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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, 2018

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth 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 15,559,658 shares of common stock, par value \$0.0001 per share, outstanding as of August 13, 2018.

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**HIGHPOWER INTERNATIONAL, INC.**  
**FORM10-Q**  
**FOR THE QUARTERLY PERIOD ENDED June 30, 2018**  
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**Item 1. Consolidated Financial Statements**

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

|   | <i>June 30,</i><br><i>2018</i> | <i>December 31,</i><br><i>2017</i> |
|---|--------------------------------|------------------------------------|
|   | <i>(Unaudited)</i>             |                                    |
|   | \$                             | \$                                 |
| <b>ASSETS</b>                           |                                |                                    |
| Current Assets:                         |                                |                                    |
| Cash                                    | 7,280,576                      | 14,502,171                         |
| Restricted cash                         | 30,159,389                     | 25,953,946                         |
| Accounts receivable, net                | 61,440,575                     | 58,252,999                         |
| Amount due from a related party         | 432,320                        | 1,165,838                          |
| Notes receivable                        | 1,611,947                      | 2,606,517                          |
| Advances to suppliers                   | 8,031,483                      | 6,050,531                          |
| Prepayments and other receivables       | 9,401,564                      | 4,268,527                          |
| Foreign exchange derivative assets      | -                              | 236,436                            |
| Inventories                             | 69,200,672                     | 42,946,644                         |
| <b>Total Current Assets</b>             | <b>187,558,526</b>             | <b>155,983,609</b>                 |
| Property, plant and equipment, net      | 48,135,151                     | 46,520,776                         |
| Long-term prepayments                   | 3,992,080                      | 3,715,445                          |
| Land use rights, net                    | 2,564,161                      | 2,639,631                          |
| Other assets                            | 747,186                        | 748,431                            |
| Deferred tax assets, net                | 1,219,521                      | 750,267                            |
| Long-term investments                   | 10,790,882                     | 9,906,379                          |
|   |                                | □                                  |
| <b>TOTAL ASSETS</b>                     | <b>255,007,507</b>             | <b>220,264,538</b>                 |
| <b>LIABILITIES AND EQUITY</b>           |                                |                                    |
| <b>LIABILITIES</b>                      |                                |                                    |
| Current Liabilities:                    |                                |                                    |
| Accounts payable                        | 80,534,723                     | 60,368,012                         |
| Deferred government grant               | 758,059                        | 309,638                            |
| Short-term loans                        | 25,080,521                     | 10,128,646                         |
| Non-financial institution borrowings    | 9,069,335                      | 10,756,158                         |
| Notes payable                           | 51,710,779                     | 54,859,478                         |
| Foreign exchange derivative liabilities | 689,790                        | -                                  |
| Amount due to a related party           | 423,236                        | -                                  |
| Other payables and accrued liabilities  | 15,338,570                     | 12,243,345                         |
| Income taxes payable                    | 3,225,973                      | 3,609,391                          |
|   |                                | □                                  |
| <b>Total Current Liabilities</b>        | <b>186,830,986</b>             | <b>152,274,668</b>                 |
| Income taxes payable, noncurrent        | -                              | 777,685                            |
|   |                                | □                                  |
| <b>TOTAL LIABILITIES</b>                | <b>186,830,986</b>             | <b>153,052,353</b>                 |
| <b>COMMITMENTS AND CONTINGENCIES</b>    | -                              | -                                  |

See notes to condensed consolidated financial statements

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

|  | <i>June 30,<br/>2018</i> | <i>December 31,<br/>2017</i> |
|--|--------------------------|------------------------------|
|  | <i>(Unaudited)</i>       |                              |
|  | \$                       | \$                           |
| <b>EQUITY</b>  |                          |                              |
| Stockholders' equity   |                          |                              |
| Preferred stock  |                          |                              |
| (Par value: \$0.0001, Authorized: 10,000,000 shares, Issued and outstanding: none)   | -                        | -                            |
| Common stock   |                          |                              |
| (Par value: \$0.0001, Authorized: 100,000,000 shares, 15,559,658 shares issued and outstanding at June 30, 2018 and 15,509,658 at December 31, 2017, respectively) | 1,556                    | 1,551                        |
| Additional paid-in capital   | 13,410,368               | 12,709,756                   |
| Statutory and other reserves   | 6,549,815                | 6,549,815                    |
| Retained earnings  | 46,076,947               | 44,481,568                   |
| Accumulated other comprehensive income   | 2,137,835                | 3,469,495                    |
| <b>TOTAL EQUITY</b>  | <b>68,176,521</b>        | <b>67,212,185</b>            |
| <b>TOTAL LIABILITIES AND EQUITY</b>  | <b>255,007,507</b>       | <b>220,264,538</b>           |

See notes to condensed consolidated financial statements

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

|   | <i>Three months ended</i> |                    | <i>Six months ended</i> |                     |
|---|---------------------------|--------------------|-------------------------|---------------------|
|   | <i>June 30,</i>           |                    | <i>June 30,</i>         |                     |
|   | <u>2018</u>               | <u>2017</u>        | <u>2018</u>             | <u>2017</u>         |
|   | <i>(Unaudited)</i>        | <i>(Unaudited)</i> | <i>(Unaudited)</i>      | <i>(Unaudited)</i>  |
|   | \$                        | \$                 | \$                      | \$                  |
| Net sales   | 64,923,960                | 51,699,930         | 114,707,413             | 93,566,778          |
| Cost of sales   | (53,614,034)              | (39,628,164)       | (95,831,160)            | (71,560,178)        |
| Gross profit  | <u>11,309,926</u>         | <u>12,071,766</u>  | <u>18,876,253</u>       | <u>22,006,600</u>   |
| Research and development expenses   | (3,592,760)               | (2,137,286)        | (6,154,597)             | (3,951,216)         |
| Selling and distribution expenses   | (2,121,650)               | (1,722,910)        | (4,096,746)             | (3,361,223)         |
| General and administrative expenses                                       | (3,910,188)               | (3,016,401)        | (8,024,998)             | (6,074,963)         |
| Foreign currency transaction gain (loss)                                  | 1,670,932                 | (514,624)          | 656,239                 | (828,502)           |
| Total operating expenses  | <u>(7,953,666)</u>        | <u>(7,391,221)</u> | <u>(17,620,102)</u>     | <u>(14,215,904)</u> |
| Income from operations  | <u>3,356,260</u>          | <u>4,680,545</u>   | <u>1,256,151</u>        | <u>7,790,696</u>    |
| Changes in fair value of warrant liability                                | -                         | 31,811             | -                       | 259                 |
| Changes in fair value of foreign exchange derivative assets (liabilities) | (1,125,140)               | -                  | (421,425)               | -                   |
| Government grants   | 988,679                   | 209,297            | 1,318,499               | 558,812             |
| Other income  | 56,581                    | 67,068             | 80,142                  | 295,646             |
| Equity in earnings (loss) of investees                                    | 160,070                   | (41,607)           | 316,320                 | 105,325             |
| Gain on dilution in equity method investee                                | -                         | 491,325            | -                       | 491,325             |
| Interest expenses   | (312,814)                 | (380,531)          | (554,666)               | (983,848)           |
| Income before taxes   | 3,123,636                 | 5,057,908          | 1,995,021               | 8,258,215           |
| Income taxes expenses   | (409,321)                 | (595,708)          | (399,642)               | (1,183,473)         |
| Net income  | <u>2,714,315</u>          | <u>4,462,200</u>   | <u>1,595,379</u>        | <u>7,074,742</u>    |
| Less: net income attributable to non-controlling interest                 | -                         | 90,963             | -                       | 167,856             |
| Net income attributable to the Company                                    | <u>2,714,315</u>          | <u>4,371,237</u>   | <u>1,595,379</u>        | <u>6,906,886</u>    |
| Comprehensive income  |                           |                    |                         |                     |
| Net income  | 2,714,315                 | 4,462,200          | 1,595,379               | 7,074,742           |
| Foreign currency translation (loss) gain                                  | (4,168,216)               | 1,508,714          | (1,331,660)             | 1,484,713           |
| Comprehensive (loss) income   | <u>(1,453,901)</u>        | <u>5,970,914</u>   | <u>263,719</u>          | <u>8,559,455</u>    |
| Less: comprehensive income attributable to non-controlling interest       | -                         | 98,795             | -                       | 178,346             |
| Comprehensive (loss) income attributable to the Company                   | <u>(1,453,901)</u>        | <u>5,872,119</u>   | <u>263,719</u>          | <u>8,381,109</u>    |
| Earnings per share of common stock attributable to the Company            |                           |                    |                         |                     |
| - Basic   | <u>0.17</u>               | <u>0.29</u>        | <u>0.10</u>             | <u>0.45</u>         |
| - Diluted   | <u>0.17</u>               | <u>0.28</u>        | <u>0.10</u>             | <u>0.45</u>         |
| Weighted average number of common stock outstanding                       |                           |                    |                         |                     |
| - Basic   | <u>15,556,361</u>         | <u>15,317,101</u>  | <u>15,533,139</u>       | <u>15,218,820</u>   |
| - Diluted   | <u>15,629,413</u>         | <u>15,479,357</u>  | <u>15,619,771</u>       | <u>15,304,773</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>2018</u>                      | <u>2017</u>              |
|   | <i>(Unaudited)</i>               | <i>(Unaudited)</i>       |
|   | \$                               | \$                       |
| <b>Cash flows from operating activities</b>   |                                  |                          |
| Net income  | 1,595,379                        | 7,074,742                |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: |                                  |                          |
| Depreciation and amortization   | 3,003,872                        | 2,429,982                |
| (Reversal) allowance for doubtful accounts  | (472,799)                        | 17,994                   |
| Loss on disposal of property, plant and equipment   | 159,458                          | 25,218                   |
| Deferred tax  | (498,878)                        | 263,673                  |
| Changes in fair value of foreign exchange derivative assets (liabilities)                   | 955,790                          | -                        |
| Equity in earnings of investees   | (316,320)                        | (105,325)                |
| Gain on dilution in equity method investee  | -                                | (491,325)                |
| Share based compensation  | 488,117                          | 44,815                   |
| Changes in fair value of warrant liability  | -                                | (259)                    |
| Changes in operating assets and liabilities:  |                                  |                          |
| Accounts receivable   | (3,877,577)                      | 4,390,991                |
| Notes receivable  | 986,591                          | (1,057,366)              |
| Advances to suppliers   | (2,154,883)                      | -                        |
| Prepayments and other receivables   | (4,921,059)                      | (3,799,960)              |
| Amount due from a related party   | 740,408                          | 5,178,499                |
| Amount due to a related party   | -                                | (1,480,335)              |
| Inventories   | (27,915,901)                     | (9,595,161)              |
| Accounts payable  | 21,683,401                       | (494,812)                |
| Deferred government grant   | 469,895                          | 109,892                  |
| Other payables and accrued liabilities  | 3,578,815                        | (2,145,295)              |
| Income taxes payable  | (1,140,753)                      | (227,668)                |
| Net cash flows (used in) provided by operating activities                                   | <u>(7,636,444)</u>               | <u>138,300</u>           |
| <b>Cash flows from investing activities</b>   |                                  |                          |
| Acquisitions of property, plant and equipment   | (5,681,723)                      | (5,199,130)              |
| Payment for long-term investment  | (328,927)                        | -                        |
| Net cash flows used in investing activities   | <u>(6,010,650)</u>               | <u>(5,199,130)</u>       |
| <b>Cash flows from financing activities</b>   |                                  |                          |
| Proceeds from short-term loans  | 15,664,587                       | 2,916,017                |
| Repayments of short-term loans  | -                                | (2,841,696)              |
| Proceeds from non-financial institution borrowings  | -                                | 10,200,959               |
| Repayments of non-financial institution borrowings  | (1,566,318)                      | (2,331,648)              |
| Proceeds from notes payable   | 53,584,205                       | 40,861,835               |
| Repayments of notes payable   | (55,920,682)                     | (31,049,819)             |
| Proceeds from exercise of employee options  | -                                | 623,806                  |
| Net cash flows provided by financing activities   | <u>11,761,792</u>                | <u>18,379,454</u>        |
| <b>Effect of foreign currency translation on cash and restricted cash</b>                   | <u>(1,130,850)</u>               | <u>1,387,318</u>         |
| Net (decrease) increase in cash and restricted cash   | (3,016,152)                      | 14,705,942               |
| Cash and restricted cash - beginning of period  | 40,456,117                       | 20,538,033               |
| Cash and restricted cash - end of period  | <u><u>37,439,965</u></u>         | <u><u>35,243,975</u></u> |
| Supplemental disclosures for cash flow information:   |                                  |                          |
| Cash paid for:  |                                  |                          |
| Income taxes  | 2,039,273                        | 1,147,467                |
| Interest expenses   | 1,002,653                        | 948,831                  |
| Non-cash transactions   |                                  |                          |
| Shares issued for legal case settlement   | 212,500                          | -                        |
| Offset of deferred income related to government grant and property, plant and equipment     | -                                | 85,571                   |

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 subsidiary Shenzhen Highpower Technology Company Limited ("SZ Highpower"), SZ Highpower's wholly owned subsidiary Huizhou Highpower Technology Company Limited ("HZ HTC") and SZ Highpower's and HKHTC's jointly owned subsidiaries, Springpower Technology (Shenzhen) Company Limited ("SZ Springpower") and Icon Energy System Company Limited ("ICON"). Highpower and its direct and indirect wholly 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, 2017, filed with the SEC on April 4, 2018.

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, 2018, its consolidated results of operations for the three and six months ended June 30, 2018 and cash flows for the six months ended June 30, 2018, as applicable, have been made. Operating results for the three and six months period ended June 30, 2018 are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2018 or any future periods.

Concentrations of credit risk

No customer accounted for 10.0% or more of total sales during the three and six months ended June 30, 2018 and 2017.

One supplier accounted for 12.0% of the total purchase amount during the three months ended June 30, 2018. One supplier accounted for 13.3% of the total purchase amount during the six months ended June 30, 2018. No supplier accounted for 10% or more of the total purchase amount during the three and six months ended June 30, 2017.

No customer accounted for 10.0% or more of the accounts receivable as of June 30, 2018. One customer accounted for 10.1% of the accounts receivable as of December 31, 2017.

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

**2. Summary of significant accounting policies**

Recently issued accounting standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”), which was subsequently modified in August 2015 by ASU 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. 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.

Under Topic 606, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. It also impacts certain other areas, such as the accounting for costs to obtain or fulfill a contract. The standard also requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Management has adopted this standard effective January 1, 2018 using the modified-retrospective approach, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. The adoption of ASC 606 did not have a material impact on the Company’s condensed consolidated balance sheet, statement of operations and statement of cash flows for the six months period ended June 30, 2018. See Note 3 for disclosures required by ASC 606 and the updated accounting policy for revenue recognition.

On February 25, 2016, the FASB issued 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. 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. Early application is permitted for all public business entities and all nonpublic business entities upon issuance. In July 2018, the FASB issued Accounting Standards Update (ASU) 2018-11, Lease (Topic 842) Targeted Improvements. The amendments in this Update provide entities with an additional (and optional) transition method to adopt the new leases standard and provide lessors with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead, to account for those components as a single component if the nonlease components otherwise would be accounted for under the new revenue guidance (Topic 606). The Company is currently evaluating the impact of adopting ASU 2016-02 and ASU 2018-11 on its consolidated financial statements.

In March 2018, the FASB issued ASU No. 2018-05, Income Tax (Topic 740) - Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118. This update adds SEC paragraphs pursuant to the SEC Staff Accounting Bulletin No. 118, which expresses the view of the staff regarding application of Topic 740, Income Taxes, in the reporting period that includes December 22, 2017 - the date on which the Tax Act was signed into law. The Company is currently evaluating the impact of adopting ASU 2018-05 on its consolidated financial statements.

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. Revenue Recognition**

The Company adopted ASC 606 using the modified retrospective method as applied to customer contracts that were not completed as of January 1, 2018. As a result, financial information for reporting periods beginning after January 1, 2018 are presented under ASC 606, while comparative financial information has not been adjusted and continues to be reported in accordance with the Company's historical accounting policy for revenue recognition prior to the adoption of ASC 606.

Revenue is recognized when (or as) the Company satisfies performance obligations by transferring a promised goods to a customer. Revenue is measured at the transaction price which is based on the amount of consideration that the Company expects to receive in exchange for transferring the promised goods to the customer. Contracts with customers are comprised of customer purchase orders, invoices and written contracts. Given the nature of our business, customer product orders are fulfilled at a point in time and not over a period of time.

The majority of domestic sales contracts transfer control to customers upon receipt of product by customers. The majority of oversea sales contracts transfer control to customers when goods were delivered to the carriers. In most jurisdictions where the Company operates, sales are subject to Value Added Tax ("VAT"). Revenue is presented net of VAT.

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

The following table disaggregates product sales by business segment by geography which provides information as to the major source of revenue. See Note 15 for additional description of our reportable business segments and the products being sold in each segment.

|                                   | <i>Three months ended June 30, 2018</i> |                                  |                     | <i>Six months ended June 30, 2018</i> |                                  |                     |
|-----------------------------------|---|----------------------------------|---------------------|---------------------------------------|----------------------------------|---------------------|
|                                   | <i>Ni-MH</i>                            |                                  | <i>Consolidated</i> | <i>Ni-MH</i>                          |                                  | <i>Consolidated</i> |
|                                   | <i>Lithium Business</i>                 | <i>Batteries and Accessories</i> |                     | <i>Lithium Business</i>               | <i>Batteries and Accessories</i> |                     |
|                                   | <i>(Unaudited)</i>                      | <i>(Unaudited)</i>               | <i>(Unaudited)</i>  | <i>(Unaudited)</i>                    | <i>(Unaudited)</i>               | <i>(Unaudited)</i>  |
|                                   | \$                                      | \$                               | \$                  | \$                                    | \$                               | \$                  |
| <b>Primary Geographic Markets</b> |   |                                  |                     |                                       |                                  |                     |
| China Mainland                    | 24,282,910                              | 8,597,095                        | 32,880,005          | 46,873,862                            | 14,311,906                       | 61,185,768          |
| Asia, others                      | 22,323,852                              | 2,860,048                        | 25,183,900          | 35,094,564                            | 5,843,732                        | 40,938,296          |
| Europe                            | 1,161,586                               | 3,687,774                        | 4,849,360           | 2,066,755                             | 7,320,508                        | 9,387,263           |
| North America                     | 735,508                                 | 1,262,735                        | 1,998,243           | 1,065,330                             | 2,097,744                        | 3,163,074           |
| Others                            | -                                       | 12,452                           | 12,452              | -                                     | 33,012                           | 33,012              |
| <b>Total sales</b>                | <b>48,503,856</b>                       | <b>16,420,104</b>                | <b>64,923,960</b>   | <b>85,100,511</b>                     | <b>29,606,902</b>                | <b>114,707,413</b>  |

The Company has elected to apply the practical expedient in paragraph ASC 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

We do not have amounts of contract assets since revenue is recognized as control of goods is transferred. Our contract liabilities consist of advance payments from customers. Our contract liabilities are reported in a net position on a customer-by-customer basis at the end of each reporting period. All contract liabilities are expected to be recognized as revenue within one year and are included in Other payables and accrued liabilities in our Condensed Consolidated Balance Sheet.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES  
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**4. Accounts receivable, net**

|                                       | <i>June 30,<br/>2018</i> | <i>December 31,<br/>2017</i> |
|---------------------------------------|--------------------------|------------------------------|
|                                       | <i>(Unaudited)</i>       |                              |
|                                       | \$                       | \$                           |
| Accounts receivable                   | 64,623,597               | 61,431,785                   |
| Less: allowance for doubtful accounts | 3,183,022                | 3,178,786                    |
|                                       | 61,440,575               | 58,252,999                   |

**5. Inventories**

|                   | <i>June 30,<br/>2018</i> | <i>December 31,<br/>2017</i> |
|-------------------|--------------------------|------------------------------|
|                   | <i>(Unaudited)</i>       |                              |
|                   | \$                       | \$                           |
| Raw materials     | 36,615,871               | 21,428,315                   |
| Work in progress  | 13,137,127               | 6,931,486                    |
| Finished goods    | 19,133,423               | 14,284,563                   |
| Packing materials | 23,777                   | 36,797                       |
| Consumables       | 290,474                  | 265,483                      |
|                   | 69,200,672               | 42,946,644                   |

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

|  | <i>June 30,<br/>2018</i> | <i>December 31,<br/>2017</i> |
|--|--------------------------|------------------------------|
|  | <i>(Unaudited)</i>       |                              |
|  | \$                       | \$                           |
| <b>Cost</b>                              |                          |                              |
| Construction in progress                 | 2,122,511                | 1,330,643                    |
| Furniture, fixtures and office equipment | 6,632,609                | 5,794,983                    |
| Leasehold improvement                    | 7,048,452                | 7,080,409                    |
| Machinery and equipment                  | 35,538,190               | 33,176,416                   |
| Motor vehicles                           | 1,556,477                | 1,498,605                    |
| Buildings                                | 19,840,548               | 20,169,197                   |
|  | 72,738,787               | 69,050,253                   |
| Less: accumulated depreciation           | 24,603,636               | 22,529,477                   |
|  | 48,135,151               | 46,520,776                   |

The Company recorded depreciation expenses of \$2,945,238 and \$2,361,482 for the six months ended June 30, 2018 and 2017, respectively, and \$1,499,538 and \$1,121,356 for the three months ended June 30, 2018 and 2017, respectively.

During the six months ended June 30, 2018, the Company deducted deferred income related to government grants of \$nil on the carrying amount of property, plant and equipment. During the year ended December 31, 2017, the Company deducted deferred income related to government grants of \$263,948 in calculating the carrying amount of property, plant and equipment.

The buildings comprising the Huizhou facilities were pledged as collateral for bank loans. The net carrying amounts of the buildings were \$8,955,311 and \$9,224,694 as of June 30, 2018 and December 31, 2017, respectively.

The building located in Shenzhen, Guangdong was pledged as collateral for bank loans. The net carrying amount of the buildings was \$378,280 and \$396,843 as of June 30, 2018 and December 31, 2017, respectively.

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7. **Long-term investments**

|   | <u>June 30, 2018</u> |           | <u>December 31, 2017</u> |           |
|---|----------------------|-----------|--------------------------|-----------|
|   | <i>(Unaudited)</i>   |           |                          |           |
|   | \$                   | Interest% | \$                       | Interest% |
| <b>Equity method investments</b>                                      |                      |           |                          |           |
| -Ganzhou Highpower Technology Company Limited<br>("GZ Highpower") (1) | 8,294,952            | 31.294%   | 8,102,520                | 31.294%   |
| -Shenzhen V-power Innovative Technology Co., Ltd<br>("V-power") (2)   | 721,464              | 49.000%   | -                        | N/A       |
| <b>Cost method investment</b>   |                      |           |                          |           |
| -Huizhou Yipeng Energy Technology Co Ltd.<br>("Yipeng") (3)           | 1,774,466            | 4.654%    | 1,803,859                | 4.654%    |
|   | <u>10,790,882</u>    |           | <u>9,906,379</u>         |           |

(1) Investment in GZ Highpower

On December 21, 2017, after the completion of the capital increase to GZ Highpower by other shareholders, the Company lost the controlling power over GZ Highpower and deconsolidated GZ Highpower. Thereafter, the investment was recorded under the equity method.

The equity in earnings of investee was \$179,964 and \$336,214 for the three and six months ended June 30, 2018.

(2) Investment in V-power

On February 28, 2018, the Company signed an investment agreement (the "Agreement") with a related company and a group of individuals (the "Founder Team") with an aggregate amount of RMB4.9 million (approximately \$0.7 million) for 49% of the equity interest of V-power, which was recorded under the equity method. Pursuant to the terms of the Agreement, the Company shall complete the capital injection to V-power no later than December 31, 2018. In addition, the Company agrees to transfer the 15% of original equity interest of V-power to the Founder Team as compensation under voluntary assignment as any of the following requirements met: 1. annual sales revenue higher or equal to RMB30 million before the first capital increase of V-power; 2. valuation of V-power higher or equal to RMB30 million before equity issuance. As of June 30, 2018, the Company injected RMB2.1million (approximately \$0.3 million) to V-power, and the unpaid amount was recorded as amount due to a related party (See Note 16).

The equity in loss of investee was \$19,894 for the three and six months ended June 30, 2018, respectively.

(3) Investment in Yipeng

In 2017, after the completion of the capital injection to Yipeng and the equity transfer payment received by the Company from the other shareholder, the Company's equity ownership in Yipeng decreased from 35.4% to 4.654%, and the Company lost the ability to exercises significant influence over Yipeng, discontinued the use of equity method and applied the cost method in accounting.

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.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES  
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**8. Taxation**

Highpower and its direct and indirect wholly 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 which was changed from 17% to 16% on May 1, 2018 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 of their revenues.

2) Income tax

United States

*Tax Reform*

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into legislation. The 2017 Tax Act significantly revises the U.S. corporate income tax by, among other things, lowering the statutory corporate tax rate from 34% to 21%, imposing a mandatory one-time tax on accumulated earnings of foreign subsidiaries, introducing new tax regimes, and changing how foreign earnings are subject to U.S. tax.

On December 22, 2017, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740, Income Taxes. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements.

As of June 30, 2018, the Company has not completed its accounting for certain tax effects of enactment of the Tax Act; however, the Company has made reasonable estimates of the effects on our existing deferred tax balances and the one-time transition tax. The Company expects to finalize these provisional estimates before the end of 2018 after completing our reviews and analysis, including reviews and analysis of any interpretations issued during this re-measurement period.

The one-time transition tax is based on the total post-1986 earnings and profits ("E&P") for which the Company has previously deferred U.S. income taxes. The Company expects to make adjustments to this provisional estimate based on additional clarifying and interpretative technical guidance to be issued related to the calculation of the one-time transition tax.

The Tax Act subjects a U.S. shareholder to tax on Global Intangible Low Taxed Income (GILTI) earned by foreign subsidiaries. The Company currently does not expect to incur GILTI in 2018. The Company has not determined its accounting policy with respect to GILTI and has therefore included the 2018 estimate of current year GILTI, if any, as a period cost and included as part of the estimated annual effective tax rate. The 2018 estimated annual effective tax rate also includes the 2018 impact of all other U.S. tax reform provisions that were effective on January 1, 2018.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
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**8. Taxation (continued)**

Hong Kong

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

PRC

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

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 2018 and 2017.

The components of the provision for income taxes expense are:

|                                    | <i>Three months ended</i> |                       | <i>Six months ended</i> |                         |
|------------------------------------|---------------------------|-----------------------|-------------------------|-------------------------|
|                                    | <i>June 30,</i>           |                       | <i>June 30,</i>         |                         |
|                                    | <u>2018</u>               | <u>2017</u>           | <u>2018</u>             | <u>2017</u>             |
|                                    | <i>(Unaudited)</i>        | <i>(Unaudited)</i>    | <i>(Unaudited)</i>      | <i>(Unaudited)</i>      |
|                                    | \$                        | \$                    | \$                      | \$                      |
| Current                            | 551,583                   | 456,583               | 898,520                 | 919,800                 |
| Deferred                           | (142,262)                 | 139,125               | (498,878)               | 263,673                 |
| <b>Total income taxes expenses</b> | <b><u>409,321</u></b>     | <b><u>595,708</u></b> | <b><u>399,642</u></b>   | <b><u>1,183,473</u></b> |

The reconciliation of income taxes expenses computed at the PRC statutory tax rate 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>2018</u>               | <u>2017</u>           | <u>2018</u>             | <u>2017</u>             |
|   | <i>(Unaudited)</i>        | <i>(Unaudited)</i>    | <i>(Unaudited)</i>      | <i>(Unaudited)</i>      |
|   | \$                        | \$                    | \$                      | \$                      |
| Income before tax   | 3,123,636                 | 5,057,908             | 1,995,021               | 8,258,215               |
| Provision for income taxes at PRC statutory income tax rate (25%) | 780,909                   | 1,264,477             | 498,755                 | 2,064,554               |
| Impact of different tax rates in other jurisdictions              | 37,886                    | 3,382                 | 96,546                  | 6,637                   |
| Effect of PRC preferential tax rate                               | (272,880)                 | (397,140)             | (266,427)               | (788,983)               |
| R&D expenses eligible for super deduction                         | (334,892)                 | (442,939)             | (334,892)               | (442,939)               |
| Other non-deductible expenses                                     | 32,175                    | 17,448                | 48,751                  | 33,995                  |
| Change in valuation allowance of deferred tax assets              | 166,123                   | 150,480               | 356,909                 | 310,209                 |
| <b>Effective enterprise income tax expenses</b>                   | <b><u>409,321</u></b>     | <b><u>595,708</u></b> | <b><u>399,642</u></b>   | <b><u>1,183,473</u></b> |

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES  
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**8. Taxation (continued)**

3) Deferred tax assets, net

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.

|  | <b>June 30,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|--|--------------------------|------------------------------|
|  | <b>(Unaudited)</b>       |                              |
|  | <b>\$</b>                | <b>\$</b>                    |
| Tax loss carry-forward                                       | 1,767,265                | 991,766                      |
| Allowance for doubtful receivables                           | 64,294                   | 136,562                      |
| Impairment for inventory                                     | 296,516                  | 222,289                      |
| Difference for sales cut-off                                 | 10,489                   | 17,322                       |
| Deferred government grant                                    | 113,709                  | 46,446                       |
| Property, plant and equipment subsidized by government grant | 255,070                  | 269,344                      |
| Impairment for property, plant and equipment                 | 57,273                   | 58,304                       |
| Total gross deferred tax assets                              | 2,564,616                | 1,742,033                    |
| Valuation allowance  | (1,345,095)              | (991,766)                    |
| Total net deferred tax assets                                | <u>1,219,521</u>         | <u>750,267</u>               |

As of June 30, 2018, the Company had net operating loss carry-forwards in Hong Kong of \$6,522,195 and United States of \$1,280,635 without expiration and in the PRC of \$2,814,462, which will expire in 2022.

The Company has deferred tax assets which consisted of tax loss carry-forwards and other items that can be carried forward to offset future taxable income. Management determined it is more likely than not that part of the deferred tax assets could not be utilized, so a valuation allowance was provided for as of June 30, 2018 and December 31, 2017. The net valuation allowance increased by approximately \$0.2 million and \$0.2 million during the three months ended June 30, 2018 and 2017, respectively. The net valuation allowance increased by approximately \$0.4 million and \$0.3 million during the six months ended June 30, 2018 and 2017, respectively.

**9. 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 \$51,710,779 and \$54,859,478 as of June 30, 2018 and December 31, 2017, respectively.

**10. Short-term loans**

As of June 30, 2018 and December 31, 2017, short-term loans consisted of bank borrowings for working capital and capital expenditure purposes and were secured by personal guarantees executed by certain directors of the Company, time deposits with a carrying amount of \$5,636,635 and \$3,982,226, land use right with a carrying amount of \$2,564,161 and \$2,639,631, and buildings with a carrying amount of \$9,333,591 and \$9,621,537, respectively.

The loans were primarily obtained from two banks with interest rates ranging from 5.0000% to 6.5102% per annum and 5.0000% to 5.8725% per annum as of June 30, 2018 and December 31, 2017, respectively. The interest expenses were \$230,599 and \$537,156 for the six months ended June 30, 2018 and 2017, respectively. The interest expenses were \$118,886 and \$277,319 for the three months ended June 30, 2018 and 2017, respectively.

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**11. Non-financial institution borrowings**

As of June 30, 2018, the Company obtained borrowings from a third-party individual in an amount of \$9,069,335 which were used for working capital and capital expenditure purposes. The interest rates for the borrowings were 5.66% per annum. The borrowings are personally guaranteed by the Company's Chief Executive Officer, Mr. Dang Yu Pan.

The interest expense of the above borrowings was \$296,963 and \$297,753 for the six months ended June 30, 2018 and 2017, respectively. The interest expense of the above borrowings was \$134,660 and \$154,235 for the three months ended June 30, 2018 and 2017, respectively.

**12. Lines of credit**

The Company entered into various credit contracts and revolving lines of credit, which were used for short-term loans and bank acceptance bills. As of June 30, 2018, the total and unused lines of credit were \$87.6 million and \$22.4 million with maturity dates from July 2018 to July 2019. As of December 31, 2017, the total and unused lines of credit were \$79.8 million and \$31.3 million with maturity dates from March 2018 to July 2019.

These lines of credit were guaranteed by the Company's Chief Executive Officer, Mr. Dang Yu Pan or Mr. Dang Yu Pan and his wife. The Company's buildings and the land use right were pledged as collateral for these line of credit.

**13. 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, 2018 and 2017.

|   | <i>Three months ended</i> |                    | <i>Six months ended</i> |                    |
|---|---------------------------|--------------------|-------------------------|--------------------|
|   | <i>June 30,</i>           |                    | <i>June 30,</i>         |                    |
|   | <i>2018</i>               | <i>2017</i>        | <i>2018</i>             | <i>2017</i>        |
|   | <i>(Unaudited)</i>        | <i>(Unaudited)</i> | <i>(Unaudited)</i>      | <i>(Unaudited)</i> |
|   | <i>\$</i>                 | <i>\$</i>          | <i>\$</i>               | <i>\$</i>          |
| Numerator:                                    |                           |                    |                         |                    |
| Net income attributable to the Company        | <u>2,714,315</u>          | <u>4,371,237</u>   | <u>1,595,379</u>        | <u>6,906,886</u>   |
| Denominator:                                  |                           |                    |                         |                    |
| Weighted-average shares outstanding           |                           |                    |                         |                    |
| - Basic                                       | 15,556,361                | 15,317,101         | 15,533,139              | 15,218,820         |
| - Dilutive effects of equity incentive awards | <u>73,052</u>             | <u>162,256</u>     | <u>86,632</u>           | <u>85,953</u>      |
| - Diluted                                     | <u>15,629,413</u>         | <u>15,479,357</u>  | <u>15,619,771</u>       | <u>15,304,773</u>  |
| Net income per share:                         |                           |                    |                         |                    |
| - Basic                                       | <u>0.17</u>               | <u>0.29</u>        | <u>0.10</u>             | <u>0.45</u>        |
| - Diluted                                     | <u>0.17</u>               | <u>0.28</u>        | <u>0.10</u>             | <u>0.45</u>        |

Diluted earnings per share takes into account the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted into common stock. Potential dilutive securities are excluded from the calculation of diluted EPS in loss periods as their effect would be anti-dilutive.

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**14. 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 (“the 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 made related to the Benefits, the Company has no legal obligation.

The total contributions made, which were expensed as incurred, were \$1,383,552 and \$1,125,097 for the six months ended June 30, 2018 and 2017, respectively, and \$729,595 and \$620,577 for the three months ended June 30, 2018 and 2017, respectively.

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

|                                 | <i>Three months ended</i> |                    | <i>Six months ended</i> |                    |
|---------------------------------|---------------------------|--------------------|-------------------------|--------------------|
|                                 | <i>June 30,</i>           |                    | <i>June 30,</i>         |                    |
|                                 | <i>2018</i>               | <i>2017</i>        | <i>2018</i>             | <i>2017</i>        |
|                                 | <i>(Unaudited)</i>        | <i>(Unaudited)</i> | <i>(Unaudited)</i>      | <i>(Unaudited)</i> |
|                                 | \$                        | \$                 | \$                      | \$                 |
| <b><i>Net sales</i></b>         |                           |                    |                         |                    |
| Lithium Business                | 48,503,856                | 37,009,048         | 85,100,511              | 64,499,542         |
| Ni-MH Batteries and Accessories | 16,420,104                | 11,783,901         | 29,606,902              | 24,311,214         |
| New Materials                   | -                         | 2,906,981          | -                       | 4,756,022          |
| <b>Total</b>                    | <b>64,923,960</b>         | <b>51,699,930</b>  | <b>114,707,413</b>      | <b>93,566,778</b>  |
| <b><i>Cost of Sales</i></b>     |                           |                    |                         |                    |
| Lithium Business                | 39,755,643                | 28,310,375         | 70,546,982              | 49,950,244         |
| Ni-MH Batteries and Accessories | 13,858,391                | 9,013,125          | 25,284,178              | 18,201,515         |
| New Materials                   | -                         | 2,304,664          | -                       | 3,408,419          |
| <b>Total</b>                    | <b>53,614,034</b>         | <b>39,628,164</b>  | <b>95,831,160</b>       | <b>71,560,178</b>  |
| <b><i>Gross Profit</i></b>      |                           |                    |                         |                    |
| Lithium Business                | 8,748,213                 | 8,698,673          | 14,553,529              | 14,549,298         |
| Ni-MH Batteries and Accessories | 2,561,713                 | 2,770,776          | 4,322,724               | 6,109,699          |
| New Materials                   | -                         | 602,317            | -                       | 1,347,603          |
| <b>Total</b>                    | <b>11,309,926</b>         | <b>12,071,766</b>  | <b>18,876,253</b>       | <b>22,006,600</b>  |

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15. Segment information (continued)

|                                 | <u>June 30,</u><br><u>2018</u><br><i>(Unaudited)</i><br>\$ | <u>December 31,</u><br><u>2017</u><br><i>(Unaudited)</i><br>\$ |
|---------------------------------|--|--|
| <b>Total Assets</b>             |  |  |
| Lithium Business                | 207,643,314  | 171,881,450  |
| Ni-MH Batteries and Accessories | 47,364,193   | 48,383,088   |
| Total                           | <u>255,007,507</u>   | <u>220,264,538</u>   |

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

|                            | <i>Three months ended</i><br><i>June 30,</i> |   | <i>Six months ended</i><br><i>June 30,</i>                 |  |
|----------------------------|--|---|--|--|
|                            | <u>2018</u><br><i>(Unaudited)</i><br>\$      | <u>2017</u><br><i>(Unaudited)</i><br>\$ | <u>2018</u><br><i>(Unaudited)</i><br>\$                    | <u>2017</u><br><i>(Unaudited)</i><br>\$                        |
| <b>Net sales</b>           |  |   |  |  |
| China Mainland             | 32,880,005                                   | 32,086,138                              | 61,185,768   | 54,247,730   |
| Asia, others               | 25,183,900                                   | 12,092,612                              | 40,938,296   | 25,788,170   |
| Europe                     | 4,849,360                                    | 3,612,677                               | 9,387,263  | 8,465,407  |
| North America              | 1,998,243                                    | 3,604,935                               | 3,163,074  | 4,663,067  |
| Others                     | 12,452                                       | 303,568                                 | 33,012   | 402,404  |
|                            | <u>64,923,960</u>                            | <u>51,699,930</u>                       | <u>114,707,413</u>   | <u>93,566,778</u>  |
|                            |  |   | <u>June 30,</u><br><u>2018</u><br><i>(Unaudited)</i><br>\$ | <u>December 31,</u><br><u>2017</u><br><i>(Unaudited)</i><br>\$ |
| <b>Accounts receivable</b> |  |   |  |  |
| China Mainland             |  |   | 34,536,671   | 37,636,478   |
| Asia, others               |  |   | 20,347,914   | 15,294,527   |
| Europe                     |  |   | 5,481,322  | 5,189,859  |
| North America              |  |   | 1,062,014  | 94,585   |
| Others                     |  |   | 12,654   | 37,550   |
|                            |  |   | <u>61,440,575</u>  | <u>58,252,999</u>  |

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

**16. Related party balance and transaction**

Related party balance

|   | <u>June 30,<br/>2018</u><br><i>(Unaudited)</i><br>\$ | <u>December 31,<br/>2017</u><br>\$ |
|---|--|------------------------------------|
| Accounts receivable                           | 431,508  | 632,704                            |
| Other receivable                              | 812  | 533,134                            |
| Amount due from a related party- GZ Highpower | <u>432,320</u>                                       | <u>1,165,838</u>                   |
| Other payable-investment (1)                  | 423,236  | -                                  |
| Amount due to a related party- V-power        | <u>423,236</u>                                       | <u>-</u>                           |

(1) The Company signed an investment agreement with an aggregate amount of RMB4.9 million (approximately \$0.7 million) in investing for 49% of the equity interest of V-power which was set up on March 1, 2018. On April 28, 2018, the Company injected RMB2.1million (approximately \$0.3 million) to V-power, and the unpaid amount was recorded as amount due to a related party. (See Note 7)

Related party transaction

|                                | <u>Three months ended<br/>June 30,</u>  |   | <u>Six months ended<br/>June 30,</u>    |   |
|--------------------------------|---|---|---|---|
|                                | <u>2018</u><br><i>(Unaudited)</i><br>\$ | <u>2017</u><br><i>(Unaudited)</i><br>\$ | <u>2018</u><br><i>(Unaudited)</i><br>\$ | <u>2017</u><br><i>(Unaudited)</i><br>\$ |
| <b>Income:</b>                 |   |   |   |   |
| Sales                          |   |   |   |   |
| -GZ Highpower                  | 433,147                                 | -                                       | 658,934                                 | -                                       |
| -Yipeng                        | -                                       | 1,422,533                               | -                                       | 2,046,856                               |
| Rental income- Yipeng          | -                                       | 7,012                                   | -                                       | 18,311                                  |
| <b>Expenses:</b>               |   |   |   |   |
| Equipment rental fee- Yipeng   | -                                       | 162,927                                 | -                                       | 325,229                                 |
| <b>Repayment:</b>              |   |   |   |   |
| Other receivable- GZ Highpower | -                                       | -                                       | 543,447                                 | -                                       |

**17. Subsequent event**

The Company has evaluated subsequent events through the issuance of the unaudited condensed consolidated financial statements and no 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, 2017 filed with SEC on April 4, 2018 (the “Annual Report”).

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

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

### **Overview**

Net sales increased by \$13.2 million, or 25.6%, during the second quarter of 2018 compared to the same quarter in 2017. Excluding GZ Highpower, net sales increased 32.8% to \$64.9 million from \$48.9 million. The main driver was our lithium business, including high end consumer products, industrial applications and increased demand for artificial intelligence products.

Lithium business net sales increased by \$11.5 million, or 31.1%, during the second quarter of 2018 compared to the same quarter in 2017.

Ni-MH batteries and accessories net sales increased by \$4.6 million, or 39.3%, during the second quarter of 2018 compared to the same quarter in 2017.

Gross profit during the second quarter of 2018 was \$11.3 million, or 17.4% of net sales, compared to \$12.1 million, or 23.3% of net sales, for the comparable period in 2017. This decrease was mainly due to high raw material prices.

For 2018, we will continue to drive business growth. As raw material prices may continue at a high level, we will strive to balance our selling price and customer expectations carefully. In the second quarter of 2018, our gross margin increased by 2.2% compared to the first quarter of 2018 and we expect further improvement in the second half of 2018. At the same time, we will seek to continuously improve our labor efficiency and improve material usage for better gross margin.

### **Investment in V-power**

On February 28, 2018, the Company signed an investment agreement (the “Agreement”) with an aggregate amount of RMB4.9 million (approximately \$0.7 million) for 49% of the equity interest of V-power. Pursuant to the terms of the Agreement, the Company shall complete the capital injection to V-power no later than December 31, 2018. On April 28, 2018, the Company injected RMB2.1million (approximately \$0.3 million) to V-power. V-power now focuses on the development of electronic vehicle battery management systems (“EV BMS”) , and in the future V-power will gradually extend the business to design and produce EV power modules, energy storage systems (“ESS”) and related products.

### **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, 2018 and 2017, both in US\$ and as a percentage of net sales.

### Consolidated Statements of Operations

|   | <i>Three months ended June 30,</i> |          |                    |          | <i>Six months ended June 30,</i> |          |                    |          |
|---|------------------------------------|----------|--------------------|----------|----------------------------------|----------|--------------------|----------|
|   | <i>2018</i>                        |          | <i>2017</i>        |          | <i>2018</i>                      |          | <i>2017</i>        |          |
|   | <i>(Unaudited)</i>                 |          | <i>(Unaudited)</i> |          | <i>(Unaudited)</i>               |          | <i>(Unaudited)</i> |          |
|   | <i>\$</i>                          | <i>%</i> | <i>\$</i>          | <i>%</i> | <i>\$</i>                        | <i>%</i> | <i>\$</i>          | <i>%</i> |
| Net sales   | 64,924                             | 100.0%   | 51,700             | 100.0%   | 114,707                          | 100.0%   | 93,567             | 100.0%   |
| Cost of sales   | (53,614)                           | (82.6)%  | (39,628)           | (76.7)%  | (95,831)                         | (83.5)%  | (71,560)           | (76.5)%  |
| Gross profit  | <u>11,310</u>                      | 17.4%    | <u>12,072</u>      | 23.3%    | <u>18,876</u>                    | 16.5%    | <u>22,007</u>      | 23.5%    |
| Research and development expenses   | (3,593)                            | (5.5)%   | (2,137)            | (4.1)%   | (6,155)                          | (5.4)%   | (3,951)            | (4.2)%   |
| Selling and distribution expenses   | (2,122)                            | (3.3)%   | (1,723)            | (3.3)%   | (4,097)                          | (3.6)%   | (3,361)            | (3.6)%   |
| General and administrative expenses                                       | (3,910)                            | (6.0)%   | (3,016)            | (5.8)%   | (8,025)                          | (7.0)%   | (6,075)            | (6.5)%   |
| Foreign currency transaction gain (loss)                                  | 1,671                              | 2.6%     | (515)              | (1.0)%   | 657                              | 0.6%     | (829)              | (0.9)%   |
| Income from operations  | <u>3,356</u>                       | 5.2%     | <u>4,681</u>       | 9.1%     | <u>1,256</u>                     | 1.1%     | <u>7,791</u>       | 8.3%     |
| Changes in fair value of warrant liability                                | -                                  | -        | 32                 | 0.1%     | -                                | -        | -                  | -        |
| Changes in fair value of foreign exchange derivative assets (liabilities) | (1,125)                            | (1.7)%   | -                  | -        | (421)                            | (0.4)%   | -                  | -        |
| Government grants   | 989                                | 1.5%     | 209                | 0.4%     | 1,318                            | 1.1%     | 559                | 0.6%     |
| Other income  | 57                                 | 0.1%     | 68                 | 0.1%     | 81                               | 0.1%     | 296                | 0.3%     |
| Equity in earnings (loss) of investees                                    | 160                                | 0.2%     | (42)               | (0.1)%   | 316                              | 0.3%     | 105                | 0.1%     |
| Gain on dilution in equity method investee                                | -                                  | -        | 491                | 1.0%     | -                                | -        | 491                | 0.5%     |
| Interest expenses   | (313)                              | (0.5)%   | (381)              | (0.7)%   | (555)                            | (0.5)%   | (984)              | (1.1)%   |
| Income before taxes   | <u>3,124</u>                       | 4.8%     | <u>5,058</u>       | 9.8%     | <u>1,995</u>                     | 1.7%     | <u>8,258</u>       | 8.8%     |
| Income taxes expenses   | (410)                              | (0.6)%   | (596)              | (1.2)%   | (400)                            | (0.3)%   | (1,183)            | (1.2)%   |
| Net income  | <u>2,714</u>                       | 4.2%     | <u>4,462</u>       | 8.6%     | <u>1,595</u>                     | 1.4%     | <u>7,075</u>       | 7.6%     |
| Less: net income attributable to non-controlling interest                 | -                                  | -        | 91                 | 0.2%     | -                                | -        | 168                | 0.2%     |
| Net income attributable to the Company                                    | <u>2,714</u>                       | 4.2%     | <u>4,371</u>       | 8.5%     | <u>1,595</u>                     | 1.4%     | <u>6,907</u>       | 7.4%     |

### Net sales

Net sales for the three months ended June 30, 2018 were \$64.9 million compared to \$51.7 million for the comparable period in 2017, an increase of \$13.2 million, or 25.6%.

Net sales for the six months ended June 30, 2018 were \$114.7 million compared to \$93.6 million for the comparable period in 2017, an increase of \$21.1 million, or 22.6%. The increase was driven by our lithium business, which was partially offset by the impact of the deconsolidation of GZ Highpower. Net sales of Lithium business increased by \$20.6 million, or 31.9%, during the six months ended June 30, 2018, compared to the comparable period in 2017, which was mainly due to optimization of sales structure. Ni-MH batteries and accessories net sales increased by \$5.3 million, or 21.8%, during the six months ended June 30, 2018, compared to the comparable period in 2017, which was due to the increase in the number of Ni-MH batteries units sold.

***Gross profit***

Gross profit for the three months ended June 30, 2018 was \$11.3 million, or 17.4% of net sales, compared to \$12.1 million, or 23.3% of net sales, for the comparable period in 2017.

Gross profit for the six months ended June 30, 2018 was \$18.9 million, or 16.5% of net sales, compared to \$22.0 million, or 23.5% of net sales, for the comparable period in 2017. This decrease was mainly due to high raw material prices.

***Research and development expenses***

Research and development expenses were \$3.6 million, or 5.5% of net sales, for the three months ended June 30, 2018, compared to \$2.1 million, or 4.1% of net sales, for the comparable period in 2017.

Research and development expenses were \$6.2 million, or 5.4% of net sales, for the six months ended June 30, 2018, compared to \$4.0 million, or 4.2% of net sales, for the comparable period in 2017. The Company will continue to invest on R&D activities in the future.

***Selling and distribution expenses***

Selling and distribution expenses were \$2.1 million, or 3.3% of net sales, for the three months ended June 30, 2018, compared to \$1.7 million, or 3.3% of net sales, for the comparable period in 2017.

Selling and distribution expenses were \$4.1 million, or 3.6% of net sales, for the six months ended June 30, 2018, compared to \$3.4 million, or 3.6% of net sales, for the comparable period in 2017. The percent of net sales remained stable.

***General and administrative expenses***

General and administrative expenses were \$3.9 million, or 6.0% of net sales, for the three months ended June 30, 2018, compared to \$3.0 million, or 5.8% of net sales, for the comparable period in 2017.

General and administrative expenses were \$8.0 million, or 7.0% of net sales, for the six months ended June 30, 2018, compared to \$6.1 million, or 6.5% of net sales, for the comparable period in 2017. The increase was mainly due to the increase of payroll related and amortization of share-based compensation.

***Foreign currency transaction gain (loss)***

We experienced a gain of \$1.7 million and a loss of \$0.5 million for the three months ended June 30, 2018 and 2017, respectively, on the exchange rate difference between the US\$ and the RMB.

We experienced a gain of \$0.7 million and a loss of \$0.8 million for the six months ended June 30, 2018 and 2017, respectively, on the exchange rate difference between the US\$ and the RMB.

The gain (loss) in exchange rate difference was due to the influence of the RMB relative to the US\$ over the respective periods. We used the foreign currency derivative contracts to reduce the impact from the fluctuation on exchange rates.

***Changes in fair value of foreign exchange derivative assets (liabilities)***

We experienced a loss on derivative instruments of \$1.1 million and \$0.4 million for the three and six months ended June 30, 2018, respectively.

***Government grants***

Government grants were \$1.0 million for the three months ended June 30, 2018, compared to \$0.2 million for the comparable period in 2017.

Government grants were \$1.3 million for the six months ended June 30, 2018, compared to \$0.6 million for the comparable period in 2017.

***Other income***

Other income was \$0.1 million for both the three months ended June 30, 2018 and for the comparable period in 2017.

Other income was \$0.1 million for the six months ended June 30, 2018, compared to \$0.3 million for the comparable period in 2017.

***Equity in earnings (loss) of investees***

Equity in earnings of investees were \$160,070 for the three months ended June 30, 2018, compared to equity in loss of investee \$41,607 for the comparable period in 2017.

Equity in earnings of investees were \$316,320 for the six months ended June 30, 2018, compared to \$105,325 for the comparable period in 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 and six months ended June 30, 2017, respectively.

***Interest expenses***

Interest expenses were \$0.3 million for the three months ended June 30, 2018, compared to \$0.4 million for the comparable period in 2017.

Interest expenses were \$0.6 million for the six months ended June 30, 2018, compared to \$1.0 million for the comparable period in 2017.

***Income taxes expenses***

Income taxes expenses were \$0.4 million for the three months ended June 30, 2018, compared to \$0.6 million for the comparable period in 2017.

Income taxes expenses were \$0.4 million for the six months ended June 30, 2018, compared to \$1.2 million for the comparable period in 2017.

***Net income***

Net income attributable to the Company for the three months ended June 30, 2018 was \$2.7 million. Net income attributable to the Company (excluding net gain attributable to non-controlling interest) of \$4.4 million for the comparable period in 2017, decreased by \$1.7 million, or 37.9%.

Net income attributable to the Company for the six months ended June 30, 2018 was \$1.6 million. Net income attributable to the Company (excluding net gain attributable to non-controlling interest) of \$6.9 million for the comparable period in 2017, decreased by \$5.3 million, or 76.9%.

## **Reconciliation of Net Income to EBITDA**

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.

|  | <i>Three months ended</i> |                    | <i>Six months ended</i> |                    |
|--|---------------------------|--------------------|-------------------------|--------------------|
|  | <i>June 30,</i>           |                    | <i>June 30,</i>         |                    |
|  | <i>2018</i>               | <i>2017</i>        | <i>2018</i>             | <i>2017</i>        |
|  | <i>(Unaudited)</i>        | <i>(Unaudited)</i> | <i>(Unaudited)</i>      | <i>(Unaudited)</i> |
|  | \$                        | \$                 | \$                      | \$                 |
| Net income attributable to the Company | 2,714,315                 | 4,371,237          | 1,595,379               | 6,906,886          |
| Interest expenses                      | 312,814                   | 380,531            | 554,666                 | 983,848            |
| Income taxes expenses                  | 409,321                   | 595,708            | 399,642                 | 1,183,473          |
| Depreciation and Amortization          | 1,528,644                 | 1,155,648          | 3,003,872               | 2,429,982          |
| EBITDA                                 | 4,965,094                 | 6,503,124          | 5,553,559               | 11,504,189         |

## **Key financial items excluding GZ Highpower**

The Company deconsolidated GZ Highpower on December 21, 2017. Since the Company no longer presents GZ Highpower's operations and comprehensive income as a result of the deconsolidation, the table below shows the comparative figures of key financial items excluding the effect of GZ Highpower:

|  | <i>Three months ended June 30,</i> |                    | <i>Six months ended June 30,</i> |                    |
|--|------------------------------------|--------------------|----------------------------------|--------------------|
|  | <i>2018</i>                        | <i>2017</i>        | <i>2018</i>                      | <i>2017</i>        |
|  | <i>(Unaudited)</i>                 | <i>(Unaudited)</i> | <i>(Unaudited)</i>               | <i>(Unaudited)</i> |
|  | \$                                 | \$                 | \$                               | \$                 |
| <b>Sales:</b>                                |                                    |                    |                                  |                    |
| Lithium Business                             | 48,503,856                         | 37,009,048         | 85,100,511                       | 64,499,542         |
| Ni-MH Batteries and Accessories              | 16,420,104                         | 11,783,901         | 29,606,902                       | 24,311,214         |
| Sales to GZ Highpower                        | -                                  | 112,448            | -                                | 204,478            |
| Net sales (excluding GZ Highpower)           | 64,923,960                         | 48,905,397         | 114,707,413                      | 89,015,234         |
| Gross profit (excluding GZ Highpower)        | 11,309,926                         | 11,355,732         | 18,876,253                       | 20,682,771         |
| Gross profit margin (excluding GZ Highpower) | 17.4%                              | 23.2%              | 16.5%                            | 23.2%              |
| <b>Net income:</b>                           |                                    |                    |                                  |                    |
| Net income                                   | 2,714,315                          | 4,462,200          | 1,595,379                        | 7,074,742          |
| Less: Net income of GZ Highpower             | -                                  | 303,210            | -                                | 559,518            |
| Net income (excluding GZ Highpower)          | 2,714,315                          | 4,158,990          | 1,595,379                        | 6,515,224          |

## **Liquidity and Capital Resources**

We had cash and restricted cash of approximately \$37.4 million as of June 30, 2018, compared to \$40.5 million as of December 31, 2017.

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, 2018, we had lines of credit with nine financial institutions aggregating \$87.6 million. The maturities of these facilities vary from July 2018 to July 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, 2018, we had utilized approximately \$65.2 million under such general credit facilities and had available unused credit facilities of \$22.4 million.

Net cash used in operating activities was approximately \$7.6 million for the six months ended June 30, 2018, compared to net cash provided by operating activities of \$0.1 million for the comparable period in 2017. The net cash increase of \$7.7 million used in operating activities is primarily due to an increase of \$18.3 million in cash outflow from inventories, an increase of \$22.2 million in cash inflow from accounts payable, and an increase of \$8.3 million in cash outflow from accounts receivable .

Net cash used in investing activities was \$6.0 million for the six months ended June 30, 2018, compared to net cash used in investing activities of \$5.2 million for the comparable period in 2017. The net cash decrease of \$0.8 million used in investing activities is primarily due to an increase of \$0.5 million in cash outflow from acquisitions of property, plant and equipment.

Net cash provided by financing activities was \$11.8 million for the six months ended June 30, 2018, compared to \$18.4 million for the comparable period in 2017. The net cash decrease of \$6.6 million in net cash provided by financing activities was primarily attributable to an increase of \$24.9 million in cash outflow from repayment of notes payable, an increase of \$12.7 million in cash inflow from proceeds from short-term bank loans, and an increase of \$12.7 million in cash inflow from proceeds from notes payable.

Our inventory turnover was 3.4 times and 5.2 times for the six months ended June 30, 2018 and 2017, respectively. The average days outstanding of our accounts receivable was 94 days at June 30, 2018, compared to 77 days at December 31, 2017. The lower inventory turnover was mainly due to our reserve on main raw material because of the high raw material price.

We believe that available cash and unused credit facilities should enable the Company to meet presently anticipated cash needs for at least the next 12 months after the date that the financial statements are issued.

### **Recent Accounting Standards**

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

### **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 in our internal controls over financial reporting that occurred during the quarter ended June 30, 2018, or are reasonably likely to materially affect, our internal control over financial reporting.

**Part II. Other Information**

**Item 1. Legal Proceedings**

As previously reported, on January 19, 2018, the Company and FirsTrust engaged in a court-sponsored mediation and on April 6, 2018, they entered into a Settlement and Mutual Release Agreement pursuant to which they provided mutual releases, agreed to dismiss the actions and Highpower agreed to pay to FirsTrust \$450,000. The settlement amount was paid in two installments. The first installment of \$212,500 was paid in the form of 50,000 shares of common stock that were issued on April 9, 2018 and the second installment of \$237,500 was paid on July 30, 2018 in cash. On August 1, 2018, the case was dismissed in its entirety, with prejudice.

**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, 2017 as filed with the SEC on April 4, 2018 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**

*Working Capital Loan Contract between SZ Highpower and Industrial and Commercial Bank of China Ltd. Shenzhen Henggang Branch*

On June 12, 2018, SZ Highpower entered into a working capital loan contract with Industrial and Commercial Bank of China Ltd., Shenzhen Henggang Branch providing for an aggregate loan of RMB10,000,000 (\$1,511,556) to be used as current funds for production and operations. SZ Highpower must withdraw the facility before September 11, 2018, after which time the bank may cancel all or part of the facility. The term of the loan is 12 months from the first withdrawal date. The interest rate is 6.5102%, which equals to the one year benchmarked by interbank rates, float 51.4%. The loan is guaranteed by HK HTC, SZ Springpower and our Chief Executive Officer, Dang Yu Pan. The balance of loan was \$1,511,556 as of June 30, 2018.

The following constitute events of default under the loan contract: the borrower failure to repay principal, interest, and other payables in accordance with the provisions specified in this contract; or failure to fulfill any other obligations in this contract, or contrary to the statements, guarantee and commitments in this contract; the guarantees in this contract have adversely changed to the Lender's loan, and the borrower is not available to provide other guarantees approved by the lender failure to pay off any other debts due by the borrower, or failure to fulfill or breach other obligations in this contract, or likely to affect the performance of the obligations in this contract; the financial performance of the profitability, debt payment ability, operating capacity and cash flow of the Borrower exceed the agreed standards, or deterioration has been or may affect the obligations in this contract; the borrower's ownership structure, operation, external investment has changed adversely, which have affected or may affect the fulfillment of the obligations in this contract; the borrower involves or may involve significant economic disputes, litigation, arbitration, or asset seizure, detention or enforcement, or judicial or administrative authorities for investigation or take disciplinary measures in accordance with the laws, or illegal with relevant state regulations or policies in accordance with the laws, or exposure by media, which have affected or may affect the fulfillment of the obligations in this contract; the borrower's principal individual investors, key management officer's change, disappearances or restriction of personal liberty, likely to affect the performance of the obligations in this contract; using false contracts with related parties, using no actual transaction to extract the lender's funds or credit, or evasion of lender's loan right through related party transactions; having been or may be out of business, dissolution, liquidation, business reorganizations, business license has been revoked or bankruptcy; breaches food safety, production safety, environmental protection and other environmental and social risk management related laws and regulations, regulatory requirements or industry standards, resulting in accidents, major environmental and social risk events, likely to affect the performance of the obligations in this contract; in this contract, the borrower's credit rating, level of profitability, asset-liability ratio, net cash flow of operating and other indicators do not meet the credit conditions of the lender; or without the lender's written contract, pledges guarantee or provides assurance guarantees to other party, likely to affect the performance of the obligations in this contract; other adverse situations may affect in the realization of loan right in this contract.

Upon the occurrence of an event of default, the bank may: request the borrower rectify the event of default within a specified time period; cancel or terminate the borrower's the unused portion of the credit line and other financing arrangements in whole or in part; declare all amounts outstanding under the contract immediately due and payable; require the borrower to compensate the bank for losses it incurs as a result of the event of default; or other measures permitted under applicable law or other necessary measures.

*Credit Contract between SZ Highpower and Ping An Bank Co., Ltd. Shenzhen Branch*

On May 15, 2018, SZ Highpower entered into a comprehensive credit line contract with Ping An Bank Co., Ltd. Shenzhen Branch, which provides for a revolving line of credit of up to RMB70,000,000 (\$10,580,891). SZ Highpower may withdraw the loan, from time to time as needed, on or before May 14, 2019. The loan is guaranteed by SZ Springpower, HZ HTC and our Chief Executive Officer, Dang Yu Pan. The balance of used facility was \$2,176,640 as of June 30, 2018.

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

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

## Item 6. Exhibits

| Exhibit Number                 | Description of Document   |
|--------------------------------|---|
| <a href="#"><u>10.1</u></a>    | <a href="#"><u>Working Capital Loan Contract dated June 12, 2018, between Shenzhen Highpower Technology Co., Ltd and Industrial and Commercial Bank of China Ltd. Shenzhen Henggang Branch (translated to English).</u></a> |
| <a href="#"><u>10.2</u></a>    | <a href="#"><u>Comprehensive Credit Line Contract dated May 15, 2018, between Shenzhen Highpower Technology Co., Ltd and Ping An Bank Co., Ltd. Shenzhen Branch (translated to English).</u></a>                            |
| <a href="#"><u>10.2(a)</u></a> | <a href="#"><u>Maximum Guarantee Contract dated May 15, 2018, between Springpower Technology (Shenzhen) Co., Ltd. and Ping An Bank Co., Ltd. Shenzhen Branch (translated to English).</u></a>                               |
| <a href="#"><u>10.2(b)</u></a> | <a href="#"><u>Maximum Guarantee Contract dated May 15, 2018, between Huizhou Highpower Technology Co., Ltd and Ping An Bank Co., Ltd. Shenzhen Branch (translated to English).</u></a>                                     |
| <a href="#"><u>10.2(c)</u></a> | <a href="#"><u>Maximum Guarantee Contract dated May 15, 2018, between Dang Yu Pan and Ping An Bank Co., Ltd. Shenzhen Branch (translated to English).</u></a>   |
| <a href="#"><u>31.1</u></a>    | <a href="#"><u>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.</u></a>  |
| <a href="#"><u>31.2</u></a>    | <a href="#"><u>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.</u></a>  |
| <a href="#"><u>32.1*</u></a>   | <a href="#"><u>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.</u></a>                   |
| 101.INS                        | XBRL Instance Document  |
| 101.SCH                        | XBRL Taxonomy Extension Schema Document   |
| 101.CAL                        | XBRL Taxonomy Extension Calculation Linkbase Document   |
| 101.DEF                        | XBRL Taxonomy Extension Definition Linkbase Document  |
| 101.LAB                        | XBRL Taxonomy Extension Label Linkbase Document   |
| 101.PRE                        | XBRL Taxonomy Extension Presentation Linkbase Document  |

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

**HIGHPOWER INTERNATIONAL, INC.**

**SIGNATURES**

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

**Highpower International, Inc.**

Dated: August 13, 2018

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

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

## WORKING CAPITAL LOAN CONTRACT

Important note: The contract is signed between borrower and lender according to laws and on equal and willing basis, and all the terms of this contract are true meaning of both sides. In order to protect the borrower's legitimate rights and interests, the lender hereby inform the borrower to pay full attention to all the terms concerning the rights and obligations of both parties , especially the bold parts of the contract.

**The Lender:** Industrial and Commercial Bank of China Ltd. Shenzhen Henggang Branch  
Person in charge: Duoping Yang  
Residence (address): East City Center Garden Street Shops 132, 132A, 133, Henggang Street, Longgang District, Shenzhen  
Zip Code: 518115

**Borrower:** Shenzhen Highpower Technology CO., LTD.  
Legal representative: Dangyu Pan Contact: Sun Xun  
Residence (address): Building A2, Shanxia Luoshan Industrial Zone, Pinghu Town, Longgang District, Shenzhen  
Zip Code: 518000  
Tel: 0755 -89686236 Fax: 0755-89686819 E-mail: /

After equal negotiation, both sides agreed to enter into this particular contract.

**The First Part Basic Provisions****Article 1 The Use of the Loan**

The loan Can be used for the below purpose and shouldn't be used for any other purposes without written consent of the lender, the lender has the right to monitor the use of funds.

Use of loan: The loan can be used as current funds for production and operations.

**Article 2 The Loan Amount and Duration**

2.1 The amount under this contract is RMB10,000,000.00 (RMB TEN MILLION ONLY)

2.2 The term under this contract is 12 months from the date of actual withdrawal (if separate withdrawal, from the date of the first withdrawal), the actual withdrawal date is the date on IOU.

**Article 3 Rate, Interest and Cost****3.1 To Determine the RMB Loan Interest Rates**

RMB loan interest rates shall be determined according to the following **(2)**

(1) Fixed interest rate. Annual interest rate shall be /% and will not change during the duration.

(2) Floating interest rates. Interest rate shall be determined by base rate plus floating rate. Base rate is the corresponding base lending rate announced by the People's Bank of China on **the effective date of the contract** with underlying term the same as in section 2.2. The floating rate is up **51.40% of the base rate**, and shall not change within the loan period. After withdrawal, the interest rates shall be adjusted every **3** months. The date to determine the second period's interest rate is the corresponding date when the first period ends. If the corresponding date does not exist, then choose the last day of that month. Interest rate of each withdrawals shall be adjusted according to A.

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A, the interest rate for each withdrawal during any six month period shall be determined according to the rate set at the beginning of the underlying period regardless of the number of withdrawals and shall be adjusted at the next six month period.

B, Borrowing rates of each withdrawal are determined and adjusted individually.

(3) Floating interest rates. Interest rate shall be determined by base rate plus floating rate. Base rate is up to % of national interbank lending rates, and the rate cannot change during the period.

### **3.2 To Determine the Foreign Exchange Loan Interest Rates**

#### **Borrowing Rates in Foreign Currency Follow the / Ways to Determine:**

(1) Fixed interest rate. Annual interest rate shall be / and shall not change during the duration.

(2) Floating interest rates, borrowing rates to / months / (LIBOR / HIBOR) as the base rate plus / basis points (one basis point to 0.01%) consisting of a floating interest rate spreads. Contract period plus point spreads remain unchanged. The use of sub-pen drawing and each withdrawal rates were calculated. Borrower after the withdrawal, following the / ways to adjust the benchmark interest rate, interest-bearing segment:

A, the benchmark interest rate changes in accordance with the corresponding period. The second phase of the benchmark interest rate adjustment date for a full withdrawal on the corresponding day after, if you adjust the month and the withdrawal does not exist on the corresponding date, places corresponding to the last day of the month, day, and so on other phases.

B, the benchmark interest rate changes in the first day of each Interest Period.

(3) Other: /

3.3 Interest for the borrower under the contract is calculated on a daily basis from the date of withdrawal and is paid on a monthly basis (month / quarter / half year) interest settlement. When the loan matures, interest should be settled along with the principal. One day interest rate = interest rate / 360.

3.4 Late penalty rate under the contract is 50% of the original loan interest rate, penalty interest rate for misappropriation of the loan is 50% of the original loan interest rate.

### **Article 4 Withdrawal (This Section Does Not Apply to Loan Cycles)**

4.1 Funds should be withdrawn based on the actual needs, the borrower can make single or multiple withdrawals to the loan amount limit before 11<sup>th</sup> Sep 2018.

4.2 If the borrower does not withdraw according to the contract, the lender has the right to cancel all or part of the remaining unused balance.

### **Article 5 Repayment**

5.1 Borrower repay the loan under this contract in one single lump sum.

5.2 If the Borrower prepay the principal in advance, the borrower should compensate the lender. The compensation should be calculated as: the amount of principle that is prepaid x the remaining time under the contract (number of months) x 0.1%; the number of months calculated for remaining time should be rounded to the greater integral number.

### **Article 6 Cycle Loan Special Agreement Not Applicable.**

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**Article 7 Guarantees**

Maximum amount of guarantee contract name: "the maximum guaranteed contract" (ID: ICBC 0400000928-2015 Henggangbaozi 0009)

Guarantor: Hong Kong Highpower Technology Co., Ltd.

Maximum amount of guarantee contract name: "the maximum guaranteed contract" (ID: ICBC 0400000928-2015 Henggangbaozi 0010)

Guarantor: Springpower Technology (Shenzhen) Co., Ltd.

Maximum amount of guarantee contract name: "the maximum guaranteed contract" (ID: ICBC 0400000928-2015 Henggangbaozi 0011)

Guarantor: Dangyu Pan

**Article 8 Financial Agreement Not Applicable**

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**Article 9 Dispute Resolution**

Dispute resolution under this contract is resolved through litigation at the court with jurisdiction where the lender is located.

**Article 10 Other**

10.1 Contract is in triplicate, the borrower has one copy, the lender has two copies, which have the same legal effect.

10.2 The following attachments along with other attachments mutually recognized form an integral part of this contract, and have the same legal effect as the contract:

Annex 1: Notice of Withdrawal

Annex 2: commission payment protocol

**Article 11 Other Matters Agreed by the Parties**

Article 11 Other provisions agreed by both parties

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/  
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**The Second Part Specific Provisions**

**Article 1 Rate and Interest**

1.1 In foreign currency borrowings, LIBOR is the benchmark interest rate on the withdrawal date or two banking days before the adjustment date of base interest rate (11:00 noon London time) Reuters (REUTRES) Financial Telecommunication terminal "LIBOR" page displays the borrower under this contract currency interbank offered rate; HIBOR as the benchmark interest rate adjustment date or withdrawal two banking days before (11:15 noon Hong Kong time) Reuters (REUTRES) Financial Telecommunication terminal "HIBOR" page shows the same industry in HK Offered Rate.



1.2 For loans with floating interest rates under the contract, , the rules to adjust the underlying interest rate will not be changed.

1.3 For loans with interest rates settled monthly, interest settlement date is 20th of each month; For loans with interest rates settled quarterly, the interest settlement date is the 20<sup>th</sup> of the last month of each quarter; For loans with interest rates settled semi-annually, interest settlement dates are June 20 and December 20 of each year.

1.4 The first interest period is from the actual withdrawal date to the date of the first interest settlement date; the last interest period is from the following day after the previous interest period to the final repayment date; other interest period is from the following day after the previous interest period to the next interest settlement date.

1.5 In the case the People's Bank of China adjust the policies to mandate loan interest rate, the lender will follow such policies, and will not notify the borrower.

1.6 Upon signing the contract, if the loan interest rate is discounted from the base interest rate determined by People's Bank of China, the Lender has the right to reevaluate the discount given to the Borrower based on the national policies, credit quality of the borrower, and the changes of the guarantors, etc. The Lender has the discretion to decide on the cancellation of part or all discount, and will notify the borrower in the due course.

## **Article 2 Loan Withdrawal and Release**

2.1 Upon withdrawal, the borrower must meet the following prerequisites, otherwise lenders are not obliged to release any funds to the borrower, except the lender agrees to advance loans:

- (1) Except loans on credit, the Borrower has provided appropriate guarantee according to the Lender's requirements, and related guarantee procedures are completed;
- (2) No breaches occurred under this contract or other contracts signed by the Borrower and the Lender.;
- (3) Evidence of use of funds provided by the borrower conforms to the agreed use of funds;
- (4) Provide any other materials needed by the lender.

2.2 The written documents provided by the Borrower to the Lender upon withdrawal shall be original; Under conditions that original written documents cannot be provided, after the consent of the Lender, a copy of the duplicate with the official seal stamped from the Borrower.

2.3 Borrowers must submit withdrawal notice to the Lender at least five banking days in advance before any withdrawal. Once withdrawal notice is submitted, without the written consent of the lender, it may not be revoked.

2.4 If the Borrower meets the prerequisites for withdrawal or agreed by the Lender to advance the loan, the lender transfers loan amount to the designated borrowers' account, the lender is deemed to have issued the loan to the Borrower in accordance with the contract.

2.5 In accordance with relevant regulatory requirements and management requirements of lenders, loans more than certain amount or that meet other conditions should be paid by entrusted payment of the Lender, the Lender should pay loans to the designated object with the borrower's withdrawal application and payment commission.

Therefore, the Borrower should sign entrusted payment agreement with the Lender as the attachment of the contract, and should open or designate a specific account at the Lender's bank to settle the payments.

## **Article 3 Repayment**

3.1 The Borrower shall timely repay the contract principal, interest and other payables in full. On the payment date and one banking day before each settlement day, current payable interest, principal and other payables should be fully deposited into the repayment account opened at the Lender's bank , which shall be collected by the Lender on the repayment date or interest settlement date, or the Lender has the right to require the Borrower handle transfer procedure . If the repayment amount in the account is insufficient to cover all due amounts of the Borrower, the lender has the right to decide the liquidation order.

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3.2 The Borrower should submit written application 10 banking days in advance for advanced repayment of all or part of the loans to the lender with the consent of the Lender to pay compensation to the Lender in accordance with the standard agreed in the contract.

3.3 The Borrower shall repay due principal, interest and other payables in advance with the consent of the Lender according to the contract on the advanced repayment date ..

**3.4 The lender has the right to call loans in advance according to the returning situation of borrower's funds.**

**3.5 If the actual loan period is shorten because of the advanced repayment by the Borrower or advanced loan call by the Lender according to the contract, the corresponding interest rate level will not be adjusted.**

#### **Article 4 Cycle Loan (Not Applicable)**

#### **Article 5 Guarantee**

5.1 In addition to loans on credit, the borrower should provide legitimate and effective guarantee that is accepted by the Lender to fulfill the obligations under the contract .. Guarantee contracts are signed separately.

5.2 Borrower shall promptly notify the lender, and further provides other guarantees accepted by the Lender under the conditions that damages, depreciation, property disputes, being seized or detained, or discreet disposal of collateral by the Borrower, or the guarantor's financial condition changes adversely,

5.3 If accounts receivables are pledged as collaterals under the contract during the period the contract is still effective, the lender has the right to declare early maturity of loans, and require the borrower to immediately repay some or all of loan principal and interest, or request additional legitimate and effective collaterals against the loans, if one of the following conditions occur,

(1) The pledgor of the accounts receivable bad debt increases on the payer of which the accounts receivable are pledged, for two consecutive months;

(2) The accounts receivable that is uncollectable accounts for over 5% of the pledgor's total accounts receivable.

(3) The accounts receivable is due and uncollectable when trade disputes (including but not limited to quality, technology, service-related disputes) or debt disputes between the pledgor and payer

#### **Article 6 Account Management**

6.1 Borrower shall designate a special account at the Lender's bank for cash inflows for collecting sales revenues or planned capital repayment. Corresponding to the sales in the form of non-cash settlement, the borrower should ensure timely receipt of funds into the designated account.

6.2 Lender has the right to monitor the designated account, including but not limited to the capital income and expenditure, the borrower should cooperate. If required by the Lender, the Borrower should enter into a special account control agreement.

#### **Article 7 Representations and Warranties**

Borrower makes the following representations and warranties to the lender, and such representations and warranties remains in effect under the term of the contract:

7.1 Borrower shall have the qualification, and ability to perform the contract signed with the Lender.

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7.2 The Borrower has received all the necessary authorization or approval to sign and perform this contract, which is not in violation of the Articles of Association and relevant laws and regulations, and shall bear other obligations under the contract not in conflict with other contracts.

7.3 The borrower has been scheduled to meet other debt payments, bank loan principal and interest owed no malicious behavior.

7.4 The borrower has a sound organizational and financial management system, in the last year of production and management process has not a major act of violation of discipline, the current senior management has no significant adverse record.

7.5 The borrower provides to the lender of all documents and information are true, accurate, complete and effective, there is no false record, misleading statement or significant omission.

7.6 The borrower provides to the lender's financial and accounting reports are prepared under Chinese accounting standards, true, fair and complete reflection of the borrower's operations and liabilities, and the borrower's financial situation has not any material adverse change since the most recent financial reporting period.

7.7 The borrower has not concealed to the lender any litigation, arbitration or claim involved.

#### **Article 8 Borrower Commitment**

8.1 The Borrower withdraws and uses funds under terms and conditions in the contract. The borrowed money is not used for fixed assets and equity and other investments, not in any way into the stock market, futures market or uses prohibited by relevant laws and regulations.

8.2 Repay the loan principal and interest and other payables in accordance with the contract.

8.3 Accept and actively cooperate with the lender for account analysis, inspection, on-site reviews, etc., including use of the loan, including the use of funds and supervision of the inspection. In accordance with the lender's requirements, the borrower periodically provides summary reports for the use of funds.

8.4 Accept the lender's credit check required by the lender, and provide the lender with balance sheet, income statement and other financial and accounting information reflecting the borrower's solvency, to actively assist and cooperate with the lender to investigate and review its financial situation and production operations.

8.5 Before paying off the loan principal and interest under the contract and other payables, the Borrower is not allowed to repay and dividends.

8.6 For the merger, divestiture, reduction, changes in ownership, transfer of substantial assets and debt, significant foreign investment, substantial increase in debt financing and other activities that may adversely affect the rights of the Lender's interest, prior written consent is required by the lender.

8.7 One of the following circumstances occurs, notify the lender:

- (1) The change on articles of incorporation, business scope, registered capital, the legal representative;
- (2) Out of business, dissolution, liquidation, business for rectification, revocation of business license is revoked or application (by application) bankruptcy;
- (3) Or may be involved in major economic disputes, litigation, arbitration, or the property was legally seized, detained or regulation;
- (4) Shareholders, directors and senior management is currently involved in serious cases or economic disputes.

8.8 Timely, completely and accurately disclose related party relationships and related party transactions.

8.9 Sign and verify notices mailed, or in the form, from lender ..

8.10 Not dispose of assets in order to reduce the solvency; provide guarantees to third parties without damaging the interest of the lender.

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8.11 If the loans under the contract are on credit basis, the Borrower should provide complete, true, accurate information to reflect providing guarantees that may affect its obligations under this contract, and acquire written consent from the lender.

8.12 Take responsibility for the expenses from the Lender in purpose of fulfillment of contracts, including but not limited to litigation or arbitration fees, property preservation fees, legal fees, execution fees, assessments fees, auction fees, notice fees.

8.13 Debt settlement under the contract is in priority to its shareholders, and at least has equal status with the borrower's other similar debt from other creditors and borrowers.

8.14 Reinforce the social and environmental risk management, and agree to accept inspections by the Lender. If requested by the Lender, the Borrower agrees to provide the corresponding report.

#### **Article 9 Lender Commitment**

9.1 Release loans to the Borrower in accordance with the contract.

9.2 Maintains the confidentiality of non-public information, except required by laws and regulations otherwise.

#### **Article 10 Breach of Contract**

10.1 Any of the following events constitutes an event of breach:

(1)The borrower fails to repay principal, interest, and other payables in accordance with the provisions specified in this contract, or fails to fulfill any other obligations in this contract, or contrary to the statements, guarantee and commitments in this contract;

(2)The guarantees in this contract have adversely changed to the Lender's loan, and the Borrower is not available to provide other guarantees approved by the lender;

(3) Fail to pay off any other debts due by the Borrower, or fails to fulfill or breach other obligations in this contract, or likely to affect the performance of the obligations in this contract;

(4) The financial performance of the profitability, debt payment ability, operating capacity and cash flow of the Borrower exceed the agreed standards, or deterioration has been or may affect the obligations in this contract;

(5) The Borrower's ownership structure, operation, external investment has changed adversely, which have affected or may affect the fulfillment of the obligations in this contract;

(6) Borrower involves or may involve significant economic disputes, litigation, arbitration, or asset seizure, detention or enforcement, or judicial or administrative authorities for investigation or take disciplinary measures in accordance with the laws, or illegal with relevant state regulations or policies in accordance with the laws, or exposure by media, which have affected or may affect the fulfillment of the obligations in this contract;

(7) The borrower's principal individual investors, key management officer's change, disappearances or restriction of personal liberty, likely to affect the performance of the obligations in this contract;

(8) The borrower using false contracts with related parties, using no actual transaction to extract the lender's funds or credit, or evasion of lender's loan right through related party transactions;

(9) Borrowers have been or may be out of business, dissolution, liquidation, business reorganizations, business license has been revoked or bankruptcy;

(10) Borrowers breaches food safety, production safety, environmental protection and other environmental and social risk management related laws and regulations, regulatory requirements or industry standards, resulting in accidents, major environmental and social risk events, likely to affect the performance of the obligations in this contract;

(11) In this contract, the borrowing is paid by credit, the borrower's credit rating, level of profitability, asset-liability ratio, net cash flow of operating and other indicators do not meet the credit conditions of the lender; or without the lender's written contract, pledges guarantee or provides assurance guarantees to other party, likely to affect the performance of the obligations in this contract;

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(12) Other adverse situations may affect in the realization of loan right in this contract.

10.2 If the borrower breaches of contract, the lender has the right to take one or more of the following measures:

(1) Require the borrower to remedy the default within a certain time limit

(2) Terminate other financing funds in other contract issued to the borrower by the lender, cancel part or all of undrawn borrowings and other financing amount of borrower;

(3) Announce the outstanding loan and other financing amount between the lender and the borrower in this contract, and take back the outstanding amounts;

(4) Requires the borrower to compensate the loss of the lender caused by the breach of contract;

(5) Measures according to provisions of laws and regulations, provisions of this contract and other necessary measures.

10.3 If the borrower fails to repay the due loan (including loan declared expire immediately), the lender has the right to charge penalty interest according to penalty interest rate agreed by this contract from the due date. The interest fails to repay on time, charge compound interest according to overdue penalty interest rate.

10.4 Borrower fails to use the loan for agreed usage, the lender has the right charge penalty interest on embezzlement according to embezzlement penalty interest rate agreed by this contract. The interest fails to repay on time during the embezzlement period, charge compound interest according to embezzlement penalty interest rate.

10.5 The borrower simultaneously happens the situations in section 10.3, 10.4, choosing the heavier interest rate to charge, cannot impose in double.

10.6 If the borrower does not repay the principal, interest (including interest and compound interest) or other payables on time, the lender has the right to announcements through the media for collection.

10.7 If the control or controlled relationship between related parties of the borrower and the borrower changes, or the related parties of the borrower happens the other situations except the situations of (1) and (2) in above provision 10.1, likely to affect the performance of the obligations of the borrower in this contract, the lender has the right to take the measures agreed in the contract.

#### **Article 11 Deduction**

11.1 Borrower does not repay the due debt in this contract according to this contract(including the debt declared due immediately), the lender has the right to deduct corresponding amount from all the functional and foreign accounts opened at the branches of ICBC, until all the debt of the borrower in this contract are paid off.

11.2 If the currency of deduct payments is inconsistent with the currency in this contract, the exchange rate on the deduction day is the applicable exchange rate. The interest and other fees during the deduction fees and debt pay off day, and the difference because of fluctuations the exchange rate during this period is assumed by the borrower.

11.3 If deducted amount for the lender is insufficient to pay off all debts, the lender has the right to determine the payment order.

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## **Article 12 Transfer of Rights and Obligations**

12.1 Lender has the right to transfer all or part of the right in this contract to a third party, the transferring actions do not need to acquire the consent of the borrower. If without the consent of the lender in writing, the borrower cannot transfer any right and obligations in this contract to a third party.

12.2 The Lender or China Industrial and Commercial Bank Limited ("ICBC") can Authorize or commit the other branches to perform the rights and obligations in this contract according to operation need, or transfer the loan right in this contract to the other branches of ICBC, the borrower must agree, and the above actions of the lender do not need to ask for permission of borrower. The other branches which undertake the lender's rights and obligations have the right to perform all rights in this contract, and have right to apply for litigation, arbitration, compulsory execution for the disputes in this contract in the branch's name.

## **Article 13 Effect, Change and Terminate of This Contract**

13.1 This contract is effective since the signature date, and is terminated on the day the borrower performs all the obligations in this contract.

13.2 Any change of this contract shall be agreed by all parties involved and be made in writing. The changes of provisions and agreements are part of the contract, has equal legal right with the contract. Except the changed part, the rest part of this contract is still valid, before the changes is in effect, the original terms of this contract is still valid.

13.3 The change or termination of this contract will not affect the right of all parties involved to require compensation. The termination of this contract, will not affect the effectiveness of the dispute settlement provisions.

## **Article 14 Law and Dispute Resolution**

The contract formation, validity, interpretation, performance and dispute settlement are applicable PRC laws. All caused by the contract or in connection with the contract-related disputes and disputes, both parties should be resolved through consultation, the consultation fails according to the contract settlement.

## **Article 15 Confirmation of Address for Litigation/Arbitration**

15.1 The Lender and the Borrower confirm the mailing address and method indicated in the first page of this Contract as the Borrower's effective address and method for service of Litigation/arbitration (including but not limited to summons, notice of trial, written judgment, order, mediation agreement and notice for performance within a time limit, etc.).

15.2 the borrower agree to arbitration or court use this contract page written arbitration/litigation document to fax, E-mail, except written judgments or orders and conciliation statements.

15.3 the service agreement shall apply to the procedures of arbitration and litigation in the first instance, second instance and retrial and implementation stages. To the above address of service agency or court of arbitration for delivery can be directly by mail.

15.4 The Borrower ensures that the address for service given above is accurate and effective. In case of change of the address for service given above, the Borrower ensures to notify the Lender in written form in time, or the service given according to the address given above shall remain effective and the Borrower shall bear all legal consequences arising therefrom.

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## **Article 16 Complete Contract**

The first part of this contract, "borrowing conditions" and the second part of the "liquidity loan contract terms," together form a complete loan contract, the same two words have the same meaning. The loan borrower is constrained by the above two parts.

## **Article 17 Notice**

17.1 All notices under the contract should be given in writing. Unless otherwise agreed, the parties designated residence stated in this contract for communication and contact address. Address of any party or other contact is changed, shall be in writing promptly notify the other party.

17.2 One party can notify the other party in the form of announcement or notary service if the recipient party refuses to receive other circumstances that cause inability to deliver.

## **Article 18 Special Provisions For Value-Added Tax**

18.1 The costs/interest and expenses (to be determined pursuant to the specific contract) that the Borrower pay the Lender under this Contract shall be a tax-included price.

18.2 If the Borrower requests the Lender to issue a value-added tax invoice, the Borrower shall register information with the Lender. The information registered shall include full name of the Borrower, identification number or social credit code of the taxpayer, address, telephone number, opening bank and account number. The Borrower shall ensure that the relevant information provided for the Lender is accurate, correct and complete. The Borrower shall, according to the Lender's requirements, provide relevant supporting materials. The specific requirements shall be announced by the Lender through website notice or website announcement.

18.3 If the Borrower collects a value-added tax invoice itself, the Borrower shall provide the Lender with a power of attorney sealed, designate a person for collecting and define the identification card number of the person. The person designated shall take the original of his identification card for collecting the value-added tax invoice. In case of change of the person designated for collecting, the Borrower shall issue to the Lender a new power of attorney sealed. In the event that the Borrower selects to collect the value-added tax invoice by post, the Borrower shall also provide the correct mailing information for service. In case of change of the mailing information, the Borrower shall notify the Lender timely in written form.

18.4 If the Lender is unable to issue a value-added tax invoice timely due to force majeure, such as natural disaster, government act and social exceptional events, or due to causes attributable to tax authorities, the Lender shall have the right to postpone issue of a value-added tax invoice, without bearing any liability.

18.5 If the Borrower is unable to receive a relevant copy of the value-added tax invoice due to causes not attributable to the Lender, such as loss, damage or delay of the invoice after the Borrower collects or the Lender submits to a third party to post the invoice, or if the Borrower is unable to make deduction due to delay of the value-added tax invoice, the Lender shall not bear liability of compensation for the Borrower's relevant economic losses.

18.6 Should a special red-letter invoice of value-added tax be issued resulting from sales return, suspension of taxable service or wrong information of invoice, or authentication failure of deduction copy and invoice copy, where the Lender should submit an Information Table for Issuing a Special Red-Letter Invoice of Value-Added Tax to a tax authority in accordance with relevant laws, regulations and policy documents, the Borrower shall submit an Information Table for Issuing a Special Red-Letter Invoice of Value-Added Tax to the tax authority, and the Lender shall issue a special red-letter invoice of value-added tax after the tax authority makes review and notifies the Lender.

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18.7 In case of adjustment of the national tax rate during the execution period of this Contract, the Lender shall have the right to adjust the price agreed herein according to the change of the national tax rate.

#### **Article 19 Miscellaneous**

19.1 No failure to exercise or partially exercise or delay in exercising any right hereunder by the Lender shall be deemed as a waiver or change of this right or any other right or affect the Lender to further exercise this right or other rights.

19.2 The invalidity or enforceability of any provision of the Contract shall neither affect the validity or enforceability of any other provision hereof nor affect the validity of the entire Contract.

19.3 According to the provisions of relevant laws and regulations or the requirements of the financial regulatory institutions, the Lender shall have the right to provide the information related to this Contract and the Borrower's other relevant information for the credit consulting system of the People's Bank of China and other credit information database established by law, for the eligible institutions or individuals for consultation and use. For the purpose of conclusion and performance of this Contract, the Lender shall also have the right to inquire the Borrower's relevant information through the credit consulting system of the People's Bank of China and other credit information database established by law.

19.4 The terms of "the affiliated parties", "the relationship between affiliated parties", "the affiliated party transaction", "the main individual investor" and "the key managerial personnel" stated in the Contract shall have the same meanings as those defined in the Accounting Standards for Enterprises No. 36 - Disclosure of Affiliated Parties (Finance and Accounting (2006) No. 3) issued by the Ministry of Finance and future amendment thereto.

19.5 The term "environmental and social risk" means the danger and relevant risk which are likely to cause by the Borrower and its affiliated party during construction, production and operation activities, including the environmental and social problems related to energy consumption, pollution, land, health, safety, resettlement of inhabitants, ecological protection and climate change.

19.6 The documents and vouchers for the loan hereunder made and kept by the Lender according to its business rules shall constitute effective evidences of proving the claim and debt relationship between the Borrower and the Lender and shall be binding upon the Borrower.

19.7 In this Contract, (1) this Contract referred to herein shall include any amendment or supplementation to this Contract; (2) the headings to the articles hereof are for ease of reference only, and in no event shall the substance of any paragraph be interpreted and the contents and scope be restricted by such headings; (3) if the date of withdrawal or repayment is not a banking day, it shall be extended to the next banking day.

Both parties confirm: the Borrower and the Lender have made full consultation on all terms and conditions of this Contract. The Lender has reminded the Borrower to pay special attention to the provisions for the rights and obligations of both parties and have overall and correct understanding of these provisions. At the Borrower's request, the Lender has interpreted and explained relevant provisions. The Borrower has carefully read and fully understood of all terms and conditions of this Contract (including Part 1 Basic Provisions and Part 2 Specific Provisions). Both the Borrower and the Lender have completely consistent understanding of all terms and conditions of this Contract and have no objection to the contents of this Contract.

Lender (Seal):

Person in Charge/Authorized Agent: (Seal)

Borrower (Seal):

Legal Representative/Authorized Agent: (Seal)

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**COMPREHENSIVE CREDIT LINE CONTRACT**

Contract No.: Pingyin (Shenzhen) Zongzi A250201805140001

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

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

Legal Representative: Dangyu PanTel.: 26300469

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

**Article 1 Credit Line and Category**

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

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

(1) From May 15<sup>th</sup> 2018 to May 14<sup>th</sup> 2019.

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

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

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

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

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

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

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### 1.5 Transfer of credit under the line

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

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

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

### Article 2 Use of Credit Line

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

#### 2.2 Preconditions for use of the credit line:

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

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

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

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

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### **Article 3 Repayment**

3.1 Party B shall open an account in Party A and deposit the amount repayable to this account prior to the specified date of repayment.

3.2 Party B shall perform the debt on time when each single credit within the line expires, or the related credit shall be deemed overdue or advances shall be made.

3.3 Party B hereby irrevocably authorizes Party A to deduct the principal and interest of the due credit and related expenses from any and all accounts opened by Party B in any banking branch of Pingan Bank.

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

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

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

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

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

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

5.1 Party B shall open an account in Party A and handle deposit, settlement and other related services firstly in Party A.

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5.2 If Party B is a customer group, it shall give a written report to Party A within ten days after the date of affiliated transaction of over 10% of net assets. The report contents shall include the affiliated relation between the transaction parties, transaction item and nature, transaction amount or relevant proportion, and the pricing policy (including no-money involved transaction or only symbolic-money involved transaction).

A customer group as mentioned herein shall mean an enterprise or public institution legal person who has the following features:

- (1) It directly or indirectly controls or is directly or indirectly controlled by another enterprise or public institution legal person in respect of stock right or management;
- (2) It is jointly controlled by a third party enterprise or public institution legal person;
- (3) Its principal individual investor, key manager or a close family member (including lineal blood relationship within three generations and collateral blood relationship within two generations) commonly directly or indirectly controls;
- (4) It has other affiliated relationship and may transfer the assets and profits not on the basis of fair price, which should be deemed as credit management by a customer group.

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

- (1) material change to Party B's operating system, equity structure, property organizational form and primary business, including but not limited to implementation of contracting, lease, joint operation, reform of shareholding system, merger, acquisition, joint venture (cooperation), division, establishment of a subsidiary, trusteeship (takeover), sales of enterprise, transfer of property rights and reduction of capital, etc.;
- (2) disposal of important assets, of which the value exceeds 10% of the net assets, by selling, gifting, lending, transferring, mortgaging (pledging) or other means;
- (3) its dividends exceed 30% of the net profits after tax of the current year or exceed 20% of the total undistributed profits;
- (4) it adds external investment of over 20% of its net assets after the credit line becomes valid;
- (5) it changes the debt clauses with other bank and pay off other long-term debt in advance;
- (6) Party B repays its shareholder debt;
- (7) it applies other bank for a credit line, or provides a third party with security, or reduces or exempts a third party's debt, with the debt amount concerned exceeding 20% of its net assets.

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

- (1) Party B or the guarantor's business or financial status is worsened, or there is significant financial loss, loss of assets (including but not limited to loss of assets caused due to external guarantee) or other financial crisis;
  - (2) Party B encounters administrative punishment or criminal sanction or is involved in any significant legal dispute due to its illegal business behavior;
  - (3) Party B, its shareholder or de facto controlling person, or the legal representative or key manager of the guarantor is involved in an important case, or its main asset goes under property preservation or other compulsory measures, or encounters administrative punishment or criminal sanction, or there is any other incident which causes Party B impossible to perform its duties normally;
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(4) Party B or the guarantor provides a third party with guarantee, causing significant adverse impact on its financial condition or on the performance of its obligations under this Contract;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (1) To adjust, cancel or terminate the comprehensive credit line hereunder, or to adjust the period and amount of the credit line;
- (2) To announce immediate maturity of all or part of the credit under this line; to ask Party B to repay part or all the credit principal, interest and expenses immediately, and pay default interest for the total credit principal released at the default interest rate from the date of occurrence of the default event until Party B pays off the total credit principal;

Expenses shall include but not be limited to the attorney fee, legal cost, arbitration fee, traveling expenses, announcement cost, service fee, execution fee, transfer fee and other relevant expenses of Party A for realizing its creditor's rights.

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- (3) To ask Party B to pay in full the cash deposit for paying undue acceptance, L/G, L/C or other credit business;
- (4) To ask Party B to provide new guarantee measures accepted by Party A;
- (5) To make deduction directly from the account of Party B's guarantor to repay all the debts under this Contract and the specific business contract (including the debts Party A requests for prepayment), without obtaining Party B's consent in advance;
- (6) To exercise the guarantee right, ask the guarantor to perform guarantee liability, or realize creditor's rights through disposal of the mortgaged property and/or pledged property;
- (7) Party A claims Party B's debtor for the right of subrogation or appeal to the court to revoke Party B's waiving of the creditor's right due or Party B's transfer of property free of charge or at an obviously unreasonable low price. Party B shall provide all necessary coordination and assistance according to Party A's requirements, and all the costs and expenses caused to Party A arising therefrom shall be borne by Party B;
- (8) Other remedial measures prescribed by laws and regulations and specified in the Contract.

#### **Article 8 Other Provisions**

1. Starting from the seventh month after the line of credit is activated, it is necessary to reduce the amount of credit exposure by 1 million yuan per month. 2. During the period of credit granted by Party A, Party B and the guarantor shall not make profit distribution. 3. The amount undertake / coverage the business of pingyin (shenzhen)zongziA250201701030001

#### **Article 9 Supplementary Provisions**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Legal Representative or Authorized Agent: /s/

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## MAXIMUM GUARANTEE CONTRACT

Contract No.: Pingyin (Shenzhen) Zongzi A250201805140001 (Ebao001)

Party A (Creditor): PINGAN BANK CO., LTD. SHENZHEN BRANCHAddress: NO1099 Shennan Zhonglu Road, ShenzhenTel.: 23480023

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

Principal: Zhiqun Yang Position: President

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

Certificate Type \*: Certificate No. \*:

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

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

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

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

Legal Representative \*\*: Danguy Pan

Position \*\*: President

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

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

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

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

(√) The principal, interest, compound interest and default interest of all the debts (including contingent debts), and the expenses for realizing the creditor’s rights which shall be borne by the Debtor under the Comprehensive Credit Line Contract of Pingyin (Shenzhen) Zongzi A250201805140001 (hereinafter referred to as “the Main Contract”). The maximum principal (balance) of the debts shall be (converted into) RMB (currency) (in words) seventy million Yuan only.

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

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

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

( )

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

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

1.2 Guarantee period of this Contract:

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

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

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

( )

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

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

1. \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_\_(currency) (in words) ;
2. \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_\_(currency) (in words) ;
3. \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_\_(currency) (in words) ;
- 4.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) Party B repays its shareholder debt; or

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

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

- (1) business or financial status is worsened;
- (2) Party B is highly fined by a competent authority or is involved in major legal dispute;
- (3) Party B, its shareholder, its legal representative or key manager is involved in an important case, or Party B's main asset goes under property preservation or other compulsory measures; or there is any other incident which causes Party B's legal representative or key manager impossible to perform his duties normally;
- (4) Party B provides a third party with guarantee, causing significant adverse impact on its financial condition or on the performance of its obligations under this Contract;
- (5) Party B goes into winding-up, ceasing of its operation for reorganization, dissolution, closedown or bankruptcy, or its business license is revoked;
- (6) its economic conditions become bad, such as unemployment, unit bankruptcy, or major loss of personal property, major adverse change of personal physical health, divorce with spouse, and other matters which may affect Party B's capacity to perform this Contract; or
- (7) any other important event or default event which may affect the business activities of Party B and the loan safety of Party A.

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

4.7 ( ) Party B shall keep reasonable financial ratios within the loan term.

( ) The financial indicators shall reach the following standard within the loan term:

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

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

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

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

- (1) To ask Party B to perform the compensative liability immediately;
  - (2) To ask Party B to provide new guarantee measures accepted by Party A;
-

(3) Party A claims Party B's debtor for the right of subrogation or appeal to the court to revoke Party B's waiving of the creditor's right due or Party B's transfer of property free of charge or at an obviously unreasonable low price. Party B shall provide all necessary coordination and assistance according to Party A's requirements, and all the costs and expenses caused to Party A arising therefrom shall be borne by Party B; or

(3) Other remedial measures prescribed by laws and regulations.

#### Article 6 Other Provisions

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

*During the period of credit, Party B shall not make profit distribution.*

#### Chapter 7 Supplementary Provisions

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

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

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

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

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

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

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

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

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

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

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

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

Unit Seal of Party A:

Signature of Legal Representative or Authorized Agent:

Seal of Party B (if an unit):

Signature of Legal Representative or Authorized Agent:

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

or Authorized Agent:

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## MAXIMUM GUARANTEE CONTRACT

Contract No.: Pingyin (Shenzhen) Zongzi A250201805140001 (ebao002)

Party A (Creditor): PINGAN BANK CO., LTD. SHENZHEN BRANCHAddress: NO1099 Shennan Zhonglu Road, ShenzhenTel.: 23480023 Fax: \_\_\_\_\_Principal: Zhiqun Yang Position: President

Party B (Guarantor): HUIZHOU HIGHPOWER TECHNOLOGY COMPANY LIMITED

Certificate Type \*: \_\_\_\_\_ Certificate No. \*: \_\_\_\_\_

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

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

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

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

Legal Representative \*\*: Danguy Pan

Position \*\*: President

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

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

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

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

(√) The principal, interest, compound interest and default interest of all the debts (including contingent debts), and the expenses for realizing the creditor's rights which shall be borne by the Debtor under the Comprehensive Credit Line Contract of Pingyin (Shenzhen) Zongzi A250201805140001 (hereinafter referred to as "the Main Contract"). The maximum principal (balance) of the debts shall be (converted into) RMB (currency) (in words) seventy million Yuan only.

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

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

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

( )

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

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

1.2 Guarantee period of this Contract:

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

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

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

( )\_\_

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

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

1. \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_\_(currency) (in words) ;
2. \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_\_(currency) (in words) ;
3. \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_\_(currency) (in words) ;
- 4.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) Party B repays its shareholder debt; or

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

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

(1) business or financial status is worsened;

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

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

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

(5) Party B goes into winding-up, ceasing of its operation for reorganization, dissolution, closedown or bankruptcy, or its business license is revoked;

(6) its economic conditions become bad, such as unemployment, unit bankruptcy, or major loss of personal property, major adverse change of personal physical health, divorce with spouse, and other matters which may affect Party B's capacity to perform this Contract; or

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

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

4.7 ( ) Party B shall keep reasonable financial ratios within the loan term.

( ) The financial indicators shall reach the following standard within the loan term:

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

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

(1) Party B fails to perform the compensative liability on time and in full;

(2) Party B violates some of its warranties and commitments or has any other behavior not performing the obligations hereunder;

(3) Party B transfers its property or draws out capital;

(4) Party B has breach of contract under other contracts signed and concluded with Party A or any other banks; or

(5) there is any major adverse change of Party B's business and financial status.

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

(1) To ask Party B to perform the compensative liability immediately;

(2) To ask Party B to provide new guarantee measures accepted by Party A;

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(3) Party A claims Party B's debtor for the right of subrogation or appeal to the court to revoke Party B's waiving of the creditor's right due or Party B's transfer of property free of charge or at an obviously unreasonable low price. Party B shall provide all necessary coordination and assistance according to Party A's requirements, and all the costs and expenses caused to Party A arising therefrom shall be borne by Party B; or

(3) Other remedial measures prescribed by laws and regulations.

#### Article 6 Other Provisions

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

*During the period of credit, Party B shall not make profit distribution.*

#### Chapter 7 Supplementary Provisions

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

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

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

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

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

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

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

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

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

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

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

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

Unit Seal of Party A:

Signature of Legal Representative or Authorized Agent:

Seal of Party B (if an unit):

Signature of Legal Representative or Authorized Agent:

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

or Authorized Agent:

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## MAXIMUM GUARANTEE CONTRACT

Contract No.: Pingyin (Shenzhen) Zongzi A250201805140001 (ebao003)

Party A (Creditor): PINGAN BANK CO., LTD. SHENZHEN BRANCHAddress: NO1099 Shennan Zhonglu road, ShenzhenTel.: 23480023 Fax: \_\_\_\_\_Principal: Zhiqun Yang Position: PresidentParty B (Guarantor): Dangyu Pan

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

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

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

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

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

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

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

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

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

(√) The principal, interest, compound interest and default interest of all the debts (including contingent debts), and the expenses for realizing the creditor's rights which shall be borne by the Debtor under the Comprehensive Credit Line Contract of pingyin(Shenzhen)zongzi A250201805140001 (hereinafter referred to as "the Main Contract"). The maximum principal (balance) of the debts shall be (converted into) RMB (currency) (in words) seventy million Yuan only.

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

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

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

( )

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

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

1.2 Guarantee period of this Contract:

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

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

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

( )\_\_

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

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

1. \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_\_(currency) (in words) ;
2. \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_\_(currency) (in words) ;
3. \_\_\_\_\_(the transferee), amount: (converted into) \_\_\_\_\_(currency) (in words) ;
- 4.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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- (2) disposal of important assets, of which the value exceeds 10% of the net assets, by selling, gifting, lending, transferring, mortgaging (pledging) or other means;
- (3) its dividends exceed 30% of the net profits after tax of the current year or exceed 20% of the total undistributed profits;
- (4) it adds external investment of over 20% of its net assets after the Contract becomes valid;
- (5) it changes the debt clauses with other bank and pay off other long-term debt in advance;
- (6) Party B repays its shareholder debt; or
- (7) it applies other bank for a credit line, or provides a third party with security, or reduces or exempts a third party's debt, with the debt amount concerned exceeding 20% of its net assets.

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

- (1) business or financial status is worsened;
- (2) Party B is highly fined by a competent authority or is involved in major legal dispute;
- (3) Party B, its shareholder, its legal representative or key manager is involved in an important case, or Party B's main asset goes under property preservation or other compulsory measures; or there is any other incident which causes Party B's legal representative or key manager impossible to perform his duties normally;
- (4) Party B provides a third party with guarantee, causing significant adverse impact on its financial condition or on the performance of its obligations under this Contract;
- (5) Party B goes into winding-up, ceasing of its operation for reorganization, dissolution, closedown or bankruptcy, or its business license is revoked;
- (6) its economic conditions become bad, such as unemployment, unit bankruptcy, or major loss of personal property, major adverse change of personal physical health, divorce with spouse, and other matters which may affect Party B's capacity to perform this Contract; or
- (7) any other important event or default event which may affect the business activities of Party B and the loan safety of Party A.

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

4.7 ( ) Party B shall keep reasonable financial ratios within the loan term.

( ) The financial indicators shall reach the following standard within the loan term:

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

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

- (1) Party B fails to perform the compensative liability on time and in full;
-

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

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

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

**Article 6 Other Provisions**

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

**Chapter 7 Supplementary Provisions**

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

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

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

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

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

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

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

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

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

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

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

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

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

Signature of Legal Representative or Authorized Agent:

Seal of Party B (if an unit):

Signature of Legal Representative or Authorized Agent:

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

Dangyu Pan or Authorized Agent:

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

I, Dang Yu Pan, certify that:

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

Date: August 13, 2018

/s/ Dang Yu Pan

By: Dang Yu Pan

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

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

I, Sunny Pan, certify that:

1. I have reviewed this quarterly report on Form10-Q of Highpower International, Inc..
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting. and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information. and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2018

/s/ Sunny Pan

Sunny Pan

Chief Financial Officer

(Principal Financial Officer)

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

In connection with the quarterly report of Highpower International, Inc. (the "Company") on Form 10-Q for the quarter ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

/s/ Dang Yu Pan

\_\_\_\_\_  
Dang Yu Pan  
Chairman of the Board and Chief Executive Officer  
(Principal Executive Officer)  
August 13, 2018

/s/ Sunny Pan

\_\_\_\_\_  
Sunny Pan  
Chief Financial Officer  
(Principal Financial and Accounting Officer)  
August 13, 2018

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