

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

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

For The Quarterly Period Ended March 31, 2017

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," "smaller reporting company," and "emerging growth company" as defined in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer   
Emerging growth company

Accelerated filer   
Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 15,293,415 shares of common stock, par value \$0.0001 per share, outstanding as of May 10, 2017.

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**HIGHPOWER INTERNATIONAL, INC.**  
**FORM10-Q**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2017**  
**INDEX**

|                                   | <b>Page</b>  |
|-----------------------------------|--|
| <b>Part I</b>                     | <b>Financial Information</b>   |
| Item 1.                           | <a href="#"><u>Consolidated Financial Statements</u></a>   |
|                                   | (a) <a href="#"><u>Condensed Consolidated Balance Sheets as of March 31, 2017 (Unaudited) and December 31, 2016 (Audited)</u></a>                                  |
|                                   | (b) <a href="#"><u>Condensed Consolidated Statements of Operations and Comprehensive Income for the Three Months Ended March 31, 2017 and 2016 (Unaudited)</u></a> |
|                                   | (c) <a href="#"><u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2017 and 2016 (Unaudited)</u></a>                          |
|                                   | (d) <a href="#"><u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u></a>  |
| Item 2.                           | <a href="#"><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></a>   |
| Item 3.                           | <a href="#"><u>Quantitative and Qualitative Disclosures About Market Risk</u></a>  |
| Item 4.                           | <a href="#"><u>Controls and Procedures</u></a>   |
| <b>Part II</b>                    | <b><a href="#"><u>Other Information</u></a></b>  |
| Item 1.                           | <a href="#"><u>Legal Proceedings</u></a>   |
| Item 1A.                          | <a href="#"><u>Risk Factors</u></a>  |
| Item 2.                           | <a href="#"><u>Unregistered Sale of Equity Securities and Use of Proceeds</u></a>  |
| Item 3.                           | <a href="#"><u>Default Upon Senior Securities</u></a>  |
| Item 4.                           | <a href="#"><u>Mine Safety Disclosures</u></a>   |
| Item 5.                           | <a href="#"><u>Other Information</u></a>   |
| Item 6.                           | <a href="#"><u>Exhibits</u></a>  |
| <a href="#"><u>Signatures</u></a> |  |

**Item 1. Consolidated Financial Statements**

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Stated in US Dollars)

|  | <u>March 31,</u><br><u>2017</u><br><i>(Unaudited)</i> | <u>December 31,</u><br><u>2016</u> |
|--|---|------------------------------------|
|  | \$  | \$                                 |
| <b>ASSETS</b>                          |   |                                    |
| Current Assets:                        |   |                                    |
| Cash                                   | 20,036,278  | 9,324,393                          |
| Restricted cash                        | 14,021,382  | 11,213,640                         |
| Accounts receivable, net               | 39,324,098  | 46,280,769                         |
| Amount due from Yipeng                 | 7,420,500   | 7,517,250                          |
| Notes receivable                       | 868,427   | 1,093,730                          |
| Prepayments and other receivables      | 7,536,315   | 6,899,872                          |
| Inventories                            | 26,013,323  | 22,207,333                         |
| <b>Total Current Assets</b>            | <u>115,220,323</u>                                    | <u>104,536,987</u>                 |
| Property, plant and equipment, net     | 44,751,137  | 43,504,991                         |
| Land use right, net                    | 3,631,897   | 3,622,435                          |
| Other assets                           | 487,500   | 500,000                            |
| Deferred tax assets                    | 1,366,041   | 1,477,761                          |
| Long-term investment                   | 9,919,428   | 9,689,576                          |
| <b>TOTAL ASSETS</b>                    | <u>175,376,326</u>                                    | <u>163,331,750</u>                 |
| <b>LIABILITIES AND EQUITY</b>          |   |                                    |
| <b>LIABILITIES</b>                     |   |                                    |
| Current Liabilities:                   |   |                                    |
| Accounts payable                       | 44,170,801  | 49,463,901                         |
| Deferred income                        | 884,134   | 761,491                            |
| Short-term loans                       | 20,462,659  | 18,776,080                         |
| Non-financial institution borrowings   | 10,158,767  | 3,741,115                          |
| Notes payable                          | 38,291,121  | 30,658,000                         |
| Amount due to Yipeng                   | 1,728,203   | 1,522,313                          |
| Other payables and accrued liabilities | 9,267,866   | 11,148,556                         |
| Income taxes payable                   | 2,310,168   | 1,963,298                          |
| <b>Total Current Liabilities</b>       | <u>127,273,719</u>                                    | <u>118,034,754</u>                 |
| Warrant Liability                      | 31,811  | 259                                |
| <b>TOTAL LIABILITIES</b>               | <u>127,305,530</u>                                    | <u>118,035,013</u>                 |
| <b>COMMITMENTS AND CONTINGENCIES</b>   | -   | -                                  |

See notes to condensed consolidated financial statements

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Stated in US Dollars)

|   | <i>March 31,</i><br><i>2017</i> | <i>December 31,</i><br><i>2016</i> |
|---|---------------------------------|------------------------------------|
|   | <i>(Unaudited)</i>              |                                    |
|   | \$                              | \$                                 |
| <b>EQUITY</b>   |                                 |                                    |
| 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, 15,176,252 shares issued and outstanding at March 31, 2017 and 15,114,991 shares issued and outstanding at December 31, 2016) | 1,517                           | 1,511                              |
| Additional paid-in capital  | 11,766,446                      | 11,580,934                         |
| Statutory and other reserves  | 4,992,463                       | 4,992,463                          |
| Retained earnings   | 31,801,717                      | 29,266,068                         |
| Accumulated other comprehensive loss  | (900,241)                       | (873,582)                          |
|   | 47,661,902                      | 44,967,394                         |
| Total equity attributable to the stockholders of Highpower International Inc.   |                                 |                                    |
| Non-controlling interest  | 408,894                         | 329,343                            |
|   | 48,070,796                      | 45,296,737                         |
| <b>TOTAL EQUITY</b>   |                                 |                                    |
|   | 175,376,326                     | 163,331,750                        |
| <b>TOTAL LIABILITIES AND EQUITY</b>   |                                 |                                    |

See notes to condensed consolidated financial statements

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

|  | <i>Three months ended March 31,</i> |                    |
|--|-------------------------------------|--------------------|
|  | <u>2017</u>                         | <u>2016</u>        |
|  | <i>(Unaudited)</i>                  | <i>(Unaudited)</i> |
|  | \$                                  | \$                 |
| Net sales  | 41,866,848                          | 29,097,055         |
| Cost of sales  | (31,932,014)                        | (23,220,016)       |
| Gross profit   | <u>9,934,834</u>                    | <u>5,877,039</u>   |
| Research and development expenses  | (1,813,930)                         | (1,622,883)        |
| Selling and distribution expenses  | (1,638,313)                         | (1,535,036)        |
| General and administrative expenses  | (3,058,562)                         | (3,069,714)        |
| Foreign currency transaction loss  | (313,878)                           | (90,436)           |
| Total operating expenses   | <u>(6,824,683)</u>                  | <u>(6,318,069)</u> |
| Income (loss) from operations  | 3,110,151                           | (441,030)          |
| Changes in fair value of warrant liability                                 | (31,552)                            | 119,469            |
| Other income   | 578,093                             | 155,928            |
| Equity in earnings of investee   | 146,932                             | -                  |
| Interest expenses  | (603,317)                           | (274,992)          |
| Income (loss) before taxes   | <u>3,200,307</u>                    | <u>(440,625)</u>   |
| Income taxes expenses  | (587,765)                           | (35,504)           |
| Net income (loss)  | 2,612,542                           | (476,129)          |
| Less: net income (loss) attributable to non-controlling interest           | 76,893                              | (133,521)          |
| Net income (loss) attributable to the Company                              | <u>2,535,649</u>                    | <u>(342,608)</u>   |
| Comprehensive income (loss)  |                                     |                    |
| Net income (loss)  | 2,612,542                           | (476,129)          |
| Foreign currency translation (loss) gain                                   | (24,001)                            | 250,146            |
| Comprehensive income (loss)  | <u>2,588,541</u>                    | <u>(225,983)</u>   |
| Less: comprehensive income (loss) attributable to non-controlling interest | 79,551                              | (128,822)          |
| Comprehensive income (loss) attributable to the Company                    | <u>2,508,990</u>                    | <u>(97,161)</u>    |
| Earnings (loss) per share of common stock attributable to the Company      |                                     |                    |
| - Basic  | <u>0.17</u>                         | <u>(0.02)</u>      |
| - Diluted  | <u>0.17</u>                         | <u>(0.02)</u>      |
| Weighted average number of common stock outstanding                        |                                     |                    |
| - Basic  | <u>15,119,693</u>                   | <u>15,101,679</u>  |
| - Diluted  | <u>15,299,029</u>                   | <u>15,101,679</u>  |

See notes to condensed consolidated financial statements

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

|  | <i>Three months ended March 31,</i> |                    |
|--|-------------------------------------|--------------------|
|  | <u>2017</u>                         | <u>2016</u>        |
|  | <i>(Unaudited)</i>                  | <i>(Unaudited)</i> |
|  | \$                                  | \$                 |
| <b>Cash flows from operating activities</b>  |                                     |                    |
| Net income (loss)  | 2,612,542                           | (476,129)          |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                                     |                    |
| Depreciation and amortization  | 1,274,334                           | 1,256,379          |
| Allowance for doubtful accounts  | 5,015                               | -                  |
| Loss on disposal of property, plant and equipment  | 3,262                               | 52,218             |
| Deferred income tax expense  | 124,548                             | 127,117            |
| Equity in earnings of investee   | (146,932)                           | -                  |
| Share based compensation   | 24,401                              | 110,710            |
| Changes in fair value of warrant liability   | 31,552                              | (119,469)          |
| Changes in operating assets and liabilities:   |                                     |                    |
| Accounts receivable  | 7,314,824                           | 6,287,966          |
| Notes receivable   | 235,222                             | (25,833)           |
| Prepayments and other receivables  | (485,520)                           | (662,473)          |
| Amount due from Yipeng   | 161,693                             | -                  |
| Amount due to Yipeng   | 193,240                             | -                  |
| Inventories  | (3,623,242)                         | (566,489)          |
| Accounts payable   | (5,111,874)                         | (2,600,952)        |
| Deferred income  | 116,359                             | -                  |
| Other payables and accrued liabilities   | (1,977,117)                         | 544,018            |
| Income taxes payable   | 330,735                             | 89,225             |
| <b>Net cash flows provided by operating activities</b>                                   | <b>1,083,042</b>                    | <b>4,016,288</b>   |
| <b>Cash flows from investing activities</b>  |                                     |                    |
| Acquisitions of plant and equipment  | (2,873,489)                         | (1,059,030)        |
| <b>Net cash flows used in investing activities</b>                                       | <b>(2,873,489)</b>                  | <b>(1,059,030)</b> |
| <b>Cash flows from financing activities</b>  |                                     |                    |
| Proceeds from short-term loans   | 2,910,418                           | 1,457,726          |
| Repayment of short-term loans  | (1,381,758)                         | -                  |
| Repayment of long-term loans   | -                                   | (460,335)          |
| Proceeds from non-financial institution borrowings                                       | 8,726,892                           | -                  |
| Repayment of non-financial institution borrowings  | (2,327,171)                         | -                  |
| Proceeds from notes payable  | 20,467,907                          | 9,482,054          |
| Repayment of notes payable   | (13,081,781)                        | (14,956,180)       |
| Proceeds from exercise of employee options   | 68,519                              | -                  |
| Change in restricted cash  | (2,717,434)                         | 2,463,747          |
| <b>Net cash flows provided by (used in) financing activities</b>                         | <b>12,665,592</b>                   | <b>(2,012,988)</b> |
| Effect of foreign currency translation on cash   | (163,260)                           | (44,328)           |
| Net increase in cash   | 10,711,885                          | 899,942            |
| Cash - beginning of period   | 9,324,393                           | 5,849,967          |
| Cash - end of period   | <u>20,036,278</u>                   | <u>6,749,909</u>   |
| Supplemental disclosures for cash flow information:                                      |                                     |                    |
| Cash paid for:   |                                     |                    |
| Income taxes   | 132,481                             | 73,396             |
| Interest expenses  | 583,720                             | 274,992            |
| Non-cash transactions  |                                     |                    |
| Offset of deferred income related to government grant and property, plant and equipment  | -                                   | 20,892             |

See notes to condensed consolidated financial statements

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

**1. The Company and basis of presentation**

The consolidated financial statements include the financial statements of Highpower International, Inc. ("Highpower") and its 100%-owned subsidiary Hong Kong Highpower Technology Company Limited ("HKHTC"), HKHTC's wholly-owned subsidiaries Shenzhen Highpower Technology Company Limited ("SZ Highpower"), and Icon Energy System Company Limited ("ICON"), SZ Highpower's wholly owned subsidiary Huizhou Highpower Technology Company Limited ("HZ HTC") and its 70%-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"). Highpower and its direct and indirect wholly and majority owned subsidiaries are collectively referred to as the "Company".

Basis of presentation

The condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information, the instructions to Form 10-Q and Article 8 of Regulation S-X. They do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. 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 year ended December 31, 2016, filed with the SEC on March 28, 2017.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair presentation of the Company's consolidated financial position as of March 31, 2017, its consolidated results of operations and cash flows for the three months ended March 31, 2017 and 2016, as applicable, have been made. Operating results for the three-month period ended March 31, 2017 are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2017 or any future periods.

Concentrations of credit risk

No customer accounted for 10% or more of total sales during the three months ended March 31, 2017 and 2016.

One supplier accounted for 10.5% and 14.4% of the total purchase amount during the three months ended March 31, 2017 and 2016, respectively.

No customer accounted for 10% or more of the accounts receivable as of March 31, 2017 and December 31, 2016.

Long-term investment

For an investee company over which the Company holds less than 20% voting interest, the investments are accounted for under the cost method.

For an investee company over which the Company has the ability to exercise significant influence, but does not have a controlling interest, the Company accounted for those using the equity method. Significant influence is generally considered to exist when the Company has an ownership interest in the voting stock of the investee between 20% and 50%. Other factors, such as representation on the investee's board of directors, voting rights and the impact of commercial arrangements, are also considered in determining whether the equity method of accounting is appropriate.

An impairment charge is recorded if the carrying amount of the investment exceeds its fair value and this condition is determined to be other-than temporary. As of March 31, 2017, management believes no impairment charge is necessary.

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

**2. Summary of significant accounting policies**

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 Highpower's other direct and indirect wholly and majority owned subsidiaries in the PRC is the Renminbi ("RMB").

Most of the Company's overseas 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 earnings 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 accumulated other comprehensive income (loss).

Fair value of financial instruments

The carrying values of the Company's financial instruments, including cash, restricted cash, trade and other receivables, deposits, trade and other payables and bank borrowings, approximate their fair value due to the short-term maturity of such instruments.

Warrant Liability

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 income. The warrant liability is recognized in the balance sheet at the fair value (level 3). The fair value of these warrants have been determined using the Black-Scholes pricing mode. 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. The Company revalued the warrants utilizing a binomial model as of March 31, 2017 and December 31, 2016, respectively, with no material difference in the value.

Recently issued accounting pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which was subsequently modified in August 2015 by ASU No. 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date. This guidance will be effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2017. The core principle of ASU No. 2014-09 is that companies should recognize revenue when the transfer of promised goods or services to customers occurs in an amount that reflects what the company expects to receive. It requires additional disclosures to describe the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. In 2016, the FASB issued additional ASUs that clarify the implementation guidance on principal versus agent considerations (ASU 2016-08), on identifying performance obligations and licensing (ASU 2016-10), and on narrow-scope improvements and practical expedients (ASU 2016-12) as well as on the revenue recognition criteria and other technical corrections (ASU 2016-20).

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

**2. Summary of significant accounting policies (continued)**

Recently issued accounting pronouncements (continued)

During 2016, the Company made significant progress toward its evaluation of the potential changes from adopting the new standard on its future financial reporting and disclosures. The Company has established a cross-functional implementation team on assessment on the five-step model of the new standard to its revenue contracts. The adoption of this guidance is not expected to have a material effect on our result of operations, financial position or liquidity. Management has not yet selected a transition method. The Company is continuing to evaluate the impact of these ASUs primarily to determine the transition method to utilize at adoption and the additional disclosures required.

On February 25, 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). It requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019, for a calendar year entity). Early application is permitted for all public business entities and all nonpublic business entities upon issuance. The Company is currently evaluating the impact of adopting ASU 2016-02 on its consolidated financial statements.

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-15, Statement of Cash Flows (Topic 230). The amendments in this update provide guidance on eight specific cash flow issue. It applies to all entities. For public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted for any entity in any interim or annual period. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial condition, results of operations or cash flows.

In October 2016, the FASB issued Accounting Standards Update (ASU) 2016-16, Income Taxes (Topic 740). The amendments in this Update is to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory and align the recognition of income tax consequences for intra-entity transfers of assets other than inventory with International Financial Reporting Standards (IFRS). Public business entities should apply the amendments in ASU 2016-16 for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for any entity in any interim or annual period. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial condition, results of operations or cash flows.

In November 2016, the FASB issued Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230). The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial condition, results of operations or cash flows.

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

**2. Summary of significant accounting policies (continued)**

Recently issued accounting pronouncements (continued)

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated financial position, statements of operations and cash flows.

**3. Accounts receivable, net**

|                                       | <i>March 31,</i><br><i>2017</i> | <i>December 31,</i><br><i>2016</i> |
|---------------------------------------|---------------------------------|------------------------------------|
|                                       | <u>(Unaudited)</u>              |                                    |
|                                       | \$                              | \$                                 |
| Accounts receivable                   | 42,506,750                      | 49,460,347                         |
| Less: allowance for doubtful accounts | 3,182,652                       | 3,179,578                          |
|                                       | <u>39,324,098</u>               | <u>46,280,769</u>                  |

**4. Inventories**

|                   | <i>March 31,</i><br><i>2017</i> | <i>December 31,</i><br><i>2016</i> |
|-------------------|---------------------------------|------------------------------------|
|                   | <u>(Unaudited)</u>              |                                    |
|                   | \$                              | \$                                 |
| Raw materials     | 9,489,822                       | 6,492,755                          |
| Work in progress  | 6,204,685                       | 4,878,856                          |
| Finished goods    | 10,051,640                      | 10,608,180                         |
| Packing materials | 31,089                          | 21,083                             |
| Consumables       | 236,087                         | 206,459                            |
|                   | <u>26,013,323</u>               | <u>22,207,333</u>                  |

**5. Property, plant and equipment, net**

|  | <i>March 31,</i><br><i>2017</i> | <i>December 31,</i><br><i>2016</i> |
|--|---------------------------------|------------------------------------|
|  | <u>(Unaudited)</u>              |                                    |
|  | \$                              | \$                                 |
| Cost                                     |                                 |                                    |
| Construction in progress                 | 707,475                         | 715,188                            |
| Furniture, fixtures and office equipment | 4,186,787                       | 4,025,635                          |
| Leasehold improvement                    | 6,254,397                       | 5,865,909                          |
| Machinery and equipment                  | 28,662,328                      | 27,526,572                         |
| Motor vehicles                           | 1,548,735                       | 1,496,628                          |
| Buildings                                | 22,045,007                      | 21,797,158                         |
|  | 63,404,729                      | 61,427,090                         |
| Less: accumulated depreciation           | 18,653,592                      | 17,922,099                         |
|  | <u>44,751,137</u>               | <u>43,504,991</u>                  |

The Company recorded depreciation expenses of \$1,240,126 and \$1,220,977 for the three months ended March 31, 2017 and 2016, respectively.

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

**5. Property, plant and equipment, net (continued)**

During the year ended December 31, 2016, the Company deducted deferred income related to government grants of \$229,951 in calculating the carrying amount of property, plant and equipment.

The real estate properties and buildings in Huizhou and Ganzhou have been pledged as collateral for short-term loans and bank acceptance bills drawn under certain lines of credit as of March 31, 2017 and December 31, 2016. The real estate properties and buildings in Shenzhen have been pledged as collateral for short-term loans under certain lines of credit as of March 31, 2017 and December 31, 2016 (Note 9).

**6. Long-term investment**

On June 30, 2016, the Company entered into an Equity Transfer and Capital Increase and Supplementary Agreements (collectively, the "2016 Equity Purchase Agreement") with Huizhou Yipeng Energy Technology Co. Ltd. ("Yipeng") and its shareholders. As of March 31, 2017 and December 31, 2016, the Company has invested an aggregate of RMB65.0 million (approximately \$9.4 million) in exchange for 35.4% of the equity interest of Yipeng, which was recorded under the equity method (Note 13).

The equity in earnings of investee was \$146,932 for the three months ended March 31, 2017.

**7. Taxation**

Highpower and its direct and indirect wholly and majority owned 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%. 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 was incorporated in Hong Kong, is subject to a corporate income tax rate of 16.5%.

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

**7. Taxation (continued)**

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.

In China, the companies granted with National High-tech Enterprise (“NHTE”) status enjoy 15% income tax rate. This status needs to be renewed every three years. If these subsidiaries fail to renew NHTE status, they will be subject to income tax at a rate of 25% after the expiration of NHTE status. All the PRC subsidiaries received NHTE status and enjoy 15% income tax rate for calendar year 2017 and 2016.

The components of the provision for income taxes expenses are:

|                                    | <i>Three months ended March 31,</i> |                      |
|------------------------------------|-------------------------------------|----------------------|
|                                    | <u>2017</u>                         | <u>2016</u>          |
|                                    | <i>(Unaudited)</i>                  | <i>(Unaudited)</i>   |
|                                    | \$                                  | \$                   |
| Current                            | 463,217                             | 162,621              |
| Deferred                           | 124,548                             | (127,117)            |
| <b>Total income taxes expenses</b> | <u><u>587,765</u></u>               | <u><u>35,504</u></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 March 31,</i> |                      |
|--|-------------------------------------|----------------------|
|  | <u>2017</u>                         | <u>2016</u>          |
|  | <i>(Unaudited)</i>                  | <i>(Unaudited)</i>   |
|  | \$                                  | \$                   |
| Income (loss) before tax                                 | 3,200,307                           | (440,625)            |
| Provision for income taxes at applicable income tax rate | 803,332                             | (103,599)            |
| Effect of preferential tax rate                          | (391,843)                           | (23,670)             |
| Non-deductible expenses                                  | 16,547                              | 17,620               |
| Change in valuation allowance                            | 159,729                             | 145,153              |
| <b>Effective enterprise income taxes expenses</b>        | <u><u>587,765</u></u>               | <u><u>35,504</u></u> |

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

**7. Taxation (continued)**

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>March 31,</i><br><i>2017</i> | <i>December 31,</i><br><i>2016</i> |
|--|---------------------------------|------------------------------------|
|  | <i>(Unaudited)</i>              |                                    |
|  | \$                              | \$                                 |
| Tax loss carry-forward                                       | 4,316,470                       | 4,274,881                          |
| Allowance for doubtful receivables                           | 122,980                         | 121,932                            |
| Impairment for inventory                                     | 116,960                         | 98,276                             |
| Difference for sales cut-off                                 | 4,174                           | 14,245                             |
| Deferred income  | 132,620                         | 114,224                            |
| Property, plant and equipment subsidized by government grant | 463,613                         | 468,313                            |
| Impairment for property, plant and equipment                 | 57,812                          | 76,248                             |
| Total gross deferred tax assets                              | 5,214,629                       | 5,168,119                          |
| Valuation allowance  | (3,848,588)                     | (3,690,358)                        |
| Total net deferred tax assets                                | 1,366,041                       | 1,477,761                          |

The deferred tax assets arising from net operating losses will expire from 2018 through 2021 if not utilized.

Valuation allowance was provided against deferred tax assets in entities where it was determined it was more likely than not that the benefits of the deferred tax assets will not be realized. The Company had deferred tax assets which consisted of tax loss carry-forwards and others, which can be carried forward to offset future taxable income. The management determines it is more likely than not that part of deferred tax assets could not be utilized, so allowance was provided as of March 31, 2017 and December 31, 2016.

**8. Notes payable**

Notes payable presented to certain suppliers as a payment against the outstanding trade payables.

Notes payable are mainly bank acceptance bills which are non-interest bearing and generally mature within six months. The outstanding bank acceptance bills are secured by restricted cash deposited in banks. Outstanding bank acceptance bills were \$38,291,121 and \$30,658,000 as of March 31, 2017 and December 31, 2016, respectively.

**9. Short-term loans**

As of March 31, 2017 and December 31, 2016, the bank borrowings were for working capital and capital expenditure purposes and were secured by personal guarantees executed by certain directors of the Company, the time deposits with a carrying amount of \$152,382 and \$151,083, land use right with a carrying amount of \$3,631,897 and \$3,622,435, and the buildings with carrying amount of \$11,877,015 and \$11,854,452, respectively.

The loans as of March 31, 2017 were primarily obtained from four banks with interest rates ranging from 4.35% to 5.66% per annum. The loans as of December 31, 2016 were primarily obtained from four banks with interest rates ranging from 4.35% to 5.87% per annum. The interest expenses were \$259,837 and \$207,108 for the three months ended March 31, 2017 and 2016, respectively.

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

**10. Non-financial institution borrowings**

In April 2016, the Company obtained borrowings amount of RMB20 million (\$2,902,505) from a third party non-financial institution and repaid RMB4 million (\$580,501) and RMB16 million (\$2,322,004) in October 2016 and March 2017, respectively. In May 2016 and January 2017, the Company obtained borrowings amount of RMB10 million (\$1,451,252) and RMB60 million (\$8,707,515), respectively from an individual that can be repaid anytime no later than August 31, 2017 and January 10, 2018.

The above borrowings were used for working capital and capital expenditure purposes, and personally guaranteed by the Company's Chief Executive Officer, Mr. Dang Yu Pan. The interest rate for the borrowings is 5.66% per annum. The interest expenses of above borrowings was \$143,518 and \$nil for the three months ended March 31, 2017 and 2016, respectively.

**11. Earnings (loss) per share**

The following table sets forth the computation of basic and diluted earnings (loss) per common share for the three months ended March 31, 2017 and 2016.

|   | <i>Three months ended March 31,</i> |                    |
|---|-------------------------------------|--------------------|
|   | <u>2017</u>                         | <u>2016</u>        |
|   | <i>(Unaudited)</i>                  | <i>(Unaudited)</i> |
|   | \$                                  | \$                 |
| <b>Numerator:</b>                             |                                     |                    |
| Net income (loss) attributable to the Company | <u>2,535,649</u>                    | <u>(342,608)</u>   |
| <b>Denominator:</b>                           |                                     |                    |
| Weighted-average shares outstanding           |                                     |                    |
| - Basic                                       | 15,119,693                          | 15,101,679         |
| - Dilutive effects of equity incentive awards | <u>179,336</u>                      | <u>-</u>           |
| - Diluted                                     | <u>15,299,029</u>                   | <u>15,101,679</u>  |
| <b>Net income (loss) per share:</b>           |                                     |                    |
| - Basic                                       | <u>0.17</u>                         | <u>(0.02)</u>      |
| - Diluted                                     | <u>0.17</u>                         | <u>(0.02)</u>      |

For the three months ended March 31, 2017, 685,001 options and warrants were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the ordinary shares. Due to the loss for three months ended March 31, 2016, 1,716,927 options and warrants were excluded from the calculation of diluted earnings (loss) per common share, because the effect would be anti-dilutive.

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

**12. 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 contributions mentioned above, the Company has no legal obligation for the benefits beyond the contributions made.

The total contributions made, which were expensed as incurred, were \$504,520 and \$335,558 for the three months ended March 31, 2017 and 2016, respectively.

**13. Commitments and contingencies**

Investment commitment

Pursuant to the terms of the 2016 Equity Purchase Agreement (Note 6), prior to November 5, 2016, provided that Yipeng has been approved to be listed in the catalogue of Industrial Standards of Auto Mobile Power Battery Cell (the "Catalogue") prior to October 31, 2016, the Company will pay approximately \$2.8 million in cash and transfer equipment worth approximately \$5.0 million in exchange for an additional 14.6% of the shares of Yipeng as a second closing. The investment commitment was subsequently canceled on May 5, 2017 (Note 16).

Contingencies

On January 14, 2016, FirsTrust China, Ltd ("FirsTrust") filed an amended complaint in the Delaware Chancery Court (amending its initial complaint filed February 25, 2015) naming Highpower as the defendant asserting a cause of action for breach of contract and conversion of stock, and seeking damages in the form of issuance of 150,000 shares or the value of such shares, plus interest thereon, attorneys' fees and costs and expenses. On February 4, 2016, Highpower filed an answer, affirmative defenses and counterclaim against FirsTrust asserting claims for equitable rescission, declaratory relief and breach of contract, and seeking rescission of the contract, return of the 200,000 warrants and 150,000 shares of Highpower stock previously issued to FirsTrust, plus interest, attorneys' fees and costs and expenses. On January 24, 2017, the court denied FirsTrust's motion for judgment on the pleadings. The parties are continuing with pre-trial discovery, as well as settlement discussions. The Company believes that it has meritorious defenses and counterclaims and intends to defend and prosecute them vigorously.

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

**14. Segment information**

The reportable segments are components of the Company that 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"), the Chief Executive Officer, in determining the performance of the business. The Company categorizes its business into three reportable segments, namely (i) Lithium Business; (ii) Ni-MH Batteries and Accessories; and (iii) New Materials.

The descriptions of the reportable segments have been extended from Lithium Batteries and Ni-MH Batteries to Lithium Business and Ni-MH Batteries and Accessories, respectively. Lithium Business mainly consists of lithium batteries, power storage system and power source solutions. Ni-MH Batteries and Accessories mainly consists of Ni-MH rechargeable batteries, sized batteries in blister packing as well as chargers and battery packs. Prior to the quarter ended March 31, 2017, the sales of products except for the batteries in the two reporting segments were de minimis.

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 were set out as follows:

|                                 | <b><i>Three months ended March 31,</i></b> |                            |
|---------------------------------|--|----------------------------|
|                                 | <b><i>2017</i></b>                         | <b><i>2016</i></b>         |
|                                 | <b><i>(Unaudited)</i></b>                  | <b><i>(Unaudited)</i></b>  |
|                                 | <b>\$</b>                                  | <b>\$</b>                  |
| <b><i>Net sales</i></b>         |  |                            |
| Lithium Business                | 27,490,494                                 | 15,314,945                 |
| Ni-MH Batteries and Accessories | 12,527,313                                 | 12,856,325                 |
| New Materials                   | 1,849,041                                  | 925,785                    |
| <b>Total</b>                    | <b>41,866,848</b>                          | <b>29,097,055</b>          |
| <b><i>Cost of Sales</i></b>     |  |                            |
| Lithium Business                | 21,639,869                                 | 12,507,331                 |
| Ni-MH Batteries and Accessories | 9,188,390                                  | 9,605,806                  |
| New Materials                   | 1,103,755                                  | 1,106,879                  |
| <b>Total</b>                    | <b>31,932,014</b>                          | <b>23,220,016</b>          |
| <b><i>Gross Profit</i></b>      |  |                            |
| Lithium Business                | 5,850,625                                  | 2,807,614                  |
| Ni-MH Batteries and Accessories | 3,338,923                                  | 3,250,519                  |
| New Materials                   | 745,286                                    | (181,094)                  |
| <b>Total</b>                    | <b>9,934,834</b>                           | <b>5,877,039</b>           |
|                                 | <b><i>March 31,</i></b>                    | <b><i>December 31,</i></b> |
|                                 | <b><i>2017</i></b>                         | <b><i>2016</i></b>         |
|                                 | <b><i>(Unaudited)</i></b>                  | <b><i>(Unaudited)</i></b>  |
|                                 | <b>\$</b>                                  | <b>\$</b>                  |
| <b><i>Total Assets</i></b>      |  |                            |
| Lithium Business                | 118,876,152                                | 115,116,508                |
| Ni-MH Batteries and Accessories | 45,390,325                                 | 37,994,369                 |
| New Materials                   | 11,109,849                                 | 10,220,873                 |
| <b>Total</b>                    | <b>175,376,326</b>                         | <b>163,331,750</b>         |

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

**14. 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 were set out as follows:

|                                   | <i>Three months ended March 31,</i> |                     |
|-----------------------------------|-------------------------------------|---------------------|
|                                   | <u>2017</u>                         | <u>2016</u>         |
|                                   | <i>(Unaudited)</i>                  | <i>(Unaudited)</i>  |
|                                   | \$                                  | \$                  |
| <b><i>Net sales</i></b>           |                                     |                     |
| China Mainland                    | 22,161,592                          | 8,529,079           |
| Asia, others                      | 13,695,558                          | 11,980,367          |
| Europe                            | 4,852,730                           | 6,315,779           |
| North America                     | 1,058,132                           | 1,634,146           |
| South America                     | 61,737                              | 464,897             |
| Africa                            | -                                   | 24,033              |
| Others                            | 37,099                              | 148,754             |
|                                   | <u>41,866,848</u>                   | <u>29,097,055</u>   |
|                                   |                                     |                     |
|                                   | <u>March 31,</u>                    | <u>December 31,</u> |
|                                   | <u>2017</u>                         | <u>2016</u>         |
|                                   | <i>(Unaudited)</i>                  |                     |
|                                   | \$                                  | \$                  |
| <b><i>Accounts receivable</i></b> |                                     |                     |
| China Mainland                    | 25,976,406                          | 29,663,633          |
| Asia, others                      | 10,095,997                          | 10,441,358          |
| Europe                            | 3,191,001                           | 3,875,979           |
| North America                     | 41,890                              | 2,260,840           |
| South America                     | 56                                  | 26,610              |
| Africa                            | -                                   | 378                 |
| Others                            | 18,748                              | 11,971              |
|                                   | <u>39,324,098</u>                   | <u>46,280,769</u>   |

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

**15. Related party balance and transaction**

Related party balance

The outstanding amounts of Yipeng were as follow:

|                         | <u>March 31,</u><br><u>2017</u><br><i>(Unaudited)</i> | <u>December 31,</u><br><u>2016</u> |
|-------------------------|---|------------------------------------|
|                         | \$  | \$                                 |
| Accounts receivable     | 7,394,195   | 7,125,140                          |
| Other receivable        | 26,305  | 392,110                            |
| Account due from Yipeng | <u>7,420,500</u>                                      | <u>7,517,250</u>                   |
| Accounts payable (1)    | 1,722,398   | 1,516,557                          |
| Other payable           | 5,805   | 5,756                              |
| Amount due to Yipeng    | <u>1,728,203</u>                                      | <u>1,522,313</u>                   |

(1) Accounts payable represented \$1.3 million and \$1.3 million technical support fee and \$0.4 million and \$0.2 million equipment rental fee to Yipeng as of March 31, 2017 and December 31, 2016, respectively.

Related party transaction

The details of the transactions with Yipeng were as follows:

|                       | <u>Three months ended March 31, 2017</u><br><i>(Unaudited)</i><br>\$ |
|-----------------------|--|
| <b>Income:</b>        |  |
| Sales                 | 624,323  |
| Rental income         | 11,299   |
| <b>Expenses:</b>      |  |
| Equipment rental fees | 162,302  |

**16. Subsequent event**

On May 5, 2017, the Company entered into an Agreement for Equity Transfer and Capital Increase ("Equity Transfer Agreement") with a third party to sell 29.58% equity interest in Yipeng for RMB71.0 million (approximately \$10.3 million) in cash. Pursuant to the terms of the Equity Transfer Agreement, Yipeng will issue to the same third party new equity for RMB60.0 million (collectively, the "Transaction"). The Transaction is expected to be closed in June 2017. After the Transaction, the Company's equity ownership in Yipeng will decrease from 35.4% to 4.654%, and the Company will lose the ability to exercise significant influence over Yipeng and discontinue the use of equity method accounting. The Company is evaluating the gain (loss) in connection with this Transaction.

The Company has evaluated subsequent events through the issuance of the consolidated financial statements and no other subsequent event is identified that would have required adjustment or disclosure in the consolidated financial statements.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

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, 2016 filed with SEC on March 28, 2017 (the “Annual Report”).

### **Special Note Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are not historical facts, and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. All statements, other than statements of historical fact included in this Form 10-Q including, without limitation, statements in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding the Company’s financial position, business strategy and the plans and objectives of management for future operations, are forward-looking statements. Words such as “expect,” “believe,” “anticipate,” “intend,” “estimate,” “seek” and variations and similar words and expressions are intended to identify such forward-looking statements. Such forward-looking statements relate to future events or future performance, but reflect management’s current beliefs, based on information currently available. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to the Risk Factors section of the Company’s Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the “SEC”). The Company’s securities filings can be accessed on the EDGAR section of the SEC’s website at [www.sec.gov](http://www.sec.gov). Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

### **Overview**

In the first quarter of 2017, despite the negative foreign exchange rate translation impact, Highpower’s overall revenue increased 43.9% compared to the comparable period in 2016. The main driver was our lithium business, which increased by \$12.2 million, or 79.5%, in the first quarter of 2017 compared to the comparable period in 2016.

Considering the booming demand in the China xEV market, the increasing demand from power storage system, smart wearable, smart phone, notebook, as well as our product reputation, we believe our lithium business growth is still in the fast track for coming quarters.

The descriptions of the reportable segments have been extended from Lithium Batteries and Ni-MH Batteries to Lithium Business and Ni-MH Batteries and Accessories, respectively. Lithium Business mainly consists of lithium batteries, power storage system and power source solutions. Ni-MH Batteries and Accessories mainly consists of Ni-MH rechargeable batteries, sized batteries in blister packing as well as chargers and battery packs. Prior to the quarter ended March 31, 2017, the sales of products except for the batteries in the two reporting segments were de minimis.

Ni-MH revenue was slightly down in the first quarter of 2017 compared to the comparable period in 2016, which was in line with the whole industry trend.

Our recycling business increased by \$0.9 million, or 99.7%, in the first quarter of 2017 compared to the comparable period in 2016. Considering the technology and market difference between the recycling and battery businesses, we may consider engaging a leading company in China that specializes in this area as a strategic partner for GZ Highpower.

In the first quarter of 2017, net income attributable to the Company increased by \$2.9 million compared to the comparable period in 2016. This mainly comes from expanding our business scale and continuous improvement of our labor efficiency.

The main challenge for us in 2017 will be price fluctuation in the raw materials used in our products. Due to the fast growth of the lithium battery industry, some key raw material prices, especially cobalt, increased significantly in the first quarter of 2017. Though we maintain a strong and cost competitive supply chain, we believe it is critical to balance the selling price and our customer’s expectations.

### **Critical Accounting Policies**

See note 2 to the accompanying unaudited condensed consolidated financial statements for our critical accounting policies.

## Results of Operations

The following table sets forth the unaudited consolidated statements of operations of the Company for the three months ended March 31, 2017 and 2016, both in US\$ and as a percentage of net sales.

### Consolidated Statements of Operations

(in thousands)

|  | <i>Three months ended March 31,</i> |         |                    |         |
|--|-------------------------------------|---------|--------------------|---------|
|  | <u>2017</u>                         |         | <u>2016</u>        |         |
|  | <i>(Unaudited)</i>                  |         | <i>(Unaudited)</i> |         |
|  | \$                                  |         | \$                 |         |
| Net Sales  | 41,867                              | 100.0%  | 29,097             | 100.0%  |
| Cost of Sales  | (31,932)                            | (76.3)% | (23,220)           | (79.8)% |
| Gross profit   | <u>9,935</u>                        | 23.7%   | <u>5,877</u>       | 20.2%   |
| Research and development expenses                                | (1,814)                             | (4.3)%  | (1,623)            | (5.6)%  |
| Selling and distribution expenses                                | (1,638)                             | (3.9)%  | (1,535)            | (5.3)%  |
| General and administrative expenses                              | (3,059)                             | (7.3)%  | (3,070)            | (10.5)% |
| Foreign currency transaction loss                                | (314)                               | (0.8)%  | (90)               | (0.3)%  |
| Income (loss) from operations                                    | <u>3,110</u>                        | 7.4%    | <u>(441)</u>       | (1.5)%  |
| Changes in fair value of warrant liability                       | (32)                                | (0.1)%  | 119                | 0.4%    |
| Other income   | 578                                 | 1.4%    | 156                | 0.5%    |
| Equity in earnings of investee                                   | 147                                 | 0.4%    | -                  | -       |
| Interest expenses  | (603)                               | (1.5)%  | (275)              | (0.9)%  |
| Income (loss) before tax   | 3,200                               | 7.6%    | (441)              | (1.5)%  |
| Income tax expenses  | (587)                               | (1.4)%  | (36)               | (0.1)%  |
| Net income (loss)  | 2,613                               | 6.2%    | (477)              | (1.6)%  |
| Less: net income (loss) attributable to non-controlling interest | 77                                  | 0.2%    | (134)              | (0.5)%  |
| Net income (loss) attributable to the company                    | <u>2,536</u>                        | 6.1%    | <u>(343)</u>       | (1.2)%  |

### Three months ended March 31, 2017 and 2016

#### Net sales

Net sales for the three months ended March 31, 2017 were \$41.9 million compared to \$29.1 million for the three months ended March 31, 2016, an increase of \$12.8 million, or 43.9%. The increase was mainly due to a \$12.2 million increase in net sales of our Lithium business. The increase in the number of lithium batteries units sold in the first quarter of 2017 was primarily attributable to the substantial growth in smart wearable devices, digital products and handheld devices such as smart phones, tablets and notebooks.

#### Cost of sales

Cost of sales mainly consists of nickel, cobalt, lithium derived materials, labor, and overhead. Costs of sales were \$31.9 million for the three months ended March 31, 2017, as compared to \$23.2 million for the comparable period in 2016. The increase was mainly due to the increase in volume of sales of our Lithium business partly offset by improvement in our labor efficiency.

#### Gross profit

Gross profit for the three months ended March 31, 2017 was \$9.9 million, or 23.7% of net sales, compared to \$5.9 million, or 20.2% of net sales for the comparable period in 2016. This increase was attributed to the product mix and improvement in our labor efficiency.

#### *Research and development*

Research and development expenses were \$1.8 million, or 4.3% of net sales, for the three months ended March 31, 2017, as compared to \$1.6 million, or 5.6% of net sales for the comparable period in 2016. This increase was primarily due to more research and development on Lithium battery technology.

#### *Selling and distribution expenses*

Selling and distribution expenses were \$1.6 million, or 3.9% of net sales, for the three months ended March 31, 2017 compared to \$1.5 million, or 5.3% of net sales, for the comparable period in 2016. The decrease of percent of net sales was attributable to optimization of our customer base.

#### *General and administrative expenses*

General and administrative expenses were \$3.1 million, or 7.3% of net sales, for the three months ended March 31, 2017, compared to \$3.1 million, or 10.5% of net sales, for the comparable period in 2016.

#### *Foreign currency transaction loss*

We experienced a loss of \$313,878 for the three months ended March 31, 2017 and a loss of \$90,436 for the three months ended March 31, 2016 on the exchange rate difference between the US\$ and the RMB. The loss in exchange rate difference was due to the influence of the RMB relative to the US\$ over the respective periods.

#### *Interest expenses*

Interest expenses were \$0.6 million for the three months ended March 31, 2017, as compared to \$0.3 million for the comparable period in 2016. The increase was mainly due to the increase of non-financial borrowings and short-term bank loans.

#### *Other income*

Other income, which consists of government grants and sundry income, was approximately \$0.6 million for the three months ended March 31, 2017, as compared to approximately \$0.2 million for the comparable period in 2016, an increase of \$0.4 million. The increase was mainly due to the increase of income from government subsidies.

#### *Equity in earnings of investee*

Equity in earnings of a related party (Yipeng) was approximately \$0.1 million for the three months ended March 31, 2017.

#### *Changes in fair value of warrant liability*

Changes in fair value of warrant liability was a loss of \$31,552 for the three months ended March 31, 2017, as compared to a gain of \$119,469, for the comparable period in 2016. It represented the fair value change of 500,001 shares of warrants issued on April 17, 2014.

#### *Income tax expense*

During the three months ended March 31, 2017, we recorded provision for income tax expense of \$587,765 million as compared to income tax expense of \$35,504 for the comparable period in 2016.

#### *Net income*

Net income attributable to the Company (excluding net loss attributable to non-controlling interest) for the three months ended March 31, 2017 was \$2,535,649, compared to net loss attributable to the Company (excluding net loss attributable to non-controlling interest) of \$342,608 for the comparable period in 2016.

## **Liquidity and Capital Resources**

We had cash of approximately \$20.0 million as of March 31, 2017, as compared to \$9.3 million as of December 31, 2016.

To provide liquidity and flexibility in funding our operations, we borrow funds under bank facilities and other external sources of financing. As of March 31, 2017, we had lines of credit with eight financial institutions aggregating \$71.1 million. The maturities of these facilities vary from 2017 to 2019. 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, pledged by land use right and buildings, and contain customary affirmative and negative covenants for secured credit facilities of this type. Interest rates are generally based on the banks' reference lending rates. No significant commitment fees are required to be paid for the banking facilities. As of March 31, 2017, we had utilized approximately \$56.3 million under such general credit facilities and had available unused credit facilities of \$14.8 million.

For the three months ended March 31, 2017, net cash provided by operating activities was approximately \$1.1 million, as compared to \$4.0 million provided by operating activities for the comparable period in 2016. The net cash decrease of \$2.9 million provided by operating activities is primarily attributable to an increase of \$2.5 million in outflow from accounts payable.

Net cash used in investing activities was \$2.9 million for the three months ended March 31, 2017 compared to \$1.1 million for the comparable period in 2016. The net increase of \$1.8 million of cash used in investing activities was attributable to an increase of \$1.8 million in cash outflow from acquisition of plant and equipment.

Net cash provided by financing activities was \$12.7 million during the three months ended March 31, 2017, as compared to \$2.0 million used in financing activities for the comparable period in 2016. The net increase of \$14.7 million in net cash provided by financing activities was primarily attributable to an increase of \$11.0 million in proceeds from notes payable and an increase of \$1.5 million in proceeds from short-term bank loans.

For the three months ended March 31, 2017 and 2016, our inventory turnover was 5.3 times and 4.8 times, respectively. The average days outstanding of our accounts receivable at March 31, 2017 was 92 days, as compared to 85 days at December 31, 2016. Inventory turnover and average days outstanding of accounts receivable are key operating measures that management relies on to monitor our business.

The accounts receivable and inventory turnover ratios have critical influence on the working capital. We provide our major customers with payment terms ranging from 30 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 120 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 operating capital.

## **Recent Accounting Pronouncements**

Please refer to Note 2 (Recently issued accounting pronouncements).

## **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***

###### *(a) Evaluation of disclosure controls and procedures*

Disclosure controls and procedures are controls and other procedures that are designed and adopted by management to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is properly recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that all necessary information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this Quarterly Report, we conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

###### *(b) Changes in Internal Control over Financial Reporting*

There were no significant changes (including corrective actions with regard to significant deficiencies) in our internal controls over financial reporting that occurred during the quarter ended March 31, 2017, or is reasonably likely to materially affect, our internal control over financial reporting.

## Part II. Other Information

### Item 1. Legal Proceedings

On January 14, 2016, FirsTrust China, Ltd (“FirsTrust”) filed an amended complaint in the Delaware Chancery Court (amending its initial complaint filed February 25, 2015) naming Highpower as the defendant asserting a cause of action for breach of contract and conversion of stock, and seeking damages in the form of issuance of 150,000 shares or the value of such shares, plus interest thereon, attorneys’ fees and costs and expenses. On February 4, 2016, Highpower filed an answer, affirmative defenses and counterclaim against FirsTrust asserting claims for equitable rescission, declaratory relief and breach of contract, and seeking rescission of the contract, return of the 200,000 warrants and 150,000 shares of Highpower stock previously issued to FirsTrust, plus interest, attorneys’ fees and costs and expenses. On January 24, 2017, the court denied FirsTrust’s motion for judgment on the pleadings. The parties are continuing with pre-trial discovery, as well as settlement discussions. The Company believes that it has meritorious defenses and counterclaims and intends to defend and prosecute them vigorously.

### 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 28, 2017 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.

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

None.

### Item 3. Default Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information

#### *Sale of Yipeng Equity*

On May 5, 2017, the Company entered into an Agreement for Equity Transfer and Capital Increase (“Equity Transfer Agreement”) whereby the Company will sell 29.58% equity interest in Yipeng to a third party for RMB 71.0 million (approximately \$10.3 million) in cash. Pursuant to the terms of the Equity Transfer Agreement, Yipeng will also issue to the same third party new equity for RMB 60.0 million. The equity transfer is expected to close in June 2017. The equity held by the parties will have co-sale rights.

As previously reported, on June 30, 2016, the Company had entered into a purchase agreement with Yipeng and its shareholders whereby, on August 10, 2016, the Company purchased equity, that also had certain shareholder rights, in Yipeng. The Company also agreed to purchase additional equity if certain conditions were satisfied by Yipeng, which did not occur. As of March 31, 2017, the Company had invested an aggregate of RMB 65.0 million (approximately \$9.4 million) in exchange for 35.4% of the equity interest of Yipeng. However, as a result of the 2017 Equity Transfer Agreement and additional third party investment, Highpower’s equity ownership in Yipeng will decrease from 35.4% to 4.654%. The terms of the 2016 purchase agreement were canceled. The Company expects to continue to be a supplier to Yipeng.

The information set forth above is included herewith for the purpose of providing the disclosure required under “Item 1.01 - Entry into a Material Definitive Agreement” of Form 8-K.

#### *Working Capital Loan Contract between SZ Highpower and Bank of China, Buji Sub-branch*

On February 16, 2017, SZ Highpower entered into a working capital loan contract with Bank of China, Buji Sub-branch providing for an aggregate loan of RMB10,000 (\$1,451) to be used by SZ Highpower to purchase raw materials. The term of the loan is 10 months from the first withdrawal date. SZ Highpower must withdraw in 30 days from February 16, 2017, after which time the bank may cancel all or part of the facility. The interest rate will equal the one year benchmarked by interbank rates, plus 0.92% on all outstanding loan amounts. The loan is guaranteed by SZ Springpower and our Chief Executive Officer, Dang Yu Pan. The Company’s real estate properties and land use rights in Huizhou also serve as collateral for the loan. The balance of loan was \$1,451 as of March 31, 2017.

The following constitute events of default under the loan contracts: failure to comply with repayment obligations under the agreement or any affiliated credit lines contract; failure to use borrowed funds according to the specified purposes; any statement made by SZ Highpower in the agreement is untrue or in violation of any commitments in the loan agreement or affiliated loan contracts; failure to provide an additional or replacement guarantor as required by the loan agreement; significant business difficulties or risks, deterioration of financial indicators, including credit, profitability, operating ability, cash flow 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 abnormal large capital inflows and outflows 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; require 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 Contract between SZ Highpower and Ping An Bank Co., Ltd. Shenzhen Branch*

On March 17, 2017, SZ Highpower entered into a comprehensive credit line contract with Ping An Bank Co., Ltd. Shenzhen Branch, which provides for a revolving line of credit of up to RMB70,000,000 (US\$10,158,767). SZ Highpower may withdraw the loan, from time to time as needed, on or before March 16, 2018. The loan is guaranteed by SZ Springpower, HZ HTC and our Chief Executive Officer, Dang Yu Pan. The balance of used facility was \$5,515,049 as of March 31, 2017.

The following constitute events of default under the loan contracts: SZ Highpower changes the method of payment under the contract; SZ Highpower's failure to timely repay the principal, interest and other payable under the contract; SZ Highpower's failure to use the loan proceeds for the prescribed purposes; SZ Highpower's violation of any statement, warranty and commitment with the bank; SZ Highpower's violation of any other obligations in the contract; SZ Highpower's concealment of true important information; SZ Highpower or a guarantor's evasion of bank debts on purpose through related party transactions or otherwise; SZ Highpower or a guarantor's transfer of property or use of assets to avoid debts by way of gratis, unreasonably-low priced transactions or for other improper means; SZ Highpower's use of false contracts and arrangements signed with any other third party to get funds or credit from the bank, including but not limited to pledge or discount of the notes receivable and other claims without actual trading background; SZ Highpower or a guarantor's violation of any other contract (including but not limited to credit contract, loan contract and guarantee contract) signed with the bank or other banks or issuance of any bonds; the guarantor's violation of the guarantee contract (including but not limited to guarantee contract, mortgage contract and pledge contract) or occurrence of any breach of the guarantee contract, or the guarantee contract is in vain or cancelled; there is obvious reduction or loss of the guaranty value, or dispute about the ownership of the guaranty, or the guaranty is sealed up, detained, frozen, deducted, detained or sold by auction; the occurrence of a merger, split, acquisition, reorganization, equity transfer, increase in debt financing or any other major event involving SZ Highpower that the bank believes might affect the safety of the loans; SZ Highpower or a guarantor's business term has expired within the credit line period, and SZ Highpower or a guarantor fails to handle the procedures for renewal.

Upon the occurrence of an event of default, the bank may: temporarily suspend or permanently terminate SZ Highpower's credit limit in whole or in part; announce the immediate maturity of all or part of the credit under the contract and request the payment of part or all the principal, interest and expenses immediately; request overdue interest from SZ Highpower caused by the default; request SZ Highpower to keep cash deposit for paying undue acceptance, L/G, L/C or other credit business; request SZ Highpower to provide new guarantee measures accepted by the bank; deduct the sum in SZ Highpower or a guarantor's account at the bank to discharge all or part of the liabilities of the bank without prior consent by the bank; require the guarantors to undertake the guarantee responsibility; take a legal action to collect the debts, fees and other losses from SZ Highpower by judicial procedure.

## Item 6. Exhibits

| Exhibit Number | Description of Document  |
|----------------|--|
| 10.1           | Working Capital Loan Contract dated February 16, 2017, between Shenzhen Highpower Technology Co., Ltd. and Bank of China, Buji Sub-branch (translated to English).                 |
| 10.2           | Comprehensive Credit Line Contract dated March 17, 2017, between Shenzhen Highpower Technology Co., Ltd. and Ping An Bank Co., Ltd. Shenzhen Branch (translated to English).       |
| 10.2(a)        | Maximum Guarantee Contract between Dang Yu Pan and Ping An Bank Co., Ltd., Shenzhen Branch (translated to English).  |
| 10.2(b)        | Maximum Guarantee Contract between Huizhou Highpower Technology Company, Limited. and Ping An Bank Co., Ltd. Shenzhen Branch (translated to English).                              |
| 10.2(c)        | Maximum Guarantee Contract between Springpower Technology (Shenzhen) Company, Limited and Ping An Bank Co., Ltd. Shenzhen Branch (translated to English).                          |
| 31.1           | Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                      |
| 31.2           | Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                      |
| 32.1*          | Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS        | XBRL Instance Document   |
| 101.SCH        | XBRL Taxonomy Extension Schema Document  |
| 101.CAL        | XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.DEF        | XBRL Taxonomy Extension Definition Linkbase Document   |
| 101.LAB        | XBRL Taxonomy Extension Label Linkbase Document  |
| 101.PRE        | XBRL Taxonomy Extension Presentation Linkbase Document   |

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

**HIGHPOWER INTERNATIONAL, INC.**

**SIGNATURES**

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

**Highpower International, Inc.**

Dated: May 10, 2017

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/ Sunny Pan            
Sunny Pan  
Its: Chief Financial Officer (principal financial and accounting officer)

**Working Capital Loan Contract**

Reference No. : 2017nianzhengzhongyinyinbujiezi No.0009

Party A: Shenzhen Highpower Technology Co., Ltd  
Business License: 440307503274740  
Legal Representative: Dangyu Pan  
Address: Building 1, 68 Xinxia Street, Pinghu, Longgang, Shenzhen;  
Postal code: 518000  
Deposit A/C and financial institutions: Bank of China, Pinghu Sub-branch, Shenzhen, 744557938816  
Telephone: 0755-89686236; Facsimile: 0755-89686298

Party B: Bank of China, Buji Sub-branch.  
Legal Representative: DENG ZHENGBO  
Address: 108, Buji Road, Buji Town, Longgang District, Shenzhen; Postal code: 518000  
Telephone: 0755-22337156; Facsimile: 0755-28772290

Borrowers and lenders through equal consultation, the lender to the borrower liquidity loan agreement and conclude the contract.  
This contract is the affiliated specific credit contract under the "Comprehensive Credit Line Contract" (Reference No.: 2016zhengzhongyinebuxiezi No. 0000444), which is signed by Shenzhen Highpower Technology Co., Ltd and Bank of China, Buji Sub-branch.

**Clause 1 Amount**

Party B agrees to provide the following loan:

Currency in: RMB

Amount: RMB Ten thousand only

RMB 10,000.00

**Clause 2 Period**

The period of the loan is 10 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**

1. Lending rate is floating rate, which is reset every 12 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 twelve-month benchmark lending interest rate, set by Interbank rates, plus 92;

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B. On the interest resetting date, the new interest rate is the spot one-year lending interest rate, benchmarked by Interbank rates, plus 92 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 16 Feb 2017.

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

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## 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.

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#### 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: 744557938816

#### Clause 9 Guarantee

1. To ensure that borrowing under this agreement is repaid, the following guarantees shall be adopted:

1) This contract is the main contract of Guaranty Contract of Maximum Amount (NO: 2016ZHENZHONGYINBUBAOEZI00444A) signed by SPRINGPOWER TECHNOLOGY (SHENZHEN) CO., LTD. (Guarantor) and Party B. Guarantor provides the maximum amount guarantee.

2) This contract is the main contract of Guaranty Contract of Maximum Amount (NO: 2016ZHENZHONGYINBUBAOEZI00444B) signed by DAGNYU PAN (Guarantor) And Party B. Guarantor provides the maximum amount guarantee.

3) This contract is the main contract of Pledge Contract of Maximum Amount (NO: 2016ZHENZHONGYINBUDIEZI0044) signed by SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. And Party B.

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

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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.

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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.

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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

/s/ [Stamp of Party B]  
Signature

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**Comprehensive Credit Line Contract**

Contract No.: Pingyin(Shenzhen) Zongzi A250201701030001

Party A (Line Grantor): PINGAN BANK CO., LTD. SHENZHEN BRANCHAddress: NO1099 Shennan Road, ShenzhenLegal Representative (Principal): Guiping YaoTel.: 23480023Party B (Line Applicant): SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD.

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

Legal Representative: Dangyu PanTel.: 89686236

Whereas Party B applies Party A for a comprehensive credit line, in accordance with the *Contract Law* and other relevant laws and regulations, Party A and Party B hereby make and enter into this Contract upon consensus through consultation.

**Article 1 Credit Line and Category**

1.1 Amount of comprehensive credit line: Party A agrees to grant to Party B a comprehensive credit line of (Currency) RMB (in figures) 70,000,000.00 Yuan (in words) seventy million Yuan only. This line is applicable to multiple-currency credit. The exchange rate of currencies other than RMB shall be converted according to the foreign exchange rate published by Party A when the specific business occurs.

1.2 The period of the comprehensive credit line follows the following (1):

(1) From Mar 17<sup>th</sup> 2017 to Mar 16<sup>th</sup> 2018.

(2)     Year(s)    month(s), calculated from the date when the Contract comes into force.

During the credit period, the credit line () can be recycled () cannot be recycled, but the sum of the balances of all the credit categories within the credit line shall not exceed the amount of the comprehensive credit line. When the credit period expires, the unused balance shall become automatically invalid.

Credit period means the occurrence period of the specific credit under a line (i.e. the period for determining the debt). The start date of the specific credit under the line must be included in the credit period and the termination date of the specific credit may exceed the credit period. The start date and termination date of the specific credit shall accord with the specific credit business contract.

1.3 The credit granting method of this credit line shall include but not be limited to:

Loan bank lending, bill acceptance and discount, overdraft, factoring, security, loan commitment and opening of L/C.

1.4 The category/credit granting method, amount, interest rate, tariff and term of the specific credit under the line shall accord with the single credit contract and IOU or other credit vouchers.

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1.5 Transfer of credit under the line

Party B agrees to transfer the credit line to the following a third party to use (in other words, the following object may use the credit line), and Party B shall undertake the joint guarantee liability for the principal, interest, default interest and compound interest of all the debts (including contingent debts) under the line, and the expense for realizing the creditor's rights (including but not limited to legal cost, attorney fee, notary fee and execution fee), and other losses and expenses caused to Party A due to the debtor's breach of contract. The guarantee period shall be from the date of effectiveness of the specific credit contract to two years after the expiration of the debt performance term specified in the credit contract (including acceleration of maturity of debt).

The specific credit-transferred object and amount are as follows:

- ( ) \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_ (currency) (in words) ;
- ( ) \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_ (currency) (in words) ;
- ( ) \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_ (currency) (in words) ;

**Article 2 Use of Credit Line**

2.1 Signature of this Contract by and between Party A and Party B shall not constitute Party A's credit commitment to Party B. Party B shall present a written application to Party A for each specific credit business under the line, and Party A shall have the right to make its own decision on whether to grant to Party B a single credit under the line. If Party A agrees to grant the single credit through examination, Party A and Party B shall make and enter into a single credit contract additionally according to the business nature.

2.2 Preconditions for use of the credit line:

- (1) Party B has handled the legal procedures (if any) for government license, approval, registration and delivery for the credit under this Contract according to relevant laws and regulations;
- (2) The related security contract is effective (if any);
- (3) Party B has paid off all the expenses related to this Contract (if any);
- (4) Party B meets the credit conditions specified herein;
- (5) There is no adverse change to the business and financial conditions of Party B and the guarantor (if any);
- (6) There is no adverse change to Party B's repayment willingness and the guarantee willingness of the guarantor (if any);
- (7) Party B has no breach of this Contract.

2.3 Party A has the right to adjust the amount of the credit line or ask Party B to add guaranty where there is any change of the exchange rate.

2.4 Party A has the right to supervise the use of the credit line and the orientation of the credit funds, and Party B shall provide coordination.

2.5 If, prior to or during the use of the credit line, Party A's regulatory department requests Party A to control the credit scale or orientation due to change of national macro-control policies, or Party A is unable to grant to Party B to use the credit line for causes not attributable to Party A, Party A shall have the right to suspend or terminate the use of this credit line and cancel this Contract, for which Party B shall have no objection.

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### **Article 3 Repayment**

- 3.1 Party B shall open an account in Party A and deposit the amount repayable to this account prior to the specified date of repayment.
- 3.2 Party B shall perform the debt on time when each single credit within the line expires, or the related credit shall be deemed overdue or advances shall be made.
- 3.3 Party B hereby irrevocably authorizes Party A to deduct the principal and interest of the due credit and related expenses from any and all accounts opened by Party B in any banking branch of Pingan Bank.

### **Article 4 Party B's Representations and Warranties**

- 4.1 Party B is a company with good reputation duly established and validly existing within the jurisdiction of the location where it is located. Party B has all corporate rights and has obtained the government license and approval for conducting its current business.
- 4.2 Party B has completed all the authorizations and approvals necessary for the signature of this Contract. This Contract is the presentation of Party B's true meaning and may not result in violation of any agreement or commitment concluded with any a third party. When this Contract is concluded and signed, Party B has not violate any law, regulation and rule for environmental protection, energy conservation and emission reduction, and pollution reduction, and Party B promises to strictly abide by such laws, regulations and rules after the conclusion of this Contract.
- 4.3 Party B is not involved in any litigation, arbitration execution, appeal and reconsideration procedure and other incident or case which may have major adverse impact on the execution of this Contract, unless otherwise Party B notified Party A in wiring prior to the conclusion of this Contract.
- 4.4 Party B shall, within the time limit requested by Party A, provide its financial statements, number of all opening accounts, loan balance and other relevant materials requested by Party A. Party B shall ensure the genuine, completeness and objectivity of all the documents and materials provided, which shall have no false record, misleading representation or material misstatement. The financial statements shall be prepared strictly in accordance with the Accounting Standards of China.

### **Article 5 Party B's Rights and Obligations**

- 5.1 Party B shall open an account in Party A and handle deposit, settlement and other related services firstly in Party A.
- 5.2 If Party B is a customer group, it shall give a written report to Party A within ten days after the date of affiliated transaction of over 10% of net assets. The report contents shall include the affiliated relation between the transaction parties, transaction item and nature, transaction amount or relevant proportion, and the pricing policy (including no-money involved transaction or only symbolic-money involved transaction).
- A customer group as mentioned herein shall mean an enterprise or public institution legal person who has the following features:
- (1) It directly or indirectly controls or is directly or indirectly controlled by another enterprise or public institution legal person in respect of stock right or management;
  - (2) It is jointly controlled by a third party enterprise or public institution legal person;
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(3) Its principal individual investor, key manager or a close family member (including lineal blood relationship within three generations and collateral blood relationship within two generations) commonly directly or indirectly controls;

(4) It has other affiliated relationship and may transfer the assets and profits not on the basis of fair price, which should be deemed as credit management by a customer group.

5.3 If Party B has any one of the following circumstances, it shall notify Party A thirty days in advance. If Party A thinks it will cause significant impact on the performance of the Contract, Party B shall obtain Party A's written consent in advance:

(1) material change to Party B's operating system, equity structure, property organizational form and primary business, including but not limited to implementation of contracting, lease, joint operation, reform of shareholding system, merger, acquisition, joint venture (cooperation), division, establishment of a subsidiary, trusteeship (takeover), sales of enterprise, transfer of property rights and reduction of capital, etc.;

(2) disposal of important assets, of which the value exceeds 10% of the net assets, by selling, gifting, lending, transferring, mortgaging (pledging) or other means;

(3) its dividends exceed 30% of the net profits after tax of the current year or exceed 20% of the total undistributed profits;

(4) it adds external investment of over 20% of its net assets after the credit line becomes valid;

(5) it changes the debt clauses with other bank and pay off other long-term debt in advance;

(6) Party B repays its shareholder debt;

(7) it applies other bank for a credit line, or provides a third party with security, or reduces or exempts a third party's debt, with the debt amount concerned exceeding 20% of its net assets.

5.4 Party B shall notify Party A within seven working days as of the date of occurrence or possible occurrence of the following matters, and Party A shall have the right to decide whether to request Party B to add guaranty or directly take back all the loans as the case may be:

(1) Party B or the guarantor's business or financial status is worsened, or there is significant financial loss, loss of assets (including but not limited to loss of assets caused due to external guarantee) or other financial crisis;

(2) Party B encounters administrative punishment or criminal sanction or is involved in any significant legal dispute due to its illegal business behavior;

(3) Party B, its shareholder or de facto controlling person, or the legal representative or key manager of the guarantor is involved in an important case, or its main asset goes under property preservation or other compulsory measures, or encounters administrative punishment or criminal sanction, or there is any other incident which causes Party B impossible to perform its duties normally;

(4) Party B or the guarantor provides a third party with guarantee, causing significant adverse impact on its financial condition or on the performance of its obligations under this Contract;

(5) Party B or the guarantor has the following changes, such as division, consolidation, major merger, acquisition and reconstruction, disposal of major assets, reduction of capital, winding-up, cease of business for rectification, liquidation, reorganization, being revoked, being dissolved, bankruptcy, or its business license is revoked;

(6) there is obvious reduction or loss of the guaranty value, or dispute about the ownership of the guaranty; or the guaranty is sealed up, detained, frozen, deducted, detained or sold by auction; or

(7) any other important event or default event which may affect the business activities of Party B or the guarantor and the loan safety of Party A.

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5.5 If Party B changes its domicile, mailing address, telephone number, business scope, legal representative or other relevant items, it shall notify Party A in writing within seven working days after the change. In the event that Party B fails to perform the said notification obligation, the notices and documents given by Party A according to the original mailing address shall be deemed to have been served.

5.6 Party B shall keep reasonable financial ratios within the service life of the credit line.

( ) The financial indicators shall reach the following standard within the service life of the credit line: \_\_\_\_\_

( ) 5.7 If Party B handles YIDAITONG business, Party B shall abide by the following stipulations:

(1) Party B shall open settlement accounts in Party A. Party B shall open payment collection accounts for such three pledge loans as export tax rebates, warehouse warrants and accounts receivable, and authorize Party A to deduct money directly from these accounts for repayment of this credit.

(2) When the loan is released, Party B shall open in Party A and use the corporate Internet banking product.

(3) Party B promises to give propriety to handle in Party A the increase of mortgage/pledge financing, if any.

#### **Article 6 Party A's Rights and Obligations**

6.1 From the second year after the effectiveness of a over one-year (excluding one-year) line, Party A shall have the right to evaluate the business and financial conditions of Party B and the guarantor (if any) and the progress of the specific project according to the credit conditions specified in the Contract when the credit line becomes valid, and adjust the credit line, term and interest rate according to the evaluation result.

Where there is any mortgaged (pledged) property, Party A shall have the right to ask for valuating the mortgaged (pledged) property by an appraisal agency accepted by Party A each year. If the value of the mortgaged (pledged) property is declined obviously and is not enough for guaranteeing the debt under the Main Contract, Party A shall have the right to ask Party B to repay part of the loan or provide other guarantee measures accepted by Party A.

6.2 Party A has the right to ask Party B to provide materials related to the credit line, enter Party B's business site, investigate, review and check the use of the credit line and the assets, financial and business conditions of Party B, for which Party B shall provide coordination. Party A also has the right to supervise Party B to use the loan for the purpose specified herein.

6.3 Party A shall bear confidentiality obligation for the materials provided by Party B, except otherwise prescribed by laws and regulations, or specified by a regulatory authority or by both Parties, or non-confidential information provided by Party B.

#### **Article 7 Breach of Contract**

7.1 Any one of the following cases shall be deemed as a default event referred to herein:

(1) There is overdue interest, overdue repayment or advance of the credit hereunder, or the credit funds are used not for the purpose specified by both Parties;

(2) Party B violates some of its representations, warranties and commitments;

(3) Party B violates some of its obligations performable hereunder;

(4) Party B conceals some genuine important information;

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- (5) Party B or the guarantor evades bank claims through affiliated transactions or by other means;
- (6) Party B or the guarantor has any one of the following behaviors, being negligent in managing and claiming the creditor's rights due, or disposing and transferring its main properties free of charge, or at unreasonable low price or by other improper means, or escaping debts;
- (7) Party B illegally get funds or credit from Party A or other banks by using a false contract and arrangement with a third party, including but not limited to pledge or discount of the notes receivable and other claims without actual trading background.
- (8) Party B or the guarantor violates any other contract (including but not limited to credit contract, loan contract and guarantee contract) signed with Party A or other banks or any securities with the nature of debt it issued;
- (9) Party B's guarantor violates the guarantee contract (including but not limited to guarantee contract, mortgage contract and pledge contract) or has any breach of the guarantee contract, or the guarantee contract has not taken effect, is invalid or is cancelled; or there is obvious reduction or loss of the guaranty value, or dispute about the ownership of the guaranty, or the guaranty is sealed up, detained, frozen, deducted, detained or sold by auction;
- (10) There is any case which should be notified under sub-clauses 5.3 and 5.4 herein that Party A thinks effective on the safety of its creditor's rights; or
- (11) The business term of Party B or the guarantor expires within the credit line period, and Party B or the guarantor fails to handle the procedures for renewal.

7.2 In case of any one of these default events listed in the preceding clause, Party A shall have the right to take the following actions:

- (1) To adjust, cancel or terminate the comprehensive credit line hereunder, or to adjust the period and amount of the credit line;
  - (2) To announce immediate maturity of all or part of the credit under this line; to ask Party B to repay part or all the credit principal, interest and expenses immediately, and pay default interest for the total credit principal released at the default interest rate from the date of occurrence of the default event until Party B pays off the total credit principal;  
Expenses shall include but not be limited to the attorney fee, legal cost, arbitration fee, traveling expenses, announcement cost, service fee, execution fee, transfer fee and other relevant expenses of Party A for realizing its creditor's rights.
  - (3) To ask Party B to pay in full the cash deposit for paying undue acceptance, L/G, L/C or other credit business;
  - (4) To ask Party B to provide new guarantee measures accepted by Party A;
  - (5) To make deduction directly from the account of Party B's guarantor to repay all the debts under this Contract and the specific business contract (including the debts Party A requests for prepayment), without obtaining Party B's consent in advance;
  - (6) To exercise the guarantee right, ask the guarantor to perform guarantee liability, or realize creditor's rights through disposal of the mortgaged property and/or pledged property;
  - (7) Party A claims Party B's debtor for the right of subrogation or appeal to the court to revoke Party B's waiving of the creditor's right due or Party B's transfer of property free of charge or at an obviously unreasonable low price. Party B shall provide all necessary coordination and assistance according to Party A's requirements, and all the costs and expenses caused to Party A arising therefrom shall be borne by Party B;
  - (8) Other remedial measures prescribed by laws and regulations and specified in the Contract.
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## Article 8 Other Provisions

1. During the period of credit granted by Party A, Party B and the guarantor shall not make profit distribution.2. The amount undertake / coverage the business of pf20151112000099 (no:pingvinshenxinzhongzi20151210NO.001)

## Article 9 Supplementary Provisions

9.1 ( ) Both Parties agree to handle compulsory enforcement notarization for this Contract.

If Party B fails to completely pr partly perform the obligations specified herein when compulsory enforcement notarization is handled by both Parties for this Contract, Party A shall have the right to apply the original notary public for an enforcement certificate, and apply the competent people's court (the people's court at the location where the person subject to enforcement lives or where the property of the person subject to enforcement is located) for enforcement holding the original notarial certificate and the enforcement certificate.

(√) No compulsory enforcement notarization shall be handled for this Contract.

9.2 The application for single credit, credit contract, IOU and credit vouchers related hereto, other relevant documents and materials confirmed by both Parties, and the commitment letter and declaration issued by Party B unilaterally to Party A shall be deemed as an integral part of this Contract and shall have the same equal legal force as this Contract.

9.3 Party B authorizes Party A to inquire Party B's credit standing including information about social insurance from the credit information database of the People's Bank of China, the credit database established upon approval by the competent credit investigation authorities, or relevant institutions, departments and individuals. The credit report acquired through inquiry may be used only within the scope prescribed by the interim measures for administration of credit information database issued by the People's Bank of China and other relevant laws and regulations. As agreed by Party B, Party A may provide Party B's credit information for the credit information database of the People's Bank of China and the credit database established upon approval by the competent credit investigation authorities.

9.4 Please confirm the options with √ in the brackets before the selected items.

9.5 Any and all disputes arising from the execution of the Contract shall be settled by both Parties through consultation. Where consultation fails, the following (2) shall be adopted for dispute settlement:

(1) To apply \_\_\_\_\_ for arbitration in accordance with the current arbitration rules of the commission. The award of the arbitration shall be final and binding upon both Parties.

(2) To initiate a lawsuit in the people's court at the location where Party A is located;

(3) To initiate a lawsuit in the people's court.

9.6 This Contract shall be governed by the laws of the People's Republic of China.

9.7 This Contract shall come into force upon the signature of all the parties hereto (signed or sealed by the authorized signatories and affixed with official seal). If Party B does not use the line within three months as of the date of effectiveness of this Contract, Party A shall have the right to cancel this Contract unilaterally.

9.8 This Contract shall be made out in 3 originals for Party A holding two and Party B, ( ) the guarantor and ( ) the registration authority each holding one.

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Party B hereby represents that it has fully understood all the terms and conditions of this Contract (especially the bold fonts), and the clauses of the related guarantee contract and other relevant documents and has taken independent legal consultation (where necessary).

Party A (Seal): *PINGAN BANK CO., LTD.*

*SHENZHEN BRANCH:*

Legal Representative (Principal) or Authorized Agent (Signature): Guiping Yao

Party B (Seal) *SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD.:*

Legal Representative or Authorized Agent: /s/ Dangyu Pan

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**Maximum Guarantee Contract**

Contract No.: Pingyin(Shenzhen) Zongzi A250201701030001(ebao003)

Party A (Creditor): PINGAN BANK CO., LTD. SHENZHEN BRANCH

Address: NO1099 Shennanzhonglu Road, Shenzhen

Tel.: 23480048 Fax: 23480054

Principal: Guiping Yao Position: President

Party B (Guarantor): Dangyu Pan

Certificate Type \*:ID Certificate No. \*:

(The contents expressed with “\*” may not be written if Party B is an unit)

Address: \_\_\_\_\_

Tel.: \_\_\_\_\_

Fax: \_\_\_\_\_

Legal Representative \*\*: \_\_\_\_\_

Position \*\*: \_\_\_\_\_

(The contents expressed with “\*\*” may not be written if Party B is an individual)

Whereas Party B is willing to act as the Guarantor of Party A and provide Party A with maximum joint liability guarantee in order to ensure the execution of the contract between Party A and SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. (hereinafter referred to as the Debtor), IN WITNESS WHEREOF, Party A and Party B hereby agree to conclude and sign this Contract upon consensus through consultation between both Parties. Both Parties shall abide by the following terms and conditions.

**Article 1 Guarantee and Guarantee Liability**

1.1 Scope of guarantee

The scope of guarantee hereunder is as follows (expressed with “√” in front of the option):

The principal, interest, compound interest and default interest of all the debts (including contingent debts), and the expenses for realizing the creditor’s rights which shall be borne by the Debtor under the Comprehensive Credit Line Contract of pingyin(Shenzhen)zongzi A250201701030001(ebao002) (hereinafter referred to as “the Main Contract”). The maximum principal (balance) of the debts shall be (converted into) RMB (currency) (in words) seventy million Yuan only.

(Converted into) (currency) (in words) of the principal of all the debts (including contingent debts) (converted into) (currency) (in words) , and the corresponding interest, compound interest and default interest, and the expenses for realizing the creditor’s rights which shall be borne by the Debtor under the Contract of PY No. (hereinafter referred to as “the Main Contract”). **Party A shall have the right to ask Party B to bear guarantee liability for the debt balance within the aforesaid scope of guarantee as long as the debts under the Main Contract are not fully repaid.**

Performance of the debts under all the credit line contracts and specific credit business contracts (hereinafter referred to as “the Main Contract”) concluded and signed by and between the Debtor and Party A dated from YYYY MM DD to YYYY MM DD. The date of signature of the Main Contract shall be within this period and the execution period of the Main Contract is not limited to this period. The scope of Party B’s maximum guarantee shall include the principal, interest, compound interest and default interest of all the debts (including contingent debts), and the expenses for realizing the creditor’s rights which shall be borne by the Debtor under the Main Contract. The maximum principal (balance) of the said debts shall be (converted into) (currency) (in words) .

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( ) The principal of the debts not fully repaid by the Debtor (converted into) (currency) (in words) , and the interest, compound interest and default interest thereof, and the expenses for realizing the creditor's rights under the Contract of PY No. (hereinafter referred to as "the Main Contract").

( )

**Interest, default interest and compound interest shall be calculated according to the stipulations of the Main Contract until the debts are fully repaid. The expenses for realizing the creditor's rights shall include but not be limited to announcement cost, delivery fee, appraisal fee, attorney fee, legal cost, traveling expenses, evaluation fee, auction fee, property preservation cost and enforcement fee.**

The exchange rate of currencies other than RMB shall be converted according to the foreign exchange rate published by Party A when the specific business occurs.

1.2 Guarantee period of this Contract:

(√) The guarantee period hereunder shall be from the date of effectiveness of this Contract to two years after the expiration of the debt performance term specified in the Main Contract. The guarantee period of each specific credit business shall be calculated separately. In case of extension of any specific credit, the guarantee period shall be extended to two years after the expiration of the extended term.

( ) The guarantee period hereunder shall be from the date of release of the loan under the Main Contract to the date when handles and completes the procedures for real estate mortgage registration taking Party A as the mortgagee and the relevant ownership certificates are submitted to Party A.

( ) The guarantee period hereunder shall be from the date of effectiveness of this Contract to \_\_\_\_\_

( )

If Party A transfers its creditor's rights to a third person by law during the guarantee period, Party B hereby agrees to bear guarantee liability within the original scope of guarantee.

**1.3 If the Debtor transfers its credit line granted by Party A to a third party to use, Party B hereby agrees to bear guarantee liability for the transferred part according to the stipulations of this Contract.** The specific credit-transferred object and amount are as follows:

1. \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_\_(currency) (in words) ;

2. \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_\_(currency) (in words) ;

3. \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_\_(currency) (in words) ;

4.

**1.4 Party B shall bear guarantee liability hereunder independently. Party A shall have the priority to ask Party B to bear guarantee liability no matter whether there is any security or guarantee provided by the guarantor (including the debtor of the Main Contract). If Party A waives the guarantee right for the guaranteed property (including the guaranteed property provided by the Debtor) or for other guarantors, Party B shall also take full guarantee liability according to the stipulations of this Contract.**

1.5 This Contract is an irrevocable contract.

1.6 The validity of this Contract is independent from the Main Contract. In case of invalidity of the Main Contract or any clause of the Main Contract, this Contract shall remain in force.

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## **Article 2 Performance of Guarantee Liability**

2.1 If the Debtor fails to perform any matured debt (including matured in advance, same below) under the Main Contract, Party B ensures to repay the debt unconditionally after the receiving of a written payment notice from Party A. Any document about the Debtor's failure to perform any matured debt given by Party A shall be deemed as a written payment notice that Party A asks Party B to make payment.

2.2 **Party B hereby irrevocably authorizes Party A to deduct the principal and interest of the Debtor's matured debt and related expenses directly from any and all accounts opened by Party B in any banking branch of Pingan Bank. Party A shall notify Party B in writing after this deduction and shall have the right to continuously claim Party B for the insufficient part.** If the amount deducted is not enough to repay all the matured debts and the Debtor delays for less than 90 days (including 90 days), the repayment priority of principal and interest is as follows: (1) expenses; (2) interest (including default interest and compound interest); (3) principal. If the Debtor delays for more than 90 days, the repayment priority of the principal and interest of the advance payment is as follows: (1) expenses; (2) principal; (3) interest (including default interest and compound interest).

## **Article 3 Guarantor's Warranties and Commitments**

3.1 Party B has completed all the authorizations and approvals necessary for the signature of this Contract. This Contract is the presentation of Party B's true meaning and may not result in violation of any agreement or commitment concluded with any a third party. When this Contract is concluded and signed, Party B has not violate any law, regulation and rule for environmental protection, energy conservation and emission reduction, and pollution reduction, and Party B promises to strictly abide by such laws, regulations and rules after the conclusion of this Contract.

3.2 Party B is not involved in any litigation, arbitration, execution, appeal and reconsideration procedure and other incident or case which may have major adverse impact on the execution of this Contract, unless otherwise Party B notified Party A in wiring prior to the conclusion of this Contract.

3.3 The following provisions are applicable if Party B is a legal person:

3.3.1 Party B is a company with good reputation duly established and validly existing within the jurisdiction of the location where it is located. Party B has all corporate rights and has obtained the government license and approval for conducting its current business.

3.3.2 Party B shall, within the time limit requested by Party A, provide its financial statements, number of all opening accounts, loan balance and other relevant materials requested by Party A. Party B shall ensure the genuine, completeness and objectivity of all the documents and materials provided, which shall have no false record, misleading representation or material misstatement. The financial statements shall be prepared strictly in accordance with the Accounting Standards of China.

3.4 The following provisions are applicable if Party B is an individual:

3.4.1 Party B has provided his personal and family incomes and properties, and other relevant materials required by Party A, and Party B warrants the genuine, completeness and accuracy of the documents and materials that Party B has provided.

3.4.2 Party B warrants coordinating Party A to supervise and inspect the incomes and credit conditions of Party B. If Party A thinks the loan guarantee conditions worsened during the execution period of this Contract, Party B shall provide other guarantee measures accepted by Party A.

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#### **Article 4 Guarantor's Rights and Obligations**

4.1 Party B shall have the right to ask Party A to bear confidentiality obligation for the materials provided by Party B, except otherwise prescribed by laws and regulations, or specified by a regulatory authority or by both Parties, or non-confidential information provided by Party B.

**4.2 Party B has carefully read the Main Contract and confirmed all the clauses of the Main Contract. Party B may not confirm the single credit contract or IOU or other credit business voucher under the Main Contract which does not exceed the specification of the Main Contract.**

**Party A and the Debtor may not obtain Party B's consent for change of the Main Contract. Party B shall continuously bear joint guarantee liability for the Main Contract after change. However, if the principal of the debit is increased and the loan term is extended without Party B's written consent, Party B shall continuously bear guarantee liability according to the amount and term originally specified in the Main Contract.**

4.3 Party B shall accept and ensure to coordinate Party A to supervise and inspection Party B's management situations and guarantee capacity. Party B shall allow Party A to enter Party B's business site for inspecting Party B's assets, financial status and management situations.

4.4 ( ) In case of transfer of major property rights, system change or transfer of claims and debts occurring to Party B, Party B shall notify Party A of the relevant issues in advance and obtain Party A's written consent prior to such change.

( ) If Party B has any one of the following circumstances, it shall notify Party A thirty days in advance. If Party A thinks it will cause significant impact on the performance of the Contract, Party B shall obtain Party A's written consent in advance:

(1) material change to Party B's operating system, equity structure, property organizational form and primary business, including but not limited to implementation of contracting, lease, joint operation, reform of shareholding system, merger, acquisition, joint venture (cooperation), division, establishment of a subsidiary, trusteeship (takeover), sales of enterprise, transfer of property rights and reduction of capital, etc.;

(2) disposal of important assets, of which the value exceeds 10% of the net assets, by selling, gifting, lending, transferring, mortgaging (pledging) or other means;

(3) its dividends exceed 30% of the net profits after tax of the current year or exceed 20% of the total undistributed profits;

(4) it adds external investment of over 20% of its net assets after the Contract becomes valid;

(5) it changes the debt clauses with other bank and pay off other long-term debt in advance;

(6) Party B repays its shareholder debt; or

(7) it applies other bank for a credit line, or provides a third party with security, or reduces or exempts a third party's debt, with the debt amount concerned exceeding 20% of its net assets.

**4.5 Party B shall notify Party A within seven working days as of the date of occurrence or possible occurrence of the following matters, and Party A shall have the right to decide whether to request Party B and the Debtor to add guaranty or directly take back all the loans as the case may be:**

(1) business or financial status is worsened;

(2) Party B is highly fined by a competent authority or is involved in major legal dispute;

(3) Party B, its shareholder, its legal representative or key manager is involved in an important case, or Party B's main asset goes under property preservation or other compulsory measures; or there is any other incident which causes Party B's legal representative or key manager impossible to perform his duties normally;

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- (4) Party B provides a third party with guarantee, causing significant adverse impact on its financial condition or on the performance of its obligations under this Contract;
  - (5) Party B goes into winding-up, ceasing of its operation for reorganization, dissolution, closedown or bankruptcy, or its business license is revoked;
  - (6) its economic conditions become bad, such as unemployment, unit bankruptcy, or major loss of personal property, major adverse change of personal physical health, divorce with spouse, and other matters which may affect Party B's capacity to perform this Contract; or
  - (7) any other important event or default event which may affect the business activities of Party B and the loan safety of Party A.
- 4.6 If Party B changes its domicile, mailing address, telephone number, business scope, legal representative (work unit) or other relevant items, it shall notify Party A in writing within seven working days after the change. In the event that Party B fails to perform the said notification obligation, the notices and documents given by Party A according to the original mailing address shall be deemed to have been served.
- 4.7 ( ) Party B shall keep reasonable financial ratios within the loan term.
- ( ) The financial indicators shall reach the following standard within the loan term:

#### **Article 5 Breach of Contract**

**5.1 Any one of the following cases shall be deemed as a default event referred to herein:**

- (1) Party B fails to perform the compensative liability on time and in full;
- (2) Party B violates some of its warranties and commitments or has any other behavior not performing the obligations hereunder;
- (3) Party B transfers its property or draws out capital;
- (4) Party B has breach of contract under other contracts signed and concluded with Party A or any other banks; or
- (5) there is any major adverse change of Party B's business and financial status.

**5.2 In case of any one of these default events listed in the preceding clause, Party A shall have the right to take the following actions:**

- (1) To ask Party B to perform the compensative liability immediately;
- (2) To ask Party B to provide new guarantee measures accepted by Party A;
- (3) Party A claims Party B's debtor for the right of subrogation or appeal to the court to revoke Party B's waiving of the creditor's right due or Party B's transfer of property free of charge or at an obviously unreasonable low price. Party B shall provide all necessary coordination and assistance according to Party A's requirements, and all the costs and expenses caused to Party A arising therefrom shall be borne by Party B; or
- (3) Other remedial measures prescribed by laws and regulations.

#### **Article 6 Other Provisions**

( ) The *Bank Enterprise Guarantee Business Cooperation Agreement* (hereinafter referred to as the Agreement) concluded and signed by and between Party A and Party B is a fundamental legal document for standardizing the relation of rights and obligations between both Parties. In case of any discrepancy between this Contract and the Agreement, the Agreement shall prevail.

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### Chapter 7 Supplementary Provisions

7.1 ( ) Both Parties agree to handle compulsory enforcement notarization for this Contract.

If Party B fails to completely or partly perform the obligations specified herein when compulsory enforcement notarization is handled by both Parties for this Contract, Party A shall have the right to apply the original notary public for an enforcement certificate, and apply the competent people's court (the people's court at the location where the person subject to enforcement lives or where the property of the person subject to enforcement is located) for enforcement holding the original notarial certificate and the enforcement certificate.

(√) No compulsory enforcement notarization shall be handled for this Contract.

7.2 Party B authorizes Party A to inquire Party B's credit standing including information about social insurance from the credit information database of the People's Bank of China, the credit database established upon approval by the competent credit investigation authorities, or relevant institutions, departments and individuals. The credit report acquired through inquiry may be used only within the scope prescribed by the interim measures for administration of credit information database issued by the People's Bank of China and other relevant laws and regulations. As agreed by Party B, Party A may provide Party B's credit information for the credit information database of the People's Bank of China and the credit database established upon approval by the competent credit investigation authorities.

7.3 Please confirm the options with √ in the brackets before the selected items.

7.4 Any and all disputes arising from the execution of the Contract shall be settled by both Parties through consultation. Where consultation fails, the following (2) shall be adopted for dispute settlement:

(1) To apply \_\_\_\_\_/\_\_\_\_\_ for arbitration in accordance with the current arbitration rules of the commission. The award of the arbitration shall be final and binding upon both Parties.

(2) To initiate a lawsuit in the people's court at the location where Party A is located;

(3) To initiate a lawsuit in the people's court of \_\_\_\_\_/\_\_\_\_\_.

7.5 This Contract shall be governed by the laws of the People's Republic of China.

7.6 This Contract shall come into force upon the signature of all the parties hereto (if one party is a natural person, the Contract shall be signed by the party; if one party is a legal person or other organization, the Contract shall be signed or sealed by the authorized signatory and affixed with the official seal).

7.7 This Contract shall be made out in three originals for Party A holding two and Party B, ( ) the Debtor and ( ) the registration authority each holding one.

Unit Seal of Party A: *PINGAN BANK CO., LTD. SHENZHEN BRANCH:*

Signature of Legal Representative or Authorized Agent: Guiping Yao

Seal of Party B (if an unit):

Signature of Legal Representative or Authorized Agent:

Signature of Party B (if an individual) In person: Dangyu Pan

or Authorized Agent:

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**Maximum Guarantee Contract**

Contract No.: Pingyin(Shenzhen) Zongzi A250201701030001(ebao002)

Party A (Creditor): PINGAN BANK CO., LTD. SHENZHEN BRANCHAddress: NO1099 Shennanzhonglu road, ShenzhenTel.: 23480048 Fax: 23480054Principal: Guiping Yao Position: President

Party B (Guarantor): HUIZHOU HIGHPOWER TECHNOLOGY COMPANY LIMITED

Certificate Type \*: Certificate No. \*:

(The contents expressed with "\*" may not be written if Party B is an unit)

Address:

Tel.: \_\_\_\_\_

Fax: \_\_\_\_\_

Legal Representative \*\*: Dangyu Pan

Position \*\*: President

(The contents expressed with "\*" may not be written if Party B is an individual)

Whereas Party B is willing to act as the Guarantor of Party A and provide Party A with maximum joint liability guarantee in order to ensure the execution of the contract between Party A and SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. (hereinafter referred to as the Debtor), IN WITNESS WHEREOF, Party A and Party B hereby agree to conclude and sign this Contract upon consensus through consultation between both Parties. Both Parties shall abide by the following terms and conditions.

**Article 1 Guarantee and Guarantee Liability****1.1 Scope of guarantee**

The scope of guarantee hereunder is as follows (expressed with "√" in front of the option):

() The principal, interest, compound interest and default interest of all the debts (including contingent debts), and the expenses for realizing the creditor's rights which shall be borne by the Debtor under the Comprehensive Credit Line Contract of pingyin(Shenzhen)zongzi A250201701030001 (hereinafter referred to as "the Main Contract"). The maximum principal (balance) of the debts shall be (converted into) RMB (currency) (in words) seventy million Yuan only.

( ) (Converted into) (currency) (in words) of the principal of all the debts (including contingent debts) (converted into) (currency) (in words) , and the corresponding interest, compound interest and default interest, and the expenses for realizing the creditor's rights which shall be borne by the Debtor under the Contract of PY No. (hereinafter referred to as "the Main Contract"). **Party A shall have the right to ask Party B to bear guarantee liability for the debt balance within the aforesaid scope of guarantee as long as the debts under the Main Contract are not fully repaid.**

( ) Performance of the debts under all the credit line contracts and specific credit business contracts (hereinafter referred to as "the Main Contract") concluded and signed by and between the Debtor and Party A dated from YYYY MM DD to YYYY MM DD. The date of signature of the Main Contract shall be within this period and the execution period of the Main Contract is not limited to this period. The scope of Party B's maximum guarantee shall include the principal, interest, compound interest and default interest of all the debts (including contingent debts), and the expenses for realizing the creditor's rights which shall be borne by the Debtor under the Main Contract. The maximum principal (balance) of the said debts shall be (converted into) (currency) (in words) .

( ) The principal of the debts not fully repaid by the Debtor (converted into) (currency) (in words) , and the interest, compound interest and default interest thereof, and the expenses for realizing the creditor's rights under the Contract of PY No. (hereinafter referred to as "the Main Contract").

( )

**Interest, default interest and compound interest shall be calculated according to the stipulations of the Main Contract until the debts are fully repaid. The expenses for realizing the creditor's rights shall include but not be limited to announcement cost, delivery fee, appraisal fee, attorney fee, legal cost, traveling expenses, evaluation fee, auction fee, property preservation cost and enforcement fee.**

The exchange rate of currencies other than RMB shall be converted according to the foreign exchange rate published by Party A when the specific business occurs.

1.2 Guarantee period of this Contract:

(√) The guarantee period hereunder shall be from the date of effectiveness of this Contract to two years after the expiration of the debt performance term specified in the Main Contract. The guarantee period of each specific credit business shall be calculated separately. In case of extension of any specific credit, the guarantee period shall be extended to two years after the expiration of the extended term.

( ) The guarantee period hereunder shall be from the date of release of the loan under the Main Contract to the date when handles and completes the procedures for real estate mortgage registration taking Party A as the mortgagee and the relevant ownership certificates are submitted to Party A.

( ) The guarantee period hereunder shall be from the date of effectiveness of this Contract to \_\_\_\_\_

( )

If Party A transfers its creditor's rights to a third person by law during the guarantee period, Party B hereby agrees to bear guarantee liability within the original scope of guarantee.

**1.3 If the Debtor transfers its credit line granted by Party A to a third party to use, Party B hereby agrees to bear guarantee liability for the transferred part according to the stipulations of this Contract.** The specific credit-transferred object and amount are as follows:

1. \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_\_(currency) (in words) ;

2. \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_\_(currency) (in words) ;

3. \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_\_(currency) (in words) ;

4.

**1.4 Party B shall bear guarantee liability hereunder independently. Party A shall have the priority to ask Party B to bear guarantee liability no matter whether there is any security or guarantee provided by the guarantor (including the debtor of the Main Contract). If Party A waives the guarantee right for the guaranteed property (including the guaranteed property provided by the Debtor) or for other guarantors, Party B shall also take full guarantee liability according to the stipulations of this Contract.**

**1.5 This Contract is an irrevocable contract.**

**1.6 The validity of this Contract is independent from the Main Contract. In case of invalidity of the Main Contract or any clause of the Main Contract, this Contract shall remain in force.**

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## **Article 2 Performance of Guarantee Liability**

2.1 If the Debtor fails to perform any matured debt (including matured in advance, same below) under the Main Contract, Party B ensures to repay the debt unconditionally after the receiving of a written payment notice from Party A. Any document about the Debtor's failure to perform any matured debt given by Party A shall be deemed as a written payment notice that Party A asks Party B to make payment.

2.2 **Party B hereby irrevocably authorizes Party A to deduct the principal and interest of the Debtor's matured debt and related expenses directly from any and all accounts opened by Party B in any banking branch of Pingan Bank. Party A shall notify Party B in writing after this deduction and shall have the right to continuously claim Party B for the insufficient part.** If the amount deducted is not enough to repay all the matured debts and the Debtor delays for less than 90 days (including 90 days), the repayment priority of principal and interest is as follows: (1) expenses; (2) interest (including default interest and compound interest); (3) principal. If the Debtor delays for more than 90 days, the repayment priority of the principal and interest of the advance payment is as follows: (1) expenses; (2) principal; (3) interest (including default interest and compound interest).

## **Article 3 Guarantor's Warranties and Commitments**

3.1 Party B has completed all the authorizations and approvals necessary for the signature of this Contract. This Contract is the presentation of Party B's true meaning and may not result in violation of any agreement or commitment concluded with any a third party. When this Contract is concluded and signed, Party B has not violate any law, regulation and rule for environmental protection, energy conservation and emission reduction, and pollution reduction, and Party B promises to strictly abide by such laws, regulations and rules after the conclusion of this Contract.

3.2 Party B is not involved in any litigation, arbitration, execution, appeal and reconsideration procedure and other incident or case which may have major adverse impact on the execution of this Contract, unless otherwise Party B notified Party A in wiring prior to the conclusion of this Contract.

3.3 The following provisions are applicable if Party B is a legal person:

3.3.1 Party B is a company with good reputation duly established and validly existing within the jurisdiction of the location where it is located. Party B has all corporate rights and has obtained the government license and approval for conducting its current business.

3.3.2 Party B shall, within the time limit requested by Party A, provide its financial statements, number of all opening accounts, loan balance and other relevant materials requested by Party A. Party B shall ensure the genuine, completeness and objectivity of all the documents and materials provided, which shall have no false record, misleading representation or material misstatement. The financial statements shall be prepared strictly in accordance with the Accounting Standards of China.

3.4 The following provisions are applicable if Party B is an individual:

3.4.1 Party B has provided his personal and family incomes and properties, and other relevant materials required by Party A, and Party B warrants the genuine, completeness and accuracy of the documents and materials that Party B has provided.

3.4.2 Party B warrants coordinating Party A to supervise and inspect the incomes and credit conditions of Party B. If Party A thinks the loan guarantee conditions worsened during the execution period of this Contract, Party B shall provide other guarantee measures accepted by Party A.

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#### Article 4 Guarantor's Rights and Obligations

4.1 Party B shall have the right to ask Party A to bear confidentiality obligation for the materials provided by Party B, except otherwise prescribed by laws and regulations, or specified by a regulatory authority or by both Parties, or non-confidential information provided by Party B.

**4.2 Party B has carefully read the Main Contract and confirmed all the clauses of the Main Contract. Party B may not confirm the single credit contract or IOU or other credit business voucher under the Main Contract which does not exceed the specification of the Main Contract.**

**Party A and the Debtor may not obtain Party B's consent for change of the Main Contract. Party B shall continuously bear joint guarantee liability for the Main Contract after change. However, if the principal of the debit is increased and the loan term is extended without Party B's written consent, Party B shall continuously bear guarantee liability according to the amount and term originally specified in the Main Contract.**

4.3 Party B shall accept and ensure to coordinate Party A to supervise and inspection Party B's management situations and guarantee capacity. Party B shall allow Party A to enter Party B's business site for inspecting Party B's assets, financial status and management situations.

4.4 ( ) In case of transfer of major property rights, system change or transfer of claims and debts occurring to Party B, Party B shall notify Party A of the relevant issues in advance and obtain Party A's written consent prior to such change.

( ) If Party B has any one of the following circumstances, it shall notify Party A thirty days in advance. If Party A thinks it will cause significant impact on the performance of the Contract, Party B shall obtain Party A's written consent in advance:

(1) material change to Party B's operating system, equity structure, property organizational form and primary business, including but not limited to implementation of contracting, lease, joint operation, reform of shareholding system, merger, acquisition, joint venture (cooperation), division, establishment of a subsidiary, trusteeship (takeover), sales of enterprise, transfer of property rights and reduction of capital, etc.;

(2) disposal of important assets, of which the value exceeds 10% of the net assets, by selling, gifting, lending, transferring, mortgaging (pledging) or other means;

(3) its dividends exceed 30% of the net profits after tax of the current year or exceed 20% of the total undistributed profits;

(4) it adds external investment of over 20% of its net assets after the Contract becomes valid;

(5) it changes the debt clauses with other bank and pay off other long-term debt in advance;

(6) Party B repays its shareholder debt; or

(7) it applies other bank for a credit line, or provides a third party with security, or reduces or exempts a third party's debt, with the debt amount concerned exceeding 20% of its net assets.

**4.5 Party B shall notify Party A within seven working days as of the date of occurrence or possible occurrence of the following matters, and Party A shall have the right to decide whether to request Party B and the Debtor to add guaranty or directly take back all the loans as the case may be:**

(1) business or financial status is worsened;

(2) Party B is highly fined by a competent authority or is involved in major legal dispute;

(3) Party B, its shareholder, its legal representative or key manager is involved in an important case, or Party B's main asset goes under property preservation or other compulsory measures; or there is any other incident which causes Party B's legal representative or key manager impossible to perform his duties normally;

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- (4) Party B provides a third party with guarantee, causing significant adverse impact on its financial condition or on the performance of its obligations under this Contract;
  - (5) Party B goes into winding-up, ceasing of its operation for reorganization, dissolution, closedown or bankruptcy, or its business license is revoked;
  - (6) its economic conditions become bad, such as unemployment, unit bankruptcy, or major loss of personal property, major adverse change of personal physical health, divorce with spouse, and other matters which may affect Party B's capacity to perform this Contract; or
  - (7) any other important event or default event which may affect the business activities of Party B and the loan safety of Party A.
- 4.6 If Party B changes its domicile, mailing address, telephone number, business scope, legal representative (work unit) or other relevant items, it shall notify Party A in writing within seven working days after the change. In the event that Party B fails to perform the said notification obligation, the notices and documents given by Party A according to the original mailing address shall be deemed to have been served.
- 4.7 ( ) Party B shall keep reasonable financial ratios within the loan term.
- ( ) The financial indicators shall reach the following standard within the loan term:

#### **Article 5 Breach of Contract**

**5.1 Any one of the following cases shall be deemed as a default event referred to herein:**

- (1) Party B fails to perform the compensative liability on time and in full;
- (2) Party B violates some of its warranties and commitments or has any other behavior not performing the obligations hereunder;
- (3) Party B transfers its property or draws out capital;
- (4) Party B has breach of contract under other contracts signed and concluded with Party A or any other banks; or
- (5) there is any major adverse change of Party B's business and financial status.

**5.2 In case of any one of these default events listed in the preceding clause, Party A shall have the right to take the following actions:**

- (1) To ask Party B to perform the compensative liability immediately;
- (2) To ask Party B to provide new guarantee measures accepted by Party A;
- (3) Party A claims Party B's debtor for the right of subrogation or appeal to the court to revoke Party B's waiving of the creditor's right due or Party B's transfer of property free of charge or at an obviously unreasonable low price. Party B shall provide all necessary coordination and assistance according to Party A's requirements, and all the costs and expenses caused to Party A arising therefrom shall be borne by Party B; or
- (3) Other remedial measures prescribed by laws and regulations.

#### **Article 6 Other Provisions**

( ) The *Bank Enterprise Guarantee Business Cooperation Agreement* (hereinafter referred to as the Agreement) concluded and signed by and between Party A and Party B is a fundamental legal document for standardizing the relation of rights and obligations between both Parties. In case of any discrepancy between this Contract and the Agreement, the Agreement shall prevail.

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### Chapter 7 Supplementary Provisions

7.1 ( ) Both Parties agree to handle compulsory enforcement notarization for this Contract.

If Party B fails to completely or partly perform the obligations specified herein when compulsory enforcement notarization is handled by both Parties for this Contract, Party A shall have the right to apply the original notary public for an enforcement certificate, and apply the competent people's court (the people's court at the location where the person subject to enforcement lives or where the property of the person subject to enforcement is located) for enforcement holding the original notarial certificate and the enforcement certificate.

(√) No compulsory enforcement notarization shall be handled for this Contract.

7.2 Party B authorizes Party A to inquire Party B's credit standing including information about social insurance from the credit information database of the People's Bank of China, the credit database established upon approval by the competent credit investigation authorities, or relevant institutions, departments and individuals. The credit report acquired through inquiry may be used only within the scope prescribed by the interim measures for administration of credit information database issued by the People's Bank of China and other relevant laws and regulations. As agreed by Party B, Party A may provide Party B's credit information for the credit information database of the People's Bank of China and the credit database established upon approval by the competent credit investigation authorities.

7.3 Please confirm the options with √ in the brackets before the selected items.

7.4 Any and all disputes arising from the execution of the Contract shall be settled by both Parties through consultation. Where consultation fails, the following (2) shall be adopted for dispute settlement:

(1) To apply \_\_\_\_\_/\_\_\_\_\_ for arbitration in accordance with the current arbitration rules of the commission. The award of the arbitration shall be final and binding upon both Parties.

(2) To initiate a lawsuit in the people's court at the location where Party A is located;

(3) To initiate a lawsuit in the people's court of \_\_\_\_\_/\_\_\_\_\_.

7.5 This Contract shall be governed by the laws of the People's Republic of China.

7.6 This Contract shall come into force upon the signature of all the parties hereto (if one party is a natural person, the Contract shall be signed by the party; if one party is a legal person or other organization, the Contract shall be signed or sealed by the authorized signatory and affixed with the official seal).

7.7 This Contract shall be made out in three originals for Party A holding two and Party B, ( ) the Debtor and ( ) the registration authority each holding one.

Unit Seal of Party A:

Signature of Legal Representative or Authorized Agent:

Seal of Party B (if an unit):

Signature of Legal Representative or Authorized Agent:

Signature of Party B (if an individual) In person:

or Authorized Agent:

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**Maximum Guarantee Contract**

Contract No.: Pingyin(Shenzhen) Zongzi A250201701030001(ebao001)

Party A (Creditor): PINGAN BANK CO., LTD. SHENZHEN BRANCHAddress: NO1099 Shennanzhonglu Road, ShenzhenTel.: 23480048 Fax: 23480054Principal: Guiping Yao Position: President

Party B (Guarantor): SPRINGPOWER TECHNOLOGY (SHENZHEN) COMPANY LIMITED

Certificate Type \*: Certificate No. \*:

(The contents expressed with "\*" may not be written if Party B is an unit)

Address: Building A, Chaoshun Industrial Zone, Renmin Road, Guanlan

Tel.: \_\_\_\_\_ Fax: \_\_\_\_\_

Legal Representative \*\*: Danguy Pan Position \*\*: President

(The contents expressed with "\*" may not be written if Party B is an individual)

Whereas Party B is willing to act as the Guarantor of Party A and provide Party A with maximum joint liability guarantee in order to ensure the execution of the contract between Party A and SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. (hereinafter referred to as the Debtor), IN WITNESS WHEREOF, Party A and Party B hereby agree to conclude and sign this Contract upon consensus through consultation between both Parties. Both Parties shall abide by the following terms and conditions.

**Article 1 Guarantee and Guarantee Liability****1.1 Scope of guarantee**

The scope of guarantee hereunder is as follows (expressed with "√" in front of the option):

() The principal, interest, compound interest and default interest of all the debts (including contingent debts), and the expenses for realizing the creditor's rights which shall be borne by the Debtor under the Comprehensive Credit Line Contract of pingyin(Shenzhen)zongzi A250201701030001 (hereinafter referred to as "the Main Contract"). The maximum principal (balance) of the debts shall be (converted into) RMB (currency) (in words) seventy million Yuan only.

(  ) (Converted into) (currency) (in words) of the principal of all the debts (including contingent debts) (converted into) (currency) (in words) , and the corresponding interest, compound interest and default interest, and the expenses for realizing the creditor's rights which shall be borne by the Debtor under the Contract of PY No. (hereinafter referred to as "the Main Contract"). **Party A shall have the right to ask Party B to bear guarantee liability for the debt balance within the aforesaid scope of guarantee as long as the debts under the Main Contract are not fully repaid.**

(  ) Performance of the debts under all the credit line contracts and specific credit business contracts (hereinafter referred to as "the Main Contract") concluded and signed by and between the Debtor and Party A dated from YYYY MM DD to YYYY MM DD. The date of signature of the Main Contract shall be within this period and the execution period of the Main Contract is not limited to this period. The scope of Party B's maximum guarantee shall include the principal, interest, compound interest and default interest of all the debts (including contingent debts), and the expenses for realizing the creditor's rights which shall be borne by the Debtor under the Main Contract. The maximum principal (balance) of the said debts shall be (converted into) (currency) (in words) .

( ) The principal of the debts not fully repaid by the Debtor (converted into) (currency) (in words) , and the interest, compound interest and default interest thereof, and the expenses for realizing the creditor's rights under the Contract of PY No. (hereinafter referred to as "the Main Contract").

( )

**Interest, default interest and compound interest shall be calculated according to the stipulations of the Main Contract until the debts are fully repaid. The expenses for realizing the creditor's rights shall include but not be limited to announcement cost, delivery fee, appraisal fee, attorney fee, legal cost, traveling expenses, evaluation fee, auction fee, property preservation cost and enforcement fee.**

The exchange rate of currencies other than RMB shall be converted according to the foreign exchange rate published by Party A when the specific business occurs.

1.2 Guarantee period of this Contract:

(√) The guarantee period hereunder shall be from the date of effectiveness of this Contract to two years after the expiration of the debt performance term specified in the Main Contract. The guarantee period of each specific credit business shall be calculated separately. In case of extension of any specific credit, the guarantee period shall be extended to two years after the expiration of the extended term.

( ) The guarantee period hereunder shall be from the date of release of the loan under the Main Contract to the date when handles and completes the procedures for real estate mortgage registration taking Party A as the mortgagee and the relevant ownership certificates are submitted to Party A.

( ) The guarantee period hereunder shall be from the date of effectiveness of this Contract to \_\_\_\_\_

( )

If Party A transfers its creditor's rights to a third person by law during the guarantee period, Party B hereby agrees to bear guarantee liability within the original scope of guarantee.

**1.3 If the Debtor transfers its credit line granted by Party A to a third party to use, Party B hereby agrees to bear guarantee liability for the transferred part according to the stipulations of this Contract.** The specific credit-transferred object and amount are as follows:

1. \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_\_(currency) (in words) ;

2. \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_\_(currency) (in words) ;

3. \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_\_(currency) (in words) ;

4.

**1.4 Party B shall bear guarantee liability hereunder independently. Party A shall have the priority to ask Party B to bear guarantee liability no matter whether there is any security or guarantee provided by the guarantor (including the debtor of the Main Contract). If Party A waives the guarantee right for the guaranteed property (including the guaranteed property provided by the Debtor) or for other guarantors, Party B shall also take full guarantee liability according to the stipulations of this Contract.**

1.5 This Contract is an irrevocable contract.

1.6 The validity of this Contract is independent from the Main Contract. In case of invalidity of the Main Contract or any clause of the Main Contract, this Contract shall remain in force.

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## **Article 2 Performance of Guarantee Liability**

2.1 If the Debtor fails to perform any matured debt (including matured in advance, same below) under the Main Contract, Party B ensures to repay the debt unconditionally after the receiving of a written payment notice from Party A. Any document about the Debtor's failure to perform any matured debt given by Party A shall be deemed as a written payment notice that Party A asks Party B to make payment.

2.2 **Party B hereby irrevocably authorizes Party A to deduct the principal and interest of the Debtor's matured debt and related expenses directly from any and all accounts opened by Party B in any banking branch of Pingan Bank. Party A shall notify Party B in writing after this deduction and shall have the right to continuously claim Party B for the insufficient part.** If the amount deducted is not enough to repay all the matured debts and the Debtor delays for less than 90 days (including 90 days), the repayment priority of principal and interest is as follows: (1) expenses; (2) interest (including default interest and compound interest); (3) principal. If the Debtor delays for more than 90 days, the repayment priority of the principal and interest of the advance payment is as follows: (1) expenses; (2) principal; (3) interest (including default interest and compound interest).

## **Article 3 Guarantor's Warranties and Commitments**

3.1 Party B has completed all the authorizations and approvals necessary for the signature of this Contract. This Contract is the presentation of Party B's true meaning and may not result in violation of any agreement or commitment concluded with any a third party. When this Contract is concluded and signed, Party B has not violate any law, regulation and rule for environmental protection, energy conservation and emission reduction, and pollution reduction, and Party B promises to strictly abide by such laws, regulations and rules after the conclusion of this Contract.

3.2 Party B is not involved in any litigation, arbitration, execution, appeal and reconsideration procedure and other incident or case which may have major adverse impact on the execution of this Contract, unless otherwise Party B notified Party A in wiring prior to the conclusion of this Contract.

3.3 The following provisions are applicable if Party B is a legal person:

3.3.1 Party B is a company with good reputation duly established and validly existing within the jurisdiction of the location where it is located. Party B has all corporate rights and has obtained the government license and approval for conducting its current business.

3.3.2 Party B shall, within the time limit requested by Party A, provide its financial statements, number of all opening accounts, loan balance and other relevant materials requested by Party A. Party B shall ensure the genuine, completeness and objectivity of all the documents and materials provided, which shall have no false record, misleading representation or material misstatement. The financial statements shall be prepared strictly in accordance with the Accounting Standards of China.

3.4 The following provisions are applicable if Party B is an individual:

3.4.1 Party B has provided his personal and family incomes and properties, and other relevant materials required by Party A, and Party B warrants the genuine, completeness and accuracy of the documents and materials that Party B has provided.

3.4.2 Party B warrants coordinating Party A to supervise and inspect the incomes and credit conditions of Party B. If Party A thinks the loan guarantee conditions worsened during the execution period of this Contract, Party B shall provide other guarantee measures accepted by Party A.

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#### **Article 4 Guarantor's Rights and Obligations**

4.1 Party B shall have the right to ask Party A to bear confidentiality obligation for the materials provided by Party B, except otherwise prescribed by laws and regulations, or specified by a regulatory authority or by both Parties, or non-confidential information provided by Party B.

**4.2 Party B has carefully read the Main Contract and confirmed all the clauses of the Main Contract. Party B may not confirm the single credit contract or IOU or other credit business voucher under the Main Contract which does not exceed the specification of the Main Contract.**

**Party A and the Debtor may not obtain Party B's consent for change of the Main Contract. Party B shall continuously bear joint guarantee liability for the Main Contract after change. However, if the principal of the debit is increased and the loan term is extended without Party B's written consent, Party B shall continuously bear guarantee liability according to the amount and term originally specified in the Main Contract.**

4.3 Party B shall accept and ensure to coordinate Party A to supervise and inspection Party B's management situations and guarantee capacity. Party B shall allow Party A to enter Party B's business site for inspecting Party B's assets, financial status and management situations.

4.4 ( ) In case of transfer of major property rights, system change or transfer of claims and debts occurring to Party B, Party B shall notify Party A of the relevant issues in advance and obtain Party A's written consent prior to such change.

( ) If Party B has any one of the following circumstances, it shall notify Party A thirty days in advance. If Party A thinks it will cause significant impact on the performance of the Contract, Party B shall obtain Party A's written consent in advance:

(1) material change to Party B's operating system, equity structure, property organizational form and primary business, including but not limited to implementation of contracting, lease, joint operation, reform of shareholding system, merger, acquisition, joint venture (cooperation), division, establishment of a subsidiary, trusteeship (takeover), sales of enterprise, transfer of property rights and reduction of capital, etc.;

(2) disposal of important assets, of which the value exceeds 10% of the net assets, by selling, gifting, lending, transferring, mortgaging (pledging) or other means;

(3) its dividends exceed 30% of the net profits after tax of the current year or exceed 20% of the total undistributed profits;

(4) it adds external investment of over 20% of its net assets after the Contract becomes valid;

(5) it changes the debt clauses with other bank and pay off other long-term debt in advance;

(6) Party B repays its shareholder debt; or

(7) it applies other bank for a credit line, or provides a third party with security, or reduces or exempts a third party's debt, with the debt amount concerned exceeding 20% of its net assets.

**4.5 Party B shall notify Party A within seven working days as of the date of occurrence or possible occurrence of the following matters, and Party A shall have the right to decide whether to request Party B and the Debtor to add guaranty or directly take back all the loans as the case may be:**

(1) business or financial status is worsened;

(2) Party B is highly fined by a competent authority or is involved in major legal dispute;

(3) Party B, its shareholder, its legal representative or key manager is involved in an important case, or Party B's main asset goes under property preservation or other compulsory measures; or there is any other incident which causes Party B's legal representative or key manager impossible to perform his duties normally;

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- (4) Party B provides a third party with guarantee, causing significant adverse impact on its financial condition or on the performance of its obligations under this Contract;
  - (5) Party B goes into winding-up, ceasing of its operation for reorganization, dissolution, closedown or bankruptcy, or its business license is revoked;
  - (6) its economic conditions become bad, such as unemployment, unit bankruptcy, or major loss of personal property, major adverse change of personal physical health, divorce with spouse, and other matters which may affect Party B's capacity to perform this Contract; or
  - (7) any other important event or default event which may affect the business activities of Party B and the loan safety of Party A.
- 4.6 If Party B changes its domicile, mailing address, telephone number, business scope, legal representative (work unit) or other relevant items, it shall notify Party A in writing within seven working days after the change. In the event that Party B fails to perform the said notification obligation, the notices and documents given by Party A according to the original mailing address shall be deemed to have been served.
- 4.7 ( ) Party B shall keep reasonable financial ratios within the loan term.
- ( ) The financial indicators shall reach the following standard within the loan term:

#### **Article 5 Breach of Contract**

**5.1 Any one of the following cases shall be deemed as a default event referred to herein:**

- (1) Party B fails to perform the compensative liability on time and in full;
- (2) Party B violates some of its warranties and commitments or has any other behavior not performing the obligations hereunder;
- (3) Party B transfers its property or draws out capital;
- (4) Party B has breach of contract under other contracts signed and concluded with Party A or any other banks; or
- (5) there is any major adverse change of Party B's business and financial status.

**5.2 In case of any one of these default events listed in the preceding clause, Party A shall have the right to take the following actions:**

- (1) To ask Party B to perform the compensative liability immediately;
- (2) To ask Party B to provide new guarantee measures accepted by Party A;
- (3) Party A claims Party B's debtor for the right of subrogation or appeal to the court to revoke Party B's waiving of the creditor's right due or Party B's transfer of property free of charge or at an obviously unreasonable low price. Party B shall provide all necessary coordination and assistance according to Party A's requirements, and all the costs and expenses caused to Party A arising therefrom shall be borne by Party B; or
- (3) Other remedial measures prescribed by laws and regulations.

#### **Article 6 Other Provisions**

( ) The *Bank Enterprise Guarantee Business Cooperation Agreement* (hereinafter referred to as the Agreement) concluded and signed by and between Party A and Party B is a fundamental legal document for standardizing the relation of rights and obligations between both Parties. In case of any discrepancy between this Contract and the Agreement, the Agreement shall prevail.

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### Chapter 7 Supplementary Provisions

7.1 ( ) Both Parties agree to handle compulsory enforcement notarization for this Contract.

If Party B fails to completely or partly perform the obligations specified herein when compulsory enforcement notarization is handled by both Parties for this Contract, Party A shall have the right to apply the original notary public for an enforcement certificate, and apply the competent people's court (the people's court at the location where the person subject to enforcement lives or where the property of the person subject to enforcement is located) for enforcement holding the original notarial certificate and the enforcement certificate.

(√) No compulsory enforcement notarization shall be handled for this Contract.

7.2 Party B authorizes Party A to inquire Party B's credit standing including information about social insurance from the credit information database of the People's Bank of China, the credit database established upon approval by the competent credit investigation authorities, or relevant institutions, departments and individuals. The credit report acquired through inquiry may be used only within the scope prescribed by the interim measures for administration of credit information database issued by the People's Bank of China and other relevant laws and regulations. As agreed by Party B, Party A may provide Party B's credit information for the credit information database of the People's Bank of China and the credit database established upon approval by the competent credit investigation authorities.

7.3 Please confirm the options with √ in the brackets before the selected items.

7.4 Any and all disputes arising from the execution of the Contract shall be settled by both Parties through consultation. Where consultation fails, the following (2) shall be adopted for dispute settlement:

(1) To apply \_\_\_\_\_/\_\_\_\_\_ for arbitration in accordance with the current arbitration rules of the commission. The award of the arbitration shall be final and binding upon both Parties.

(2) To initiate a lawsuit in the people's court at the location where Party A is located;

(3) To initiate a lawsuit in the people's court of \_\_\_\_\_/\_\_\_\_\_.

7.5 This Contract shall be governed by the laws of the People's Republic of China.

7.6 This Contract shall come into force upon the signature of all the parties hereto (if one party is a natural person, the Contract shall be signed by the party; if one party is a legal person or other organization, the Contract shall be signed or sealed by the authorized signatory and affixed with the official seal).

7.7 This Contract shall be made out in three originals for Party A holding two and Party B, ( ) the Debtor and ( ) the registration authority each holding one.

Unit Seal of Party A:

Signature of Legal Representative or Authorized Agent:

Seal of Party B (if an unit):

Signature of Legal Representative or Authorized Agent:

Signature of Party B (if an individual) In person:

or Authorized Agent:

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

I, Dang Yu Pan, certify that:

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

Date: May 10, 2017

/s/           Dang Yu Pan          

By:           Dang Yu Pan          

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

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**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, Sunny Pan, certify that:

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

Date: May 10, 2017

/s/ Sunny Pan  
Sunny Pan  
Chief Financial Officer  
(Principal Financial Officer)

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

In connection with the quarterly report of Highpower International, Inc. (the "Company") on Form 10-Q for the quarter ending March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

/s/ Dang Yu Pan

Dang Yu Pan  
Chairman of the Board and Chief Executive Officer  
(Principal Executive Officer)  
May 10, 2017

/s/ Sunny Pan

Sunny Pan  
Chief Financial Officer  
(Principal Financial and Accounting Officer)  
May 10, 2017

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