranty ability, Party A should issue a written notice to Party B when the above mentioned cases are happened or potentially to be occurred within three (3) days.

7.3 (*for authority*) during the validity period of this contract, in the event that Party A's legal representative, principle or controlling shareholders encounters the following cases, including but not limited to, change his nationality, address, and marriage status; becoming unemployment, disability, and serious illness; or being involved in any litigation, arbitration, criminal case, civil and administrative penalty, and economic disputes that may or enough to affect its guaranty ability, Party A should issue a written notice to Party B when the above mentioned cases are happened or potentially to be occurred within three (3) days.

(*For individual*) during the validity period of this contract, in the event that Party A encounters the following cases, including but not limited to, change his nationality, address, and marriage status; becoming unemployment, disability, and serious illness; or being involved in any litigation, arbitration, criminal case, civil and administrative penalty, and economic disputes that may or enough to affect its guaranty ability, Party A should issue a written notice to Party B when the above mentioned cases are happened or potentially to be occurred within three (3) days.

7.4 During the validity period of this contract, where Party A changes his name, residence place, contact information, etc., he should issue a written notice to Party B three (3) days after such amendment.

7.5 During the validity period of this contract, in the event any case prescribed in Article 7.1, 7.2 and 7.3 occurs against Party A, Party A confirms to properly implement all guaranty responsibilities under this contract subject to the requirements presented by Party B, and to provide the concrete solutions in implementing such responsibilities.

7.6 Party A confirms that all the declaration and guaranty made are truthfulness, effectiveness, and integrally. During the validity period of this contract, in the event Party A violates the provisions prescribed in Article 6 under this contract, Party A confirms to properly implement all guaranty responsibilities under this contract subject to the requirements presented by Party B, and to provide the concrete solutions in implementing such responsibilities.

7.7 Where Party B and the debtor to the principal contract determine to amend the principal contract, except for the extension period or the increase of creditor's rights amount, such two parties may exercise such amendment without prior consent of Party A. Accordingly, Party A will continue to fulfill his creditor's rights guaranty responsibilities under the principal contract in accordance with the contract.

Where the extension of the principal contract or the increase the amount of creditor's rights without prior consent of Party A, Party A will continue to fulfill his creditor's rights guaranty responsibilities under the principal contract in accordance with the contract.

7.8 During the guaranty period, Party A shall not provide to any third Party with guaranty that beyond its own ability.

7.9 (*For individual*) during the validity period of this contract, Party A shall, at the request of Party B, provide effective certificate of identification status, occupation, income, expenses and liabilities, guaranty and economic disputes with others to prove his performance status and related legal documents.

7.10 In the event of the expiration of the debt performance period under the principal contract or the acceleration of maturity of such debt, and the debtor fails to repay the debt in according with the provision prescribed in the principal contract, Party B shall be entitled to directly request Party A to pay off the debt. Party A confirms that he will never refuse to pay and defense such responsibilities with any reason against any claim requirements presented by Party B.

7.11 Party A shall have the duty to provide Party B with the Balance Sheet and statements to all external guaranty status; regularly or from time to time respond to the requests of Party B; and to provide the statements and other documents that may truly reflect its financial status.

7.12 Where the businesses under the principal contract are domestic letter of credit, buyer-financing under domestic letter of credit, import letter of credit, or import bill advance/import refinance, and the confirming bank and the negotiating bank to Party B or its designated person, authorized person, and letter of credit had delivered the payment or fulfilled other payment behavior, **Party A shall bear the incontestable guaranty responsibilities accordingly. Party A shall not raise an indemnity or counterplead due to any stop payment order and prohibition order issued by any judicial organs or administrative organs against the payment obligation under such letter of credit; or due to seal-up, distraint, freezing of the properties relating to the letter of credit, or other measures or similar measures; or due to any discrepancy to the letter of credit.**

7.13 For delivery against bank guarantee, endorsement of bill of lading, and authorized withdrawal businesses, **Party A shall not raise an indemnity or counterplead due to the non-payment by the debtor to the principal contract against the amount under the letter of credit.**

7.14 During the validity period of this contract, where Party B transfers the creditor's rights under the principal contract, Party A agrees to continue to bear the liability for guarantying the creditor's rights against such assignee according to the stipulation of the contract.

7.15 Party A agrees to authorize Party B to check Party A's credit records via financial credit information basic database and at the credit information service approved by the People's Bank of China; and agrees to allow Party B to provide Party A's credit information to the financial credit information basic database and the credit information service approved by the People's Bank of China.

Article 8 Rights and obligations of Party B

8.1 Where the implementation validity of the debt under the principal contract is expired, and the debtor fails to fulfill, wholly or partly, his liabilities, Party B shall be entitled to directly request Party A to undertake such responsibilities.

8.2 Party B may not notice Party A where Party B signs specific business contract, regarding to the credit business under the principal contract, with the debtor.

8.3 In the event of any cases that may affect the guaranty ability of Party A, including but not limited to cases prescribed in subparagraph from 9.1.2 to 9.1.9, Party B should be entitled to request Party A to supplementary provide a guaranty recognized by Party B.

8.4 Party B should keep secrets of the relevant data, documents and information provided by Party A, except for the query or disclosure required by the laws, regulations, rules or the authorized authorities.

Article 9 Undertaking the guaranty responsibility

9.1 During the validity period of this contract, Party B should be entitled to request Party A to perform the guaranty responsibility, or take appropriate legal measures against Party A or Party A's property or property right if one of the following happens:

9.1.1 Where any debt under the principal contract is expired (including due in advance) and Party B fails to liquidate such debt, or the debtor to the principal contract violates other agreements under the principal contract;

9.1.2 Party A or the debtor to the principal contract encounter business suspension, close, application for bankruptcy, accepted bankruptcy petition, declared of bankrupt, dissolving, liquidation, business suspension for rectification, revocation of business license, and cancellation;

9.1.3 Party A's serious financial loss, assets loss or any assets loss caused by external guaranty, or other financial crisis, and fails to provide the corresponding security guaranty, or the guaranty provided to Party B can not meet the satisfactory status;

9.1.4 Crisis in business or finance of Party A's controlling shareholder or other associated company, or significant connected transaction between Party A and the controlling shareholder or other associated companies that affect Party A's normal operation, and fails to provide the corresponding guaranty or satisfied guaranty to Party B;

9.1.5 Adverse changes in Party A's industry, and fails to provide the corresponding guaranty or satisfied guaranty to Party B;

9.1.6 (*for authority*) Party A's senior management suspected of serious embezzlement, bribery, fraud, or illegal business cases, and fails to provide the corresponding guaranty or satisfied guaranty to Party B;

(for individual) Party A was administrative and criminal penalized, or involved in major civil legal disputes that may or enough to affect the ability to guaranty, and fails to provide the corresponding guaranty or satisfied guaranty to Party B;

9.1.7 Party A violates the provisions of Article 7.5 and 7.6 under this contract in implementing all the guaranty responsibilities under this contract, or fails to provide the specific satisfied solutions of such guaranty responsibility to Party B;

9.1.8 Cross-default provision: where Party A violates the provisions under other debt-based documents and such default action has not been corrected within the applicable grace period, such cases both lead to one of the following circumstances and constitute the violation of this contract

- (1) The debts under other documents are declared or being declared of accelerating the maturity;
- (2) The debts under other documents are not declared or being declared of accelerating the maturity, but default in payment;

9.1.9 Other events that may threaten or damage or have the potential to threaten or damage Party B's equity.

9.2 Where Party B requests Party A to undertake the guaranty responsibility, Party A must delivery the payment to Party B subject to the amount and mode stated in the written notice immediately after the receipt of the notice issued by Party B.

9.3 While performing the guaranty responsibility, Party A should fulfill subject to the following order:

- (1) The payables, liquidated damage, and compensation for damage supporting this contract and the provisions of the principal contract, and relevant laws and regulations;
- (2) To pay the payable penalties and compound interest under the principal contract;
- (3) Payable interests under the principal contract;
- (4) Payable principal under the principal contract;

Where Party A performs the guaranty responsibility but failed to repay or pay the total amount in the same order, Party B should be entitled to choose the order and proportion of such payment.

9.4 Where Party A fails to fulfill the guaranty responsibilities according to the Article 7.5, 7.6, 9.1, and 9.2 under this contract, or Party A performs the guaranty responsibility but failed to repay or pay the total amount in the same order, **Party A authorizes Party B to directly deduct from any account of Party A opened at CITIC Bank and/or to exercise penalty against Party A's assets or property rights legally possessed and managed by Party B in order to pay off the debt under the principal contract. While Party B collects money from Party A's account and the account currency is differnt from the currency of the creditor's rights under the principal contract, the list price released by Party B on that date shall be used for conversion.**

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10.1 After this contract comes into effect, Party A and Party B shall fulfill the obligations of this contract. Where one party fails to perform or completely fulfill the obligations of this contract, the defaulting party shall bear the corresponding liability for breach of contract, and compensate the losses to the other party.

10.2 Party A shall compensate Party B to any loss caused by untrue, inaccurate, incomplete or intentionally misleading of the representations and warranties of Article 6 of this contract.

10.3 Where the contract becomes invalid due to the fault of Party A, such party shall compensate all loss to Party B within the scope of the guaranty.

Article 11 Cumulative rights

11.1 All rights of Party B under this contract are cumulative and will not affect and eliminate Party B's any rights enjoyed to Party A according to laws and other contracts. Unless otherwise presented by Party B in written form, Party B's non-exercise, partially exercise and/or delay in exercising his responsibilities will not constitute the waiver or partially waiver of his right, nor affect, stop and interfere to Party B's further exercise of his rights or exercise of any other rights.

Article 12 Continuity of obligation

12.1 All obligations and joint liabilities of Party A under this contract are continuity which generates fully bind to his heir or legatee, legal agent, receiver, and assignee; and to the main body's merger, acquisition, reorganization, reorganization into stock company, and name change. Such obligations and liabilities will not be affected by any dispute, claim and legal procedures, and any contracts and documents signed between the debtor to the principal contract and any natural person or legal person; nor being changed due to the debtor's bankruptcy, insolvency, loss of enterprise qualification, change the Articles of Association, and any change in nature.

Article 13 Other terms

If the paragraph conflicts to any other provisions, this paragraph shall prevail.

Article 14 Applicable law

14.1 The laws of the People's Republic of China are applied to this contract (for the purposes of this contract, including the laws of Hong Kong, Macao and Taiwan).

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15.1 Any dispute rising under this contract and in connection with this contract should be solved by Party A and Party B through consultation; if fails, both parties agree to take in the following (2) item for solution:

(1) Apply to / arbitration commission for arbitration and the existing effective arbitration rules of such commission shall be applied;

(2) To file claims to the People's Court with jurisdiction at Party B's side.

Article 16 Contract effectiveness

16.1 This contract is independent from the principal contract. Where the principal contract is invalid for any reason, the effectiveness of this contract will not be affected and will remain valid, the joint liability of Party A under this contract and the legal responsibility (including but not limited to refund and compensate for the losses) of the debtor to the principal contract under the principal contract.

16.2 In the event a provision or partially contents of a provision under this contract is now or will become null and void in the future, such invalid provision or part will not affect the effectiveness of this contract, other provisions under this contract, or other contents of such provision.

Article 17 Execution, amendment, and termination

17.1 (for authority) this contract comes into effect after it is being signed and stamped (signed the signature or stamped the common seal) and stamped the common seal or specialized contract seal by the legal representative or authorized agent of Party A and the legal representative/principle or authorized agent of Party B.

(for individual) this contract comes into effect after it is being signed and stamped (signed the signature or stamped the common seal) and stamped the common seal or specialized contract seal by Party A or his authorized agent (signature or seal) and the legal representative/principle or authorized agent of Party B.

17.2 After this contract comes into effect, except to the existing agreement of this contract, both Party A and Party B should not unilaterally modify or terminate this contract; if any modification or termination of this contract is necessary, both parties should negotiate it to reach written agreement.

Article 18 Miscellaneous

18.1 What is left unmentioned in contract may be concluded by Party A and Party B in written agreement separately as an appendix. All affixes, amendments or supplements of this contract shall form an integral part of this contract, and have the same legal effectiveness to this contract.

18.2 Notice and delivery

18.2.1 All notices and requests under this contract, and the involved debt-collection and litigation (arbitration) legal documents or other communications may be delivered or sent to the agreed address or contact information stated at the beginning of this contract.

18.2.2 Where all notices, requests, debt-collection letters or other communication issued by Party B to Party A under this contract are sent in the form of telex, telephone, fax, and E-mail shall be deemed to have delivered to Party A; the third day after the delivery date for postal mail will be deemed to have delivered to Party A; for sending in person, the receipt date of Party A shall be deemed as successfully delivery. If Party A refuses to accept, the person serving such document may take photos and video to record the service process, and make the document lien. In this case, the document is deemed as delivered.

18.2.3 The judicial organ or the arbitration organization may deliver relevant (legal) documents to Party A subject to the address and contact information agreed in this contract. Where no one receives such documents or Party A refuses to receive, the person serving such document may take photos and video to record the service process, and make the document lien. In this case, the document is deemed as delivered successfully. In the event the (legal) documents are failed to be successfully delivered or returned back due to Party A provide false contact information or fail to timely notice the change of the contact information after amendment, the returned date of such (legal) documents will be deemed as the delivery date.

18.2.4 In the event the aforesaid contact information, provided by Party A, is changed, Party A should immediately issue notice to Party B in written within three days after the change; where the change of the information is made after the processing of the debt under this contract into the phase of litigation or arbitration, such change should be informed in writing to the trial authority. Otherwise, all notices or other documents issued will be delivered subject to the original information. In such case, the documents will be deemed as successfully delivered even the party receives no documents.

18.3 This contract in_copies. Party A holds_versions, and Party B holds_versions.

18.4 Party B has took the measures of overstriking, bold, highlighting and other reasonable methods to remind Party A of the exemption clauses or responsibility restriction provision under this contract. In addition, Party A has made a full explanation to the related terms according to the requirements of Party A; Party A and Party B both have no dissent to the understanding of all contract terms.

(This page is intentionally left blank.)

(This page is intentionally left blank. It is the signature page of the *Guaranty Contract of Maximum Amount* with the number of

Party A:

(for authority)

(Common seal or specialized contract seal)

(for individual)

Signature of Party A/authorized agent:

Legal representative
(or authorized agent)

The spouse hereby confirms that: I acknowledge the aforesaid contract terms and have unanimity to the guaranty responsibilities under this contract borne by Party A (including but not limited to communal estate). The mailing address of Party A (including after the amendment) is the address of him.

Signature of Party A's spouse/authorized agent:

Party B (common seal or specialized contract seal)

Legal representative/principle (or authorized agent):

Affix: List of Transfer to the Maximum Guaranty Creditor's Rights

Affix

List of Transfer to the Maximum Guaranty Creditor's Rights

Series	Contract No.	Name of contract	Amount of creditor's rights under the contract	Note
<hr/>				

China Construction Bank (Asia)
Commercial Banking Division

Our Ref.: LCTS/2014/130

4 June 2014

PRIVATE & CONFIDENTIAL

Hong Kong Highpower Technology Company Ltd
Unit 12 15/F Technology Park
18 On Lai Street
Shek Mun Shatin

Attention: Mr. Pan Dangyu

Dear Sir,

We are pleased to set out the terms and conditions upon which we would make available to you the following facilities (the "Facilities"), for a total amount not to exceed at any one time HKD50,000,000 (excluding the Foreign Exchange Contract Line) (or the equivalent, at our spot selling rates for the time being in other freely available and convertible currencies subject, in our opinion, to such currencies being available). The terms set out in this letter supersede and replace those set out in our letter of 3 November 2013.

A. UTILISATION

I. The Facility - Term Loan

HKD50,000,000 (or USD eqv)

The facility is available for drawing up to 3 month from the Agreement Date or end of September 2014, whichever is earlier ("Availability Period"). The loan shall be repaid at 12 months from loan drawdown date or 14 working days prior to the expiry date of the relevant Standby Letter(s) of Credit whichever is earlier ("Final Maturity Date"). Principal amount of the loan shall be repaid in one lump sum on the Final Maturity Date, whereas interest to be paid in arrears at the end of each interest period.

For advance with tenor of 1 month or 3 month(s) or any other tenor as agreed by us. No interest period shall be extended beyond the Final Maturity Date.

Multiple drawings are allowed. Each drawdown shall be made at a minimum amount of HKD20,000,000 (or USD3,000,000) with at least 2 business day's prior written notice to us. The aggregate drawdown amount should not exceed 95% of the value of the supporting Standby Letter(s) of Credit (as defined in section B below). Any undrawn amount will be cancelled after the Availability Period without penalty.

Prepayment: Partial or full prepayment is allowed with a minimum amount of HKD20,000,000 (or USD3,000,000) and in integral multiples of HKD5,000,000 (or USD1,000,000) on the last day of an interest period when interest rate is to be re-fixed ("Rollover Date") without penalty, subject to not less than 14 business days' prior written notice to us. Any amount so prepaid cannot be re-borrowed. Otherwise, prepayment penalty of 1% of the prepaid amount will be charged.

II. Facility II - Foreign Exchange Contract Line

US\$10,000,000

Within the amount stated, this Facility is available for booking of foreign exchange contracts where Chinese Yuan Renminbi Non-Deliverable Forward ("CNY NDF") and Chinese Yuan Renminbi Deliverable Forward ("CNY DF") contracts up to 1 Year to hedge against foreign exchange risk in trade-related documentary transactions.

B. SECURITY/SUPPORT

Your obligations in respect of the Facilities are to be secured/supported by the following duly executed documents (all in form and substance satisfactory to us):-

1. SBLC(s) to be issued by China Merchants Bank or China Minsheng Bank ("Acceptance Banks") for the aggregate amount of HKD52,631,600 (or in RMB equivalent) with validity of not less than 12 months in our favour. In any case, validity of the SBLC shall be at least 2 weeks later than the loan maturity date. In case the actual SBLC amount does not reach HKD52,631,600, then the limit for the Facility I will be reduced accordingly such that it represents 95% of the actual SBLC amount.

Applicant: Shenzhen Highpower Technology Co Ltd

2. An unlimited guarantee executed by Mr. Pan Dangu ("the Guarantor").

3. A Charge Over Account under the name of Hong Kong Highpower Technology Company Ltd for an amount being 10% of the notional amount of the Foreign Exchange Contract amount and the top up money arising from the Top-up Clause.

all of which must be in a form satisfactory to us

C. REPRESENTATION & UNDERTAKINGS

Applications by you to use any of the Facilities will not be accepted by us unless you comply with the following conditions/covenants and such other provisions as we may determine from time to time:-

1. You will have delivered to us the attached copy of this letter duly signed by the authorized signatory(ies).

2. You represent and warrant that acceptance of the Facilities on the terms and conditions set out herein and utilization of the Facilities does not and will not exceed your objects or powers or the powers of your directors, including, without limitation, any limit on your or your directors' power to borrow.

3. You represent and warrant that you have taken all necessary corporate and other action and have obtained all necessary approvals and authorizations for you to enter into the Facilities (including CNY DF(s)), including but not limited to the adoption of any internal guidelines and policies for your trading in this kind of transactions, as required by laws, regulations, guidelines, rulings or orders applicable to you from time to time (whether such regulations or guidelines have the force of law or otherwise)(collectively, the “Applicable Rules”).

You represent that the entering of the Facilities (including CNY DF(s)) and/or the exercise of your rights under the Facilities (including CNY DF(s)) (1) does not violate or conflict with and will not violate or conflict with any applicable requirements under any Applicable Rules, (2) does not violate or conflict with and will not violate or conflict with any conditions under any approval which you require to carry on your business lawfully and (3) does not violate or conflict with and will not violate or conflict with any of your internal rules, policies, corporate authorizations and procedures as you may adopt from time to time.

4. You represent the Facility I is for the purpose of procurement of products and general working capital.

5. If the relevant SBLC states “Multiple Drawings Are Not Allowed”, any overdue of any loan(s) drawn under the Facility I shall constitute “an event of default” and full demand as well as full cancellation of the Facility I shall apply.

6. Mr. Pan Dangyu maintains at least 20% shareholdings in Highpower International Inc.

7. You undertake that the funds transfer of the Facility I should not be directed to any bank account maintained with other financial institutions as well as China Construction Bank in Mainland China through us”.

8. You undertake that the loan proceeds of the Facility I will not be remitted to the People’s Republic of China (the “PRC”), unless formal permission from the relevant authority (including State Administration of Foreign Exchange of the PRC) is obtained.

9. Your obligations under the Facilities must rank at all times at least pari passu with all the claims (whether present or future, actual or contingent) of your unsecured creditors other than any claims preferred solely by law.

10. You represent, declare and undertake to us that the utilization of any facilities or use of proceeds drawn under this facility letter do not and will not conflict with any law or regulation applicable to you (including without limitation those in force in the Mainland). The above representation and declaration is deemed to be made by you by reference to the facts then existing during the period when the Facilities or any part thereof remain outstanding.

11. You will provide your audited consolidated financial statements within 10 months of the relevant year-end and will promptly provide any other information which we may request. Such financial statements shall be accompanied by an opinion satisfactory to us. You represent that financial statements (whether audited or unaudited) delivered by you under the terms of the agreement fairly capture all material contingent liabilities in accordance with applicable accounting principles.

12. You agree that we may provide any person / party proposing to give a guarantee or third party security or to issue SBLC(s) in relation to the Facilities (a "Surety") or the legal advisers of any Surety with (i) a copy of this letter and any document in connection with the Facilities evidencing the obligations to be guaranteed or secured, (ii) a copy of any formal demand for overdue payment that is sent to you if you fail to settle any overdue amount in connection with the Facilities following customary reminder and (iii) a copy of the latest statement of account provided to you (if any) in connection with the Facilities if so requested by that Surety, (iv) a copy of the financial statements provided by you, and (v) any document in relation to the Facilities.

13. You shall notify CCBA in writing and provide any other information pertaining to its financials, business and/or shareholding status including change in directors, share capital and/or shareholders and/or their subsidiaries and/or affiliated companies.

14. You/the Guarantor/the Mortgagor/the Third Party Security Provider (collectively "the Obligors") shall inform us in writing if:

(a) any of the Obligors is/was (within the past 12 months) a director/a substantial shareholder/chief executive/employee of any member of China Construction Bank Group ("CCB Group") or relative of or trustee for any such director/substantial shareholder/chief executive/employee; or

(b) COB Group or any director of CCB Group, and/or any relative of any such director is/are the majority shareholder controller, minority shareholder controller(s), indirect controller(s), director(s), partner(s), manager(s), and/or agent(s) of any of the Obligors; or

(c) any of the Obligors is/are or become(s) in any way connected with:

- (i) a director of us or of any of our subsidiaries and/or associated companies; or
- (ii) an entity controlling 10% or more of the shares of us or any director of such entity; or
- (iii) an indirect controller of us or any director of such indirect controller.

For the purpose of this paragraph, the term "relative" has the meaning defined in Section 79(1) of the Banking Ordinance (Cap. 155 of the laws of Hong Kong).

Without prejudice to our overriding right to cancel the Facilities or demand repayment at any time set out in Section E of this letter, any breach of the above conditions or undertakings constitutes a default on your part. On and at any time after the occurrence of such a default, we may cancel the Facilities and demand that all the outstanding amount under the Facilities be immediately due and payable.

D. INTEREST RATE, CHARGES, OTHER TERMS AND CONDITIONS

Any financing extended by us will be subject to the following interest rates and/or commissions and/or charges determined by us and documentation in form and substance satisfactory to us, containing other provisions to be prescribed by us at the time of any application by you to use any of the Facilities:-

1. Notwithstanding any other provision in this letter, interest rate and all other fees and charges shall be subject to variation from time to time at our absolute discretion. We will give you prior notice before effecting any variation and such variation of the interest rate will take effect on the date specified in the notice. Any such variation will be binding on you unless all the outstanding amounts, interest and fees owed by you to us are fully repaid before the effective date of variation. Interest accrues on a daily basis and is calculated based on a 365-day year for HK Dollar loan (or a 360-day year for US Dollar loan). Interest is payable in arrears.

2. Subject to clause 1 above, in respect of the Facility I, interest is charged at HIBOR/ LIBOR plus 2.7% per annum. This is applicable to all drawdown following the date of this letter until further notice. However, interest is payable by the interest period end in arrears.

In this letter:

“HIBOR” means in means in respect of a particular interest period, the rate per annum quoted in the Hong Kong Interbank Hong Kong Dollar Market and determined by us from time to time.

“LIBOR” means in respect of a particular interest period, the rate per annum quoted in the London Interbank Market and determined by us from time to time.

3. Unless specifically provided in any other loan documents, all sums due but not paid in respect of the Facility I granted by us shall bear interest at a default rate of 2.0% per annum (or such other rate from time to time determined by us at our discretion) above the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a loan for such successive period as we may determine at our discretion. Default interest will be compounded at the end of each interest period determined by us.

4. Upfront fee: HKD50,000 will be levied on each drawdown date.

5. You shall fully indemnify us against all costs, expenses or losses and other liabilities which are incurred by us in connection with the Facilities or any transactions contemplated by the Facilities. Without prejudice to the aforesaid, in the event of early termination or prepayment of any loan(s) of the Facilities (for whatever reason) you shall fully indemnify us against the costs (including break costs) and other liabilities which we may suffer under any arrangements or transactions entered into by us with any other third party for the purpose of the Facilities (if any).

6. Top-up Clause: If RMB depreciate to a threshold that the advance ratio of USD Loan to RMB SBLC reaches 96%, the customer is obliged to pay down the loan or deposit sufficient amount of money into its charged account maintained with the bank within 5 business days in order to restore the advance ratio to 95%.

7. Notwithstanding any provision hereunder and in other relevant loan documentation, no loan drawdown can be effected with us on a Saturday or a general holiday (as defined in the General Holidays Ordinance Chapter 149 of the Laws of Hong Kong) (“General Holiday”).

8. Notwithstanding any provision hereunder and in other relevant loan documentation, if any payment (excluding interest payment under overdraft facilities) hereunder falls to be due and payable by the Borrower on a Saturday or a General Holiday, it will be collected by us on the immediate following day which is not a Saturday or a General Holiday, save and except that if any payment hereunder falls to be due and payable by you on a Saturday which is the last day of a calendar month and which is not a General Holiday, it will be collected by us on the immediate preceding day which is not a General Holiday.

In respect of interest payment under overdraft facilities, interest will be debited from the overdraft account on the last business day of each calendar month and value dated to the last calendar day of the month, and business day means any day, including a Saturday, which is not a General Holiday.

E. APPLICATIONS AND OTHER CONDITIONS

Each application by you to use the Facilities in whole or in part (including Facilities purported to be granted on a revolving basis) shall be a request by you to us to extend financing on the terms set out or referred to above. No commitment by us to extend financing shall arise until any application by you is accepted by us either expressly or by our extending finance to you. All borrowings (including but not limited to local and foreign currency borrowings) are subject to availability of funds at the time requested.

Such applications shall be made, where applicable, on our standard forms and supported by such documentation as we may require in a form satisfactory to us.

Applications made after 31 May 2015 to use the Facilities on the terms set out herein will not normally be considered by us but if we accommodate your request after such date, then all terms set out or referred to herein shall apply to such accommodation.

Any finance so extended shall in addition be subject to and in accordance with the terms set out in all current standard agreements and other documentation signed by you or on your behalf applying generally to credit and other banking Facility and accommodation and banking services granted or continued by us to you including, without limitation the General Agreement by Customer(s).

Notwithstanding any other provision of this letter, all of your liabilities hereunder whether actual or contingent will, on demand by us at our absolute discretion, become immediately due and payable together with accrued interest and the Facilities will thereafter be cancelled if we, at any time, serve a notice upon you terminating the Facilities and requiring payment.

You acknowledge that if all or any part of the Facilities has been used for CNY DFs for trade purpose, we reserve the right to request you to provide us with all relevant documents as evidence to prove the trading nature of the related transaction(s) when you wish to (a) withdraw any of the monies converted at the trade rates under those relevant CNY DFs ("Converted Sum"), (b) remit any of the Converted Sum to other bank(s) and/or (c) convert any of the Converted Sum into other currency(ies). We have the sole and absolute discretion to determine the validity and sufficiency of the proof. In the event that we consider the proof is non-satisfactory, we may not accept your request or we may charge you an additional fee at a rate to be determined by us as we think fit.

F. LAW AND JURISDICTION

This letter will be governed by and construed in all respects in accordance with the laws of Hong Kong. Upon acceptance of the terms and conditions of the Facilities you irrevocably submit for our benefit to the non-exclusive jurisdiction of the Hong Kong courts.

Please confirm your agreement to the foregoing terms and conditions of the Facilities by signing and returning to us the enclosed duplicate copy of this letter at your earliest convenience and in any event not later than 3 July 2014. Notwithstanding your failure to return this letter, the use of the Facilities by you shall be deemed as your acceptance of all terms and conditions as stated.

Yours faithfully,
for and on behalf of
CHINA CONSTRUCTION BANK (ASIA) CORPORATION LTD.

/s/ David Kim
David Kim
Head of Commercial Banking Division

/s/ Perry Choy
Perry Choy
General Manager

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

I, Dang Yu Pan, certify that:

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

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

Date: August 13, 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: August 13, 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 June 30, 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)
August 13, 2014

/s/ Henry Sun

Henry Sun
Chief Financial Officer
(Principal Financial and Accounting Officer)
August 13, 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.
