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

FORM 10-Q

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

For The Quarterly Period Ended March 31, 2015

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	**20-4062622**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

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

(86) 755-89686238
(COMPANY'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes☒ No☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" as defined in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No☒

The registrant had 15,093,518 shares of common stock, par value $0.0001 per share, outstanding as of May 15, 2015.

HIGHPOWER INTERNATIONAL, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED March 31, 2015
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Item 1. Consolidated Financial Statements

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

	March 31, 2015 (Unaudited) $	December 31, 2014 $
ASSETS		
Current Assets:		
Cash and cash equivalents	9,922,960	14,611,892
Restricted cash	15,959,357	15,396,827
Accounts receivable, net	30,678,992	32,316,607
Notes receivable	2,929,338	621,110
Prepayments	4,709,013	3,283,520
Other receivables	630,440	665,828
Inventories	21,766,434	22,268,069
Total Current Assets	86,596,534	89,163,853
Property, plant and equipment, net	50,663,432	50,437,718
Land use right, net	4,267,987	4,305,317
Intangible asset, net	587,500	600,000
Deferred tax assets	1,829,661	1,647,184
TOTAL ASSETS	143,945,114	146,154,072
LIABILITIES AND EQUITY		
LIABILITIES		
Current Liabilities:		
Accounts payable	39,024,814	44,562,647
Deferred income	1,881,694	1,887,409
Short-term loan	15,173,864	15,195,040
Notes payable	34,459,062	29,903,248
Other payables and accrued liabilities	5,751,960	5,896,547
Income taxes payable	2,002,313	1,968,656
Current portion of long-term loan	1,953,316	1,959,248
Total Current Liabilities	100,247,023	101,372,795
Warrant Liability	721,375	1,067,674
Long-term loan	1,464,987	1,959,247
TOTAL LIABILITIES	102,433,385	104,399,716
COMMITMENTS AND CONTINGENCIES	-	-

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

	March 31, 2015	*December 31, 2014*
	(Unaudited)	
	$	**$**
EQUITY		
Stockholders' equity		
Preferred stock		
(Par value: $0.0001, Authorized: 10,000,000 shares, Issued and outstanding: none)	-	-
Common stock		
(Par value: $0.0001, Authorized: 100,000,000 shares, 15,088,297 shares issued and outstanding at March 31, 2015 and 15,084,746 shares issued and outstanding at December 31, 2014)	1,509	1,508
Additional paid-in capital	10,661,130	10,530,430
Statutory and other reserves	3,611,501	3,611,501
Retained earnings	20,551,663	20,675,021
Accumulated other comprehensive income	5,427,860	5,628,657
Total equity for the Company's stockholders	40,253,663	40,447,117
Non-controlling interest	1,258,066	1,307,239
TOTAL EQUITY	41,511,729	41,754,356
TOTAL LIABILITIES AND EQUITY	143,945,114	146,154,072

See notes to consolidated financial statements

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

	Three months ended March 31,	
	2015	*2014*
	(Unaudited)	*(Unaudited)*
	$	*$*
Net sales	32,137,648	29,160,314
Cost of sales	(26,581,934)	(23,229,369)
Gross profit	5,555,714	5,930,945
Research and development expenses	(1,674,124)	(1,811,952)
Selling and distribution expenses	(1,798,722)	(1,537,160)
General and administrative expenses	(3,024,751)	(3,571,280)
Foreign currency transaction gain	370,311	102,593
Loss on derivative instruments	-	(137,281)
Total operating expenses	(6,127,286)	(6,955,080)
Loss from operations	(571,572)	(1,024,135)
Gain on change of fair value of warrant liability	346,299	-
Other income	230,092	541,420
Interest expenses	(268,642)	(595,381)
Loss before taxes	(263,823)	(1,078,096)
Income taxes benefit	95,256	92,151
Net loss	(168,567)	(985,945)
Less: net loss attributable to non-controlling interest	(45,209)	(50,796)
Net loss attributable to the Company	(123,358)	(935,149)
Comprehensive loss		
Net loss	(168,567)	(985,945)
Foreign currency translation loss	(204,761)	(341,186)
Comprehensive loss	(373,328)	(1,327,131)
Less: comprehensive loss attributable to non-controlling interest	(49,173)	(61,433)
Comprehensive loss attributable to the Company	(324,155)	(1,265,698)
Loss per share of common stock attributable to the Company		
- Basic and Diluted	(0.01)	(0.07)
Weighted average number of common stock outstanding		
- Basic and Diluted	15,086,169	13,978,106

See notes to consolidated financial statements

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

	Three months ended March 31,	
	2015	*2014*
	(Unaudited)	*(Unaudited)*
	$	*$*
Cash flows from operating activities		
Net loss	(168,567)	(985,945)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,246,043	1,011,801
Allowance for doubtful accounts	21	-
Loss on disposal of property, plant and equipment	11,709	37,244
Loss on derivative instruments	-	137,281
Deferred income tax	(187,373)	(418,906)
Share based payment	121,361	400,946
Gain on change of fair value of warrant liability	(346,299)	-
Changes in operating assets and liabilities:		
Accounts receivable	1,576,803	5,681,371
Notes receivable	(2,309,732)	(521,988)
Prepayments	(1,434,905)	(519,476)
Other receivable	33,367	(24,811)
Inventories	434,169	(493,677)
Accounts payable	(5,404,188)	3,911,914
Deferred income	-	1,012,063
Other payables and accrued liabilities	(127,282)	(237,561)
Income taxes payable	39,612	319,409
Net cash flows (used in) provided by operating activities	(6,515,261)	9,309,665
Cash flows from investing activities		
Acquisition of plant and equipment	(1,664,663)	(2,403,047)
Net cash flows used in investing activities	(1,664,663)	(2,403,047)
Cash flows from financing activities		
Proceeds from short-term bank loans	-	295,426
Repayment of short-term bank loans	-	(10,824,720)
Repayment of long-term bank loans	(488,250)	(489,708)
Proceeds from notes payable	16,882,947	6,192,247
Repayment of notes payable	(12,237,353)	(12,159,236)
Proceeds from exercise of employee options	9,339	-
Change in restricted cash	(609,041)	6,920,453
Net cash flows provided by (used in) financing activities	3,557,642	(10,065,538)
Effect of foreign currency translation on cash and cash equivalents	(66,650)	322,938
Net decrease in cash and cash equivalents	(4,688,932)	(2,835,982)
Cash and cash equivalents - beginning of period	14,611,892	7,973,459
Cash and cash equivalents - end of period	9,922,960	5,137,477
Supplemental disclosures for cash flow information:		
Cash paid for:		
Income taxes	52,505	7,346
Interest expenses	268,642	595,381
Non-cash transactions		
Accounts payable for construction in progress	-	797,753

See notes to consolidated financial statements

(Stated in US Dollars)

1. Organization and basis of presentation

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

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

On May 15, 2013, GZ Highpower increased its paid-in capital from RMB15,000,000 ($2,381,293) to RMB30,000,000 ($4,807,847). SZ Highpower holds 60% of the equity interest of GZ Highpower, and four founding management members of GZ Highpower hold the remaining 40%. On November 13, 2014, GZ Highpower increased its paid-in capital from RMB30,000,000 ($4,898,119) to RMB40,000,000 ($6,530,825) and the additional capital of RMB10,000,000 was contributed by SZ Highpower. As of December 31, 2014, SZ Highpower holds 70% of the equity interest of GZ Highpower, and four founding management members of GZ Highpower hold the remaining 30%.

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

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

Name of company	Place and date incorporation	Attributable equity interest held	Principal activities
Hong Kong Highpower Technology Co., Ltd ("HKHTC")	Hong Kong July 4, 2003	100%	Investment holding and marketing of batteries
Shenzhen Highpower Technology Co., Ltd ("SZ Highpower")	PRC October 8, 2002	100%	Manufacturing & marketing of batteries
Highpower Energy Technology (Huizhou) Co., Ltd ("HZ Highpower")	PRC January 29, 2008	100%	Inactive
Springpower Technology (Shenzhen) Co., Ltd ("SZ Springpower")	PRC June 4, 2008	100%	Research & manufacturing of batteries
Ganzhou Highpower Technology Co., Ltd ("GZ Highpower")	PRC September 21, 2010	70%	Processing, marketing and research of battery materials
Icon Energy System Co., Ltd. ("ICON")	PRC February 23, 2011	100%	Research and production of advanced battery packs and systems
Huizhou Highpower Technology Co., Ltd ("HZ HTC")	PRC March 8, 2012	100%	Manufacturing & marketing of batteries

2. Summary of significant accounting policies

Basis of presentation

The accompanying consolidated balance sheet as of December 31, 2014, which has been derived from audited financial statements, and the unaudited interim consolidated financial statements as of March 31, 2015 and for the three month periods ended March 31, 2015 and 2014 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and disclosures, which are normally included in financial statements prepared in accordance with United States generally accepted accounting principles (U.S. GAAP), have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures made are adequate to provide for fair presentation. The interim financial information should be read in conjunction with the Financial Statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, previously filed with the SEC.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair statement of the Company's consolidated financial position as of March 31, 2015, its consolidated results of operations and cash flows for the three month periods ended March 31, 2015 and 2014, as applicable, have been made. The interim results of operations are not necessarily indicative of the operating results for the full fiscal year or any future periods.

Consolidation

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

Use of estimates

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

2. Summary of significant accounting policies (continued)

Concentrations of credit risk

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

No customer accounted for 10% or more of total sales during the three months ended March 31, 2015. During the three months ended March 31, 2014, there was one customer, Energizer Holdings, Inc., that accounted for 10.6% of total net sales.

No supplier accounted for 10% or more of total purchase amount during the three months ended March 31, 2015, and one major supplier accounted for 10.1% of total purchase amount during the three months ended March 31, 2014.

None of the Company's customers accounted for 10% or more of the accounts receivable as of March 31, 2015 and December 31, 2014.

Cash and cash equivalents

Cash and cash equivalents include all cash, deposits in banks and other liquid investments with initial maturities of three months or less.

Restricted cash

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

Accounts receivable

Accounts receivable are stated at the original amount less an allowance for doubtful receivables, if any, based on a review of all outstanding amounts at period end. An allowance is also made when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Bad debts are written off when identified. The Company extends unsecured credit to customers in the normal course of business and believes all accounts receivable in excess of the allowances for doubtful receivables to be fully collectible. The Company does not accrue interest on trade accounts receivable.

Notes receivable

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

2. Summary of significant accounting policies (continued)

Inventories

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use. Maintenance, repairs and betterments, including replacement of minor items, are charged to expense; major additions to physical properties are capitalized.

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

Buildings	2.5% - 5%
Furniture, fixtures and office equipment	20%
Leasehold improvement	20 - 50%
Machinery and equipment	10%
Motor vehicles	20%

Upon sale or disposal, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount less proceeds from disposal is charged or credited to income.

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

Land use rights, net

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

2. Summary of significant accounting policies (continued)

Intangible assets

Intangible assets represent a royalty-bearing, non-exclusive license to use certain patents owned by Ovonic Battery Company, Inc. ("Ovonic"), an unrelated party, to manufacture rechargeable nickel metal hydride batteries for portable consumer applications ("Consumer Batteries") in the PRC, and a royalty-bearing, non-exclusive worldwide license to use certain patents owned by Ovonic to manufacture, sell and distribute Consumer Batteries. The value of the licenses was established based on historic acquisition costs.

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

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

Government grants

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

Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets is recognized on the consolidated balance sheet as deferred income and deducted in calculating the carrying amount of the related asset. The revenue from such grants is recognized in profit or loss over the life of the related depreciable asset as a reduction of depreciation expense. As of March 31, 2015 and December 31, 2014, the Company recorded deferred income of $1,881,694 and $1,887,409, respectively, for the government grants to purchase non-current assets.

Government grants as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related benefit are recognized as other income in the period in which they become receivable. In the three months ended March 31, 2015 and 2014, approximately $109,295 and $94,591 of government grants were recognized as other income, respectively.

Revenue recognition

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

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

Cost of sales

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

2. Summary of significant accounting policies (continued)

Shipping and handling

Shipping and handling expenses are recorded as selling expenses when occurred. Shipping and handling expenses relating to sales were $240,509 and $207,187, respectively, for the three months ended March 31, 2015 and 2014.

Research and development

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

Advertising

Advertising, which generally represents the cost of promotions to create or stimulate a positive image of the Company or a desire to buy the Company's products and services, is expensed as incurred. No significant advertising expense was recorded for the three months ended March 31, 2015 and 2014.

Share-based compensation

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

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

Income taxes

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

Uncertain tax positions

The Company accounts for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Company classifies the liability for unrecognized tax benefits as current to the extent that the Company anticipates payment (or receipt) of cash within one year. Interest and penalties related to uncertain tax positions are recognized and recorded as necessary in the provision for income taxes. There were no uncertain tax positions as of March 31, 2015 and December 31, 2014.

2. Summary of significant accounting policies (continued)

Comprehensive loss

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

Foreign currency translation and transactions

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

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

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

Segment Reporting

The Company uses the “management approach” in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company's reportable segments. The Company’s reportable segments are based on products, geography, legal structure, management structure, or any other manner in which management disaggregates a company. Therefore, the Company categorizes its business into three reportable segments, namely (i) Ni-MH Batteries; (ii) Lithium Batteries; and (iii) New Materials.

2. Summary of significant accounting policies (continued)

Fair value of financial instruments

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

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

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

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

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

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

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

Warrant Liabilities

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

Derivatives

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

2. Summary of significant accounting policies (continued)

Loss per share

Basic earnings per share (“EPS”) is computed by dividing income attributable to holders of common shares by the weighted average number of common shares outstanding during the year. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares. Potential dilutive securities are excluded from the calculation of diluted EPS in loss periods as their effect would be anti-dilutive.

Recently issued accounting pronouncements

As of May 15, 2015, the Financial Accounting Standards Board (“FASB”) has issued ASU No. 2015-01 Income Statement-Extraordinary and Unusual Items through ASU No. 2015-08 Business Combination , which are not expected to have a material impact on the consolidated financial statements upon adoption.

(Stated in US Dollars)

3. Restricted cash

As of March 31, 2015 and December 31, 2014, restricted cash consisted of the following:

	March 31, 2015	*December 31, 2014*
	(Unaudited)	
	$	*$*
Securities for bank acceptance bill	13,116,827	10,689,297
Time deposits	2,842,530	4,707,530
	15,959,357	15,396,827

4. Accounts receivable, net

As of March 31, 2015 and December 31, 2014, accounts receivable consisted of the following:

	March 31, 2015	*December 31, 2014*
	(Unaudited)	
	$	*$*
Accounts receivable	33,177,520	34,816,914
Less: allowance for doubtful debts	2,498,528	2,500,307
	30,678,992	32,316,607

The Company recorded bad debt expense of $21 and $nil, respectively, during the three months ended March 31, 2015 and 2014. The Company wrote off accounts receivable of $nil and $2,959, respectively, in the three months ended March 31, 2015 and 2014.

5. Prepayments

	March 31, 2015	*December 31, 2014*
	(Unaudited)	
	$	*$*
Purchase deposits paid	1,848,124	1,793,599
Value-added tax prepayment	1,196,163	384,008
Rental deposit	265,787	266,556
Deferred insurance fee	340,526	97,005
Advances to staff for operations	295,378	122,452
Other deposits and prepayments	763,035	619,900
	4,709,013	3,283,520

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

(Stated in US Dollars)

6. Other receivables

	March 31, 2015	***December 31, 2014***
	(Unaudited)	
	$	***$***
Deposit for land use right	514,855	516,418
Others	115,585	149,410
	630,440	665,828

7. Inventories

	March 31, 2015	***December 31, 2014***
	(Unaudited)	
	$	***$***
Raw materials	4,969,299	4,341,675
Work in progress	4,283,990	3,949,778
Finished goods	12,091,447	13,685,166
Packing materials	24,522	20,137
Consumables	397,176	271,313
	21,766,434	22,268,069

Where there is evidence that the utility of inventories, in their disposal in the ordinary course of business, will be less than cost, whether due to physical deterioration, obsolescence, changes in price levels, or other causes, the inventories are written down to fair value. $1,058,289 was written down for inventories in the three months ended March 31, 2015 and $777,638 was written down for inventories in the years ended December 31, 2014.

(Stated in US Dollars)

8. Property, plant and equipment

	March 31, 2015	*December 31, 2014*
	(Unaudited)	
	$	*$*
Cost		
Construction in progress	862,972	715,821
Furniture, fixtures and office equipment	3,886,770	3,754,990
Leasehold improvement	3,899,703	3,763,290
Machinery and equipment	29,277,494	28,180,306
Motor vehicles	1,498,625	1,479,921
Building	25,184,115	25,414,914
	64,609,679	63,309,242
Less: accumulated depreciation	13,946,247	12,871,524
	50,663,432	50,437,718

The Company recorded depreciation expenses of $1,209,252 and $970,857 for the three months ended March 31, 2015 and 2014, respectively.

During the year ended December 31, 2014, the Company deducted deferred income related to government grants of $672,675, in calculating the carrying amount of property, plant and equipment. There's no deduction of deferred income related to government grant during the three months ended March 31, 2015.

The buildings comprising the Huizhou facilities were pledged as collateral for bank loans as of March 31, 2015 and December 31, 2014. The carrying amount of the building was $10,477,244 and $10,573,369 as of March 31, 2015 and December 31, 2014, respectively.

(Stated in US Dollars)

9. Land use rights, net

	March 31, 2015	*December 31, 2014*
	(Unaudited)	
	$	*$*
Cost		
Land located in Huizhou	3,495,307	3,505,921
Land located in Ganzhou	1,363,588	1,367,729
	4,858,895	4,873,650
Accumulated amortization	(590,908)	(568,333)
Net	4,267,987	4,305,317

As of March 31, 2015, land use rights of the Company included certain parcels of land located in Huizhou City, Guangdong Province, PRC and Ganzhou City, Jiangxi Province, PRC. Land use rights for land in Huizhou City with an area of approximately 126,605 square meters and in Ganzhou City with an area of approximately 58,669 square meters will expire on May 23, 2057 and January 4, 2062, respectively.

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

	$
Remaining 2015	72,883
2016	97,178
2017	97,178
2018	97,178
2019	97,178
2020 and thereafter	3,806,392
	4,267,987

The Company recorded amortization expenses of $24,291 and $28,444 for the three months ended March 31, 2015 and 2014, respectively.

The land use right for land located in Huizhou City was pledged as collateral for bank loans as of March 31, 2015 and December 31, 2014.

(Stated in US Dollars)

10. Intangible asset

	March 31, 2015	*December 31, 2014*
	(Unaudited)	
	$	*$*
Cost		
Consumer battery license fee	1,000,000	1,000,000
Accumulated amortization	(412,500)	(400,000)
Net	587,500	600,000

The Company is amortizing the $1,000,000 cost of the Consumer Battery License Agreement with Ovonic over a period of 20 years on the straight line basis over the estimated useful life of the underlying technology, which is based on the Company's assessment of existing battery technology, current trends in the battery business, potential developments and improvements, and the Company's current business plan.

As of March 31, 2015 and December 31, 2014, the Company had an exclusive proprietary technology with historical cost of zero but still in use. The exclusive proprietary technology was contributed by four founding management members of GZ Highpower in exchange for the paid-in capital of GZ Highpower. The historical cost basis was recorded at $nil at the four management members' historical cost basis.

Amortization expenses included in selling and distribution expenses were $12,500 for the three months ended March 31, 2015 and 2014.

11. Other payables and accrued liabilities

	March 31, 2015	*December 31, 2014*
	(Unaudited)	
	$	*$*
Accrued expenses	3,929,210	3,649,806
Royalty payable	365,321	580,032
VAT payable	108,987	405,859
Sales deposits received	858,474	911,947
Other payables	489,968	348,903
	5,751,960	5,896,547

12. Taxation

The Company and its subsidiaries file tax returns separately.

1) VAT

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

2) Income tax

United States

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

Hong Kong

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

PRC

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

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. In 2008, SZ Highpower received NHTE status, which was renewed in 2011 and recently renewed in 2014. In 2013, SZ Springpower received NHTE status. In 2014, both GZ Highpower and ICON received NHTE status. 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 other PRC subsidiaries are not entitled to any tax holiday. They were subject to income tax at a rate of 25% for calendar years 2015 and 2014.

(Stated in US Dollars)

12. Taxation (continued)

The components of the provision for income taxes expenses are:

	Three months ended March 31,	
	2015	2014
	(Unaudited)	(Unaudited)
	$	$
Current	92,117	326,755
Deferred	(187,373)	(418,906)
Total	(95,256)	(92,151)

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

	Three months ended March 31,	
	2015	2014
	(Unaudited)	(Unaudited)
	$	$
Loss before tax	(263,823)	(1,078,096)
Provision for income taxes at applicable income tax rate	(86,173)	(306,966)
Effect of preferential tax rate	(6,295)	(23,134)
Non-deductible expenses	14,954	18,138
Change in valuation allowance	(17,742)	219,811
Effective enterprise income tax	(95,256)	(92,151)

3) Deferred tax assets

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

	March 31, 2015	December 31, 2014
	(Unaudited)	
	$	$
Tax loss carry-forward	3,936,880	3,798,290
Allowance for doubtful receivables	111,303	111,637
Allowance for inventory obsolescence	193,542	138,458
Difference for sales cut-off	34,966	20,572
Deferred income	282,254	283,111
Property, plant and equipment subsidized by government grant	99,967	100,901
Total gross deferred tax assets	4,658,912	4,452,969
Valuation allowance	(2,829,251)	(2,805,785)
Total net deferred tax assets	1,829,661	1,647,184

(Stated in US Dollars)

13. Notes payable

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

Notes payable are mainly bank guarantee promissory notes which are non-interest bearing and generally mature within six months. The outstanding bank guarantee promissory notes are secured by restricted cash deposited in banks and $1,136,564 notes receivable of Springpower. Outstanding notes payable were $34,109,093 and $29,380,782 as of March 31, 2015 and December 31, 2014, respectively.

As of March 31, 2015, the Company issued $349,969 trade acceptances to suppliers. These trade acceptance are non-interest bearing and mature within six months. No security deposit is needed. The trade acceptance as of December 31, 2014 was $522,466.

14. Short-term loans

	March 31, 2015	*December 31, 2014*
	(Unaudited)	
	$	*$*
Short- term bank loans guaranteed and repayable within one year	15,173,864	15,195,040

As of March 31, 2015, the above bank borrowings were for working capital and capital expenditure purposes and were secured by personal guarantees executed by certain directors of the Company, a land use right with a carrying amount of $2,988,487, and the building with a carrying amount of $10,477,244.

The loans as of March 31, 2015 were primarily obtained from four banks with interest rates ranging from 2.9% to 7.5% per annum. The interest expenses were $201,014 and $491,763 for the three months ended March 31, 2015 and 2014, respectively.

15. Lines of credit

The Company entered into various credit contracts and revolving lines of credit, which were used for short-term loans and bank acceptance bills. The following tables summarize the unused lines of credit as of March 31, 2015 and December 31, 2014:

	March 31, 2015			
Lender	*Starting date*	*Maturity date*	*Line of credit*	*Unused line of credit*
			$	*$*
Bank of China	7/23/2014	7/23/2015	3,953,139	83,871
Ping An Bank Co., Ltd	10/20/2014	10/19/2015	11,394,342	4,110,518
China Minsheng Banking Corp., LTD	5/22/2014	5/22/2015	3,255,526	-
Shenzhen Baoan Guiyin County Bank	11/19/2014	11/18/2015	4,720,513	165,753
Industrial and Commercial Bank of China	7/26/2012	7/25/2015	6,511,053	2,441,645
China Citic Bank	6/25/2014	6/25/2015	8,022,547	5,765,070
Industrial Bank Co., Ltd	10/23/2014	10/23/2015	6,511,053	4,384,667
Jiang Su Bank Co., Ltd	10/28/2014	9/11/2015	4,883,289	4,883,289
Total			49,251,462	21,834,813

(Stated in US Dollars)

15. Lines of credit (continued)

	December 31, 2014			
Lender	***Starting date***	***Maturity date***	***Line of credit***	***Unused line of credit***
			$	***$***
Bank of China	3/10/2014	3/10/2015	12,653,474	424,823
Bank of China	7/23/2014	7/23/2015	3,965,144	67,516
Ping An Bank Co., Ltd	10/20/2014	10/19/2015	11,428,945	295,818
China Minsheng Banking Corp., LTD	5/22/2014	5/22/2015	3,265,413	-
Shenzhen Baoan Guiyin County Bank	11/19/2014	11/18/2015	4,734,848	1,750,151
Industrial and Commercial Bank of China	7/26/2012	7/25/2015	6,530,826	3,918,496
China Citic Bank	6/25/2014	6/25/2015	8,046,910	6,788,093
Industrial Bank Co., Ltd	10/23/2014	10/23/2015	6,530,825	4,430,636
Jiang Su Bank Co., Ltd	10/28/2014	9/11/2015	4,898,119	4,898,119
Total			62,054,504	22,573,652

(i) The lines of credit from Bank of China matured at maturity date. No renewal agreement was signed after maturity date.

The lines of credits from Industrial and Commercial Bank of China, China Citic Bank, Ping An Bank, Industrial Bank Co. Ltd, China Minsheng Banking Corp., LTD and Shenzhen Baoan Guiyin County Bank are guaranteed by the Company's Chief Executive Officer, Mr. Dang Yu Pan. The lines of credits from Jiang Su Bank are guaranteed by the Company's Chief Executive Officer, Mr. Dang Yu Pan, and his wife. The lines of credits from Bank of China are guaranteed by the Company's Chief Executive Officer, Mr. Dang Yu Pan and Vice President, Wen Liang Li.

Certain of the agreements governing the Company's loans include standard affirmative and negative covenants, including restrictions on granting additional pledges on the Company's property and incurring additional debt and obligations to provide advance notice of major corporate actions, and other covenants including: that the borrower may not serve as a guarantor for more than double its net assets; that the borrower is restricted in certain circumstances from using the loans in connection with related party transactions or other transactions with affiliates; that the borrower must provide monthly reports to certain lenders describing the actual use of loans; that the borrower may need to obtain approval to engage in major corporate transactions; and that the borrower may need to obtain approval to increase overseas investments, guarantee additional debt or incur additional debt by an amount which exceeds 20% of its total net assets should the lender determine that such action would have a material impact on the ability of the borrower to repay the loan. The covenants in these loan agreements could prohibit the Company from incurring any additional debt without consent from its lenders. The Company believes it would be able to obtain consents from the lenders in the event it needed to do so. The agreements governing the Company's loans may also include covenants that, in certain circumstances, may require the Company's PRC operating subsidiaries to give notice to, or obtain consent from, certain of their lenders prior to making a distribution of net profit, as well as covenants restricting the ability of the Company's PRC operating subsidiaries from extending loans. As of March 31, 2015 and December 31, 2014, the Company was in compliance with all material covenants in its loan agreements.

(Stated in US Dollars)

16. Long-term loans

	March 31, 2015	*December 31, 2014*
	(Unaudited)	
	$	*$*
Long term loans from Bank of China	3,418,303	3,918,495
Less: current portion of long-term borrowings	1,953,316	1,959,248
Long- term bank loans, net of current portion	1,464,987	1,959,247

On January 13, 2012, the Company borrowed $8,198,065 (RMB50 million) from the Bank of China, which is guaranteed by the Company's Chief Executive Officer, Mr. Dang Yu Pan. It is a five-year long-term loan, with an annual interest rate of 6.325%, which was equal to 110% of the benchmark-lending rate of the People's Bank of China ("PBOC") as of March 31, 2015. Interest expenses are to be paid quarterly.

The interest expenses were $67,628 and $103,618 for the three months ended March 31, 2015 and 2014, respectively.

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

	$
Remaining 2015	1,464,987
2016	1,953,316
	3,418,303

17. Share-based Compensation

2008 Omnibus Incentive Plan

The 2008 Omnibus Incentive Plan (the "2008 Plan") was approved by the Company's Board of Directors on October 29, 2008 to be effective at such date, subject to approval of the Company's stockholders, which occurred on December 11, 2008. The 2008 Plan has a ten year term. The 2008 Plan reserves two million shares of common stock for issuance, subject to adjustment in the event of a recapitalization in accordance with the terms of the 2008 Plan.

The 2008 Plan authorizes the issuance of awards including stock options, restricted stock units (RSUs), restricted stock, unrestricted stock, stock appreciation rights (SARs) and other equity and/or cash performance incentive awards to employees, directors, and consultants of the Company. Subject to certain restrictions, the Compensation Committee of the Board of Directors has broad discretion to establish the terms and conditions for awards under the 2008 Plan, including the number of shares, vesting conditions and the required service or performance criteria. Options and SARs may have a contractual term of up to ten years and generally vest over three to five years with an exercise price equal to the fair market value on the date of grant. Incentive stock options (ISOs) granted must have an exercise price equal to or greater than the fair market value of the Company's common stock on the date of grant. Repricing of stock options and SARs is permitted without stockholder approval. If a particular award agreement so provides, certain change in control transactions may cause such awards granted under the 2008 Plan to vest at an accelerated rate, unless the awards are continued or substituted for in connection with the transaction. As of March 31, 2015, approximately 626,714 shares of common stock remained available for issuance pursuant to awards granted under the 2008 Plan.

(Stated in US Dollars)

17. Share-based Compensation (continued)

Options Granted to Employees

	Number of Shares	*Weighted Average Exercise Price*	*Remaining Contractual Term in Years*
		$	
Outstanding, January 1, 2014	1,105,000	2.87	8.51
Granted	-	-	-
Exercised	(200,000)	2.41	-
Forfeited	(44,714)	2.63	-
Canceled	(100,000)	3.55	-
Outstanding, December 31, 2014	760,286	2.92	7.78
Exercisable, December 31, 2014	413,620	3.16	6.98
Vested and expected to vest, December 31, 2014	702,788	2.94	7.71

	Number of Shares	*Weighted Average Exercise Price*	*Remaining Contractual Term in Years*
		$	
Outstanding, January 1, 2015	760,286	2.92	7.78
Granted	-	-	-
Exercised	(3,551)	2.63	-
Forfeited	-	-	-
Canceled	-	-	-
Outstanding, March 31, 2015	756,735	2.92	7.53
Exercisable, March 31, 2015	410,040	3.16	6.72
Vested and expected to vest, March 31, 2015	674,902	2.95	7.42

The aggregate intrinsic value of options vested and expected to vest as of March 31, 2015 and March 31, 2014 was approximately $0.7 million and $2.0 million, respectively. Intrinsic value is calculated as the amount by which the current market value of a share of common stock exceeds the exercise price multiplied by the number of option shares.

During the three months ended March 31, 2015, the Company did not grant any new options to employees. Three employees exercised their options to purchase 3,551 shares of the Company’s common stock. No Options were forfeited or canceled.

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

The estimated fair value of share-based compensation to employees is recognized as a charge against income on a ratable basis over the requisite service period, which is generally the vesting period of the award.

(Stated in US Dollars)

17. Share-based Compensation (continued)

Restricted Stock Awards Granted to Employees

During the year ended December 31, 2013, the Company granted 246,000 shares of restricted stock to members of the Board of Directors as Restricted Stock Awards ("RSA") under the 2008 Plan. The RSAs granted in 2013 had the following vesting periods; 30% immediately upon grant, 30% vest on first anniversary of the grant date, and 40% vest on the second anniversary of grant date. The RSAs are governed by agreements between the Company and recipients of the awards. Terms of the agreements are determined by the Compensation Committee. There were no RSAs granted to employees during the three months ended March 31, 2015.

The following table summarizes the restricted stock awards activities for the three months ended March 31, 2015:

	Number of Shares	*Weighted Average Exercise Price*	*Remaining Contractual Term in Years*
		$	
Outstanding, January 1, 2015	98,400	2.81	0.77
Granted	-	-	-
Exercised	-	-	-
Forfeited	-	-	-
Outstanding, March 31, 2015	98,400	2.81	0.52
Expected to vest, March 31, 2015	80,215	2.81	0.52

Share-based Compensation to Nonemployees

On July 15, 2013, the Company entered into an agreement with a consulting firm. In return for the consulting firm's financial advisory service in the coming two years, the Company issued an aggregate of 150,000 shares of the Company's common stock to the consulting firm on August 15, 2013. The shares were fully vested upon issuance and the fair value of the shares was $171,000 which was based on the closing market price of the Company's common stock on August 15, 2013. The share-based compensation was being amortized over the consulting service period. In the second quarter of 2014, the service agreement was terminated.

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

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

(Stated in US Dollars)

17. Share-based Compensation (continued)

	Three months ended March 31,	
	2015	*2014*
Expected volatility	N/A	83.62%
Risk-free interest rate	N/A	1.64%
Expected term from grant date (in years)	N/A	5.00
Dividend rate	N/A	-
Fair value	N/A	***$ 1.95***

Expected Term

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

Expected Volatility

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

Risk-Free Interest Rate

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

Dividend Yield

The Company has never declared or paid any cash dividends and does not plan to pay cash dividends in the foreseeable future, and therefore, used an expected dividend yield of zero in the valuation model.

Forfeitures

The Company estimates forfeitures at the time of grant and revises the estimates in subsequent periods if actual forfeitures differ from what was estimated. The forfeiture rate is applied to stock options and restricted stock awards. The Company uses historical data to estimate pre-vesting forfeitures and records stock-based compensation expense only for those awards that are expected to vest. All stock-based payment awards are amortized on a ratable basis over the requisite service periods of the awards, which are generally the vesting periods. The Company records stock-based compensation expense only for those awards that are expected to vest.

17. Share-based Compensation (continued)

Total Share-based Compensation Expenses

As of March 31, 2015, the gross amount of unrecognized share-based compensation expense relating to unvested share-based awards held by employees was approximately $0.7 million, which the Company anticipates recognizing as a charge against income over a weighted average period of 1.37 years.

In connection with the grant of stock options, restricted stock awards and warrants to employees and nonemployees, the Company recorded stock-based compensation charges of $121,361 and $nil, respectively, for the three-month period ended March 31, 2015 and stock-based compensation charges of $225,280 and $175,666, respectively, for the three-month period ended March 31, 2014.

(Stated in US Dollars)

18. Earnings per share

Basic earnings per common share is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per common share is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock outstanding that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding stock options, restricted shares. The dilutive effect of potential dilutive securities is reflected in diluted earnings per common share by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of the Company's common stock can result in a greater dilutive effect from potentially dilutive securities. The Company excludes potential common stock in the diluted EPS computation in periods of losses from continuing operations, as their effect would be anti-dilutive.

The following table sets forth the computation of basic and diluted earnings per common share for the three months ended March 31, 2015 and 2014.

	Three months ended March 31,	
	2015	*2014*
	(Unaudited)	*(Unaudited)*
	$	*$*
Numerator:		
Net loss attributable to the Company	(123,358)	(935,149)
Denominator:		
Weighted-average shares outstanding		
- Basic and Diluted	15,086,169	13,978,106
Loss per common share		
- Basic and Diluted	(0.01)	(0.07)

Diluted earnings per share takes into account the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted into common stock.

There were 1,406,736 and 1,136,515 options and warrants outstanding as of March 31, 2015 and 2014, respectively, which were not included in the computation of diluted EPS for the periods ended March 31, 2015 and 2014 because of the net loss sustained for the three months ended March 31, 2015 and 2014.

(Stated in US Dollars)

19. Securities Offering Transaction

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

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

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

The fair values of the warrants as of April 17, 2014 were calculated using the Black-Scholes pricing model with the following assumptions:

	April 17, 2014
Expected volatility	85.76%
Risk-free interest rate	0.9%
Expected term (in years)	3.0
Dividend rate	-
Fair value	$ 2.3

The fair value of the investor warrant liability will be re-measured at each period and recorded as a gain or loss on fair value of warrant liability. As of March 31, 2015 and December 31, 2014, the fair value of warrant liability was $721,375 and $1,067,674, respectively. The Company recognized a gain of $346,299 on the change of fair value of warrant liability for the three months ended March 31, 2015.

The fair values of the warrants as of March 31, 2015 and December 31, 2014 were calculated using the Black-Scholes pricing model with the following assumptions:

	March 31, 2015	*December 31, 2014*
Expected volatility	88.35%	86.4%
Risk-free interest rate	0.57%	0.79%
Expected term (in years)	2.04	2.29
Dividend rate	-	-
Fair value	$ 1.44	$ 2.14

In conjunction with the securities offering transaction, the Company issued three year warrants to investment bankers to purchase 40,000 shares of the Company's common stock at $6.33 per share. The aggregate fair value of the warrants was $94,982, which was recognized as a share-based compensation and resulted in an increase of additional paid-in capital. As such compensation was offering cost, it resulted in a reduction in additional paid-in capital. Hence, such transaction has no net impact on the Company's financial position as of December 31, 2014.

20. Defined contribution plan

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

The total amounts for such employee benefits, which were expensed as incurred, were $412,688 and $359,899 for the three months ended March 31, 2015 and 2014, respectively.

21. Non-controlling interest

GZ Highpower is the Company's majority-owned subsidiary which is consolidated in the Company's financial statements with a non-controlling interest recognized. GZ Highpower is engaged in processing, marketing and research of battery materials.

On May 15, 2013, GZ Highpower increased its paid-in capital from RMB15,000,000 ($2,381,293) to RMB30,000,000 ($4,807,847).SZ Highpower holds 60% of the equity interest of GZ Highpower, and four founding management members of GZ Highpower hold the remaining 40%.On November 13, 2014, GZ Highpower increased its paid-in capital from RMB30,000,000 ($4,898,119) to RMB40,000,000 ($6,530,825) and the additional capital of RMB10,000,000 was contributed by SZ Highpower. As of December 31, 2014, SZ Highpower holds 70% of the equity interest of GZ Highpower, and four founding management members of GZ Highpower hold the remaining 30%.

As of March 31, 2015 and December 31, 2014, non-controlling interest related to GZ Highpower in the consolidated balance sheet was $1,258,066 and $1,307,239, respectively.

For the three months ended March 31, 2015 and 2014, non-controlling interest related to GZ Highpower in the consolidated statements of operations was loss of $45,209 and $50,796, respectively.

(Stated in US Dollars)

22. Commitments and contingencies

Operating leases commitments

The Company leases factory and office premises under various non-cancelable operating lease agreements that expire at various dates through years 2015 to 2017, with options to renew the leases. All leases are on a fixed repayment basis. None of the leases includes contingent rentals. Minimum future commitments under these agreements as of March 31, 2015 are as follows:

	$
Remaining 2015	1,080,553
2016	1,340,124
2017	334,310
	2,754,987

Rent expenses for the three months ended March 31, 2015 and 2014 were $404,194 and $387,681, respectively.

Capital commitments

The Company has no capital commitments as of March 31, 2015 and December 31, 2014, respectively.

(Stated in US Dollars)

23. 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) Ni-MH Batteries; (ii) Lithium Batteries; and (iii) New Materials.

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

	Three months ended March 31,	
	2015	***2014***
	(Unaudited)	***(Unaudited)***
	$	***$***
Net sales		
Ni-MH Batteries	14,759,470	15,487,503
Lithium Batteries	16,820,628	13,390,244
New Materials	557,550	282,567
Total	32,137,648	29,160,314
Cost of Sales		
Ni-MH Batteries	11,715,453	12,289,798
Lithium Batteries	14,333,392	10,702,826
New Materials	533,089	236,745
Total	26,581,934	23,229,369
Gross Profit		
Ni-MH Batteries	3,044,017	3,197,705
Lithium Batteries	2,487,236	2,687,418
New Materials	24,461	45,822
Total	5,555,714	5,930,945

	March 31,2015	***December 31,2014***
	(Unaudited)	
	$	***$***
Total Assets		
Ni-MH Batteries	51,914,950	50,275,286
Lithium Batteries	81,818,867	86,339,973
New Materials	10,211,297	9,538,813
Total	143,945,114	146,154,072

(Stated in US Dollars)

23. Segment information (continued)

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

	Three months ended March 31,	
	2015	***2014***
	(Unaudited)	***(Unaudited)***
	$	***$***
Net sales		
China Mainland	14,025,332	14,513,222
Asia, others	10,441,887	5,582,366
Europe	5,816,186	6,389,293
North America	1,556,611	2,342,307
South America	153,929	125,381
Africa	103,807	159,779
Others	39,896	47,966
	32,137,648	29,160,314

	March 31, 2015	***December 31, 2014***
	(Unaudited)	
	$	***$***
Accounts receivable		
China Mainland	17,257,667	17,282,481
Asia, others	8,267,743	8,662,503
Europe	4,537,207	5,747,058
North America	348,106	296,572
South America	185,665	211,391
Africa	60,794	81,962
Others	21,810	34,640
	30,678,992	32,316,607

24. Subsequent event

The Company has evaluated subsequent events through the issuance of the consolidated financial statements and no subsequent event is identified.

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

The following discussion relates to the financial condition and results of operations of Highpower International, Inc. (the "Company") and its wholly-owned subsidiary, Hong Kong Highpower Technology Company Limited ("HKHTC"), HKHTC's wholly-owned subsidiaries Shenzhen Highpower Technology Company Limited ("SZ Highpower"), Icon Energy System Company Limited ("ICON") and Highpower Energy Technology (Huizhou) Company limited ("HZ Highpower"), which has not yet commenced operations; SZ Highpower's wholly-owned subsidiary, Huizhou Highpower Technology Company Limited ("HZ HTC") and its 70%-owned subsidiary Ganzhou Highpower Technology Company Limited ("GZ Highpower"); and SZ Highpower's and HKHTC's jointly owned subsidiary, Springpower Technology (Shenzhen) Company Limited ("SZ Springpower").

Forward-Looking Statements

This management's discussion and analysis of financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and the related notes that are included in this Quarterly Report and the audited consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K for the year ended December 31, 2014 (the "Annual Report").

This report contains forward-looking statements that involve substantial risks and uncertainties. All statements other than historical facts contained in this report, including statements regarding our future financial position, results of operations, cash flows, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words "anticipates," "believes," "expects," "plans," "intends," "seeks," "estimates," "projects," "predicts," "could," "should," "would," "will," "may," "might," and similar expressions, or the negative of such expressions, are intended to identify forward-looking statements. Such statements reflect management's current views with respect to future events and financial performance and involve risks and uncertainties, including, without limitation, economic downturn and uncertainty in Asia and Europe adversely affecting demand for our products; fluctuations in the cost of raw materials; our dependence on, or inability to attract additional, major customers for a significant portion of our net sales; our ability to increase manufacturing capabilities to satisfy orders from new customers; our ability to maintain increased margins; changes in the laws of the PRC that affect our operations; the devaluation of the U.S. Dollar relative to the Renminbi; our dependence on the growth in demand for portable electronic devices and the success of manufacturers of the end applications that use our battery products; our responsiveness to competitive market conditions; our ability to successfully manufacture our products in the time frame and amounts expected; the market acceptance of our battery products, including our lithium products; our ability to successfully develop products for and penetrate the electric transportation market; our ability to continue R&D development to keep up with technological changes; our exposure to product liability, safety, and defect claims; rising labor costs, volatile metal prices, and inflation; changes in foreign, political, social, business and economic conditions that affect our production capabilities or demand for our products; and various other matters, many of which are beyond our control. Actual results may vary materially and adversely from those anticipated, believed, estimated or otherwise indicated should one or more of these risks or uncertainties occur or if any of the risks or uncertainties described elsewhere in this report or in the "Risk Factors" section of our Annual Report occur. Consequently, all of the forward-looking statements made in this filing are qualified by these cautionary statements and there can be no assurance of the actual results or developments.

Overview

Highpower was incorporated in the state of Delaware on January 3, 2006 and was originally organized as a "blank check" shell company to investigate and acquire a target company or business seeking the perceived advantages of being a publicly held corporation. On November 2, 2007, we closed a share exchange transaction, pursuant to which we (i) became the 100% parent of HKHTC and its wholly-owned subsidiary, SZ Highpower, (ii) assumed the operations of HKHTC and its subsidiary and (iii) changed our name to Hong Kong Highpower Technology, Inc. We subsequently changed our name to Highpower International, Inc. in October 2010.

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

SZ Highpower was founded in 2001 in the PRC. SZ Highpower formed GZ Highpower in September 2010. As of March 31, 2015, the paid-in capital of GZ Highpower was RMB40,000,000 ($6,530,825). SZ Highpower holds 70% of the equity interest of GZ Highpower, and the four founding management members of GZ Highpower hold the remaining 30%. SZ Highpower formed HZ HTC in March 2012, which engages in the manufacture of batteries.

Through SZ Highpower, we manufacture Nickel Metal Hydride ("Ni-MH") batteries for both consumer and industrial applications. We have developed significant expertise in Ni-MH battery technology and large-scale manufacturing that enables us to improve the quality of our battery products, reduce costs, and keep pace with evolving industry standards. In 2008, we commenced manufacturing two lines of Lithium-Ion ("Li-ion") and Lithium polymer rechargeable batteries through SZ Springpower for higher-end, high-performance applications, such as laptops, digital cameras and wireless communication products. Our automated machinery allows us to process key aspects of the manufacturing process to ensure high uniformity and precision, while leaving the non-key aspects of the manufacturing process to manual labor.

We employ a broad network of sales staff in China and Hong Kong, which target key customers by arranging in-person sales presentations and providing post-sale services. The sales staff works with our customers to better address customers' needs.

Critical Accounting Policies, Estimates and Assumptions

The Securities and Exchange Commission ("SEC") defines critical accounting policies as those that are, in management's view, most important to the portrayal of our financial condition and results of operations and those that require significant judgments and estimates.

The preparation of these consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities at the date of our financial statements. We base our estimates on historical experience, actuarial valuations and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Some of those judgments can be subjective and complex and, consequently, actual results may differ from these estimates under different assumptions or conditions. While for any given estimate or assumption made by our management there may be other estimates or assumptions that are reasonable, we believe that, given the current facts and circumstances, it is unlikely that applying any such other reasonable estimate or assumption would materially impact the financial statements. The accounting principles we utilized in preparing our consolidated financial statements conform in all material respects to U.S. generally accepted accounting principles.

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

Accounts Receivable. Accounts receivable are stated at original amount less allowance made for doubtful receivables, if any, based on a review of all outstanding amounts at the period end. An allowance is also made when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Bad debts are written off when identified. The Company extends unsecured credit to customers in the normal course of business and believes all accounts receivable in excess of the allowances for doubtful receivables to be fully collectible. The Company does not accrue interest on trade accounts receivable.

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

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

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

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

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

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

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

Results of Operations

The following table sets forth the consolidated statements of operations of the Company for the three months ended March 31, 2015 and 2014, both in dollars and as a percentage of net sales.

Consolidated Statements of Operations	**Three months ended March 31,**			
	2015		**2014**	
	(in thousands except share and per share information)			
Net Sales	32,138	100.0%	29,160	100.0%
Cost of Sales	(26,582)	(82.7%)	(23,229)	(79.7%)
Gross profit	5,556	17.3%	5,931	20.3%
Research and development expenses	(1,674)	(5.2%)	(1,812)	(6.2%)
Selling and distribution expenses	(1,799)	(5.6%)	(1,537)	(5.3%)
General and administrative expenses, including share-based compensation	(3,025)	(9.4%)	(3,571)	(12.2%)
Foreign currency transaction gain	370	1.2%	102	0.4%
Loss on derivative instruments	-	-	(137)	(0.5%)
Loss from operations	(572)	(1.8%)	(1,024)	(3.5%)
Gain on change of fair value of warrant liability	346	1.1%	-	-
Other income	230	0.7%	541	1.9%
Interest expenses	(268)	(0.8%)	(595)	(2.0%)
Loss before taxes	(264)	(0.8%)	(1,078)	(3.7%)
Income tax benefit	95	0.3%	92	0.3%
Net loss	(169)	(0.5%)	(986)	(3.4%)

Less: net loss attributable to non-controlling interest	(46)	(0.1%)	(51)	(0.2%)
Net loss attributable to the company	(123)	(0.4%)	(935)	(3.2%)
Loss per share of common stock attributable to the Company				
- Basic and diluted	(0.01)		(0.07)	
Weighted average number of common shares outstanding				
-Basic and diluted	15,086,169		13,978,106	
Dividends declared per common share	-		-	

Three months ended March 31, 2015 and 2014

Net sales. We generate revenues from the sale of our paper cartons, corrugated paper and other paper products. Revenues by segment were as follows:

	Three months ended March 31,	
	2015	***2014***
	(Unaudited) ***$***	***(Unaudited)*** ***$***
Net sales		
Ni-MH Batteries	14,759,470	15,487,503
Lithium Batteries	16,820,628	13,390,244
New Materials	557,550	282,567
Total	32,137,648	29,160,314

Net sales for the three months ended March 31, 2015 were $32.1 million compared to $29.2 million for the three months ended March 31, 2014, an increase of $2.9 million, or 10.2%. The increase was due to a $3.4 million increase in net sales of our lithium batteries (resulting from a 45.9% increase in the volume of batteries sold which was partly offset a 13.9% decrease in the average selling price of such batteries) and a $274,983 increase in revenue from our new material business, which was offset by a $728,033 decrease in net sales of our Ni-MH batteries (resulting from a 3.4% increase in the number of Ni-MH battery units sold which was partly offset a 7.8% decrease in the average selling price of such batteries). The increase in the number of lithium batteries units sold in the three months ended March 31, 2015 was primarily attributable growth in global demand for mobile and portable products, and electrical vehicles.

Cost of sales. Our cost of goods sold is comprised of raw materials, labor cost (production-related workers), depreciation and amortization of production-related equipment, utilities consumption costs and overhead allocation. Cost of goods sold by segment was as follows:

	Three months ended March 31,	
	2015	2014
	(Unaudited) $	(Unaudited) $
Cost of Sales		
Ni-MH Batteries	11,715,453	12,289,798
Lithium Batteries	14,333,392	10,702,826
New Materials	533,089	236,745
Total	26,581,934	23,229,369

Cost of sales mainly consists of nickel, cobalt, lithium derived materials, labor, and overhead. Costs of sales were $26.6 million for the three months ended March 31, 2015, as compared to $23.2 million for the comparable period in 2014. As a percentage of net sales, cost of sales increased to 82.7% for the three months ended March 31, 2015 compared to 79.7% for the comparable period in 2014.

Gross profit

Gross profit for the three months ended March 31, 2015 was $5.6 million, or 17.3% of net sales, compared to $5.9 million, or 20.3% of net sales for the comparable period in 2014. Management considers gross profit margin a key performance indicator in managing our business. Gross profit margins are usually a factor of cost of sales, product mix and demand for product. This decrease was attributable to decrease in the average selling price of such batteries.

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

Research and development

Research and development expenses were approximately $1.7 million, or 5.2% of net sales, for the three months ended March 31, 2015 as compared to approximately $1.8 million, or 6.2% of net sales, for the comparable period in 2014, a decrease of 7.6%. The decrease was due to control expenses.

Selling and distribution expenses

Selling and distribution expenses were $1.8 million, or 5.6% of net sales, for the three months ended March 31, 2015 compared to $1.5 million, or 5.3% of net sales, for the comparable period in 2014, an increase of 17.0%. Selling and distribution expenses increased due to the expansion of our sales force and marketing activities, participation in industry trade shows, and international travel to promote and sell our products globally.

General and administrative expenses

General and administrative expenses were $3.0 million, or 9.4% of net sales, for the three months ended March 31, 2015, compared to $ 3.6 million, or 12.2% of net sales, for the comparable period in 2014. The primary reason for the decrease was due to non-cash share-based compensation expense of $ 121,361, down from $400,946 in the first quarter of 2014.

Foreign currency transaction gain

We experienced a gain of $370,311 for the three months ended March 31, 2015 and a gain of $102,593 for the three months ended March 31, 2014 on the exchange rate difference between the U.S. Dollar and the RMB. The gain in exchange rate difference was due to the depreciation of the RMB relative to the U.S. Dollar over the respective periods.

Loss on derivative instruments

We experienced no loss on derivative instruments for the three months ended March 31, 2015, as compared to a loss of $137,281 for the comparable period in 2014, which the primary reason for a loss of $137,281 on unsettled currency forwards for the depreciation of the RMB relative to the U.S.

Interest expenses

Interest expenses were $268,642 for the three months ended March 31, 2015, as compared to $595,381 for the comparable period in 2014. The decrease in interest expense was due to a decrease in bank borrowing.

Other income

Other income, which consists of bank interest income, government grants and sundry income, was approximately $230,092 for the three months ended March 31, 2015, as compared to approximately $541,420 for the comparable period in 2014, a decrease of $311,328. The decrease was due to a decrease of $237,160 in bank interest income.

Gain on fair value change of warrant liabilities

Gain on fair value change of warrant liabilities was $346,299 for the three months ended March 31, 2015, as compared to $nil for the three months ended March 31, 2014. It represented the fair value change of 500,000 shares of warrants issued on April 17, 2014.

Income tax benefit

During the three months ended March 31, 2015, we recorded provision for income tax benefit of $95,256 as compared to income tax benefit of $92,151 for the comparable period in 2014.

Net loss

Net loss attributable to the Company (excluding net loss attributable to non-controlling interest) for the three months ended March 31, 2015 was $123,358, compared to net loss attributable to the Company (excluding net loss attributable to non-controlling interest) of $935,149 for the comparable period in 2014.

Foreign Currency and Exchange Risk

Though the reporting currency is the US$, the Company maintains its financial records in the functional currency of Renminbi ("RMB"). Substantially all of our operations are conducted in the PRC and we pay the majority of our expenses in RMB. Approximately 60% of our sales are made in U.S. Dollars. During the three months ended March 31, 2015, the exchange rate of the RMB to the U.S. Dollar devaluated 0.3% from the level at the end of December 31, 2014. Future appreciation of the RMB against the U.S. Dollar would increase our costs when translated into U.S. Dollars and could adversely affect our margins unless we make sufficient offsetting sales. Conversion of RMB into foreign currencies is regulated by the People's Bank of China through a unified floating exchange rate system. Although the PRC government has stated its intention to support the value of the RMB, there can be no assurance that such exchange rate will not continue to appreciate significantly against the U.S. Dollar. Exchange rate fluctuations may also affect the value, in U.S. Dollar terms, of our net assets. In addition, the RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. Due to the volatility of the US Dollar to our functional currency the Company put into place a hedging program to attempt to protect it from significant changes to the US Dollar which affects the value of its US dollar receivables and sales.

Liquidity and Capital Resources

We had cash and cash equivalents of approximately $9.9 million as of March 31, 2015, as compared to $14.6 million as of December 31, 2014. Our funds are kept in financial institutions located in the PRC, which do not provide insurance for amounts on deposit. Moreover, we are subject to the regulations of the PRC which restrict the transfer of cash from the PRC, except under certain specific circumstances. Accordingly, such funds may not be readily available to us to satisfy obligations incurred outside the PRC.

To provide liquidity and flexibility in funding our operations, we borrowed amounts under bank facilities and other external sources of financing. As of March 31, 2015, we had in place general banking facilities with 8 financial institutions aggregating $49 million. The maturity of these facilities is generally within one year. The facilities are subject to regular review and approval. Certain of these banking facilities are guaranteed by our Chief Executive Officer, Mr. Dang Yu Pan, and contain customary affirmative and negative covenants for secured credit facilities of this type. Interest rates are generally based on the banks' reference lending rates. No significant commitment fees are required to be paid for the banking facilities. As of March 31, 2015, we had utilized approximately $27 million under such general credit facilities and had available unused credit facilities of $22 million.

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

For the three months ended March 31, 2015, net cash used in operating activities was approximately $6.5 million, as compared to $9.3 million provided by operating activities for the comparable period in 2014. The net cash decrease of $15.8 million used in operating activities is primarily attributable to, among other items, an increase of $9.3 million in cash outflow from accounts payable, an increase of $4.1 million in outflow from accounts receivable, an increase of $1.8 million in outflow from note receivable.

Net cash used in investing activities was $1.7 million for the three months ended March 31, 2015 compared to $2.4 million for the comparable period in 2014. The net decrease of $0.7 million of cash used in investing activities was primarily attributable to a decrease in cash outflow from acquisition of plant and equipment for our strategic change.

Net cash provided by financing activities was $3.6 million during the three months ended March 31, 2015, as compared to $10.1 million used in financing activities for the comparable period in 2014. The net increase of $13.6 million in net cash provided by financing activities was primarily attributable to a decrease of $10.8 million in repayment of short-term bank loans, an increase of $10.7 million in proceeds from notes payable, which was partly offset by a decrease of $7.5 million in restricted cash.

For the three months ended March 31, 2015 and 2014, our inventory turnover was 4.8 times and 4.7 times, respectively. The average days outstanding of our accounts receivable at March 31, 2015 was 88 days, as compared to 96 days at March 31, 2014. Inventory turnover and average days outstanding are key operating measures that management relies on to monitor our business. In the next 12 months, we expect to expand our research, development and manufacturing of lithium-based batteries and anticipate additional capital expenditures.

We are required to contribute a portion of our employees' total salaries to the Chinese government's social insurance funds, including medical insurance, unemployment insurance and job injuries insurance, and a housing assistance fund, in accordance with relevant regulations. Total contributions to the funds were approximately $412,688 and $359,899 for the three months ended March 31, 2015 and 2014, respectively. We expect the amount of our contribution to the government's social insurance funds to increase in the future as we expand our workforce and operations.

Based upon our present plans, we believe that cash on hand, cash flow from operations and funds available under our bank facilities will be sufficient to meet our capital needs for the next 12 months. However, our ability to maintain sufficient liquidity depends partially on our ability to achieve anticipated levels of revenue, while continuing to control costs. If we did not have sufficient available cash, we would have to seek additional debt or equity financing through other external sources, which may not be available on acceptable terms, or at all. Failure to maintain financing arrangements on acceptable terms would have a material adverse effect on our business, results of operations and financial condition.

The use of working capital is primarily for the maintenance of our accounts receivable and inventory. We provide our major customers with payment terms ranging from 30 to 90 days. Additionally, our production lead time is approximately 30 to 40 days, from the inspection of incoming materials, to production, testing and packaging. We need to keep a large supply of raw materials, work-in-process and finished goods inventory on hand to ensure timely delivery of our products to customers. We use two methods to support our working capital needs: (i) paying our suppliers under payment terms ranging from 60 to 120 days; and (ii) using short-term bank loans. Upon receiving payment for our accounts receivable, we pay our short-term loans. Our working capital management practices are designed to ensure that we maintain sufficient working capital.

Recent Accounting Pronouncements

The FASB has issued ASU No. 2015-01 Income Statement-Extraordinary and Unusual Items through ASU No. 2015-08 Business Combination, which are not expected to have a material impact on the consolidated financial statements upon adoption.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required for a smaller reporting company.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures", which are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, as appropriate to allow timely decisions regarding required disclosure.

Based on an evaluation carried out as of the end of the period covered by this quarterly report, under the supervision and with the participation of our management, including our CEO and CFO, who have concluded that, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective as of March 31, 2015.

Changes in Internal Control over Financial Reporting

Based on the evaluation of our management as required by paragraph (d) of Rule 13a-15 of the Exchange Act, there were no changes in our internal control over financial reporting that occurred during our quarter ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

Any investment in our common stock involves a high degree of risk. Investors should carefully consider the risks described herein and in our Annual Report on Form 10-K as filed with the SEC on March 31, 2015 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

In March 2015, SZ Springpower entered into a pledge agreement in connection with the Credit Line Contract with Industrial Bank Co., Ltd.

Item 6. Exhibits

Exhibit Number	Description of Document
10.1	Pledge Contract dated March 2015 between Springpower Technology (Shenzhen) Co., Ltd. and Industrial Bank (translated to English)
31.1	Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 **	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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

HIGHPOWER INTERNATIONAL, INC.

SIGNATURES

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

Highpower International, Inc.

Dated: May 15, 2015		/s/ Dang Yu Pan
	By:	Dang Yu Pan
	Its:	Chairman of the Board and Chief Executive Officer (principal executive officer and duly authorized officer)
		/s/ Henry Sun
	By:	Henry Sun
	Its:	Chief Financial Officer (principal financial and accounting officer)

Exhibit 10.1

Pledge Contract

(For each single public business)

No.: X.Y.S.L.G.Z.Y.Z. (2015) 0136

Pledgee: Industrial Bank, Shenzhen Longgang Branch

Correspondence Add.: No. 113, Phase Ⅰ, Garden Land, Longxiang Avenue, Central Town, Longgang District, Shenzhen

Zip Code: 518172 Telex: ________

Tel.: 0755-33830336 Fax: 0755-33837807

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

Correspondence Add.: Building A Plant, Chaoshun Industrial Zone, Renmin Road, Danhu Community, Guanlan Street, Bao'an District, Shenzhen

Zip Code: 518000 Telex: ________

Tel.: 0755-89686236 Fax: 0755-89686819

Signed at: Industrial Bank Co., Ltd, Shenzhen Branch, Industrial Bank Building, Futian District, Shenzhen

Important Tips for Execution

In order to protect your rights and interests, before signing the Contract, please carefully read the Contract, check and confirm the following matters:

I**. You have the right to execute the Contract and, if the consent from others is legally required, you have already obtained the full authorization;**

II**. You have already carefully read and fully understood the terms of the Contract and specially pay attention to the terms on the assumption of liabilities, discharge or limitation of the liabilities undertaken by the Industrial Bank, as well as the contents written in boldface.**

III**. You and your company have already fully understood the meaning and corresponding legal consequences of the terms of the Contract and are willing to be bound by such terms;**

IV **The text of the Contract provided by the Industrial Bank is only used as the model text. Blank parts are set behind relevant terms of the Contract and supplementary terms are added at the end of the Contract for the modification, addition or deletion of the Contract by the parties.**

V**. If you still have any questions about the Contract, please timely consult the Industrial Bank.**

Whereas, the Pledgor provides the pledge guarantee for the financing service provided by the Pledgee (that is, the "Creditor") to Shupeng Technology (Shenzhen) Co., Ltd. (hereinafter referred to as "Debtor"). Now therefore, in order to identify the responsibilities and honor the commitments, through negotiation both parties conclude the Contract for the purpose of joint abidance.

Article 1 Definition and Interpretation

Unless otherwise stipulated herein,

1. Financing mentioned herein means the loan, negotiation, acceptance, discount or other financial services provided by the Pledgee to the Debtor in accordance with the provisions of the Master Contract.

2. The definition and interpretation of the Master Contract shall apply to the Contract.

Article 2 Master Contract

1. The basic contents of the Master Contract guaranteed by the Contract are:

(1) Name of the Contract: Contract for Bank's Acceptance of Commercial Bill
(2) Contract No.: X.Y.S.L.G.C.D.Z. (2015)
(3) Type of financing: bank's acceptance bill Currency: RMB
(4) Financing amount: RMB 6,982,369.00 Interest rate: ________
(5) Principal debts performance period: ________________

2. In case of any difference between the actual period of the principal debts and the one mentioned above, it shall be subject to the period specified in the loan certificate and other certificates of indebtedness.

Article 3 Pledged Item

The Pledgor is willing to establish the pledge on its own bank's acceptance bill (name of the pledged item). The name, quantity, specs, value and other information over the pledged item specifically, see the attached List of Pledged Item. The effect of the pledge shall extend to the accessory things, accessory rights, right of subrogation, appendix, mixture, processed items and fructus.

Article 4 Scope of Pledge Guarantee

1. The pledge guarantee hereunder covers the principal, interests (including the default interests and compound interests), penalty and compensation for damages in connection with the principal creditor's rights as well as the costs incurred by the Pledgee for the purpose of realization of the creditor's rights. The costs incurred by the Pledgee for the purpose of realization of the creditor's rights mean such litigation (arbitration) cost, attorney fee, traveling expenses, execution fee, preservation fee and other necessary costs arising from the realization of creditor's rights as are paid by the Pledgee to realize the creditor's rights through litigation and arbitration.

2. For the avoidance of doubt, any and all expenses and expenditure incurred by the Pledgee for the purpose of preparation, improvement, performance or enforcement of the Contract or the rights hereunder or in connection therewith shall constitute a part of the guaranteed creditor's rights, including but not limited to the attorney fee, litigation or arbitration fee.

Article 5 Pledge Period

(1) The pledge shall exist concurrently with the principal debts. After the principal debts are completely repaid, the pledge shall disappear.

(2) If required by the pledge registration department, the pledge period shall be registered from to ___/___.. If, when the pledge period expires, the Debtor fails to repay the principal debts in full, then:

1. The pledge legally entitled to the Pledgee shall remain unchanged;
2. The Pledgor shall complete the procedures of registration of the pledge.

Article 6 Occupation and Preservation of the Pledged Item

1. The Pledgor shall deliver the pledged item hereunder and the document of title in connection therewith to the Pledgee for occupation and preservation. And the Pledgee shall properly preserve, maintain and take good care of the pledged item and has the right to charge the fructus incurred by the pledged item.

2. The Pledgor may neither sell, lease, transfer, assign, contract, grant, mortgage, re-pledge, deposit, jointly operate in kind, invest as a shareholder or otherwise dispose the pledged item nor claim through reporting the loss or according to the procedure for publicizing notice for assertion that the document of title becomes invalid.

Article 7 Insurance for the Pledged Item

1. Before the Pledgor delivers the pledged item to the Pledgee, if the Pledgee requests to make the pledged item insured, then the Pledgor shall insure with a full amount and according to the type of insurance required by the Pledgee and deliver the original of the policy to the Pledgee.

2. The Pledgor shall maintain the continuity of the insurance during the term of the Guarantee Contract and make the Pledgee as the 1st beneficiary of such insurance. If the Pledgor suspends the insurance, then the Pledgee may renew such insurance or purchase a new insurance. If the Pledgee fails to renew such insurance or purchase a new insurance, the Pledgor shall be solely liable for any loss caused to the Pledgee due to the suspension of insurance.

3. If the insurance compensation is insufficient to repay the guaranteed debts, then the Pledgee has the right to separately claim compensation from the Debtor.

Article 8 Pledge Registration

1. Within 30 Working Days after the Contract is signed, pursuant to the *Real Right Law of the People's Republic of China* , *Guarantee Law of the People's Republic of China* and other relevant laws and regulations, the Pledgor shall take the Contract together with the Pledgee to handle the procedures of registration of the pledged item with the pledge registration office.

2. After the procedures of registration of the pledge are completed, the Pledgor shall submit the relevant registration documents to the Pledgee.

3. After the pledge registration period expires, the Pledgor is obliged to initiatively assist the Pledgee to complete the procedures of registration of the renewed pledge.

Article 9 Realization of Pledge

1. If the Debtor fails to perform the debts (including those debts required by the Pledgee for early recovery due to the breach of the Debtor and the Pledgor) due or such circumstances hereunder under which the pledge is realized occur, then the Pledgor hereby irrevocably authorizes the Pledgee to sell at a discount or through auction or sell off or otherwise directly dispose the pledged item not in accordance with the litigation or arbitration and other legal proceedings, and use the income arising from such disposal to repay the guaranteed debts after preferentially making the payment of costs arising from the disposal of the pledged item and the expenses payable or compensated by the Pledgor to the Pledgee hereunder.

2. If the rights in and to the pledged item are realized prior to the debts performance period, then the Pledgee may preferentially realize the rights in and to the pledged item and use the interests incurred thereby to early repay the guaranteed debts.

3. If the number of the Pledgor is 2 or above, while exercising the pledge, the Pledgee may dispose the pledged item of any or each Pledgor.

Article 10 Pledgor's Statements and Commitments

1. The Pledgor is a legal entity incorporated and existing in accordance with the laws, possess the qualification and repayment ability of the Guarantor under the laws and is willing to assume and perform the guarantee liabilities.

2. For the execution of the Contract, the Pledgor has already legally obtained the approval from the competent superior department or the Board of Directors of the Company as well as any and all of the necessary authorizations.

3. The execution and performance of the Contract by the Pledgor shall neither violate any regulations or agreements which have a binding effect on the assets of the Pledgor nor any guarantee agreement or other agreements signed by and between the Pledgor and others, as well as the contents of such documents, agreements and commitments that have a binding effect on the Pledgor.

4. Any and all documents, materials, statements and certificates provided by the Pledgor to the Pledgee shall be accurate, authentic, complete and valid. And the Pledgor shall accept the review and supervision conducted by the Pledgee on its production and operation activities and financial status and, according to the Pledgee's requirements, at any time present the financial report, financial statements and other materials reflecting the Pledgor's operating and credit status.

5. The Pledgor is aware of and agrees on the terms of the Master Contract, and is willing to provide the pledge guarantee to the Debtor under the Master Contract and perform the joint and several repayment obligations in accordance with the provisions of the Contract.
6. If the pledged item is owned by at least two owners, then the pledge hereunder has already obtained the written consent of any and all of such co-owners.

7. Except for the pledge established hereunder or any other pledges for which the Pledgee gives its prior written consent, not any other pledge, guarantee and other burden of indebtedness are imposed on the pledged item.

8. The rights in and to the pledged item are complete and legal and free from any defects not beneficial for the pledge. If the third individual makes a claim against the pledged item or puts forward any objections against the disposal of the pledged item, then any consequences and liabilities shall be undertaken by the Pledgor.

9. The pledged item is free from any quality defects which are not expressly understood or accepted by the Pledgee. If the pledged item has the hidden quality defects, thus causing it a failure for the Pledgee to fully repay the debts by the use of the value of such pledged item, then any consequences and liabilities shall be undertaken by the Pledgor.

10. The Pledgor may not conceal any one of the following events which have already occurred or are about to occur and may cause the Pledgee not to consider it as the Pledgor:

(1) The serious discipline violating, laws violating or being claimed events in connection with the Pledgor or its major leaders;
(2) The outstanding litigation and arbitration events;
(3) Various debts and contingent liabilities undertaken by the Pledgor or the guarantee and mortgage (pledge) guarantee provided to the third individual;
(4) Events of breach by the Pledgor under the contract signed with the Pledgee or any other Pledgee;

(5) Other circumstances affecting the financial status and guarantee ability of the Pledgor.

11. The pledge established hereunder shall not be affected under the circumstances that the Pledgor closes down or suspends its business, enters into the stage of merger, change of production, cancellation, contracting, division, joint venture, joint operation, shareholding reform and the change or termination.

12. After the Pledgor performs the guarantee liabilities by the use of the pledged item, without prejudice to the future repayment of the debts by the Debtor, the Pledgor may request the Debtor to make the repayment. However, if the Debtor is requested by the Pledgor for the repayment and at the same time receives any payment demand from the Pledgee hereunder, then the Pledgor agrees that the Debtor shall preferentially repay the debts payable by the Debtor to the Pledgee.

13. If the Debtor and the Pledgor have already executed or will execute the Counter-guarantee Contract with respect to the guarantee obligations hereunder, then such Counter-guarantee Contract may not damage any rights of the Pledgee hereunder in law or in fact.

14. In case of any other guarantee under the Master Contract, the guarantee liabilities undertaken by the Pledgor to the Pledgee shall not be affected and discharged or reduced by the guarantee provided by any other guarantor, and the assumption of guarantee liabilities undertaken by the Pledgor shall not condition upon the claim or the litigation or arbitration or enforcement made by the Pledgee against any other guarantor.

15. When the principal debtor fails to perform the debts in accordance with the provisions hereof, regardless of any other guarantee (including but not limited to the guarantee, mortgage, pledge, Performance Guarantee, Standby L/C and any other modes of guarantee to be exercised) owned by the Pledgee for the creditor's rights under the Master Contract, the Pledgor is obliged to perform any and all of the guarantee liabilities under the Guarantee Contract.

Article 11 Liabilities for Breach

1. In case of any one of the following circumstances, it shall constitute a breach by the Pledgor.

(1) The Pledgor fails to perform the representations and commitments mentioned in Article 10;
(2) The value of the pledged item is decreased due to the Pledgor's behavior;
(3) The Pledgor fails to perform the provisions of other terms hereof.

2. If the Pledgor makes a breach, the Pledgee may take any one or several of the following measures:

(1) To urge the Pledgor to make a correction within a time limit;
(2) To declare the principal debts to become due in advance and dispose the pledged item for the repayment of principal debts;

(3) To request the Pledgor to pay a penalty equal to/% of the principal of the principal debts;
(4) To, in case the penalty is insufficient to cover the actual loss, request the Pledgor to make a supplemental payment;
(5) To make the Pledgor investigated for the liabilities for breach by legal means.

3. During the pledge period, where the value of the pledged item is or may be decreased due to any reason other than those of the Pledgor, the Pledgee may take the measures listed in Paragraph 2 of this Article.

Article 12 Independence of the Guarantor's Obligations

1. The Pledgor's obligations hereunder shall be of independence and not affected by the relationship between any party hereto and the third individual, except for otherwise stipulated herein.

2. If the Pledgee and the Debtor agree to modify and amend the Master Contract, the Pledgor is still obliged to perform the guarantee obligations hereunder. And the Pledgor's guarantee liabilities shall remain unchanged.

3. The Pledgor provides guarantee for the Debtor's performance of any obligations under the Master Contract, the breach by the Debtor of any provisions of the Master Contract (including but not limited to the use of financing funds by the Debtor not for the purpose stipulated in the Master Contract) shall not affect the Pledgor to perform the guarantee obligations hereunder.

Article 13 Notice

1. Any notice, demand for payment or various correspondences and contacts hereunder shall be made in writing and sent to the other party as per the address, telex or other contact methods specified in the cover of the Contract.

2. In case of any changes to the aforesaid contact methods of any party hereto, such party shall immediately inform the other party.

3. Any documents, correspondence and notice shall be deemed as served on the following date as long as being sent to the aforesaid address:

(1) The 5th working day after the date of mailing, if sent by mail (including the EMS, ordinary mail and registered mail);

(2) The date of service, if sent by fax or other electronic communication methods;

(3) The date of receipt by the consignee, if sent by personal delivery.

Where the Pledgee issues the notice by way of the announcement released in its website, online banking, telephone banking or business outlets, then the date on which the announcement is released shall be deemed as the date of service. In no event the Pledgee shall be liable for any transmission errors, omission or delay incurred in the mail, fax, telephone or any other communication system.

4. If the Pledgor changes its name, legal representative and address but fails to give a written notice to the Pledgee, then any and all notices or documents issued by the Pledgee to the Pledgor according to the contact methods specified herein shall be deemed as having been served.

Article 14 Jurisdiction, Applicable Law and Disputes Resolution

1. The establishment, effects, interpretation, performance and disputes resolution of the Contract shall be governed by the laws of the People's Republic of China.

2. Any disputes or controversies arising from or in connection with the Contract shall be resolved through negotiation; in case a settlement fails to be reached, the following 2nd way shall be adopted:

(1) To file a lawsuit to the People's Court of the place where the Pledgee is situated;

(2) To submit to Shenzhen Arbitration Commission for arbitration in accordance with its then valid arbitration rules implemented at the time of application. The arbitration shall be conducted in Shenzhen and the arbitration award shall be final and binding on the parties;

(3) Other ways: / .

3. During the period of disputes, the terms of the Contract not under the disputes shall be continuously performed. And the Pledgor may not reject to perform any of its obligations hereunder due to the reason of disputes resolution

Article 15 Effectiveness and Miscellaneous

1. The Contract shall become effective upon being signed or sealed by both parties thereto.

2. Pursuant to the laws and regulations of China, if the registration is required for the pledge hereunder, the Pledgor shall immediately deal with the legal registration procedures together with the Pledgee after signing the Contract with the Pledgee.

3. During the term of the Contract, any forbearance, grace, concession or suspension of exercise of the rights or interests herein granted by the Pledgee to the Debtor and the Guarantor shall not impair, affect or restrict any and all rights and interests entitled to the Pledgee under the relevant laws, administrative regulations and the Contract, nor be deemed as the waiver of the Pledgee in the rights and interests hereunder or affect any obligations of the Pledgor hereunder.

4. The Pledgee has the right to, according to the business management demand, authorize or entrust any other branches of Industrial Bank to perform the rights and obligations (including but not limited to entrusting any other branches of Industrial Bank to sign relevant contracts) under the Master Contract, or to appropriate the financing funds under the Master Contract to any other branches of Industrial Bank for preservation and management. The aforesaid behavior of the Pledgee shall not need to obtain the consent from the Pledgor and the Pledgor is still obliged to perform the guarantee liabilities in accordance with the provisions hereof.

5. The appendix hereto shall be an integral part hereof and have the same legal effects as the text of the Contract.

6. Working Days herein mean the banking business day. During the performance of the Contract, if any date of withdrawal and repayment falls on any day other than the business day, then it shall extend to the next business day. The Contract shall be terminated since the debts under the Master Contract and the Contract are repaid. Thereafter, the Pledgee shall return the pledged item and relevant document of titles in its possession to the Pledgor.

7. The text of the Contract shall be made into triplicate with the Pledgee holding copy (copies), the Pledgor holding _____copy (copies) and _____holding _____copy (copies). These copies have the same legal effects.

Article 16 Notary and Willingness to Accept the Enforcement

1. If either party hereto proposes to make the Contract notarized, the Contract shall be notarized at the Notary Office regulated by the State.

2. The Contract notarized shall be enforced. And if the Pledgor makes a breach, or the Debtor fails to perform the debts or the circumstances under which the Pledgee realizes its pledge in accordance with the laws, regulations and the provisions of the Contract occur, the Pledgee may directly apply to the People's Court having the jurisdiction for the enforcement.

Article 17 Supplementary Terms

1. The parties hereto confirm that the address and contact methods of each party specified herein shall be considered as the address and methods of service of the legal instruments (including but not limited to the Arbitration Application, Arbitration Notice or Case Filing Notice or Acceptance Notice, Written Defense, Counter-claim, evidence, Court Session Notice, Arbitration Award, Mediation Agreement, Execution Notice, Notice on Performance within A Time Limit and other legal instruments issued during the arbitration acceptance and execution) in connection with the Contract.

Consignee: Sun Xun; Detailed Add.: No. 68 Xinsha Road, Pinghu Street, Longgang District, Shenzhen

Zip Code: 518100; Tel.: 0755-89686236

Designated Consignee (if any): _____ ; Detailed Add.: _____

Zip Code: _______; Tel.: ___________

The parties hereto confirm and agree to deliver and serve the legal instruments face to face and according to the following ways:

□ mail; □ fax reception, No.: ______; □ E-mail, add.: _______;

□ SMS, No.: _________.

The aforesaid legal instruments delivered to any one of the aforesaid address according to any one of the methods shall be deemed as having been served (the service by the designated consignee on behalf is deemed as the service by the person who designates such consignee). In case of any changes to the address and methods of service of either party, such party shall timely give a written notice to the other party; otherwise, no change shall be considered and the relevant liabilities shall be undertaken by such party.

1. After the pledged bank's acceptance bill becomes due, the Pledgee shall present the bill and then transfer the amount honored into the security deposit account corresponding to the business hereunder.

2. The Pledgor ensures that the pledged bill is authentic and valid during the period of pledge and collection, and shall not obstruct the exercise by the Pledgee of the rights in and to such bill.

3. After the Pledgee completes the bill pledge or bill discount business for the Pledgor, if it is found that such bill is forged, transformed or not to be in line with the regulations upon inquiry, or the acceptance bank rejects the payment of such bill at the time of collection by the Pledgee, then the Pledgee commits that it shall unconditionally replace such bill with the same value or unconditionally re-purchase such bill and, within 3 Working Days upon receipt of the written notice from the Pledgee, make the same payment as the value of such bill. If the Pledgor is unable to perform any and all of the payment obligations during the aforesaid period, the Pledgor irrevocably authorizes the Pledgee to directly deduct the corresponding amount from its account opened at the end of the Pledge. If the capital in such account is insufficient for the repayment, the Pledgee may request the Pledgor to perform the obligations to repay the principal and interests of such corresponding amount according to the laws and regulations or the provisions of the Agreement. And the costs incurred by the Pledgee due to the realization of its creditor's rights shall be borne by the Pledgor.

Pledgee (Official Seal): Principal/Signatory (Signature & Seal):

_______, 2015

Pledgor (Official Seal): Legal Representative/Signatory (Signature & Seal):

________, 2015

Registration Authorities (Official Seal): Principal (Signature & Seal):

Date:

Appendix:

Under the Pledge Contract (No.: X.Y.S.L.G.Z.Y.Z. (2015) 0136) (For each single public business),

List of Pledged Item

Name	Specs	Unit	Qty	Certificate Name and Number	Domicile	Assessed Value (RMB)	Remarks
Bank's Acceptance Bill		Piece	1	3040005122711905		¥4,481,523.00	
Bank's Acceptance Bill		Piece	1	3040005122711906		¥2,500,846.00	

Pledgor (Signature & Seal):

Pledgee (Official Seal):
Bank's Operator (Signature):

Filled on: ____, 2015

Exhibit 31.1

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

I, Dang Yu Pan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Highpower International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: May 15, 2015

/s/ Dang Yu Pan

By: Dang Yu Pan

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

Exhibit 31.2

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

I, Henry Sun, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Highpower International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: May 15, 2015

/s/ Henry Sun

Henry Sun
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the quarterly report of Highpower International, Inc. (the “Company”) on Form 10-Q for the quarter ending March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned, in the capacities and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dang Yu Pan

Dang Yu Pan
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)
May 15, 2015

/s/ Henry Sun

Henry Sun
Chief Financial Officer
(Principal Financial and Accounting Officer)
May 15, 2015

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not filed with the Securities and Exchange Commission as part of the Form 10-Q or as a separate disclosure document and is not incorporated by reference into any filing of Highpower International, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.