

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

FORM 10-Q

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

For The Quarterly Period Ended June 30, 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 15,358,676 shares of common stock, par value \$0.0001 per share, outstanding as of August 10, 2017.

HIGHPOWER INTERNATIONAL, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED June 30, 2017
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Item 1. Consolidated Financial Statements

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

	<u>June 30,</u> <u>2017</u> <i>(Unaudited)</i>	<u>December 31,</u> <u>2016</u>
	\$	\$
ASSETS		
Current Assets:		
Cash	19,325,657	9,324,393
Restricted cash	15,918,318	11,213,640
Accounts receivable, net	42,737,207	46,280,769
Amount due from Yipeng	2,465,325	7,517,250
Notes receivable	2,192,197	1,093,730
Prepayments and other receivables	10,922,029	6,899,872
Inventories	32,488,267	22,207,333
Total Current Assets	<u>126,049,000</u>	<u>104,536,987</u>
Property, plant and equipment, net	46,167,556	43,504,991
Land use right, net	3,670,645	3,622,435
Other assets	475,000	500,000
Deferred tax assets	1,248,226	1,477,761
Long-term investment	10,540,473	9,689,576
	□	
TOTAL ASSETS	<u>188,150,900</u>	<u>163,331,750</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Current Liabilities:		
Accounts payable	49,132,387	49,463,901
Deferred income	892,154	761,491
Short-term loans	19,329,517	18,776,080
Non-financial institution borrowings	11,804,285	3,741,115
Notes payable	41,373,724	30,658,000
Amount due to Yipeng	62,204	1,522,313
Other payables and accrued liabilities	9,249,029	11,148,556
Income taxes payable	1,782,786	1,963,298
	□	
Total Current Liabilities	<u>133,626,086</u>	<u>118,034,754</u>
Warrant Liability	-	259
	□	
TOTAL LIABILITIES	<u>133,626,086</u>	<u>118,035,013</u>
COMMITMENTS AND CONTINGENCIES	-	-

See notes to condensed consolidated financial statements

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

	<u>June 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
	<i>(Unaudited)</i>	
	\$	\$
EQUITY		
Stockholders' equity		
Preferred stock	-	-
(Par value: \$0.0001, Authorized: 10,000,000 shares, Issued and outstanding: none)		
Common stock		
(Par value: \$0.0001, Authorized: 100,000,000 shares, 15,356,560 shares issued and outstanding at June 30, 2017 and 15,114,991 shares issued and outstanding at December 31, 2016)	1,536	1,511
Additional paid-in capital	12,249,531	11,580,934
Statutory and other reserves	4,992,463	4,992,463
Retained earnings	36,172,954	29,266,068
Accumulated other comprehensive income (loss)	600,641	(873,582)
	<u>54,017,125</u>	<u>44,967,394</u>
Total equity attributable to the stockholders of Highpower International Inc.		
Non-controlling interest	507,689	329,343
	<u>54,524,814</u>	<u>45,296,737</u>
TOTAL EQUITY		
	<u>54,524,814</u>	<u>45,296,737</u>
TOTAL LIABILITIES AND EQUITY		
	<u>188,150,900</u>	<u>163,331,750</u>

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</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Net sales	51,699,930	36,732,310	93,566,778	65,829,365
Cost of sales	(39,628,164)	(29,088,639)	(71,560,178)	(52,308,655)
Gross profit	<u>12,071,766</u>	<u>7,643,671</u>	<u>22,006,600</u>	<u>13,520,710</u>
Research and development expenses	(2,137,286)	(2,035,886)	(3,951,216)	(3,658,769)
Selling and distribution expenses	(1,722,910)	(1,539,395)	(3,361,223)	(3,074,431)
General and administrative expenses	(3,016,401)	(3,248,899)	(6,074,963)	(6,318,613)
Foreign currency transaction (loss) gain	(514,624)	600,313	(828,502)	509,877
Total operating expenses	<u>(7,391,221)</u>	<u>(6,223,867)</u>	<u>(14,215,904)</u>	<u>(12,541,936)</u>
Income from operations	<u>4,680,545</u>	<u>1,419,804</u>	<u>7,790,696</u>	<u>978,774</u>
Changes in fair value of warrant liability	31,811	7,077	259	126,546
Other income	276,365	1,055,947	854,458	1,211,875
Equity in (loss) earnings of investee	(41,607)	-	105,325	-
Gain on dilution in equity method investee	491,325	-	491,325	-
Interest expenses	<u>(380,531)</u>	<u>(435,402)</u>	<u>(983,848)</u>	<u>(710,394)</u>
Income before taxes	5,057,908	2,047,426	8,258,215	1,606,801
Income taxes expenses	<u>(595,708)</u>	<u>(174,313)</u>	<u>(1,183,473)</u>	<u>(209,817)</u>
Net income	<u>4,462,200</u>	<u>1,873,113</u>	<u>7,074,742</u>	<u>1,396,984</u>
Less: net income (loss) attributable to non-controlling interest	<u>90,963</u>	<u>(178,669)</u>	<u>167,856</u>	<u>(312,190)</u>
Net income attributable to the Company	<u><u>4,371,237</u></u>	<u><u>2,051,782</u></u>	<u><u>6,906,886</u></u>	<u><u>1,709,174</u></u>
Comprehensive income (loss)				
Net income	4,462,200	1,873,113	7,074,742	1,396,984
Foreign currency translation gain (loss)	<u>1,508,714</u>	<u>(1,964,424)</u>	<u>1,484,713</u>	<u>(1,714,278)</u>
Comprehensive income (loss)	<u>5,970,914</u>	<u>(91,311)</u>	<u>8,559,455</u>	<u>(317,294)</u>
Less: comprehensive income (loss) attributable to non-controlling interest	<u>98,795</u>	<u>(197,060)</u>	<u>178,346</u>	<u>(325,882)</u>
Comprehensive income attributable to the Company	<u><u>5,872,119</u></u>	<u><u>105,749</u></u>	<u><u>8,381,109</u></u>	<u><u>8,588</u></u>
Earnings per share of common stock attributable to the Company				
- Basic	<u>0.29</u>	<u>0.14</u>	<u>0.45</u>	<u>0.11</u>
- Diluted	<u>0.28</u>	<u>0.14</u>	<u>0.45</u>	<u>0.11</u>
Weighted average number of common stock outstanding				
- Basic	<u>15,317,101</u>	<u>15,101,679</u>	<u>15,218,820</u>	<u>15,101,679</u>
- Diluted	<u>15,479,357</u>	<u>15,102,877</u>	<u>15,304,773</u>	<u>15,103,886</u>

See notes to condensed consolidated financial statements

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

	<i>Six months ended June 30,</i>	
	<u>2017</u>	<u>2016</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$
Cash flows from operating activities		
Net income	7,074,742	1,396,984
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,429,982	2,486,196
Allowance for doubtful accounts	17,994	4,837
Loss on disposal of property, plant and equipment	25,218	95,368
Deferred income tax	263,673	(64,671)
Equity in earnings of investee	(105,325)	-
Gain on dilution in equity method investee	(491,325)	-
Share based compensation	44,815	205,969
Changes in fair value of warrant liability	(259)	(126,546)
Changes in operating assets and liabilities:		
Accounts receivable	4,390,991	3,216,097
Notes receivable	(1,057,366)	1,051,486
Prepayments and other receivables	(3,799,960)	(770,029)
Amount due from Yipeng	5,178,499	(2,187,784)
Amount due to Yipeng	(1,480,335)	774,545
Inventories	(9,595,161)	(1,735,486)
Accounts payable	(494,812)	(2,843,233)
Deferred income	109,892	(75,912)
Other payables and accrued liabilities	(2,145,295)	349,026
Income taxes payable	(227,668)	(499,161)
Net cash flows provided by operating activities	<u>138,300</u>	<u>1,277,686</u>
Cash flows from investing activities		
Acquisitions of plant and equipment	(5,199,130)	(4,415,690)
Proceeds from investment	-	(764,409)
Net cash flows used in investing activities	<u>(5,199,130)</u>	<u>(5,180,099)</u>
Cash flows from financing activities		
Proceeds from short-term loans	2,916,017	1,452,377
Repayment of short-term loans	(2,841,696)	-
Repayment of long-term loans	-	(917,291)
Proceeds from non-financial institution borrowings	10,200,959	4,586,455
Repayment of non-financial institution borrowings	(2,331,648)	-
Proceeds from notes payable	40,861,835	29,485,540
Repayment of notes payable	(31,049,819)	(30,313,965)
Proceeds from exercise of employee options	623,806	-
Change in restricted cash	(4,364,417)	1,531,837
Net cash flows provided by financing activities	<u>14,015,037</u>	<u>5,824,953</u>
Effect of foreign currency translation on cash	<u>1,047,057</u>	<u>(973,532)</u>
Net increase in cash	10,001,264	949,008
Cash - beginning of period	9,324,393	5,849,967
Cash - end of period	<u>19,325,657</u>	<u>6,798,975</u>
Supplemental disclosures for cash flow information:		
Cash paid for:		
Income taxes	1,147,467	773,650
Interest expenses	948,831	710,394
Non-cash transactions		
Offset of deferred income related to government grant and property, plant and equipment	85,571	26,988

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 June 30, 2017, its consolidated results of operations for the three and six months ended June 30, 2017 and cash flows for the six months ended June 30, 2017, as applicable, have been made. Operating results for the three and six months period ended June 30, 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 and six months ended June 30, 2017 and 2016.

No supplier accounted for 10% or more of the total purchase amount during the three and six months ended June 30, 2017 and 2016.

No customer accounted for 10% or more of the accounts receivable as of June 30, 2017 and December 31, 2016.

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

2. Summary of significant accounting policies

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 June 30, 2017, management believes no impairment charge is necessary.

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 oversea sales are priced and settled with US\$. At the date a foreign currency transaction is recognized, each asset, liability, revenue, expense, gain, or loss arising from the transaction is measured initially in the functional currency of the recording entity by use of the exchange rate in effect at that date. The increase or decrease in expected functional currency cash flows upon settlement of a transaction resulting from a change in exchange rates between the functional currency and the currency in which the transaction is denominated is recognized as foreign currency transaction gain or loss that is included in 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 December 31, 2016 with no material difference in the value. The warrants expired on April 17, 2017.

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

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). In 2017, the FASB issued Accounting Standards Update (ASU) 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20), which was originally issued in ASU 2014-09. The amendments in this Update require that an entity to initially measure a retained non-controlling interest in a nonfinancial asset at fair value consistent with a how a retained non-controlling interest in a business is measured.

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 currently anticipates using the modified retrospective method as of January 1, 2018.

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.

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

2. Summary of significant accounting policies (continued)

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.

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.

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

3. Accounts receivable, net

	<i>June 30, 2017</i>	<i>December 31, 2016</i>
	<i>(Unaudited)</i>	
	\$	\$
Accounts receivable	45,925,897	49,460,347
Less: allowance for doubtful accounts	3,188,690	3,179,578
	42,737,207	46,280,769

4. Inventories

	<i>June 30, 2017</i>	<i>December 31, 2016</i>
	<i>(Unaudited)</i>	
	\$	\$
Raw materials	10,902,993	6,492,755
Work in progress	7,923,532	4,878,856
Finished goods	13,386,334	10,608,180
Packing materials	25,857	21,083
Consumables	249,551	206,459
	32,488,267	22,207,333

5. Property, plant and equipment, net

	<i>June 30, 2017</i>	<i>December 31, 2016</i>
	<i>(Unaudited)</i>	
	\$	\$
Cost		
Construction in progress	814,911	715,188
Furniture, fixtures and office equipment	4,615,273	4,025,635
Leasehold improvement	6,458,733	5,865,909
Machinery and equipment	30,313,242	27,526,572
Motor vehicles	1,573,570	1,496,628
Buildings	22,419,779	21,797,158
	66,195,508	61,427,090
Less: accumulated depreciation	20,027,952	17,922,099
	46,167,556	43,504,991

The Company recorded depreciation expenses of \$2,361,482 and \$2,415,561 for the six months ended June 30, 2017 and 2016, respectively, and \$1,121,356 and \$1,194,584 for the three months ended June 30, 2017 and 2016, respectively.

During the six months ended June 30, 2017, the Company deducted deferred income related to government grants of \$86,643 on the carrying amount of property, plant and equipment. 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 June 30, 2017 and December 31, 2016. The real estate properties and buildings in Shenzhen have been pledged as collateral for short-term loans as of June 30, 2017 and December 31, 2016 (Note 9).

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

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 December 31, 2016, the Company has invested an aggregate of RMB65.0 million (approximately \$9.6 million) in exchange for 35.4% of the equity interest of Yipeng, which was recorded under the equity method.

On May 5, 2017, the Company entered into an Agreement for Equity Transfer and Capital Increase ("Equity Transfer Agreement") with a third party, Xiamen Jiupai Yuanjiang New Power Equity Investment Partnership ("New Power"). Pursuant to the terms of the Equity Transfer Agreement, the Company will sell 25,145,834 shares in Yipeng to New Power for RMB71.0 million (the "Consideration", approximately \$10.5 million) in cash and New Power will invest RMB60 million for a 20% equity interest in Yipeng (collectively, the "Transaction"). 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.

On June 8, 2017, Yipeng completed the business registration on equity issuance to New Power for RMB60.0 million. As of June 30, 2017, the Company held 28.32% of the equity interest of Yipeng, which was recorded under the equity method. The Company recognized gain on dilution in equity method investee of \$491,325 for the three months ended June 30, 2017 in connection with the additional equity issuance of Yipeng to New Power. On July 27, 2017, the Company received the Consideration from New Power for the sales of 25,145,834 shares in Yipeng (Note 16).

The equity in loss of investee was \$41,607 for the three months ended June 30, 2017. The equity in earnings of investee was \$105,325 for the six months ended June 30, 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 2016.

SZ Highpower, ICON and GZ Highpower received the NHTE in 2014 and has reapplied for NHTE status in the second quarter of 2017. If SZ Highpower, ICON and GZ Highpower fail to obtain the approval in 2017, SZ Highpower, ICON and GZ Highpower will be subject to income tax at a rate of 25% starting for calendar year 2017.

HZ HTC received NHTE status in 2015 and SZ Springpower received NHTE status in 2016. As a result, HZ HTC and SZ Springpower are entitled to a preferential enterprise income tax rate of 15% for calendar year 2017.

The components of the provision for income taxes expenses are:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Current	456,583	111,867	919,800	274,488
Deferred	139,125	62,446	263,673	(64,671)
Total income tax expenses	<u>595,708</u>	<u>174,313</u>	<u>1,183,473</u>	<u>209,817</u>

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Income before tax	5,057,908	2,047,426	8,258,215	1,606,801
Provision for income taxes at applicable income tax rate	1,267,859	512,993	2,071,191	409,393
Effect of preferential tax rate	(397,140)	(116,208)	(788,983)	(139,878)
R&D expenses eligible for super deduction	(442,939)	(555,531)	(442,939)	(555,531)
Non-deductible expenses	17,448	96,716	33,995	114,336
Change in valuation allowance	150,480	236,343	310,209	381,497
Effective enterprise income taxes expenses	<u>595,708</u>	<u>174,313</u>	<u>1,183,473</u>	<u>209,817</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.

	June 30, 2017	December 31, 2016
	(Unaudited)	
	\$	\$
Tax loss carry-forward	4,330,451	4,274,881
Allowance for doubtful receivables	125,037	121,932
Impairment for inventory	119,315	98,276
Difference for sales cut-off	731	14,245
Deferred income	133,823	114,224
Property, plant and equipment subsidized by government grant	475,064	468,313
Impairment for property, plant and equipment	58,779	76,248
Total gross deferred tax assets	5,243,200	5,168,119
Valuation allowance	(3,994,974)	(3,690,358)
Total net deferred tax assets	<u>1,248,226</u>	<u>1,477,761</u>

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 June 30, 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 \$41,373,724 and \$30,658,000 as of June 30, 2017 and December 31, 2016, respectively.

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

9. Short-term loans

As of June 30, 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 \$154,931 and \$151,083, land use right with a carrying amount of \$3,670,645 and \$3,622,435, and the buildings with carrying amount of \$11,995,138 and \$11,854,452, respectively.

The loans as of June 30, 2017 were primarily obtained from three banks with interest rates ranging from 4.35% to 5.655% 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, respectively. The interest expenses were \$537,156 and \$422,593 for the six months ended June 30, 2017 and 2016, respectively. The interest expenses were \$277,319 and \$215,485 for the three months ended June 30, 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 in an amount of RMB20 million (\$2,951,071) from a third party non-financial institution and repaid RMB4 million (\$590,214) and RMB16 million (\$2,360,857) in October 2016 and March 2017, respectively.

In May 2016 and January 2017, the Company obtained borrowings in an amount of RMB10 million (\$1,475,536) and RMB60 million (\$8,853,214) from a third party individual that can be repaid anytime and no later than August 31, 2017 and January 10, 2018, respectively. The 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.

In May 2017, the Company obtained borrowings in an amount of RMB10 million (\$1,475,536) from a third party non-financial institution that can be repaid anytime and no later than December 31, 2019. The borrowing was personally guaranteed by the Company's Chief Executive Officer, Mr. Dang Yu Pan. The interest rate for the borrowings is 5.655% per annum.

The interest expense of the above borrowings was \$297,753 and \$32,905 for the six months ended June 30, 2017 and 2016, respectively. The interest expense of the above borrowings was \$154,235 and \$32,905 for the three months ended June 30, 2017 and 2016, respectively.

11. Earnings per share

The following table sets forth the computation of basic and diluted earnings per common share for the three and six months ended June 30, 2017 and 2016.

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Numerator:				
Net income attributable to the Company	<u>4,371,237</u>	<u>2,051,782</u>	<u>6,906,886</u>	<u>1,709,174</u>
Denominator:				
Weighted-average shares outstanding				
- Basic	15,317,101	15,101,679	15,218,820	15,101,679
- Dilutive effects of equity incentive awards	<u>162,256</u>	<u>1,198</u>	<u>85,953</u>	<u>2,207</u>
- Diluted	<u>15,479,357</u>	<u>15,102,877</u>	<u>15,304,773</u>	<u>15,103,886</u>
Net income per share:				
- Basic	<u>0.29</u>	<u>0.14</u>	<u>0.45</u>	<u>0.11</u>
- Diluted	<u>0.28</u>	<u>0.14</u>	<u>0.45</u>	<u>0.11</u>

685,001 and 540,001 options and warrants were not included in the computation of diluted earnings per share for the six months and three months ended June 30, 2017, respectively, and 1,701,927 options and warrants were not included in the computation of diluted earnings per share for the six months and three months ended June 30, 2016, respectively, because the options' exercise price was greater than the average market price of the ordinary shares.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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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 \$1,125,097 and \$754,663 for the six months ended June 30, 2017 and 2016, respectively, and \$620,577 and \$419,105 for the three months ended June 30, 2017 and 2016, respectively.

13. Commitments and contingencies

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
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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 six months ended June 30, 2017, the sales of products except for the batteries in the two reporting segments were insignificant.

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:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Net sales				
Lithium Business	37,009,048	23,666,887	64,499,542	38,981,832
Ni-MH Batteries and Accessories	11,783,901	11,972,810	24,311,214	24,829,135
New Materials	2,906,981	1,092,613	4,756,022	2,018,398
Total	<u>51,699,930</u>	<u>36,732,310</u>	<u>93,566,778</u>	<u>65,829,365</u>
Cost of Sales				
Lithium Business	28,310,375	18,857,605	49,950,244	31,364,936
Ni-MH Batteries and Accessories	9,013,125	8,869,549	18,201,515	18,475,355
New Materials	2,304,664	1,361,485	3,408,419	2,468,364
Total	<u>39,628,164</u>	<u>29,088,639</u>	<u>71,560,178</u>	<u>52,308,655</u>
Gross Profit				
Lithium Business	8,698,673	4,809,282	14,549,298	7,616,896
Ni-MH Batteries and Accessories	2,770,776	3,103,261	6,109,699	6,353,780
New Materials	602,317	(268,872)	1,347,603	(449,966)
Total	<u>12,071,766</u>	<u>7,643,671</u>	<u>22,006,600</u>	<u>13,520,710</u>

	<i>June 30</i>	<i>December 31,</i>
	<i>2017</i>	<i>2016</i>
	<i>(Unaudited)</i>	
	\$	\$
Total Assets		
Lithium Business	129,591,163	115,116,508
Ni-MH Batteries and Accessories	46,881,968	37,994,369
New Materials	11,677,769	10,220,873
Total	<u>188,150,900</u>	<u>163,331,750</u>

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</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
<i>Net sales</i>				
China Mainland	32,086,138	28,855,932	54,247,730	37,385,011
Asia, others	12,092,612	6,295,056	25,788,170	18,275,423
Europe	3,612,677	208,548	8,465,407	6,524,327
North America	3,604,935	1,285,688	4,663,067	2,919,834
South America	205,549	14,074	267,286	478,971
Africa	55,567	25,968	55,567	50,001
Others	42,452	47,044	79,551	195,798
	<u>51,699,930</u>	<u>36,732,310</u>	<u>93,566,778</u>	<u>65,829,365</u>

	<u>June 30</u>	<u>December 31,</u>
	<u>2017</u>	<u>2016</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$
<i>Accounts receivable</i>		
China Mainland	29,275,047	29,663,633
Asia, others	10,496,258	10,441,358
Europe	2,507,947	3,875,979
North America	423,027	2,260,840
South America	15,803	26,610
Africa	378	378
Others	18,747	11,971
	<u>42,737,207</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>June 30,</u> <u>2017</u> <i>(Unaudited)</i>	<u>December</u> <u>31,</u> <u>2016</u>
	\$	\$
Accounts receivable	2,457,684	7,125,140
Other receivable	7,641	392,110
Account due from Yipeng	<u>2,465,325</u>	<u>7,517,250</u>
Accounts payable (1)	54,884	1,516,557
Other payable	7,320	5,756
Amount due to Yipeng	<u>62,204</u>	<u>1,522,313</u>

(1) Accounts payable represented \$nil and \$1.3 million technical support fee and \$54,884 and \$0.2 million equipment rental fee to Yipeng as of June 30, 2017 and December 31, 2016, respectively.

Related party transaction

The details of the transactions with Yipeng were as follows:

	<i>Three</i> <i>months</i> <i>ended June</i> <i>30, 2017</i> <i>(Unaudited)</i>	<i>Six months</i> <i>ended June</i> <i>30, 2017</i> <i>(Unaudited)</i>	<i>Period from</i> <i>May 2, 2016</i> <i>to June</i> <i>30, 2016</i> <i>(Unaudited)</i>
	\$	\$	\$
Income:			
Sales	1,422,533	2,046,856	1,264,934
Rental income	7,012	18,311	-
Expenses:			
Equipment rental fees	162,927	325,229	-

16. Subsequent event

Pursuant to the terms of the Equity Transfer Agreement (Note 6), on July 27, 2017, the Company received the Consideration from New Power, and the Company's equity ownership in Yipeng decreased to 4.654% accordingly. The Company would recognize gain on sales for approximately \$1.6 million in connection with the sales of its shares.

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. 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

During the three months ended June 30, 2017, Highpower’s overall revenue increased 40.7% compared to the comparable period in 2016. The main driver was our lithium business, which increased by \$13.3 million, or 56.4%, for the three months ended June 30, 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 June 30, 2017, the sales of products except for the batteries in the two reporting segments were insignificant.

Ni-MH revenue was slightly down for the three months ended June 30, 2017 compared to the comparable period in 2016, which was in line with the whole industry trend.

Our recycling business increased by \$1.8 million, or 166.1%, for the three months ended June 30, 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.

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 half year of 2017. Though we maintain a strong and cost competitive supply chain, we believe it is critical to balance the selling price and our customers’ 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 and six months ended June 30, 2017 and 2016, both in US\$ and as a percentage of net sales.

Consolidated Statements of Operations

(in thousands)

	<i>Three months ended June 30,</i>				<i>Six months ended June 30,</i>			
	<i>2017</i>		<i>2016</i>		<i>2017</i>		<i>2016</i>	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>		<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	\$	%	\$	%	\$	%	\$	%
Net Sales	51,700	100.0%	36,732	100.0%	93,567	100.0%	65,829	100.0%
Cost of Sales	(39,628)	(76.7%)	(29,089)	(79.2%)	(71,560)	(76.5%)	(52,308)	(79.5%)
Gross profit	12,072	23.3%	7,643	20.8%	22,007	23.5%	13,521	20.5%
Research and development expenses	(2,137)	(4.1%)	(2,036)	(5.5%)	(3,951)	(4.2%)	(3,659)	(5.6%)
Selling and distribution expenses	(1,723)	(3.3%)	(1,539)	(4.2%)	(3,361)	(3.6%)	(3,074)	(4.7%)
General and administrative expenses	(3,016)	(5.8%)	(3,249)	(8.8%)	(6,075)	(6.5%)	(6,319)	(9.6%)
Foreign currency transaction (loss) gain	(515)	(1.0%)	600	1.6%	(829)	(0.9%)	510	0.8%
Income from operations	4,681	9.1%	1,419	3.9%	7,791	8.3%	979	1.5%
Changes in fair value of warrant liability	32	0.1%	7	0.0%	0	0.0%	127	0.2%
Other income	277	0.5%	1,056	2.9%	855	0.9%	1,211	1.8%
Equity in (loss) earnings of investee	(42)	(0.1%)	-	-	105	0.1%	-	-
Gain on dilution in equity method investee	491	1.0%	-	-	491	0.5%	-	-
Interest expenses	(381)	(0.7%)	(435)	(1.2%)	(984)	(1.1%)	(710)	(1.1%)
Income before taxes	5,058	9.8%	2,047	5.6%	8,258	8.8%	1,607	2.4%
Income tax expenses	(596)	(1.2%)	(174)	(0.5%)	(1,183)	(1.3%)	(210)	(0.3%)
Net income	4,462	8.6%	1,873	5.1%	7,075	7.6%	1,397	2.1%
Less: net income (loss) attributable to non-controlling interest	91	0.2%	(179)	(0.5%)	168	0.2%	(312)	(0.5%)
Net income attributable to the company	4,371	8.5%	2,052	5.6%	6,907	7.4%	1,709	2.6%

A table reconciling earnings before interest, income tax, depreciation and amortization (“EBITDA”), a non-GAAP financial measure, to the appropriate GAAP measure is included with the Company's financial information below. EBITDA was derived by taking earnings before interest expense (net), taxes, depreciation and amortization. The presentation of this additional information is not meant to be considered in isolation or as a substitute for results prepared in accordance with U.S. GAAP. The Company believes this non-GAAP measure is useful to investors as it provides a basis for evaluating the Company's operating results in the ordinary course of its operations. This non-GAAP measure is not based on any comprehensive set of accounting rules or principles. The Company believes that non-GAAP measures have limitations in that they do not reflect all of the amounts associated with its results of operations as determined in accordance with U.S. GAAP and that these measures should only be used to evaluate the Company's results of operations in conjunction with, and not in lieu of, the corresponding GAAP measures.

Reconciliation of Net Income to EBITDA

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Net income attributable to the Company	<u>4,371,237</u>	<u>2,051,782</u>	<u>6,906,886</u>	<u>1,709,174</u>
Interest expenses	380,531	435,402	983,848	710,394
Income taxes expenses	595,708	174,313	1,183,473	209,817
Depreciation and Amortization	1,155,648	1,229,817	2,429,982	2,486,196
EBITDA	<u>6,503,124</u>	<u>3,891,314</u>	<u>11,504,189</u>	<u>5,115,581</u>

Three months ended June 30, 2017 and 2016

Net sales

Net sales for the three months ended June 30, 2017 were \$51.7 million compared to \$36.7 million for the comparable period in 2016, an increase of \$15.0 million, or 40.7%. The increase was mainly due to a \$13.3 million increase in net sales of our Lithium business. The increase in the number of lithium batteries units sold for the three months ended June 30, 2017 was primarily attributable to the substantial growth in portable power station, digital products, smart wearable devices and notebooks.

Cost of sales

Cost of sales mainly consists of nickel, cobalt, lithium derived materials, labor, and overhead. Costs of sales were \$39.6 million for the three months ended June 30, 2017, compared to \$29.1 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 June 30, 2017 was \$12.1 million, or 23.3% of net sales, compared to \$7.6 million, or 20.8% of net sales for the comparable period in 2016. This increase was attributed to the product mix and business scale efficiency.

Research and development expenses

Research and development expenses were \$2.1 million, or 4.1% of net sales, for the three months ended June 30, 2017, compared to \$2.0 million, or 5.5% of net sales, for the comparable period in 2016.

Selling and distribution expenses

Selling and distribution expenses were \$1.7 million, or 3.3% of net sales, for the three months ended June 30, 2017, compared to \$1.5 million, or 4.2% 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 \$3.0 million, or 5.8% of net sales, for the three months ended June 30, 2017, compared to \$3.2 million, or 8.8% of net sales, for the comparable period in 2016.

Foreign currency transaction (loss) gain

We experienced a loss of \$514,624 for the three months ended June 30, 2017 and a gain of \$600,313 for the comparable period in 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 \$380,531 for the three months ended June 30, 2017, compared to \$435,402 for the comparable period in 2016.

Other income

Other income, which consists of government grants and sundry income, was approximately \$276,365 for the three months ended June 30, 2017, compared to approximately \$1.1 million for the comparable period in 2016, a decrease of \$0.8 million.

Equity in loss of investee

Equity in loss of an equity method investee (Yipeng) was \$41,607 for the three months ended June 30, 2017.

Gain on dilution in equity method investee

Gain on dilution in equity method investee, which was due to the equity issuance of equity method investee (Yipeng) to a third party, was \$491,325 for the three months ended June 30, 2017.

Changes in fair value of warrant liability

Changes in fair value of warrant liability were a gain of \$31,811 for the three months ended June 30, 2017, compared to \$7,077 for the comparable period in 2016. It represented the fair value change of 500,001 shares of warrants issued on April 17, 2014, which have been expired in April 2017.

Income tax expenses

During the three months ended June 30, 2017, we recorded provision for income tax expense of \$595,708 compared to \$174,313 for the comparable period in 2016.

Net income

Net income attributable to the Company (excluding net income attributable to non-controlling interest) for the three months ended June 30, 2017 was \$4.4 million, compared to net income attributable to the Company (excluding net loss attributable to non-controlling interest) of \$2.1 million for the comparable period in 2016.

EBITDA

EBITDA for the three months ended June 30, 2017 were \$6.5 million compare to \$3.9 million for the comparable period in 2016, an increase of \$2.6 million, or 67.1%.

Six months ended June 30, 2017 and 2016

Net sales

Net sales for the six months ended June 30, 2017 were \$93.6 million compared to \$65.8 million for comparable period in 2016, an increase of \$27.8 million, or 42.1%. The increase was mainly due to a \$25.5 million increase in net sales of our Lithium business. The increase in the number of lithium batteries units sold for the six months ended June 30, 2017 was primarily attributable to the substantial growth in portable power station, digital products, smart wearable devices and notebooks.

Cost of sales

Cost of sales mainly consists of nickel, cobalt, lithium derived materials, labor, and overhead. Costs of sales were \$71.6 million for the six months ended June 30, 2017, compared to \$52.3 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 six months ended June 30, 2017 was \$22.0 million, or 23.5% of net sales, compared to \$13.5 million, or 20.5% of net sales for the comparable period in 2016. This increase was attributed to the product mix and business scale efficiency.

Research and development expenses

Research and development expenses were \$4.0 million, or 4.2% of net sales, for the six months ended June 30, 2017, compared to \$3.7 million, or 5.6% of net sales for the comparable period in 2016.

Selling and distribution expenses

Selling and distribution expenses were \$3.4 million, or 3.6% of net sales, for the six months ended June 30 2017, compared to \$3.1 million, or 4.7% 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 \$6.1 million, or 6.5% of net sales, for the six months ended June 30, 2017, compared to \$6.3 million, or 9.6% of net sales, for the comparable period in 2016.

Foreign currency transaction (loss) gain

We experienced a loss of \$828,502 for the six months ended June 30, 2017 and a gain of \$509,877 for the six months ended June 30, 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 \$983,848 for the six months ended June 30, 2017, compared to \$710,394 for the comparable period in 2016. The increase was mainly due to the increase of non-financial borrowings and discount charge.

Other income

Other income, which consists of government grants and sundry income, was approximately \$0.9 million for the six months ended June 30, 2017, compared to approximately \$1.2 million for the comparable period in 2016.

Equity in earnings of investee

Equity in earnings of an equity method investee (Yipeng) was approximately \$105,325 for the six months ended June 30, 2017.

Gain on dilution in equity method investee

Gain on dilution in equity method investee, which was due to the equity issuance of equity method investee (Yipeng) to a third party, was \$491,325 for the six months ended June 30, 2017.

Changes in fair value of warrant liability

Changes in fair value of warrant liability were a gain of \$259 for the six months ended June 30, 2017, compared to \$126,546 for the comparable period in 2016. It represented the fair value change of 500,001 shares of warrants issued on April 17, 2014, which have been expired in April 2017.

Income tax expenses

During the six months ended June 30, 2017, we recorded provision for income tax expense of \$1.2 million compared to \$209,817 for the comparable period in 2016.

Net income

Net income attributable to the Company (excluding net income attributable to non-controlling interest) for the six months ended June 30, 2017 was \$6.9 million, compared to net income attributable to the Company (excluding net loss attributable to non-controlling interest) of \$1.7 million for the comparable period in 2016.

EBITDA

EBITDA for the six months ended June 30, 2017 were \$11.5 million compare to \$5.1 million for the comparable period in 2016, an increase of \$6.4 million, or 124.9%.

Liquidity and Capital Resources

We had cash of approximately \$19.3 million as of June 30, 2017, 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 June 30, 2017, we had lines of credit with seven financial institutions aggregating \$64.1 million. The maturities of these facilities vary from 2017 to 2019. The facilities are subject to regular review and approval. Certain of these bank 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 bank facilities. As of June 30, 2017, we had utilized approximately \$49.7 million under such general credit facilities and had available unused credit facilities of \$14.4 million.

Net cash provided by operating activities was approximately \$138,300 for the six months ended June, 30, 2017, compared to \$1.3 million for the comparable period in 2016. The net cash decrease of \$1.1 million provided by operating activities is primarily attributable to an increase of \$7.9 million in cash outflow from Inventories, an increase of \$2.1 million in cash outflow from notes receivable, an increase of \$7.4 million in cash inflow from amount due from Yipeng, and an increase of \$1.2 million in cash inflow from accounts receivable.

Net cash used in investing activities was \$5.2 million for the six months ended June 30, 2017 and 2016.

Net cash provided by financing activities was \$14.0 million for the six months ended June 30, 2017, compared to \$5.8 million for the comparable period in 2016. The net increase of \$8.2 million in net cash provided by financing activities was primarily attributable to an increase of \$11.4 million in cash inflow from proceeds from notes payable and an increase of \$2.8 million in cash outflow from repayment of short-term loans.

Our inventory turnover was 5.2 times and 5.3 times for the six months ended June 30, 2017 and 2016, respectively. The average days outstanding of our accounts receivable was 86 days at June 30, 2017, 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 End of Month 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 June 30, 2017, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

Please refer to the Company's annual report on Form 10-K for the year ended December 31, 2016 and quarterly reports on Form 10-Q for a description of litigation and claims

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 for the year ended December 31, 2016 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

Credit Contract Between SZ Springpower and Bank of Jiangsu, Shenzhen Sub-branch

On May 18, 2017, SZ Springpower entered into a comprehensive credit line contract with the Bank of Jiangsu, Shenzhen Sub-branch, which provides for a revolving line of credit of up to RMB15,000,000 (\$2,213,303). SZ Springpower may withdraw the loan, from time to time as needed, on or before April 19, 2018. The loan is guaranteed by ICON, SZ Highpower, HZ HTC and our Chief Executive Officer, Dang Yu Pan. The used facility was \$1,472,289 as of June 30, 2017 which was used for bank acceptance.

The following constitute events of default under the loan contracts: an adverse change in the borrower’s business market or a significant monetary policy change in the PRC; the occurrence of significant business difficulties or adverse changes on the financial conditions of the borrower; a termination of business, liquidation, restructuring, dissolution or bankruptcy by or of the borrower; the borrower’s involvement in significant litigation, arbitration or administrative penalties, or its involvement in any other significant default with other creditors; the borrower indicates directly or by its conduct that it will not perform its obligations under the contract or other contracts with the bank; the borrower’s providing of false materials or withholding of important financial or operational facts; the borrower’s failure to perform its obligations under the contract or the affiliated specific credit line contract executed in connection with specific drawdowns; the borrower’s violation of other contracts with the bank; the borrower’s transfer of assets, retrieval of capital, denial of indebtedness or other actions that may adversely affect the bank’s rights; the borrower’s involvement in illegal operations; the borrower’s change in corporate structure, such as a separation, merger, amalgamation, acquisition, reorganization; the borrower’s loss of commercial integrity; a change in the borrower’s controlling shareholder, or the occurrence of a major event to the borrower’s controlling shareholders, actual controllers, legal representative, or senior management staff, including, but not limited to, involvement in or the occurrence of illegal operations, litigation, arbitration, a deteriorated financial situation, bankruptcy or dissolution; the guarantor’s breach of the contract, or guarantee agreement or the occurrence of other situations that may negatively affect the guarantor’s ability to guaranty the loan; or any other circumstance affect or may affect the bank’s ability to collect on the loan.

Upon the occurrence of an event of default, the bank may: adjust the maximum amount of the line of credit and/or cancel the comprehensive contract, terminate the unused portion of the credit line.

Borrowing agreement between Shenzhen Highpower Technology Co., Ltd. and a non-financial institution

On May 20, 2017, SZ Highpower entered into a borrowing agreement with a non-financial institution (Lender) providing for an aggregate loan of RMB20,000,000 (\$2,951,071). SZ Highpower must pay back the loans before the maturity day on December 31, 2019. The interest rate is 5.655%, which equals to 130% of one year’s benchmark-lending rate of the People’s Bank of China (“PBOC”). The loan is guaranteed by the Company’s Chief Executive Officer, Dang Yu Pan. The balance of loan was \$1,475,536 as of June 30, 2017.

The following constitute events of default under the loan contract: SZ Highpower's failure to timely repay the principal, interest under the contract; SZ Highpower or a guarantor's violation of any other obligations in the contract.

Upon the occurrence of an event of default, Lender may: request overdue interest from SZ Highpower if SZ Highpower fails to repay the principal, interest under the contract; request SZ Highpower rectify the event of default; suspend to perform its obligations; announce the immediate expiration of the contract; request compensation from SZ Highpower on the losses thereafter caused; or take any other procedures deemed necessary by Lender.

Closing of Sale of Yipeng Equity

On July 27, 2017, pursuant to the terms of an Agreement for Equity Transfer and Capital Increase entered into on May 5, 2017, the Company consummated its sale of equity ownership in Yipeng to New Power and received consideration of RMB71.0 million (approximately \$10.5 million). As a result of the equity transfer and Yipeng's additional issuance of equity, the Company's equity ownership in Yipeng decreased from 35.4% to 4.654%.

Item 6. Exhibits

Exhibit Number	Description of Document
10.1	Loan Agreement dated May 20, 2017, between Shenzhen Highpower Technology Co., Ltd., Shenzhen PowTech New Power Co., Ltd., and Dang Yu Pan, as guarantor. (translated to English)
10.2	Maximum Amount Comprehensive Credit Line Contract dated April 20, 2017, between Springpower Technology (Shenzhen) Co., Ltd. and Bank of Jiangsu, Shenzhen Sub-branch (translated to English).
10.2(a)	Maximum Amount Personal Joint Responsibility Guarantee between Dang Yu Pan and Bank of Jiangsu, Shenzhen Sub-branch (translated to English).
10.2(b)	Maximum Amount Guarantee Contract between Huizhou Highpower Technology Company, Limited. and Bank of Jiangsu, Shenzhen Sub-branch (translated to English).
10.2(c)	Maximum Amount Guarantee Contract between Shenzhen Highpower Technology Company, Limited. and Bank of Jiangsu, Shenzhen Sub-branch (translated to English).
10.2(d)	Maximum Amount Guarantee Contract between Icon Energy System (Shenzhen) Company, Limited. and Bank of Jiangsu, Shenzhen Sub-branch (translated to English).
10.3	Agreement for Equity Transfer and Capital Increase dated May 5, 2017 between Xiamen Jiupai Yuanjiang New Power Equity Investment Funds Partnership (Limited Partnership) and Huizhou Yipeng Energy Technology Co Ltd. and its shareholders (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.

Dated: August 10, 2017

Highpower International, Inc.

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)

LOAN AGREEMENT

This LOAN AGREEMENT (this “**Agreement**”) is made as of the 20th day of May, 2017 (the “**Execution Date**”) in Shenzhen, the People’s Republic of China (the “**PRC**”), by and among the parties below:

Party A: Shenzhen Pow-Tech New Power Co., Ltd.

Registered Address: ***

Legal Representative: ***

Party B: Shenzhen Highpower Technology Co., Ltd

Registered Address: Building 1, 68 Xinxia Road, Pinghu Town, Longgang District, Shenzhen, Guangdong, China

Legal Representative: Dangyu Pan

Party C: Dangyu Pan

Residence: ***

Citizenship Identification No.: ***

(Party A, Party B and Party C are hereinafter individually referred to as a “**Party**” and collectively as “**Parties.**”)

WHEREAS,

1. Party A is lawfully formed and validly existing by virtue of the laws of China;
2. Party B, Shenzhen Highpower Technology Co., Ltd (hereafter referred to as “**Shenzhen Highpower**”), is a limited-liability company established according to the Chinese law, providing nickel-metal hydride rechargeable batteries and other clean energy solutions in PRC ;
3. Party C is the actual controller of Party B.

The relevant parties have had good communications and reached consensus on the terms of the agreement, which are as follows:

1. Loan

1.1 Party A agrees to extend to Party B, on the terms and subject to the conditions herein, a loan in the total amount of RMB 20 million. Party B agrees to borrow the aforementioned loan on the terms and subject to the conditions herein.

1.2 The first loan of RMB 10 million hereunder shall be made by Party A to the designated bank account provided in Section 1.3 hereunder at a time within five business days after this Agreement comes into effect. Party A shall send the second loan of RMB 10 million to the designated bank account provided in Section 1.3 hereunder at a time within six calendar months after this Agreement comes into effect.

1.3 The information of the bank account established by Party B for receiving the loan from Party A shall be as follows:

Bank: Shenzhen Pinghu Branch of Bank of China
Account Name: Shenzhen Highpower Technology Co.,Ltd
Account No.: 744 5579 38816

Party B shall issue to Part A a receipt signed by Party B on the same day receiving all the loans specifying the time when all the loans are received and the amount of all the loans received, and confirmed by Party B's signature.

1.4 Party C irrevocably and unconditionally agrees to provide guarantee for the debts owed by Party B to Party A hereunder on a joint and several basis. The scope of the guarantee by Party C covers without limitation, the principal and interest (if any) of the loan hereunder, and other types of expenses (including without limitation, liquidated damages, compensatory damages, debt-collection expenses and others, as applicable).

1.5 The term of loan (hereafter referred to as the "**Term of Loan**") hereunder shall last until the 31th day of December, 2019. If Party A because of financial strain demands Party B to repay the loan in advance, Party A shall notice Party B in seven business days in advance; Party B shall pay Party A the principal and interest in seven business days after receiving Party A's notice.

1.6 The interest rate for the loan extended by Party A to Party B shall be 5.655% per annum with the interest-bearing loan base set as 360 days per year, calculating from the date of withdrawal by the withdrawal amount and the actual number of occupied days.

2. Repayment of the Loan

2.1 Party B undertakes to pay the principal and interest (if any) for the loan under the Agreement prior to the expiration of the Term of the Loan. Party B shall pay all the repaid amount to the bank account designated by Party A in writing.

2.2 Party B may prepay the loan and interest (if any) in whole or in part prior to the expiration of the Term of the Loan after the written notice to Party A.

3. Commitment

3.1 Party B promises that in one day Party B schedules a return to Chinese capital market, Party B undertakes Party A to participant in the same condition as other investors.

4. Breach and Liabilities for Breach

4.1 Breach

Each of the following events shall be deemed an event of default by the relevant Party (hereafter referred to as “**Event of Default**”):

- (a) Party B fails to repay the principal and interest (if any) as scheduled;
- (b) Party B and/ or Party C fail to observe any treaties of this agreement.

4.2 Liabilities for Breach

4.2.1 If Party B fails to timely repay the principal and interest (if any) for the loan hereunder, Party B shall pay to Party A liquidated damages equal to 0.1% of the amount due and unpaid per each day overdue.

4.2.2 When the Event of Default by a Party (the “**Breaching Party**”) occurs, the non-breaching Party shall be entitled to take one or several of the following remedies to protect its rights:

- (a) to require the Breaching Party to cure the default and continue to perform its obligations;
- (b) to suspend the performance of its obligations until the Breaching Party has cured the default; the non-breaching Party shall not be deemed to have failed to perform or delayed in performing its obligations if it suspends its performance of obligations according to this paragraph;
- (c) to unilaterally terminate this Agreement by issuing written notice, and such termination notice shall enter into force on the date of issuance; however, the non-breaching Party shall not be deemed to have waived any right to require the Breaching Party to bear liabilities for default according to laws when it issues a unilateral notice of termination;
- (d) to require the Breaching Party to indemnify the non-breaching Party against all economic losses, including the expenses actually incurred for the loan, other foreseeable economic losses, and the expenses incurred by the non-breaching Party for litigation or arbitration in connection therewith; and
- (e) Other types of remedies agreed or stipulated by the laws and regulations.

5. Confidentiality

The Parties acknowledge and confirm that any oral or written materials in connection with this Agreement or its contents or exchanged by the other Party for the preparation or performance of this Agreement or this transaction shall be deemed confidential information. Each Party shall keep confidentiality of all of such confidential information, and shall not disclose any confidential information to any third parties without the prior written consent of the other Party, except for the information as follows: (a) any information known to the public (only applicable when such information is not disclosed to the public by the receiving Party of confidential information without authorization); (b) any information to be disclosed as required by the applicable laws and regulations, stock trading rules or orders of government agencies or courts; or (c) information needed to be disclosed by any Party to its affiliates, legal or financial advisors in connection with the transaction contemplated hereunder on this transaction, provided that such affiliates, legal or financial advisors shall comply with confidentiality responsibilities similar to those set forth hereunder. In the event that any employee of a Party or any agency hired by a Party violates the confidential clause, such Party shall be deemed to have violated the confidential clause and shall be subject to liabilities for default. This section shall survive after this Agreement is terminated for whatever reasons.

6. Governing Law and Dispute Resolution

6.1 This Agreement shall be governed by PRC laws in respect of its execution, performance, validity, interpretation, amendment and termination and so it is with resolving the disputes.

6.2 Each Party hereto shall resolve disputes arising from the interpretation or performance of this Agreement through friendly negotiation. If a dispute is not resolved through the above means, the dispute shall be submitted to China International Economic and Trade Commission for arbitration in Beijing in accordance with its arbitration rules within 10 days as of the commencement of the relevant discussions above.

(a) Chinese shall be used during the arbitration. The arbitration tribunal shall consist of three arbitrators. The claimant shall have the right to appoint an arbitrator and the respondent shall have the right to appoint an arbitrator. The arbitration center shall have the right to appoint the third arbitrator.

(b) The arbitration award shall be final, binding upon the Parties and may be enforced in accordance with its terms.

(c) The arbitration cost shall be borne by the losing party determined in the arbitration award.

6.3 During the period of negotiation and arbitration, the Parties shall continuously perform this Agreement in full other than the issue in dispute.

7. Miscellaneous

7.1 This Agreement shall be effective upon the date of execution by all the Parties.

7.2 The Agreement can be supplemented, amended or modified upon agreement of the Parties. Any supplemental, amendment or modification to the Agreement shall be made in writing in the form of supplemental agreement, and the supplemental agreement shall be an integral part of this Agreement and have the same legal effect as this Agreement.

7.3 None of the Parties hereunder shall transfer any of its rights or obligations hereunder, in whole or in part, to any third party without prior written consent of the other Parties. However, the lender may at any time transfer its rights and obligations under this Agreement in whole or in part to the related parties of the lender (including without limitation the occasion that part of the loans provided by the related parties of the lender).

7.4 This Agreement is executed in three copies; each signing party shall hold one copy, all of which shall have the same legal effect.

(The remainder is intentionally left blank)

(There is no text in this page, and it is the signature page to the Investment Cooperation Agreement)

Party A: Shenzhen Pow-Tech New Power Co.,Ltd.

Legal representative or authorized person (Sign):

Party B: Shenzhen Highpower Technology Co.,Ltd

Legal representative or authorized person (Sign):

Party C: Dangyu Pan

Sign:

Maximum Amount Comprehensive Credit Line Contract
NO. SX162617000498

Fiduciary: Springpower Technology (Shenzhen) Co., Ltd

Address: Building A, Chaoshun Industrial Zone, Renmin Street, Danhu, Guanlan Road, Baoan, Shenzhen

Creditor: Bank of Jiangsu, Shenzhen Sub-branch.

Address: 4011, Shennan Road, Futian District, Shenzhen.

According to relevant laws and regulations of China, this contract was agreed by two parties, and both parties agree to comply with all terms of the contract.

Clause 1

The maximum comprehensive credit limits (hereinafter referred to as “fiduciary”) means the credit line that creditor provide to fiduciary who can use the credit line in the business lines agreed by the contract.

Clause 2 Content of the Credit

1. The maximum amount of comprehensive credit limits that creditor provide to fiduciary is RMB 15,000,000.
2. The period of the credit: From 20th April, 2017 to 19th April, 2018. This period only limits the start date of the credit businesses but the expiration date.
3. The allotted time, amount, interest rate and rate of single specific business under this credit contract should be agreed by accordingly specific business contract and voucher.
4. Aforesaid “The maximum comprehensive credit limits” only includes the balance of credit principal which is the actual used credit line (deducts guaranty bund) deducts the part which has been repaid under this contract during the contract period, but the interest, punitive interest compound interest and other payables which should be afforded by fiduciary.

Clause 3 The Usage of Credit Line

1. When fiduciary need to use the credit line under this contract, should apply to creditor one by one, creditor has the right to audit in accordance with fund condition of itself, operation situation of fiduciary and the purpose of credit etc. If the applications are approved, both parties should sign the specific credit business contract separately. Every single credit business contract under this contract and relevant voucher constitute the effective attachment of this contract.
 2. Within the period agreed in this contract, fiduciary can use the credit line according to the limit of every single credit business agreed by this contract repeatedly, if fiduciary need to adjust the usage of credit line, application should be provided to creditor in writing, and creditor decides whether the application can be approve and the method of adjustment.
 3. The following is out of the credit:
 4. When the credit become expiring, the credit line which is not used will automatically be cancelled.
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Clause 4 Adjustment of Credit Line

In the process of performing this contract, if following situations, which may affect the right of creditor, occur, creditor has the right to make relevant adjustment and/or stop fiduciary using credit line, and cancel unused credit line of fiduciary.

1. The market, which is related to fiduciary's operation, has significant adverse changes, or Country's monetary policy has significant adjustment.
2. There are significant difficulties on operation situation or important adverse changes on financial conditions to fiduciary.
3. Termination of business, liquidation, restructuring, dissolution and bankruptcy of fiduciary by an active or passive means.
4. Fiduciary is involved in significant litigation, arbitration or administrative punishment, or has significant default with other creditors.
5. Fiduciary indicates or expresses by its actions that it does not perform its obligations under this contract or other contract signed by creditor and fiduciary.
6. Fiduciary provides false materials or conceals any important fact of finance and operation.
7. Fiduciary does not perform the obligations agreed in this contract or specific credit business contract.
8. Fiduciary violates other contracts signed by creditor and fiduciary.
9. Fiduciary transfers its assets, pumps money, evades debts and has other behaviors which damage or might damage the rights of creditor.
10. Fiduciary is involved in illegal operations.
11. Division, merger, important takeover, consolidation and reorganization of fiduciary.
12. Fiduciary loses commercial integrity.
13. Controlling shareholder of fiduciary transfer is changed, or significant items happen to controlling shareholder, actual controller, legal representative, senior executives of fiduciary, including but not limited to be involved in illegal actions, litigation, arbitration, deterioration of financial condition, bankruptcy, dissolution etc.
14. Guarantor of the credit business under this contract default, such as providing false information, violating other contracts signed by creditor or other third parties, involved in litigation, arbitration, stopping doing business, business failures, illegal actions, evading bank credit's right, merging, consolidation, reorganization, and other situation which may affect guaranty ability of Guarantor.
15. Other situations damage rights and interests of creditor.

Clause 5 Rights and Obligations of Fiduciary

1. Having the right to apply for using the credit line.
 2. Opening settlement account in Bank of Jiangsu, Shenzhen Sub-branch, and arrange settlement of both domestic and overseas accounts, foreign exchange settlement and sale and other intermediate business in Bank of Jiangsu or its sub-branch more than the proportion of the credit line which gets from creditor and all credit line of fiduciary.
 3. Fiduciary should provide true documents and information to creditor (including but not limited all bank accounts, balance of deposit and loans, situations of using loans, condition of assets, operation, and inner management etc.
 4. Providing last month's financial statement before the 20th of each month, and providing audited financial statement to creditor in 120 days after fiscal year, and providing changes and modifications of itself to creditor.
 5. Accepting and cooperating with creditor in surveying, supervising and examining on the situation of using credit, related production, management, financial operation.
 6. Complying with this contract and every single business contract under this contract strictly.
 7. When used credit exceed the credit line agreed in this contract result from the change of exchange rate, fiduciary should repay the exceeding part or pay homologous security deposit.
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8. If following situation occurs, fiduciary should notice in writing creditor in 5 days since related situation happens and implement security measure which is accepted by creditor.

- (1) Changes of membership function, executives, articles of association and organization.
- (2) Stopping producing, going out of business, cancelling registration, being cancelled business license or being applied for bankruptcy.
- (3) Changes of name, domicile, legal representative, contact manner and so on.
- (4) Financial standing depravation, significant difficulty on operation, significant litigation or arbitration.
- (5) Other things have significant affect on rights and interests of creditor.

9. Fiduciary should ask creditor's consent and implement security measure, which is accepted by creditor, before taking following actions.

- (1) Contract management, lease, stock system reform, joint operation, consolidation, merger, discrete, joint venture, asset transference, reducing registered capital, applications of suspensions, dissolution, bankruptcy and other actions which can affect rights and interests of creditor.
- (2) Providing guarantee for other's debts, or pledging or mortgaging major asset of itself to third party, leading to affect the repayment ability under this contract.

10. When the guarantor, which is under this contract or under single business contract of this contract, loses guarantee ability, or pledge, which is under this contract or under single business contract of this contract, depreciates in value, fiduciary should take other guarantee measures, which are accepted by creditor, in time.

11. Fiduciary is not allowed to sign the contract, which can damage the rights and interests of creditor, with any other third party.

Clause 6 Rights and Obligations of Creditor

1. Accepting and reviewing fiduciary's application of using the credit.
 2. The financial conditions, operation of fiduciary should be kept secret by Party B, except the laws, administrative laws and regulations, normative documents requested.
 3. Having the right to ask fiduciary to provide related information of the credit, having the right to know the production, financial condition, operation, and repayment plan of fiduciary, and having right to extract and copy from account books, operation record and related information.
 4. Having the right to supervise fiduciary uses the credit according to this contract and single credit business contract.
 5. Having the right to collect principal, interest, and other related expenses from Party A's account on schedule or in advance.
 6. If fiduciary fails to act or violate the obligations under this contract and single credit business contract of this contract, creditor has the right to adjust the maximum amount of comprehensive credit line, and stop using credit line, cancel unused credit line of fiduciary, regain used credit in advance.
 7. Having the right to query the credit inquiry of fiduciary, the legal representative of fiduciary and executives of fiduciary, and has the right to provide the information of fiduciary to the people's Bank of China etc.
 8. If fiduciary fails to act repayment obligations under this contract and single credit business contract of this contract, defaults of fiduciary can be announced in public by creditor.
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Clause 7 Expense

1. The expense of credit information, notarization, testimony, register, etc., under the contract should be afforded by fiduciary.
2. The expense result from fiduciary does not repay related debt, such as advertising fee, delivery fee, appraisal cost, counsel fee, legal fare, travel expense, valuation fee, auction fee, property preservation fees, enforcement fee, etc., should be afforded by fiduciary.

Clause 8 Modification, Dissolution and Execution of Civil Right of the Contract

1. Agreed by both parties, this contract can be modified and dissolved in written.
2. Any tolerance, extension or delay from creditor to fiduciary for exercising of rights under this contract does not affect the rights creditor enjoys according to this contract and laws and regulations, and cannot be considered as approval to the default, and does not mean the abdication of the right.
3. Any item of this contract become invalid because of any reasons, fiduciary still should assume all responsibilities. If above situation happens, creditor has the right to terminate this contract, and ask fiduciary to repay immediately.
4. If fiduciary violate the obligation regulated in eighth item of clause 8 of this contract. It will be considered as the information has been delivered that related notices and documents sent by creditor according to primary address result from fiduciary does not perform above obligations.
5. Any related notices and documents should be sent in written by both parties.

Clause 9

Fiduciary agrees that the credit's rights under this contract can be enforced after notarization. When fiduciary does not carry out obligations under the contract completely or partly, creditor can apply enforcement to competent court.

Clause 10 Applicable Law and Resolution for Dispute

The making, efficacy, explanation, performance and resolution for dispute of the contract are applicable to the laws of People's Republic of China. During the performance of this contract or all disputes relating to this contract, the two parties settle through consultations. If negotiation cannot reach agreement, both parties can apply to the local people's court of creditor.

Clause 11 Effective and Invalid of the Contract

1. This contract enters into force upon the date when it is signed or sealed and affixed with official seals by the legal representative or entrusted agents of fiduciary and creditor.
2. This contract become invalid after fiduciary accomplishes all repayment responsibility under this contract.

Clause 12

This contract is signed in triplicate, creditor holds two copies, fiduciary holds one copy, three copies have the equal legal effect.

The things which are not mentioned in this contract should be explained and settled according to relevant laws, administrative laws and regulations, normative documents and single credit business contract, and the related regulations of Bank of Jiangsu.

Clause 12 Other

Clause 13 Prompt

Fiduciary has known the business scope and grant privilege of Party B. Fiduciary has read all terms of the contract. Creditor has explained homologous terms requested by fiduciary. Fiduciary has known the meaning of all terms of the contract and homologous legal consequence. Signing the contract is the true will of fiduciary.

Fiduciary (stamp)

Legal Representative or agent (signature):

Creditor (stamp)

Legal Representative or agent (signature):

Supplementary Agreement

The credit line hereunder shall cover the credit line under the *Maximum Comprehensive Credit Contract* of No. SX161215000332 (hereinafter referred to as the Original Contract) from the date of completion of security under the line. The unpaid line used in the *Maximum Comprehensive Credit Contract* of No. SX161215000332 under the Original Contract shall occupy the credit line under this Contract. The aforesaid contract shall be deemed as a single credit business contract under this Contract, shall be brought into uniform management within this credit line and shall be secured by a relevant guarantee contract in a unified way under this Contract.

1. The credit granted by the Credit Grantor shall be used for purchasing raw materials and for other normal business turnover. To make payment for a single business, the effective transaction contract or order and other relevant materials not lower than the amount of payment for the single business shall be provided. The corresponding VAT invoice shall be timely supplemented if a note is required. The credit granted by the Credit Grantor shall not be used for any affiliated transaction without a real trade background, nor be used for investment in fixed asset projects, equity and securities.
2. The Fiduciary shall make up the note exposure in advance according to the requirements specified in the single note contract.
3. During the period of credit granting by the Credit Grantor, except the current financing bank, if the guarantee conditions provided by the other financing (except project loan) added by the Fiduciary are better than those provided by the Credit Grantor, agreement shall be obtained from the Credit Grantor.
4. In case of any breach of these clauses, or in case of any situation specified in Article 4 of the *Maximum Comprehensive Credit Contract* of No. SX162617000498 which endangers or may endanger the rights and interests of the Credit Grantor during the performance of the Contract, the Credit Grantor shall have the right to charge 1% of the line exposure amount as penalty and announce acceleration of maturity of the credit, in addition to the relevant rights under the *Maximum Comprehensive Credit Contract*.
5. The amount of settlement that the Fiduciary makes in the Credit Grantor shall match with the use of credit of the Credit Grantor, or the Credit Grantor shall have the right to decide the use and renewal of the line according to the settlement conditions of the Fiduciary.

This Supplementary Agreement shall be supplementary provisions to the *Maximum Comprehensive Credit Contract* (Contract No.: SX162617000498) and shall have the same equal legal force with the *Maximum Comprehensive Credit Contract*. In case of any discrepancy between these supplementary provisions and the Contract, these supplementary provisions shall prevail, and the other clauses shall remain unchanged.

Fiduciary (Official Seal):

SPRING POWER TECHNOLOGY

COMPANY LIMITED (SEAL)

Legal Representative or Authorized Representative

Credit Grantor (Official Seal):

BANK OF JIANGSU SHENZHEN
(SHENZHEN)

BRANCH (SEAL)

Legal Representative or Authorized
Representative

Maximum Amount Personal Joint Responsibility Guarantee
NO. BZ162617000032

To: Bank of Jiangsu, Shenzhen Sub-branch

To ensure the performance of Creditor's right, the guarantor agrees to provide joint responsibility and promises as follows: "Maximum Amount Comprehensive Credit Line Contract" signed by bank and debtor Springpower Technology (Shenzhen) Co., Ltd, and the contract number is "SX162617000498"

Article 1 The Guaranteed Debt

The guaranteed debt means all the debt under the master contract.

The master contract includes the main contract and other signed contract under the master contract.

Except the period determined or agreed separately in accordance with the laws, the actual credit under the master contract consists of the primary credit of the contract in the below period: A .

Article 2 Primary credit and period

A. From the effective date of "maximum amount comprehensive credit line contract" in article one to the expiration date of facility period stipulated in this contract and amendments or supplements.

B. From ___ year ___ month ___ day ___ to ___ year ___ month ___ day under article one of this contract.

Article 3 Guarantee Covers

The principal and interest (including punitive interest and compound interest) of all loans (credit) outstanding between debtor and Creditor according to the master contract, the punitive sum that debtor should pay to Creditor; compensation and other expenses Creditor charges for realizing its creditor's rights (including but not limited legal fees, arbitration fees, property preservation fees, execution fees, valuation fees, auction fees, attorneys' fees, travelling fees, etc.).

Article 4 Guaranty Method

Guarantor voluntarily provides the joint liability guarantee, when debtor does not perform its obligations related to the debt according to the master contract, no matter what other guarantee Creditor has for ensuring the creditor's rights under the master contract (including but not limited to guarantees, mortgages, pledges, etc.), Creditor has the right to ask guarantor to take guarantee responsibilities within guarantee coverage.

Article 5 Maximum Amount of the Guaranty

The maximum amount which the guarantee assumed hereunder is at most no more than RMB 15 million only. The maximum amount of guaranty hereon is the loan principal balance by total amount (meaning the line of credit deducting the amount of cash deposit) of use of loans and facility actually under the master contract signed between creditor and debtor and in the period as mentioned in the contract deducting amounts repaid, excluding the proceeds of payable except the principal stipulated in article 3, such as interest expenses and penalties, etc., but the guarantee shall still assume the joint liquidated liability.

The guarantor agrees that the debtor can recycle the loans under master contract, and agrees that the debtor can adjust the credit line of all kinds of loans within the line of credit hereunder, and the guarantor shall assume the joint guarantee liability.

Article 6 Warranty Period

The warranty period of this contract is from the effective date of this contract to 2 years after the maturity date of the debts (including deferred loans) under master contract.

Article 7 Changes of Master Contract

The warranty obligations of this contract will not be affected by any changes (including but not limited to modifying, supplying and deleting etc.) of the master contract agreed by creditor and debtor except the amount of the loan. If creditor and debtor agree with delaying to repay the debt, this contract is still effective.

Creditor may transfer its creditor's right to a third party legally, and guarantor shall assume the same warranty responsibilities as before.

Article 8 Independence of this Guarantee

This guarantee is independent of the master contract, the effectiveness of this guarantee is not affected if the master contract is invalid completely or partly. If the master contract is considered as invalid, guarantor assumes joint security responsibility to the debt resulting from debtor's returned property or pay for the damage. Guarantor promises to supervise debtor's use the loan (credit), and if debtor changes the purpose of the loan (credit), guarantor still assumes warranty responsibility.

Any tolerance, extension, privilege or delay from creditor to guarantor for exercising of its rights under this contract does not affect, injure and limit the rights creditor enjoys according to this contract and laws and regulations, and cannot be considered as the abdication of the related right according this contract, and will not affect the obligations of guarantor under this contract.

The efficacy of this guarantee will not be affected by any contract, agreement, and guarantee, and tacit agreement, or dispute.

Warranty obligations of guarantor (including the inheritor, assignee and conservator of guarantor) are continuous, and have no effect on any change of guarantor and debtor (including but not limited in division, merger, reorganization, transactions of property right and operational right). If debtor's subject qualification ceases to exist before debtor repays all debt to creditor, or creditor announces its subject qualification ceases to exist within 6 months since debtor repaid all debt result in the foregoing repayment become invalid, the warranty obligations under this contract are still effective.

Article 9 Guaranty

Guarantor agrees to assume warranty responsibility by all his property (including family possessions; since the date of signing this guarantee, guarantor will not allowed to dispose the above property without Creditor's consent, if Creditor thinks it is necessary that the above property can be guaranteed, mortgaged or pledged, guarantor promise to assist to process above procedures.

During the warranty period, guarantor promises that he will not provide guarantee which exceeds his warranty ability to a third party. If the above property is insufficient to afford the guarantee responsibility, guarantor promises to assume repayment responsibility for the insufficient part.

If Creditor feels necessary, guarantor agrees to provide the list of all his assets, and evaluate the assets on the list, guarantor will pay any valuation fee. Guarantor promises that he enjoys ownership and the right of disposal of all assets on the list.

Article 10 Advanced Guarantee Responsibilities

During the warranty period, when any default under master contract or other situations which is considered as can affect the realization of creditor's right by Creditor happen, Creditor can announce the debt immediately due and payable, and has the right to ask the guarantor to assume security responsibility on the date announced by Creditor, guarantor agrees to assume the security responsibility as Creditor requested.

Article 11 Receiving Payables

Creditor has the right to take payment from guarantor's account in bank of Jiangsu for all payables of guarantor in the range of warranty coverage. If the payment is foreign currency, it will be calculated according to the rate Creditor announced on the day.

Article 12 Other Items

1. During warranty period, Creditor has the right to supervise the funds and financial condition of guarantor, and guarantor should provide true information.
2. Guarantor authorizes the Creditor to claim for creditor's due right, the money collected should be repaid Creditor to the Creditor as priority.
3. If the loan, which is under the master contract or a specific credit business of the master contract, is not paid as agreed, or is changed the way of payment, guarantor shall still assume security responsibility.

Article 13 Settlement of Dispute

When there is any dispute in performing the contract, both parties should settle the dispute through negotiations at first, if negotiations cannot reach an agreement, both parties can apply to the local people's court of Creditor.

During the litigation or arbitration period, the items of this contract which are not involved in the dispute still should be performed.

Article 14 Becoming Effective

This guarantee comes into force as of being signed by guarantor

Article 15 Statements

1. Guarantor knows the business scope and limits of authority of Creditor.
2. The guarantor has read the contract comprehensively and carefully and fully understands the master contract entered into between creditor and debtor, upon the request of guarantor, the creditor has made the terms interpretation accordingly as for the master contract and the contract hereunder, and the guarantor is fully aware of and understands all the terms of the master contract and the contract hereunder, and signed this contract with willingly. The guarantor is fully aware of the legal consequences for the conclusion and performance of the master contract and the contract hereunder may give rise to, and fully confirms the obligations related to this contract.
3. Guarantor has the right to sign this guarantee.
4. Guarantor should give the consent that, Creditor might somehow authorize other affiliated institution of Jiangsu bank to perform the obligation. The performing party entitles all the rights and obligations under this contract and the affiliated credit line contracts, the performing party reserves the rights to appeal a resolution of dispute if necessary.
5. It should be noticed to Creditor in writing of any changes of guarantor's abode, postal address, contact number etc. in 10 days after the changes happen. It will be considered as if the information has been delivered if Creditor sends related notices and documents according to the primary address on file if the guarantor does not provide such notice.
6. If a notary agency mandates enforceable status to this contract, guarantor agrees to be enforced by the legislative body and gives up the right of defense.

Guarantor (signature):

/s/ Dangyu Pan

Maximum Amount Guaranty Contract

Contract No.: BZ16261700031

Guarantor: HUIZHOU HIGHPOWER TECHNOLOGY CO., LTD.
Address: XINHU ,MAAN TOWN,HUICHENG District, HUIZHOU

Creditor: Bank of Jiangsu, Shenzhen Sub-branch.
Address: 4011, Shennan Road, Futian District, Shenzhen.

In order to warranty the performance of debts under item one of this contract, the guarantor provides the warranty to the creditor voluntarily, and the two parties entered into this contract after equal negotiation.

Article 1: Master Contract

The master contract hereunder is A .

A. The creditor and the debtor **Springpower Technology (Shenzhen) Company Limited** entered into this contract of maximum amount comprehensive credit line whose number is **SX 162617000498**, and has or will enter into the separate facility business contract, as well as amendments and supplements.

B. The creditor and the debtor , from year month day to year month day , entered into the contracts of loans, bank acceptance drafts, trade financing, letter of guarantee, funds business, and other agreement, as well as amendments and supplements.

Article 2: Primary Credit and Period

Except the period determined or agreed separately in accordance with the laws, the actual credit under the master contract consists of the primary credit of the contract in the below period: A .

A. From the effective date of “maximum amount comprehensive credit line contract” in article one to the expiration date of facility period stipulated in this contract and amendments or supplements.

B. From year month day to year month day under article one of this contract.

Article 3: Guarantee Coverage

The scope of guaranty of creditor hereunder covers all debts occurred under this contract by the debtor, including but not limited to principals, interest expenses, compounded interests, penalties, processing fees, default expenses, damage compensation, legal fees, escrow fees, taxation expenses, arbitration fees, travel fees, assessment fees, auction fees, property preservation fees, compulsory execution fees and other expenses for realization of the creditor’s right.

Article 4: Maximum Amount of the Guaranty

The maximum amount which the guarantee assumed hereunder is at most no more than RMB 15 million only. The maximum amount of guaranty hereon is loan principal balance by total amount (means line of credit deducting the part of cash deposit) of use of loans and facility actually under the master contract signed between creditor and debtor and in the period as mentioned in the contract deducting the part of repayment, excluding the proceeds of payable except the principals stipulated in article 3, such as interest expenses and penalties, etc., but the guarantor shall still assume the joint liquidated liability.

The guarantor agrees that the debtor can recycle the loans under master contract, and agrees that the debtor can adjust the credit line of all kinds of loans within the line of credit hereunder, and the guarantor shall assume the joint guarantee liability.

Article 5

The guarantor has read the contract comprehensively and carefully and fully understands the master contract entered into between creditor and debtor, upon the request of guarantor, the creditor has made the terms interpretation accordingly as for the master contract and the contract hereunder, and the guarantor are fully aware of and understands the whole terms content of master contract and the contract hereunder, and signed this contract with true willing. The guarantor is fully aware of the legal consequence for the conclusion and performance of the master contract and the contract hereunder may give rise to, and fully confirms the obligations related to this contract.

Article 6

The guarantor shall assume the responsibilities for all debts owed by the debtor to the creditor under the master contract, including the debts arising from the prepayment requested by the creditor. After received the written notice sent by creditor, the guarantor shall perform the settlement responsibilities according to the time, kinds of currency, amount, and method of settlement specified by the creditor, and commit to the creditor that the creditor has the right to deduct all amount of guaranty from the guarantor's account when the creditor deems appropriate, if the deducted proceeds is foreign currency, the currency shall be calculated according to the bid price published by the creditor at the deducted date.

Article 7

The guarantee obligation of the guarantor (including the inheritor, assignee, and conservator of the guarantor) need continuity under this contract, shall not affected by the change of the guarantor or the debtor (including but not limited to merger, split, recombination, conduct title transaction or transactions of managerial authority by way of lease, contract, and so on). If the debtor's subject qualification ceases to exist before clear off the loans hereunder, or the debtor declares that its subject qualification cease within six month from the date clear off all of loans leading to its foregoing repayment activity invalid, the guarantor's warranty obligations is still effective.

Article 8

The term of the guaranty hereunder is from the date of effective to two years after expiration of the debts hereunder (including the maturity of extension period).

Article 9

The guaranty obligations under this contract shall not subject to be affected by any change for the terms and conditions of master contract agreed by both creditor and debtor (including but not limited to amendments, supplements, and cancellations). If the creditor and debtor agree to extension or delay the performance of the obligations hereunder, the contract hereunder shall continue to be valid.

In the event of the creditor transfers its credit right to others in the period of guaranty according to the law, the guarantor continues to assume the guaranty responsibility within the scope of the guaranty.

Article 10

The guarantor makes the following commitment to the creditor unconditionally and irrevocably: if the debtor fails to or delays to fulfill the obligations of master contract, or confirm the invalidity of the master contract in certain reason, or due to the guarantor fails to or delays to perform any clause hereunder leading to a loss to the creditor, all of above shall be a debt payable for the guarantor to the creditor.

Article 11

Whatever reasons leading to the master contract invalid in law or part of terms invalid, the guarantor shall still assume the guaranty responsibility for the debtor's repayment liability in accordance with the terms listed hereunder. The guarantor pledge to monitor the debtor to use the loans (facility), in the event of the debtor change the purpose of the loan, the guarantor shall still assume the guaranty responsibilities.

Any tolerance, grace or postpone the exercise of any right preferential by the creditor to the guarantor under this contract, shall not affect, damage, or restrict the creditor's all rights in accordance with the contract hereunder, laws and regulations, and normative documents, shall not deem as give up the rights and benefit under this contract, and shall not affect any obligations assumed by the guarantor under this contract.

Article 12

If there is any collateral security except this guarantee under this contract, the guarantor is willing to perform the joint guaranty responsibility prior to collateral security on all guaranty debts.

Article 13

The guarantor is an entity established in accordance with the laws, is qualified to identify the contract hereunder and perform joint guaranty responsibility. In addition, signing this contract has obtained empowerment thereof, and the process of performing the contract has been completed.

Article 14

The guarantor to sign and perform this contract is its real intension, is true and effective and legal, shall not affected by any relationship of any party hereunder and others or other any events.

Article 15

The debts hereunder has the equal position with guarantor's other debts, shall be in the same compensation sequence.

Article 16

If the guarantor enters into the counter guarantee contract with the debtor upon this contract, this counter guarantee contract shall not damage the creditor's any interests, and when the guarantor's compensation arising from the counter guarantee contract and the creditor's claim are in the same sequence, the creditor shall be compensated prior to the guarantor.

The guarantor shall not request the debtor to set up a counter guarantee by way of property pledge as to the obligations assumed by the debtor hereunder.

Article 17

The guarantor's responsibility shall decrease gradually with the decrease of the debts hereunder.

Article 18

The guarantor shall provide the true, complete, valid financial statement and other relevant materials and information as required by the creditor.

Article 19

In the event of guarantor change residence, mailing address, telephone number, the scope of business, and the legal representative, shall notice the creditor in written within 10 days from the date of change events occurred.

Article 20

If notary organ grant enforceable potency to this contract, guarantor agrees to be enforced and gives up the right of defense.

Article 21: The Application of Laws and Resolution of Dispute

The signing, effectiveness, interpretation, performance and settlement of disputes of this contract shall apply for the People's Republic of China's laws. If there are any disputes based on this agreement, the contracting parties could attempt to resolve them through consultation. If negotiation fails, shall resolve the disputes according to the following way of A :

A. Institute legal proceeding to the court where the creditor located.

B.

Article 22

This contract and any modifications and supplement of it enter into force upon the date when it is signed or sealed and affixed with official seals by the legal representative or entrusted agents of both parties.

Article 23: Other Items Appointed by Both Parties.

The things which are not mentioned in this contract should be explained and settled according to relevant laws, administrative laws and regulations, normative documents and the related regulations of Bank of Jiangsu.

Article 24

This agreement is in triplicate, Party A has one copy, Party B has two copies, three copies have the same legal effect.

Guarantor (stamp): /s/ [COMPANY SEAL]

Legal representative or agent:

Creditor (stamp): /s/ [COMPANY SEAL]

Legal Representative or agent:

Maximum Amount Guaranty Contract

Contract No.: BZ162617000029

Guarantor: SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD.
Address: Bldg. 1, No. 68, Xinsha Road, Pinghu Street, Longgang District, Shenzhen

Creditor: Bank of Jiangsu, Shenzhen Sub-branch.
Address: 4011, Shennan Road, Futian District, Shenzhen.

In order to warranty the performance of debts under item one of this contract, the guarantor provides the warranty to the creditor voluntarily, and the two parties entered into this contract after equal negotiation.

Article 1: Master Contract

The master contract hereunder is A.

A. The creditor and the debtor **Springpower Technology (Shenzhen) Company Limited** entered into this contract of maximum amount comprehensive credit line whose number is **SX 162617000498**, and has or will enter into the separate facility business contract, as well as amendments and supplements.

B. The creditor and the debtor __, from __ year __ month __ day __ to __ year __ month __ day __, entered into the contracts of loans, bank acceptance drafts, trade financing, letter of guarantee, funds business, and other agreement, as well as amendments and supplements.

Article 2: Primary Credit and Period

Except the period determined or agreed separately in accordance with the laws, the actual credit under the master contract consists of the primary credit of the contract in the below period: A.

A. From the effective date of “maximum amount comprehensive credit line contract” in article one to the expiration date of facility period stipulated in this contract and amendments or supplements.

B. From __ year __ month __ day __ to __ year __ month __ day __ under article one of this contract.

Article 3: Guarantee Coverage

The scope of guaranty of creditor hereunder covers all debts occurred under this contract by the debtor, including but not limited to principals, interest expenses, compounded interests, penalties, processing fees, default expenses, damage compensation, legal fees, escrow fees, taxation expenses, arbitration fees, travel fees, assessment fees, auction fees, property preservation fees, compulsory execution fees and other expenses for realization of the creditor’s right.

Article 4: Maximum Amount of the Guaranty

The maximum amount which the guarantee assumed hereunder is at most no more than RMB 15 million only. The maximum amount of guaranty hereon is loan principal balance by total amount (means line of credit deducting the part of cash deposit) of use of loans and facility actually under the master contract signed between creditor and debtor and in the period as mentioned in the contract deducting the part of repayment, excluding the proceeds of payable except the principals stipulated in article 3, such as interest expenses and penalties, etc., but the guarantor shall still assume the joint liquidated liability.

The guarantor agrees that the debtor can recycle the loans under master contract, and agrees that the debtor can adjust the credit line of all kinds of loans within the line of credit hereunder, and the guarantor shall assume the joint guarantee liability.

Article 5

The guarantor has read the contract comprehensively and carefully and fully understands the master contract entered into between creditor and debtor, upon the request of guarantor, the creditor has made the terms interpretation accordingly as for the master contract and the contract hereunder, and the guarantor are fully aware of and understands the whole terms content of master contract and the contract hereunder, and signed this contract with true willing. The guarantor is fully aware of the legal consequence for the conclusion and performance of the master contract and the contract hereunder may give rise to, and fully confirms the obligations related to this contract.

Article 6

The guarantor shall assume the responsibilities for all debts owed by the debtor to the creditor under the master contract, including the debts arising from the prepayment requested by the creditor. After received the written notice sent by creditor, the guarantor shall perform the settlement responsibilities according to the time, kinds of currency, amount, and method of settlement specified by the creditor, and commit to the creditor that the creditor has the right to deduct all amount of guaranty from the guarantor's account when the creditor deems appropriate, if the deducted proceeds is foreign currency, the currency shall be calculated according to the bid price published by the creditor at the deducted date.

Article 7

The guarantee obligation of the guarantor (including the inheritor, assignee, and conservator of the guarantor) need continuity under this contract, shall not affected by the change of the guarantor or the debtor (including but not limited to merger, split, recombination, conduct title transaction or transactions of managerial authority by way of lease, contract, and so on). If the debtor's subject qualification ceases to exist before clear off the loans hereunder, or the debtor declares that its subject qualification cease within six month from the date clear off all of loans leading to its foregoing repayment activity invalid, the guarantor's warranty obligations is still effective.

Article 8

The term of the guaranty hereunder is from the date of effective to two years after expiration of the debts hereunder (including the maturity of extension period).

Article 9

The guaranty obligations under this contract shall not subject to be affected by any change for the terms and conditions of master contract agreed by both creditor and debtor (including but not limited to amendments, supplements, and cancellations). If the creditor and debtor agree to extension or delay the performance of the obligations hereunder, the contract hereunder shall continue to be valid.

In the event of the creditor transfers its credit right to others in the period of guaranty according to the law, the guarantor continues to assume the guaranty responsibility within the scope of the guaranty.

Article 10

The guarantor makes the following commitment to the creditor unconditionally and irrevocably: if the debtor fails to or delays to fulfill the obligations of master contract, or confirm the invalidity of the master contract in certain reason, or due to the guarantor fails to or delays to perform any clause hereunder leading to a loss to the creditor, all of above shall be a debt payable for the guarantor to the creditor.

Article 11

Whatever reasons leading to the master contract invalid in law or part of terms invalid, the guarantor shall still assume the guaranty responsibility for the debtor's repayment liability in accordance with the terms listed hereunder. The guarantor pledge to monitor the debtor to use the loans (facility), in the event of the debtor change the purpose of the loan, the guarantor shall still assume the guaranty responsibilities.

Any tolerance, grace or postpone the exercise of any right preferential by the creditor to the guarantor under this contract, shall not affect, damage, or restrict the creditor's all rights in accordance with the contract hereunder, laws and regulations, and normative documents, shall not deem as give up the rights and benefit under this contract, and shall not affect any obligations assumed by the guarantor under this contract.

Article 12

If there is any collateral security except this guarantee under this contract, the guarantor is willing to perform the joint guaranty responsibility prior to collateral security on all guaranty debts.

Article 13

The guarantor is an entity established in accordance with the laws, is qualified to identify the contract hereunder and perform joint guaranty responsibility. In addition, signing this contract has obtained empowerment thereof, and the process of performing the contract has been completed.

Article 14

The guarantor to sign and perform this contract is its real intension, is true and effective and legal, shall not affected by any relationship of any party hereunder and others or other any events.

Article 15

The debts hereunder has the equal position with guarantor's other debts, shall be in the same compensation sequence.

Article 16

If the guarantor enters into the counter guarantee contract with the debtor upon this contract, this counter guarantee contract shall not damage the creditor's any interests, and when the guarantor's compensation arising from the counter guarantee contract and the creditor's claim are in the same sequence, the creditor shall be compensated prior to the guarantor.

The guarantor shall not request the debtor to set up a counter guarantee by way of property pledge as to the obligations assumed by the debtor hereunder.

Article 17

The guarantor's responsibility shall decrease gradually with the decrease of the debts hereunder.

Article 18

The guarantor shall provide the true, complete, valid financial statement and other relevant materials and information as required by the creditor.

Article 19

In the event of guarantor change residence, mailing address, telephone number, the scope of business, and the legal representative, shall notice the creditor in written within 10 days from the date of change events occurred.

Article 20

If notary organ grant enforceable potency to this contract, guarantor agrees to be enforced and gives up the right of defense.

Article 21: The Application of Laws and Resolution of Dispute

The signing, effectiveness, interpretation, performance and settlement of disputes of this contract shall apply for the People's Republic of China's laws. If there are any disputes based on this agreement, the contracting parties could attempt to resolve them through consultation. If negotiation fails, shall resolve the disputes according to the following way of A :

A. Institute legal proceeding to the court where the creditor located.

B.

Article 22

This contract and any modifications and supplement of it enter into force upon the date when it is signed or sealed and affixed with official seals by the legal representative or entrusted agents of both parties.

Article 23: Other Items Appointed by Both Parties

The things which are not mentioned in this contract should be explained and settled according to relevant laws, administrative laws and regulations, normative documents and the related regulations of Bank of Jiangsu.

Article 24

This agreement is in triplicate, Party A has one copy, Party B has two copies, three copies have the same legal effect.

Guarantor (stamp): /s/ [COMPANY SEAL]

Legal representative or agent:

Creditor (stamp): /s/ [COMPANY SEAL]

Legal Representative or agent:

Maximum Amount Guaranty Contract

Contract No.: BZ162617000030

Guarantor: Icon Energy System Company Limited
Address: Block A, 4/F, Jinmeiwei Industrial Park, Guanlan Hi-tech Industrial Park,
Shangkeng Community, Guanlan Town, Baoan District, Shenzhen

Creditor: Bank of Jiangsu, Shenzhen Sub-branch.
Address: 4011, Shennan Road, Futian District, Shenzhen.

In order to warranty the performance of debts under item one of this contract, the guarantor provides the warranty to the creditor voluntarily, and the two parties entered into this contract after equal negotiation.

Article 1: Master Contract

The master contract hereunder is A .

A. The creditor and the debtor **Springpower Technology (Shenzhen) Company Limited** entered into this contract of maximum amount comprehensive credit line whose number is **SX 162617000498**, and has or will enter into the separate facility business contract, as well as amendments and supplements.

B. The creditor and the debtor , from year month day to year month day , entered into the contracts of loans, bank acceptance drafts, trade financing, letter of guarantee, funds business, and other agreement, as well as amendments and supplements.

Article 2: Primary Credit and Period

Except the period determined or agreed separately in accordance with the laws, the actual credit under the master contract consists of the primary credit of the contract in the below period: A .

A. From the effective date of “maximum amount comprehensive credit line contract” in article one to the expiration date of facility period stipulated in this contract and amendments or supplements.

B. From year month day to year month day under article one of this contract.

Article 3: Guarantee Coverage

The scope of guaranty of creditor hereunder covers all debts occurred under this contract by the debtor, including but not limited to principals, interest expenses, compounded interests, penalties, processing fees, default expenses, damage compensation, legal fees, escrow fees, taxation expenses, arbitration fees, travel fees, assessment fees, auction fees, property preservation fees, compulsory execution fees and other expenses for realization of the creditor’s right.

Article 4: Maximum Amount of the Guaranty

The maximum amount which the guarantee assumed hereunder is at most no more than RMB 15 million only. The maximum amount of guaranty hereon is loan principal balance by total amount (means line of credit deducting the part of cash deposit) of use of loans and facility actually under the master contract signed between creditor and debtor and in the period as mentioned in the contract deducting the part of repayment, excluding the proceeds of payable except the principals stipulated in article 3, such as interest expenses and penalties, etc., but the guarantor shall still assume the joint liquidated liability.

The guarantor agrees that the debtor can recycle the loans under master contract, and agrees that the debtor can adjust the credit line of all kinds of loans within the line of credit hereunder, and the guarantor shall assume the joint guarantee liability.

Article 5

The guarantor has read the contract comprehensively and carefully and fully understands the master contract entered into between creditor and debtor, upon the request of guarantor, the creditor has made the terms interpretation accordingly as for the master contract and the contract hereunder, and the guarantor are fully aware of and understands the whole terms content of master contract and the contract hereunder, and signed this contract with true willing. The guarantor is fully aware of the legal consequence for the conclusion and performance of the master contract and the contract hereunder may give rise to, and fully confirms the obligations related to this contract.

Article 6

The guarantor shall assume the responsibilities for all debts owed by the debtor to the creditor under the master contract, including the debts arising from the prepayment requested by the creditor. After received the written notice sent by creditor, the guarantor shall perform the settlement responsibilities according to the time, kinds of currency, amount, and method of settlement specified by the creditor, and commit to the creditor that the creditor has the right to deduct all amount of guaranty from the guarantor's account when the creditor deems appropriate, if the deducted proceeds is foreign currency, the currency shall be calculated according to the bid price published by the creditor at the deducted date.

Article 7

The guarantee obligation of the guarantor (including the inheritor, assignee, and conservator of the guarantor) need continuity under this contract, shall not affected by the change of the guarantor or the debtor (including but not limited to merger, split, recombination, conduct title transaction or transactions of managerial authority by way of lease, contract, and so on). If the debtor's subject qualification ceases to exist before clear off the loans hereunder, or the debtor declares that its subject qualification cease within six month from the date clear off all of loans leading to its foregoing repayment activity invalid, the guarantor's warranty obligations is still effective.

Article 8

The term of the guaranty hereunder is from the date of effective to two years after expiration of the debts hereunder (including the maturity of extension period).

Article 9

The guaranty obligations under this contract shall not subject to be affected by any change for the terms and conditions of master contract agreed by both creditor and debtor (including but not limited to amendments, supplements, and cancellations). If the creditor and debtor agree to extension or delay the performance of the obligations hereunder, the contract hereunder shall continue to be valid.

In the event of the creditor transfers its credit right to others in the period of guaranty according to the law, the guarantor continues to assume the guaranty responsibility within the scope of the guaranty.

Article 10

The guarantor makes the following commitment to the creditor unconditionally and irrevocably: if the debtor fails to or delays to fulfill the obligations of master contract, or confirm the invalidity of the master contract in certain reason, or due to the guarantor fails to or delays to perform any clause hereunder leading to a loss to the creditor, all of above shall be a debt payable for the guarantor to the creditor.

Article 11

Whatever reasons leading to the master contract invalid in law or part of terms invalid, the guarantor shall still assume the guaranty responsibility for the debtor's repayment liability in accordance with the terms listed hereunder. The guarantor pledge to monitor the debtor to use the loans (facility), in the event of the debtor change the purpose of the loan, the guarantor shall still assume the guaranty responsibilities.

Any tolerance, grace or postpone the exercise of any right preferential by the creditor to the guarantor under this contract, shall not affect, damage, or restrict the creditor's all rights in accordance with the contract hereunder, laws and regulations, and normative documents, shall not deem as give up the rights and benefit under this contract, and shall not affect any obligations assumed by the guarantor under this contract.

Article 12

If there is any collateral security except this guarantee under this contract, the guarantor is willing to perform the joint guaranty responsibility prior to collateral security on all guaranty debts.

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The guarantor is an entity established in accordance with the laws, is qualified to identify the contract hereunder and perform joint guaranty responsibility. In addition, signing this contract has obtained empowerment thereof, and the process of performing the contract has been completed.

Article 14

The guarantor to sign and perform this contract is its real intension, is true and effective and legal, shall not affected by any relationship of any party hereunder and others or other any events.

Article 15

The debts hereunder has the equal position with guarantor's other debts, shall be in the same compensation sequence.

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If the guarantor enters into the counter guarantee contract with the debtor upon this contract, this counter guarantee contract shall not damage the creditor's any interests, and when the guarantor's compensation arising from the counter guarantee contract and the creditor's claim are in the same sequence, the creditor shall be compensated prior to the guarantor.

The guarantor shall not request the debtor to set up a counter guarantee by way of property pledge as to the obligations assumed by the debtor hereunder.

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The guarantor's responsibility shall decrease gradually with the decrease of the debts hereunder.

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The guarantor shall provide the true, complete, valid financial statement and other relevant materials and information as required by the creditor.

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In the event of guarantor change residence, mailing address, telephone number, the scope of business, and the legal representative, shall notice the creditor in written within 10 days from the date of change events occurred.

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Article 21: The Application of Laws and Resolution of Dispute

The signing, effectiveness, interpretation, performance and settlement of disputes of this contract shall apply for the People's Republic of China's laws. If there are any disputes based on this agreement, the contracting parties could attempt to resolve them through consultation. If negotiation fails, shall resolve the disputes according to the following way of A :

A. Institute legal proceeding to the court where the creditor located.

B.

Article 22

This contract and any modifications and supplement of it enter into force upon the date when it is signed or sealed and affixed with official seals by the legal representative or entrusted agents of both parties.

Article 23: Other Items Appointed by Both Parties

The things which are not mentioned in this contract should be explained and settled according to relevant laws, administrative laws and regulations, normative documents and the related regulations of Bank of Jiangsu.

Article 24

This agreement is in triplicate, Party A has one copy, Party B has two copies, three copies have the same legal effect.

Guarantor (stamp): /s/ [COMPANY SEAL]

Legal representative or agent:

Creditor (stamp): /s/ [COMPANY SEAL]

Legal Representative or agent:

Agreement for Equity Transfer and Capital Increase

between

Xiamen Jiupai Yuanjiang New Power Equity Investment Funds Partnership (Limited Partnership)

and

Huizhou Yipeng Energy Technology Co., Ltd.

Place: Xiamen, Fujian

Date: May 5, 2017

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Agreement for Equity Transfer and Capital Increase

The Agreement is made and entered into by and between the following parties:

Party A: Xiamen Jiupai Yuanjiang New Power Equity Investment Funds Partnership (Limited Partnership)

Registration No.: _____

Domicile: _____

Party B: All Shareholders of Huizhou Yipeng Energy Technology Co., Ltd.

Shareholder 1: Huizhou Highpower Technology Co., Ltd.

Registration No.: 441300000177233

Domicile: Xinhua Industrial Development Zone, Maan Town, Huicheng District, Huizhou

Shareholder 2: Shenzhen Jinpenglong Traffic Science & Technology Co., Ltd.

Registration No.: 440301104384936

Domicile: 6H18, East of 6F, Building 1, Shenhua Science & Technology Industrial Park, Meihua Road, Futian District, Shenzhen (only for the office)

Shareholder 3: Beijing Defengjie Fuhua Venture Investment Funds Management Center (Limited Partnership)

Registration No.: 110108018065690

Domicile: Room 37, 1F, Building 23, No.72, Qinghe 3 Street, Haidian District, Beijing

Shareholder 4: Beijing Defengjie Longsheng Investment Funds Management Center (Limited Partnership)

Registration No.: 91111083442800187

Domicile: 2056, 2F, No.5, Shangdi 5 Street, Haidian District, Beijing

Shareholder 5: Shu Jianqin

ID No.: ***

Domicile: Fangjiaju Street, Fangjiaju Town, Yingshan County, Hubei

Shareholder 6: Qu Jingdong

ID No.: ***

Domicile: Room 701, Unit 1, Building 18, Shangdi Shumacheng, Anningzhuang, Haidian District, Beijing

Shareholder 7: He Ping

ID No.: ***

Domicile: Room 25, Unit 2, Building 15, No.A-8, Xinwai Street, Xicheng District, Beijing

Party C: Huizhou Yipeng Energy Technology Co., Ltd.

Legal Representative: Pan Dangyu

Registration No.: ***

Domicile: (B1 Plant) No.1, Qunliao Road, Maan Town, Huicheng District, Huizhou

Interpretation and Definition

Unless otherwise indicated in the text hereof, the following terms shall have the following meaning:

Agreement	refers to	the Agreement for Equity Transfer and Capital Increased between Xiamen Jiupai Yuanjiang New Power Equity Investment Partnership (Limited Partnership) and Huizhou Yipeng Energy Technology Co., Ltd.
Subject Company	refers to	Huizhou Yipeng Energy Technology Co., Ltd, that is, Party C to the Agreement.
Share Capital/Equity	refers to	the registered capital of Huizhou Yipeng Energy Technology Co., Ltd, with RMB 1 for each share.
Yuan	refers to	RMB.
Transfer	refers to	Party B's transfer of 32,937,500 equity held in the subject company to Party A in accordance with the Agreement, with a transfer price of RMB 93,000,000 in total.
Capital Increase	refers to	the capital increase of RMB 60,000,000 by Party A to the subject company in accordance with the Agreement, by virtue of which Party A obtains 21,250,000 equity in the subject company.
Investment	refers to	an investment of RMB 153,000,000 by virtue of transfer part of equity held by Party B in the subject company to Party A and the capital increase by Party A to the subject company in accordance with the Agreement, as a result, the registered capital of the subject company is increased to RMB 106,250,000, and Party A holds certain equity accounting for 51% of the total share capital of the subject company and thus becomes the controlling shareholder of the subject company.
Investment Principal	refers to	the investment payment made by Party A to Party B and Party C as the consideration for the purpose of obtaining certain equity in the subject company. Upon completion of this investment, for the purpose of obtaining 51% equity in the subject company by virtue of transfer and capital increase, the investment principal equal to RMB 153,000,000 has been paid by Party A.
Original Shareholder(s)	refers to	all shareholders of Huizhou Yipeng Energy Technology Co., Ltd prior to the completion of this investment, that is, Party B to the Agreement.
Management Team	refers to	Party B2, Party B5 and Party B7.
Investor in the Previous Round	refers to	Party B1, Party B3, Party B4 and Party B6.
Three Parties	refer to	each civil subject mentioned herein, that is, Party A, Party B and Party C
Transitional Period	refers to	the period from the date of execution hereof to the completion of procedures of registration of business change for the equity transfer and capital increase in accordance with the Agreement.
Working Day(s)	refers to	the national legal working days.
Disclosure	refers to	the disclosure made by Party B and Party C prior to the investor's investment and in connection with this investment of Party A.
Significantly Adverse Impacts	refer to	any of the following situations, changes or impacts in connection with the Company, which independently or jointly with any other situations, changes or impacts of the Company (a) cause or probably cause significantly adverse impacts on the business or the Company's assets, liabilities (including but not limited to the contingent liabilities), operating achievements or financial status, or (b) cause or probably cause significantly adverse impacts on the Company's qualifications required for the operation and business in the existing manner.

Whereas,

1. Party C (the Subject Company) is a limited liability company incorporated and legally existing on Jan.26, 2014 under the laws and regulations of the People's Republic of China, which specializes in R&D, production, sales and technical service of lithium-ion power storage battery, lithium-ion power battery and related accessories, with the registered address at (B1 Plant) No.1, Qunliao Road, Maan Town, Huicheng District, Huizhou and Party B holds 100% equity in the Subject Company; as of the date of execution hereof, the registered capital of the Subject Company is RMB 85,000,000 and has been fully contributed.

2. Party A is an equity investment partnership incorporated and legally existing under the laws and regulations of the People's Republic of China and has the intention of making an investment of RMB 153,000,000 to the Subject Company, in which RMB 93,000,000 is used for the transfer of part of equity held by Party B in the Subject Company and RMB 60,000,000 is used for the capital increased. Upon completion of this investment, Party A shall hold 51% equity in the Subject Company and become the controlling shareholder of the Subject Company.

3. Party B shall transfer the equity to Party A in the manner stipulated herein. Upon completion of the transfer of part of equity held by Party B to Party A and the capital increase, Party B shall hold 49% equity in the Subject Company. Pursuant to the Company Law of the People's Republic of China, Contract Law of the People's Republic of China and other current laws and regulations of China, through friendly negotiation the three parties reach the following agreement on the cooperation in this investment for the purpose of joint abidance.

Article 1 Investment Prerequisites

1.1 Through negotiation the parties acknowledge that only when the following investment prerequisites are fully satisfied, shall Party A perform the capital contribution obligations hereunder:

1.1.1 The parties agree and formally execute the Agreement, including the execution of appendixes hereto;

1.1.2 This transaction has already obtained the consents and approvals from the Governmental departments (if required), the Subject Company and other third parties, including but not limited to the resolutions adopted by the Subject Company's Board of Directors and the General Meeting of Shareholders on the equity transfer and capital increase hereunder, and the original shareholders of Party B agree to waive the right of first refusal in and to the transfer of part of equity by part of Party B's shareholders to Party A hereunder and the capital increase of the Subject Company by Party A hereunder.

1.1.3 The management team and Party C has already fully, truly and completely disclosed in writing the Subject Company's assets, liabilities, rights and interests, external guarantee and other information in connection with the Agreement;

1.1.4 Party C as the going concern entity has not performed any behavior in violation of the laws and regulations;

1.1.5 During the transitional period, Party C shall maintain a normal and constant operation condition and Party C's key team and the nature, scope and mode of operation will not be significantly changed; without the prior written consent of Party A, neither Party B nor Party C may have the following behavior:

- (1) To increase, reduce or transfer the Company's assets and equity, or mortgage or otherwise dispose the Company's assets and equity (except for stipulated herein);
- (2) To take any action for the purpose of the Company's merger, division, suspension of business or other similar action;
- (3) any capital transaction behavior (except for the capital transaction with Party A);
- (4) To borrow a loan from or provide loan guarantee to the civil subject;
- (5) Significantly adverse impacts on the operation or financial status or any kind of profit distribution;
- (6) To sell, lease, transfer or generate the guaranteed real right (such as the mortgage, pledge, retention or otherwise disposal) in and to any of the Company's properties with a value of more than RMB 100,000;
- (7) To make any modifications to the Articles of Association of or any documents having a binding on the Subject Company (except for required herein);
- (8) To, except for the execution of contracts and agreements necessarily required for the normal operation, make any agreements, contracts, arrangements or transaction (regardless of having the legal effects) which may cause significantly adverse impacts on the operation of the Subject Company, or, without the written consent of Party A, to make modifications to any existing contracts and agreements to which the Subject Company is a party;
- (9) Any changes to the equity structure and shareholders of the Subject Company;
- (10) Any changes to the members of the Board of Directors of the Subject Matter, or changes to the terms of the labor contract signed by and between the Subject Company and its employees (except for required herein).

1.2 Prior to the completion of business change for the transfer of (32,937,500) equity and the capital increase (of 21,250,000 equity) by the Subject Company, provided that any one of the conditions contained in Article 1.1 hereof are not satisfied, Party A has the right to cease this transaction or unilaterally rescind the Agreement by giving a written notice and request Party B and Party C to immediately refund the investment principal (including the equity transfer price and the capital increase payment) and the management team shall undertake the joint and several warranty liabilities for Party C's obligations to refund the capital increase payment included in the investment principal.

Article 2 Pricing Mode

The parties agree to determine in the following manner the appraisal value and investment price of the Subject Company to which this investment is made:

2.1 With respect to this investment, transaction appraisal value of 100% equity in the Subject Company shall be RMB 240,000,000.

2.2 The transaction appraisal value of the Subject Company shall be RMB 240,000,000, the corresponding registered capital of the Subject Company shall be RMB 85,000,000 and the transaction price of each RMB 1 registered capital (that is, per share, the same below) shall be RMB 2.823529.

Article 3 Investment Plan

3.1 Based on the transaction price of RMB 2.823529/share for the equity in the Subject Company as mentioned in Article 2.1 hereof, by making an investment of RMB 93,000,000, Party A shall be transferred 32,937,500 equity held by part of Party B's original shareholders in the Subject Company. Each original shareholder of Party B implementing the transfer hereunder shall be responsible for the income tax and related taxes and fees arising from such equity transfer. Prior to this transfer, the equity structure of the Subject Company sees the following table:

Unit: Yuan

SN	Name of Shareholder	Mode of Investment	Registered Capital	Shareholding Proportion
1	Huizhou Highpower Technology Co., Ltd.	Monetary	30,090,000	35.40%
2	Shenzhen Jinpenglong Traffic Science & Technology Co., Ltd.	Monetary	22,666,667	26.67%
3	Shu Jianqin	Monetary	10,766,667	12.67%
4	Qu Jingdong	Monetary	6,630,000	7.80%
5	He Ping	Monetary	6,233,333	7.33%
6	Beijing Defengjie Fuhua Venture Investment Funds Management Center (Limited Partnership)	Monetary	5,780,000	6.80%
8	Beijing Defengjie Longsheng Investment Funds Management Center (Limited Partnership)	Monetary	2,833,333	3.33%
	Total		85,000,000	100%

With respect to this transfer, the transfer of equity by each original shareholder of Party B sees the following table:

Unit: Yuan

SN	Name of Shareholder	Equity Transferred	Proportion of Transferred Equity Accounting for RMB 85,000,000 of Registered Capital	Amount Transferred
1	Huizhou Highpower Technology Co., Ltd.	25,145,833	29.58%	71,000,000.00
2	Shenzhen Jinpenglong Traffic Science & Technology Co., Ltd.	3,187,500	3.75%	9,000,000.00
3	Shu Jianqin	1,912,500	2.25%	5,400,000.00
5	He Ping	2,691,667	3.17%	7,600,000.00
	Total	32,937,500	38.75%	93,000,000

After this equity transfer, the equity structure of the Subject Company sees the following table:

Unit: Yuan

SN	Name of Shareholder	Mode of Investment	Registered Capital	Shareholding Proportion
1	Xiamen Jiupai Yuanjiang New Power Equity Investment Funds Partnership (Limited Partnership) (Party A)	Monetary	32,937,500	38.75%
2	Huizhou Highpower Technology Co., Ltd.	Monetary	4,944,166	5.8166%
3	Shenzhen Jinpenglong Traffic Science & Technology Co., Ltd.	Monetary	19,479,167	22.9167%
4	Shu Jianqin	Monetary	8,854,167	10.4167%
5	Qu Jingdong	Monetary	6,630,000	7.800%
6	He Ping	Monetary	3,541,667	4.1667%
7	Beijing Defengjie Fuhua Venture Investment Funds Management Center (Limited Partnership)	Monetary	5,780,000	6.800%
	Beijing Defengjie Longsheng Investment Funds Management Center (Limited Partnership)	Monetary	2,833,333	3.3333%
	Total		85,000,000	100%

3.2 By virtue of making an investment of RMB 60,000,000 in cash to the Subject Company as per the price of RMB2.823529/share, Party A shall obtain 21,250,000 equity in the Subject Company, thus the registered capital of the Subject Company is increased from RMB 85,000,000 to RMB 106,250,000; after this capital increase, the Subject Company may at an appropriate time and in the form of resolutions adopted by the General Meeting of Shareholders increase its registered capital to an appropriate scale in the manner of conversion of capital funds to the share capital.

3.3 With respect to this investment, by virtue of transfer of part of the equity and the capital increase, Party A makes an investment of RMB 153,000,000 and obtains RMB54,187,500 of registered capital of the Subject Company, accounting for 51% of RMB 106,250,000 of registered capital of the Subject Company after the capital increase; after the transfer of RMB 32,937,500 of registered capital by Party B, the remaining registered capital is RMB 52,062,500, accounting for 49% of the total share capital of the Subject Company after the capital increase.

3.4 With respect to the capital increase of RMB 60,000,000 to the Subject Company, RMB 21,250,000 is used as the newly increased registered capital and the remaining RMB 38,750,000 is used as the capital funds of the Subject Company.

3.5 After this equity transfer and capital increase, Party C's equity structure sees the following table:

Unit: Yuan

SN	Name of Shareholder	Mode of Investment	Amount of Investment Subscribed	Shareholding Proportion	Amount of Investment Made
1	Xiamen Jiupai Yuanjiang New Power Equity Investment Funds Partnership (Limited Partnership) (Party A)	Monetary	54,187,500	51.00%	54,187,500
2	Shenzhen Jinpenglong Traffic Science & Technology Co., Ltd.	Monetary	19,479,167	18.333%	1,9479,167
3	Shu Jianqin	Monetary	8,854,167	8.333%	8,854,167
4	Qu Jingdong	Monetary	6,630,000	6.24%	6,630,000
5	Beijing Defengjie Fuhua Venture Investment Funds Management Center (Limited Partnership)	Monetary	5,780,000	5.44%	5,780,000
6	Huizhou Highpower Technology Co., Ltd.	Monetary	4,944,166	4.654%	4,944,166
7	He Ping	Monetary	3,541,667	3.333%	3,541,667
9	Beijing Defengjie Longsheng Investment Funds Management Center (Limited Partnership)	Monetary	2,833,333	2.667%	2,833,333
	Total		106,250,000	100%	106,250,000

3.6 Terms of payment for this investment made by Party A:

The Agreement shall become effective after signed. Prior to May 5, 2017 (including, the same below), Party A shall transfer a capital increase payment of RMB 40,000,000 to the Subject Company's enterprise account designated by Party C; prior to May 15, Party A shall make the payment of the balance equal to RMB 20,000,000. Where Party A fails to make the payment for capital increase at the time stipulated herein, for each day of delay, Party A shall pay Party C certain penalty as per 0.05%/day of each capital increase payment then payable.

Prior to Jun.30, 2017, Party A shall pay RMB 93,000,000 as this equity transfer payment to 4 original shareholders of Party B who intend to implement this transfer and directly transfer to the individual or company account registered in the name of such 4 shareholders as designated by such 4 shareholders. Where Party A fails to make the payment for equity transfer at the time stipulated herein, for each day of delay, Party A shall pay the original shareholders of Party B who intend to implement this transfer of equity certain penalty as per 0.05%/day of the transfer price. Provided that such equity transfer payment payable by Party A fails to be available prior to Jul.31, 2017, it shall be deemed as a fundamental default by Party A, and Party B may implement the terms hereof.

Enterprise account designated by Party C is as follows:

Account name:

A/C No.:

Opening bank:

Enterprise account designated by Huizhou Highpower Technology Co., Ltd is as follows:

Account name:

A/C No.:

Opening bank:

Enterprise account designated by Shenzhen Jinpenglong Traffic Science & Technology Co., Ltd is as follows:

Account name:

A/C No.:

Opening bank:

Enterprise account designated by He Ping is as follows:

Account name:

A/C No.:

Opening bank:

Enterprise account designated by Shu Jianqin is as follows:

Account name:

A/C No.:

Opening bank:

Article 4 Party B and the management team covenant to, within 15 working days after the 1st and 2nd payment for capital increase (a total of RMB 60,000,000) by Party A is available, complete the procedures for registration of business change of this investment (refers to the shareholding structure in which after this investment Party A holds 20% equity in the Subject Company and Party B holds 80% equity in Party C). In case Party B and the management team fail to complete the procedures for business change on schedule, for each day of delay, the management team shall pay Party A certain penalty as per 0.05%/day of the capital increase payment (RMB 60,000,000) then made by Party A; if Party B and the management team still fails to complete the corresponding business change within 30 days after Party A completes the capital increase payment (RMB 60,000,000), it shall be deemed as the fundamental default by Party B, and Party A may implement the related terms hereof.

Article 5 Party B and the management team simultaneously covenant to, within 15 working days after Party A's third transfer price (that is, RMB 93,000,000) is available, complete the procedures (including but not limited to the completion of increase of Party C's registered capital, adding Party A as the Company's new shareholder, and the registration or filing of changes to Articles of Association of the Subject Company revised in accordance with the Agreement with the administration for industry and commerce) of registration of business change made after this investment (which refers to the shareholding structure in which after this investment Party A holds 51% equity in the Subject Company and Party B holds 449% equity in Party C). If Party B and the management team fail to complete the procedures of business change on schedule, for each day of delay, the management team shall pay Party A certain penalty as per 0.05%/day of the transfer price (RMB 93,000,000) then paid by Party A; if Party B and the management team fail to, within 30 days after Party A completes the payment of this transfer price (RMB 93,000,000), complete the corresponding business change, it shall be deemed as the fundamental default by Party B, and Party A may implement related terms hereof.

The handling charges and expenses in connection with the aforesaid filing and registration of business change shall be borne by the Subject Company.

5.1 Provided that the procedures of business change fails to be completed due to the reasons of Party B or Party C or still fail to be completed beyond 30 days (except for due to the reasons of the Government or the force majeure), Party A has the right to unilaterally terminate the Agreement in writing, Party B and Party C shall refund the investment made by Party A within 5 working days after the termination hereof and refund the interests arising from the bank loan over the same period as such payment. The management team shall undertake the joint and several liabilities for Party C's obligations contained in this article.

5.2 The capital increase payment in connection with this investment shall be mainly used for Party C's operation and development but may not be used for non-operating expenditures or other operating expenditures irrelevant to the prime business of the Subject Company.

5.3 Prior to the execution hereof, in case of conflicts between the documents and/or agreements signed by and between Party B and Party C and the Agreement, the Agreement shall prevail and each party has the obligation to revise its respective documents or agreements signed to make conformity with the Agreement. After the execution hereof, if the agreement signed by the parties is involved in the matters stipulated herein, the Agreement shall prevail and the terms in conflict with the Agreement shall be null and void.

Article 4 Performance Covenants and Compensation Arrangements

4.1 The management team covenants to Party A that it as the performance covenanting party should achieve the following operating performance indicators for the Subject Company during the performance covenant period (3 fiscal years from 2017 to 2019): net profit of RMB 30,000,000 in 2017, RMB 40,000,000 in 2018 and RMB 51,600,000 in 2019. Performance appraisal indicators mentioned herein refer to the net profit, which refer to the net profit of the Subject Company with a deduction of non-recurring operating losses and profits.

4.2 It shall be determined whether the operating objective of the Subject Company is achieved or not according to the following manners: Certain accounting firm having securities qualifications and designed by the investor to perform auditing on the operating and financial status of each year in the performance covenant years of the Subject Company and issue the audit report as the final basis. The audit costs of each year shall be borne by Party C.

4.3 During the performance covenant period (that is, from 2017 to 2019), provided that the net profit achieved by the Subject Company in each year is lower than the one covenanted in the current year as mentioned in Article 4.1 hereof, each party in the management team is obliged to compensate the Subject Company or Party A, undertake joint and several liabilities to the performance covenants and respectively compensate the Subject Company or Party A in 2017, 2018 and 2019.

The management team shall make the compensation in cash, with the specific amount of compensation calculated as follows:

Cash compensable in the year = net profit accumulatively covenanted by the Subject Company as of the end of the current period – net profit accumulatively achieved by the Subject Company as of the end of the current period – cash accumulatively compensated

The performance covenanting party shall compensate the Subject Company first by the use of and to the extent of cash consideration gained from this transaction. Where the cash compensation is insufficient, the equity held in the Subject Company shall be used to compensate Party A for the deficiency, with the calculation formula as follows:

Number of equity compensable by the performance covenanting party to Party A = [(value (note: RMB 153,000,000) of equity held by Party A in the Subject Company after this investment – number of equity (note: 54,187,500 equity) held by Party A in the Subject Company * share price of the Subject Company adjusted in the current year)] / share price of the Subject Company after the adjustment in the current year – number of equity accumulatively compensated

In which: share price of the Subject Company after the adjustment in the current year = share price (note: RMB 2.823529/share) of the Subject Company in this transaction * (net profit accumulatively achieved by the Subject Company as of the end of the current period + total amount of net profit covenanted in the remaining performance covenant periods + amount of cash accumulatively compensated) / total amount of net profit (note: RMB 121,600,000) covenanted by the Subject Company over the performance profit period.

Where the Subject Company grants equity, converts or distributes the stocks and dividends during the performance covenant period, the number of equity compensable in the current year shall be accordingly adjusted.

4.4 Performance rewards: After the three-year performance covenant period expires, provided that the net profit accumulatively achieved by the Subject Company reaches the operating target, that is, the net profit accumulatively achieved in such 3 years reaches RMB 152,000,000 and above, the parties agree to allocate at one time 20% of the part exceeding the operating target as rewards to the management team, however, to the extent of 10% of the total amount of this investment. (The list of personnel to whom rewards are granted and rewards proportion and implementation plan shall be proposed by the Board of Directors of the Subject Company and reviewed by the General Meeting of Shareholders), The specific amount of rewards is calculated as follows:

Amount of rewards = (net profit accumulatively achieved by the Subject Company during the performance covenant period – RMB 152,000,000) * 20%

4.5 Performance covenants compensation implementation: The parties agree that the cash or equity compensation mentioned in this article shall be completed within 1 month since the annual auditing report is issued during the performance covenant period. Neither one of the performance covenanting party may delay, obstruct or reject the aforesaid compensation for any reason and in any manner. Party A may request the performance covenanting party to perform the aforesaid obligations by giving a written notice.

4.6 The parties agree that during the performance covenant period and before the compensation obligations (if any) are completed, without the written consent of Party A, the management team may not in any way transfer any of its equity held in the Subject Company to the other shareholders of the Subject Company or the third parties other than the shareholders of the Subject Company.

Article 5 Company's Business Management

5.1 The new Board of Directors of the Subject Company is consisted of 5 directors among whom 3 are recommended by Party A and 2 are recommended by Party B. Each director has a term of office for 3 years. The Board Chairman shall be served by the director recommended by Party A.

5.2 The new Board of Supervisors of the Subject Company is consisted of 3 supervisors among whom 1 is recommended by Party A, 1 is recommended by Party B and 1 is served by the employee representative. The Chairman of the Board of Supervisors shall be served by the supervisor recommended by Party A. Neither the director, GM nor other senior management may serve as the supervisor at the same time.

5.3 Company's management:

5.3.1 The Board Chairman is the legal representative of the Subject Company;

5.3.2 The Board of Directors shall appoint the GM, Deputy GM and other senior management mainly from the existing team of the Subject Company;

5.3.3 The CFO of the Subject Company shall be served by the personnel nominated by Party A, who is responsible for the supervision and management of the Subject Company's financial seal, funds use, expenditures as well as the financial budget and final accounts and approval. Party A shall be responsible for the subsequent operating funds and financing of the Subject Company so as to meet the Company's operation and development.

5.4 Amendments to Articles of Association

5.4.1 Within 10 working days after Party C receives the initial investment in connection with this investment, Party A and Party B shall convene the shareholders' meeting and board meeting and amend the existing Articles of Association of the Subject Company in accordance with the terms and provisions hereof.

5.4.2 Except for stipulated herein, the remaining contents of the new Articles of Association of the Subject Company shall be amended in accordance with the current Company Law; before the Agreement becomes effective, where, compared with other shareholders, any original shareholder of Party B set any right of first refusal on all or part of its equity held in the Subject Company in the historical capital increase and reduction and equity transfer of the Subject Company, the original shareholders of Party B unanimously agree to waive such right and the corresponding terms of agreements previously signed shall be annulled.

5.5 Operation planning

The management team covenants to, within 1 month since the execution hereof, complete the three-year (2017-2019) operation development planning of the Subject Company satisfactory to Party A, including but not limited to the 3-year planning in the aspect of production capacity, markets, products, R&D, management and personnel, and complete the feasible 2017 funds use plan and production and operation plan of the Subject Company.

Article 6 Non-competition and Affiliated Transaction

6.1 The management team, Shenzhen Jinqinglong Traffic Science & Technology Co., Ltd and the shareholder taking up a position in the Subject Company covenant not to actively resign from the Subject Company within 5 years since the effective date hereof. Otherwise, the Breaching Party shall compensate Party A the transfer price it has gained from this transfer of equity (except for the resignation recognized by Party A in writing).

6.2 The management team covenants to issue the Letter of Covenants (specifically subject to Appendix 1) including the following contents to Party A and Party C on the date of execution hereof:

6.2.1 The management team covenants that during the period of employment by the Subject Company, without the written consent of the General Meeting of the Subject Company, it may not take up a position or a part-time job in any other company or independently set up and operate other business enteritis (except for such business entity not participating in the industry of the Subject Company but making an investment of no more than RMB 5,000,000).

6.2.2 The management team covenants that during the period of holding equity in the Subject Company and within 2 years after the equity in its possession are transferred, it shall not in any way engage in the business that is in competition with or may constitute competition with the business of the Subject Company so as to prevent from the competition with the Subject Company.

6.2.3 The management team agrees that if it fails to honor the covenants contained in the Letter of Covenants, thus causing damages to the interests of the Subject Company, it shall undertake the corresponding compensation and legal liabilities for the loss incurred thereby to the Subject Company.

6.3 The management team covenants that within 1 month since the execution hereof, the Subject Company has already reached or is about to reach such formal labor agreement, confidentiality and non-competition agreement (or the labor agreement containing confidentiality and non-competition terms) with the key management personnel and core technical personnel as are in compliance with the laws and regulations and satisfactory to Party A; and after this investment, the senior management team and core technical personnel of the Subject Company will not resign at least within 5 years (except for due to the reasons of the Government and force majeure and with the written consent of Party A); otherwise, in case of losses to the Subject Company or the investor, the management team shall undertake the compensation liabilities. List of key management personnel and core technical personnel of the Subject Company sees Appendix 2.

6.4 The management team confirms and covenants that as of the date of execution hereof, affiliated transaction of the Subject Company sees Appendix 3 hereto. Commercial terms on the aforesaid affiliated transaction shall be fair and just, without prejudicing to the interests of the Subject Company or unreasonably mitigating the burden of the Subject Company. After the Agreement is signed, the Subject Company shall gradually reduce and even absolutely eliminate the affiliated transaction and guarantee that with respect to the affiliated transaction concluded, related parties shall execute related agreements as per the market price and on the principles of fairness and justness so as to identify the rights and obligations and perform the internal decision-making procedures in accordance with the Articles of Association and the related systems.

6.5 Since currently the battery management system supplier of the Subject Company is Suzhou JK Energy Technology Co., Ltd (hereinafter referred to as "Suzhou JK") and part of original shareholders of Party B are the shareholders of Suzhou JK, in order to prevent from the horizontal competition between Suzhou JK and the Subject Company in the field of battery package business, Party C covenants to sign the non-horizontal competition agreement with Suzhou JK, specifying that Suzhou JK may not engage in the battery package business and that without the permission of Party A, Suzhou JK may not sell the battery management system and other main products it has produced to the Subject Company competitor, that is, CITIC GUOAN MGL Power Technology Co., Ltd and Weihong New Power (Huzhou) Co., Ltd. Shareholder 2 of Party B supports and promotes Party A to, if required at an appropriate time in the future, acquire Suzhou JK at the price of not exceeding RMB 20,000,000 by Party A or the Subject Company.

6.5 Party B simultaneously covenants as follows:

6.5.1 It shall not occupy or use the properties of the Subject Company without compensation. Otherwise, it shall pay the use consideration to the Subject Company as per 120% of the market fair value (from the date of commence of actual occupation and use of the properties of the Company to the date of cessation of such occupation and use).

6.5.2 During the shareholding period, it shall not perform the affiliated transaction behavior prejudicing the interests of the Subject Company. Otherwise, it shall compensate the damages incurred thereby to the Subject Company.

6.6 The parties unanimously agree that each party shall diligently and promptly cease such behavior of horizontal competition, non-competition and affiliated transaction behavior under the Company Law and the Articles of Association of the Subject Company as are performed by the management shareholders and other senior management of the Subject Company and promptly notify the other parties of the aforesaid circumstances. With respect to the affiliated transaction that is in compliance with the Articles of Association and has been passed by the authorities of the Subject Company in the form of a resolution, the Subject Company shall promptly notify the other parties to the Agreement of the pricing and pricing basis; and the voting for affiliated transaction shall be subject to the provisions of the Company Law and the Articles of Association on avoidance system applicable to the affiliated shareholders and affiliated directors.

Article 7 Profit Sharing and Debts Assumption

7.1 The parties hereto agree that after becoming the registered shareholder of the Subject Company, Party A has the right to share the profit undistributed and incurred before it becomes the registered shareholder of the Subject Company in proportion to the equity it holds in the Subject Company.

7.2 The parties hereto unanimously agree that the debts and liabilities that may be assumed by the Subject Company as follows shall be independently undertaken by the management team:

7.2.1 Party C's debts and liabilities that have not been disclosed in writing by Party C and the management team to Party A or haven not been recognized by Party A;

7.2.2 Debts and liabilities arising from Party C's non-standard operation behavior performed or existing prior to the completion of this capital increase.

If the Subject Company has to passively undertake the aforesaid debts and liabilities, within 5 working days after the actual occurrence of compensation by the Subject Company, the management team shall compensate the Subject Company in cash the same amount as the one compensated by the Subject Company.

Article 8 Intellectual Property Rights

8.1 The management team and Party C covenant and warrant that except for otherwise stipulated herein, when and after the Agreement is signed, Party C shall be the exclusive and legal owner of intellectual property rights and license in and to the Company name, brand, trademark and patent, know-how and various operating licenses. Intellectual property rights (see Appendix 4 hereto) owned by the Subject Company shall be approved by or filed to the necessary governmental departments and the legal action taken for the purpose of protecting such intellectual property rights has been approved by or filed to the governmental departments. The management team and Party C warrant to make the payment on schedule and the continuity and validity of such rights. Where the use right is not registered in the name of Party C, the management team and Party C shall free of charge transfer to the name of Party C.

8.2 The management team and Party C covenant and warrant that during the production and operation of the Subject Company, due to the process parameters and technique generated from the OEM process, Party C's own technical system (including the file system) will be set up and formed and may be used only by the OEM party under restricted license for the OEM for Party C, for which the OEM plant shall perform the confidential obligations and undertake the compensation liabilities for disclosure of secrets.

8.3 The management team and Party C covenant that the Subject Company shall be the exclusive and legal owner of the subsequent development and application of intellectual property rights entitled by Party C.

Article 9 Representations and Warranties

9.1 Each party hereto makes the following representations and warranties:

9.1.1 It (which refers to any party hereto, the same below) is the legal person or natural person having absolute capacity for civil conduct;

9.1.2 It has already obtained or guarantees to obtain the authorizations or approvals necessarily required for the execution hereof;

9.1.3 On the date of execution hereof, there does not exist any claims, litigation, judicial proceedings and governmental investigations against each party, which cause such party unable to complete the obligations hereunder and is filed by, or in progress or may be in progress at the court or the governmental agency;

9.1.4 Its execution and fulfillment hereof shall not contradict against the contracts and agreements to which it is a party as signed with others or the covenants and warranties it unilaterally makes (except for stipulated herein);

9.1.5 Its representations contained herein shall be true, accurate and complete;

9.1.6 It shall strictly observe and fulfill the matters stipulated herein and warrant to perform confidential obligations for the information contained herein.

9.2 The management team and Party C hereby make the following representations and warranties to Party A:

9.2.1 The Subject Company is legally incorporated and legally existing;

9.2.2 The management team and the investor in the previous round covenant to legally hold 100% equity in the Subject Company. Such equity have no defects, on which no mortgage, pledge or the third party interests are imposed;

9.2.3 The Subject Company has no undisclosed liabilities (which refer to those liabilities unfound in the due diligence of this investment), contingent liabilities (including but not limited to the warranty guarantee etc.), significant litigation, tax risks and administrative punishments;

9.2.4 Assets and intellectual property rights owned by the Subject Company are legal and valid and have clear ownership, without any mortgage, guarantee, pledge, retention, sealing, the third party rights and any other defects in law and in fact; otherwise, Party A has the right to deduct from the investment as per the appraisal value or directly recover against the management team;

9.3.6 Documents and materials (including the financial data, in which 2016 annual financial report sees Appendix 5) provided by the management team and Party C are true, accurate and complete;

9.3.7 If, due to the remuneration, benefits and social insurance issues (regardless of such issues have been disclosed) incurred prior to this capital increase in connection with Party C's employees, the Subject Company has to undertake the legal liabilities (including but not limited to the supplemental payment and the assumption of fine), the management team shall be fully liable, make full compensation and indemnification to the Subject Company within 10 working days after the Subject Company assumes the liabilities and guarantee to hold Party A harmless from any of such liabilities and losses;

9.3.8 The management team has already promptly notified Party A of the significant matters or the items probably resulting in potential significant risks or debts to Party A, including the legal litigation, assets and business acquisition and other possible debts to be dealt by or in connection with Party C;

9.3.9 The management team shall transfer the assets which it is entitled to the ownership of but is in fact owned by the Company to the name of the Subject Company and deal with the corresponding legal procedures so as to guarantee that the Subject Company's operating assets are independent and complete and meet the IPO and listing requirements;

9.3.10 The management team covenants that except for the disclosures made in the appendix hereto, the Subject Company has not made an investment in any other joint-stock and controlling subsidiaries or, directly or indirectly, own or control any rights and interests in and to any other companies, partnership, trust, joint venture, association or other entities;

9.3.11 Upon completion of this investment, the Subject Company always has the rights, qualifications and capacity to, directly or through the subsidiaries, branches and affiliates, carry out the business activities described in the Company's business scope;

9.3.12 Upon completion of this investment, it shall take an advantage of its position to infringe up the rights and interests of the Subject Company or other parties;

9.3.13 The original shareholders in the management team as the persons acting in concert shall undertake common liabilities for the provisions, liabilities and default hereunder;

9.3.14 As of Mar.31, 2017, with respect to the accounts receivable by the Subject Company, the accounts receivable from King Long United Auto Industry (Suzhou) Co., Ltd (hereinafter referred to as "Suzhou King Long") shall be RMB 23,318,000. The management team covenants that as of Dec.31, 2017, 80% of the aforesaid accounts receivable from Suzhou King Long or the corresponding returns shall be recovered.

9.3.15 The management team covenants and warrants that without the consent of Party A, within 36 months upon completion of this investment and/or before the compensation obligations (if any) are completed, it shall not conclude a transaction about the equity it holds in the Subject Company, or impose mortgage, pledge, guarantee and other encumbrances on the equity it holds in the Subject Company or cause its equity in the Subject Company to be closed, frozen or involved in other third party rights and any other encumbrances in law and in fact.

Article 10 Co-sale Right

10.1 Specific to each party hereto, provided that certain A-share listed company in the country (“Transferee”) as the acquirer sends a notice to any party (“Transferor”) hereto, specifying its intention to purchase the equity or equity held by such party in the Subject Company, the parties (hereinafter referred to as “Co-sale Right Shareholders”) other than such party that has received such notice have the right but no obligations to request the Transferee to purchase certain proportion of equity (hereinafter referred to as “Co-sale Right”) from the Co-sale Right Shareholders according to the conditions and price specified in the notice of transfer. Such proportion is calculated according to the following formula: $S=P*A/B$, in which S refers to the proportion of equity available for sales by the Co-sale Right Shareholders, P refers to the total number of equity and/or equity to be transferred, A represents e shareholding proportion of the Co-sale Right Shareholders and B refers to a sum of shareholding proportion of the Transferor and the Co-sale Right Shareholders. However, during the performance covenant period, the management team shall to be entitled to the rights mentioned in this article.

10.2 The Transferor shall notify the other shareholders (hereinafter referred to as “Transfer Notice”) in writing of the sales of such equity, specifying (a) name of the Transferor and the Transferee, (b) total number of equity and/or equity to be transferred, (c) transfer price of the equity to be sold and (d) other terms and conditions on the equity to be sold.

10.3 Provided that the Co-sale Right Shareholders decide to exercise their co-sale right, within 20 working days after the Transferor sends a notice of sales, it shall give a written notice, specifying the proportion of equity involved in the exercise of co-sale right. Provided that the Co-sale Right Shareholders fail to issue the written notice of exercise of the co-sale right during the aforesaid period, it is deemed as a waiver of such right.

10.4 If the Co-sale Right Shareholders decide to exercise the co-sale right, the Transferor shall take action to assist in the realization of co-sale right, including the corresponding reduction of their respective co-sale right proportion.

10.5 If the Co-sale Right Shareholders have already appropriately exercised the co-sale right, and if the Transferee fails to purchase related equity from the Co-sale Right Shareholders, the Transferor shall not transfer such equity. Provided that the Transfer transfers the aforesaid equity without the written consent of the Co-sale Right Shareholders, such transfer shall be null and void. The Co-sale Right Shareholders have the right but no obligations to request the Transferor to acquire its equity and/or equity held in the Subject Company at the transfer price. Within 20 days upon receipt of the request from the Co-sale Right Shareholders, the Transferor shall complete such acquisition.

Article 11 Notices and Service

11.1 Notices or other communications hereunder shall be in writing and served or sent to the contact address, fax or E-mail provided as follows by each party hereto:

For Party A,

Add:

Tel.:

E-mail: []

For Party B (commonly used contact methods for natural-person shareholders):
Add.: B1 Plant, No.1, Qunliao Road, Maan Town, Huicheng District, Huizhou
Tel.: 0752-5807018
E-mail: []

For Shareholder 1
Contact methods:

For Shareholder 2
Contact methods:

For Shareholder 3
Contact methods:

For Shareholder 4
Contact methods:

For Party C
Add.:
Tel.:
E-mail: []

11.2 If the contact information of either party hereto as provided in Article 10.1 hereof is changed, such party shall give a 7-day prior written notice to the other parties to update its designated contact address, fax and E-mail. During the term hereof, if, due to the changes to laws, regulations and policies or either party's losing of its qualifications and/or abilities required for the fulfillment hereof, which affect the fulfillment hereof, such party shall be obliged to notify the other party within a reasonable period.

11.3 Notices, demands or other written documents sent by either party to the other parties according to the address, fax or E-mail contained herein shall be deemed as having been served at the following time: (1) at the time of being actually delivered to the aforesaid address, if sent by hand delivery; (2) on the 3rd day after deposited to the post office, if sent by express mail; or the 7th day after deposited to the post office, if sent by ordinary mail; (3) after 2 hours upon successful transmission by fax or E-mail, if sent by fax or E-mail.

Article 12 Default and Liabilities for Default

12.1 After the Agreement becomes effective, each party shall fully, appropriately and promptly perform its obligations and provisions hereof. If either party hereto makes a default of any provisions hereof, it shall constitute a default of the Contract.

12.2 The parties hereto agree that except for otherwise stipulated in the other terms hereof, if either party makes a default hereof, the Breaching Party shall rapidly give a correction. Provided that the Breaching Party still fails to give a correction within 30 days after receipt of the written warning from the Non-breaching Party, such Breaching Party shall pay the Non-breaching Party 5% of the total investment (RMB 153,000,000) as the penalty. If Party C is involved in the default hereof, Party B shall undertake the joint and several liabilities for the default of Party C.

12.3 The payment of penalty shall not affect the right entitled by the Non-breaching Party to request the Breaching Party to continuously perform or terminate the Agreement.

Article 13 Change, Supplements and Termination

13.1 With respect to any modification and supplement to the terms hereof, the parties hereto shall separately discuss and sign a supplementary agreement. In such case, such modification and supplement shall be valid.

13.2 Under the following circumstances, the Agreement shall be terminated:

13.2.1 Upon agreement by the parties through negotiation;

13.2.2 Due to the force majeure, it becomes impossible to fulfill the Agreement.

13.3 Provided that either Party B or Party C makes a serious default hereof and fails to give a correction within 30 days or performs the default behavior accumulatively for 3 times or above, Party A has the right to unilaterally terminate the Agreement; provided that Party A makes a serious default hereof and fails to give a correction within 30 days or performs the default behavior accumulatively for 3 times or above, Party B has the right to unilaterally terminate the Agreement.

13.4 In case of termination hereof, Party B and Party C shall refund the payment made by Party A within 3 days thereafter. In case of no refundment beyond the prescribed period, for each day of delay, Party B and Party C shall respectively pay Party A 0.05% of the overdue payment as the penalty.

13.5 The party who proposes to terminate the Agreement shall give a written notice. Termination hereof shall become effective since the date on which such notice is served.

13.6 Termination hereof shall not affect the right entitled by the Non-breaching Party to request the Breaching Party for the payment of penalty and the compensation of losses.

13.7 Unless the parties hereto reach a consensus and conclude a written agreement, neither party may assign the Agreement or all or part of the rights and obligations hereunder.

Article 14 Disputes Resolution

14.1 Effects, interpretation and performance hereof shall be governed by the laws of the People's Republic of China.

14.2 Any disputes arising from or in connection with the Agreement shall be first resolved by the parties through friendly negotiation; in case an agreement fails to be reached, each party hereto may file a lawsuit to the people's court at the place of execution hereof.

14.3 During the disputes resolution through litigation, except for the disputed matters, the Agreement shall remain valid in any other aspects. Except for the obligations involved in the disputed matters, each party shall continuously perform its other obligations hereunder and exercise its other rights hereunder.

Article 15 Miscellaneous

15.1 The Agreement shall become effective after signed and stamped with official seal by the legal representative or executor or authorized representative of Party A and Party C and signed and sealed by the original shareholders of Party B.

15.2 Even if part of the terms or contents hereof is held to be invalid or null and void, effects of the other terms shall not be thus affected.

15.3 Appendix hereto shall be a part of and have the same legal effects as the Agreement.

15.4 With respect to those matters uncovered herein, the parties hereto may separately sign a supplementary document. Such supplementary document shall be an integral part of and have the same legal effects as the Agreement.

15.5 The Agreement shall be written in Chinese and made into 12 copies. One copy is respectively held by each party and the remaining 2 copies shall be kept by the Subject Company to deal with related matters. Each copy shall have the same legal effects.

15.5 The Agreement is signed on Apr.19, 2017 in Xiamen, Fujian.

(Below is intentionally left blank and a signature page hereof)

Below is intentionally left blank and a **signature page** of the Agreement for Equity Transfer and Capital Increased between Xiamen Jiupai Yuanjiang New Power Equity Investment Funds Partnership (Limited Partnership) and Huizhou Yipeng Energy Technology Co., Ltd.

Signed by the Parties:

Party A: Xiamen Jiupai Yuanjiang New Power Equity Investment Funds Partnership (Limited Partnership) (Seal)
Executive Partner/Authorized Representative (Signature):

Party B: All Shareholders of Huizhou Yipeng Energy Technology Co., Ltd
Shareholder 1: Huizhou Highpower Technology Co., Ltd. (Seal)
Legal Representative/Authorized Representative (Signature):

Shareholder 2: Shenzhen Jinpenglong Traffic Science & Technology Co., Ltd. (Seal)
Executive Partner/Authorized Representative (Signature):

Shareholder 3: Beijing Defengjie Fuhua Venture Investment Funds Management Center (Limited Partnership) (Seal)
Executive Partner/Authorized Representative (Signature):

Shareholder 4: Beijing Defengjie Longsheng Investment Funds Management Center (Limited Partnership) (Seal)
Executive Partner/Authorized Representative (Signature):

Shareholder 5: Shu Jianqin
Signature:
ID No.: ***

Shareholder 6: Qu Jingdong
Signature:
ID No.: ***

Shareholder 7: He Ping
Signature:
ID No.: ***

Party C: Huizhou Yipeng Energy Technology Co., Ltd. (Seal)
Legal Representative/Authorized Representative (Signature)

Appendix 1

Letter of Covenants on Non-competition for Management Shareholders of Huizhou Yipeng Energy Technology Co., Ltd.

I. Individual Information

I, _____, ID No.: _____, tel.: _____, add.: _____, am working for Huizhou Yipeng Energy Technology Co., Ltd. as _____.

As of this day (that is, the date of execution of this Letter of Covenant), my equity held and my position taken in any enterprise and profit organization other than Huizhou Yipeng Energy Technology Co., Ltd (hereinafter referred to as "Company") see the following table:

Name of Company/Organization	Horizontal Competition with the Company	Post	Equity Hold (RMB 10,000)	Shareholding Proportion (%)	Related Plan
N/A	N/A	N/A	N/A	N/A	N/A

II. Covenants

In consideration of the capital increase (hereinafter referred to as "Capital Increase") implemented by Xiamen Jiupai Yuanjiang New Power Equity Investment Partnership (Limited Partnership) (hereinafter referred to as "Jiupai Yuanjiang Funds") to the Company in Apr. 2017, after this Capital Increase, Jiupai Yuanjiang Funds will be in a controlling position in the Company. In order to promote the cooperation between the parties mentioned above and smoothly implement this Capital Increase, as the Company's management shareholder, I make the following covenants to the new General Meeting of Shareholders (hereinafter referred to as "New General Meeting of Shareholders") of the Company receiving the Capital Increase from Jiupai Yuanjiang Funds.

1. I have already faithfully notified my position taken and my equity held in any units other than the Company and the related plan as of this day, without any concealing.
2. Since the date of execution of this Letter of Covenant, during the employment by the Company, I will strictly observe this Letter of Covenants and the Company's regulations, keep confidential the Company's trade secrets (which refers to the resolutions adopted by the Company's General Meeting of Shareholders, Board of Directors, Board of Supervisors, CEO Office and various decision-making authorities of the Company, contracts signed by and between the Company and its directors, management, employees and by and between the Company and other external legal persons and natural persons as well as the Company's statistical and analysis data and reports, including but not limited to the purchase, technology, R&D, production, quality, sales, markets, channels, major plan, investment and financing and other core information) and not to make a disclosure to the persons other than the Company, Jiupai Yuanjiang Funds and the competent departments and business cooperation units directly involved in or in connection with the aforesaid information and the officers thereof.
3. I also covenant that currently I (have already signed or not signed) with the Company the Non-competition Agreement; if I have not signed with the Company the Non-competition Agreement, after the new shareholders' meeting is convened, I will sign the Non-competition Agreement with the Company.
4. Except for the circumstances mentioned in Article 1 hereof (including the changes arising from the contents contained in the preceding paragraph), since the effective date of this Letter of Covenant, without the written consent of new shareholders, during the employment by the Subject Company, I will not take up a position or a part-time job in any other companies or independently set up and operate other business entities (except for such business entity not participating in the industry of the Subject Company but making an investment of no more than RMB 5,000,000).

III. Special Covenants

With respect to the following 3 circumstances, I have undergone the circumstances mentioned in the following and separately and solemnly covenant on the contents contained therein.

1. I (am or am not) taking up a position or hold equity in other enterprises that are in horizontal competition with the Company and my direct relatives and I will not make an investment (except for the purchase and sales of financial products in any public transaction market) in other enterprises or engage in the business that is in competition with or may constitute competition with the Company.

2. I, , am holding equity (excluding the financial products purchased in the public transaction market) in the following companies in the same industry and I will dispose such equity as follows prior to MM/DD/YY and hereby make the following covenants:

Name of Company/Organization	Equity Held (RMB 10,000)	Shareholding Proportion (%)	Disposal Scheme	Non-competition Covenants
N/A	N/A	N/A	N/A	N/A

3. I, , am taking up a post in the unit (see the following table) in the same industry and I will resign from the post listed in the following table prior to MM/DD/YY and hereby make the following covenants:

Name of Company/Organization	Post	Non-competition Covenants
N/A	N/A	N/A

IV. Effectiveness and Revocation

1. Effectiveness

This Letter of Covenants will automatically become effective after it is signed and the new shareholders' meeting is convened.

2. Invalidity

Under any one of the following circumstances, this Letter of Covenants will automatically become invalid:

When the Agreement for Equity Transfer and Capital Increase between Xiamen Jiupai Yuanjiang New Power Equity Investment Partnership (Limited Partnership) and Huizhou Yipeng Energy Technology Co., Ltd is terminated;

Jiupai Yuanjiang Funds will not be the largest shareholder of the Subject Company.

If I fail to honor the aforesaid covenants, I will undertake the compensation liabilities for the actual loss incurred thereby to the Company and the revenue I gained from the violation of the aforesaid covenants will be owned by the Company; if I fail to honor the aforesaid covenants, thus causing a violation of the current laws and regulations, the Subject Company may reserve the right to file a lawsuit.

Hereby covenanted.

This Letter of Covenants is made into triplicate. The Company, Jiupai Yuanjiang Funds and I will respectively hold one copy.

Covenantor (Signature):

ID No.:

____, 2017

Appendix 2

List of Key Management Personnel and Core Technical Personnel of Huizhou Yipeng Energy Technology Co., Ltd.

SN	Name	Gender	ID No.	Post	Shareholding Proportion (%)
1	Yu Hongzhong	male	110108196807313710	GM	16.60%
2	Shu Jianqin	male	421124198208230537	Deputy GM	8.33%
3	He Ping	male	11010819561202493	Deputy GM	3.33%
4	Yu Xinjun	male	150204196807261815	Deputy GM	0.42%
5	Tong Jian	male	520113197611210818	Technical Director	0.38%
6	Liu Bin	male	511202197603074874	Purchase Director	0.64%
7	Li Jianbo	male	33100319870917187	Product Manager	0.30%

Seal:

Date:

Appendix 3

Notes on Controlling and Joint-stock Companies and Affiliated Transaction of Huizhou Yipeng Energy Technology Co., Ltd.

I. Detailed Information about Yipeng Energy's Controlling Subsidiaries and Joint-stock Companies

II. Yipeng Energy's Affiliates

(including the profile of such affiliate, notes on affiliation, 2015-2016 affiliated transaction amount, products, quantity, average market price, contracts execution and fulfillment and receivables and payables and the covenants not to contradict against the principle of market fairness)

Seal:

Date:

Appendix 4

List of Intellectual Property Rights of Huizhou Yipeng Energy Technology Co., Ltd.

Seal:

Date:

Appendix 5

2016 Annual Financial Report of Huizhou Yipeng Energy Technology Co., Ltd.

Seal:

Date:

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

I, Dang Yu Pan, certify that:

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

Date: August 10, 2017

/s/ Dang Yu Pan

Dang Yu Pan

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

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

I, 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: August 10, 2017

/s/ Sunny Pan

Sunny Pan

Chief Financial Officer

(Principal Financial Officer)

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

In connection with the quarterly report of Highpower International, Inc. (the "Company") on Form 10-Q for the quarter ending June 30, 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)
August 10, 2017

/s/ Sunny Pan

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