

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

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

For The Quarterly Period Ended June 30, 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

(State or other jurisdiction of  
incorporation or organization)

20-4062622

(I.R.S. Employer  
Identification Number)

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

(86) 755-89686238

(COMPANY'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The registrant had 15,101,679 shares of common stock, par value \$0.0001 per share, outstanding as of August 14, 2015.

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

	<i>June 30, 2015</i>	<i>December 31, 2014</i>
	<u>(Unaudited)</u>	
	<u>\$</u>	<u>\$</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	3,739,259	14,611,892
Restricted cash	12,826,121	15,396,827
Accounts receivable, net	33,148,160	32,316,607
Notes receivable	2,271,470	621,110
Prepayments	5,587,678	3,283,520
Other receivables	712,666	665,828
Inventories	25,699,805	22,268,069
<b>Total Current Assets</b>	<u>83,985,159</u>	<u>89,163,853</u>
Property, plant and equipment, net	51,729,322	50,437,718
Land use right, net	4,263,472	4,305,317
Intangible asset, net	575,000	600,000
Deferred tax assets	1,880,410	1,647,184
<b>TOTAL ASSETS</b>	<u>142,433,363</u>	<u>146,154,072</u>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	43,126,718	44,562,647
Deferred income	1,890,464	1,887,409
Short-term loan	9,147,609	15,195,040
Notes payable	33,259,448	29,903,248
Other payables and accrued liabilities	6,222,543	5,896,547
Income taxes payable	1,396,467	1,968,656
Current portion of long-term loan	1,962,420	1,959,248
<b>Total Current Liabilities</b>	<u>97,005,669</u>	<u>101,372,795</u>
Warrant Liability	636,542	1,067,674
Long-term loan	981,209	1,959,247
<b>TOTAL LIABILITIES</b>	<u>98,623,420</u>	<u>104,399,716</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	-	-

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

	<i>June 30, 2015</i>	<i>December 31, 2014</i>
	<i>(Unaudited)</i>	
	\$	\$
<b>EQUITY</b>		
Stockholders' equity		
Preferred stock		
(Par value: \$0.0001, Authorized: 10,000,000 shares, Issued and outstanding: none)	-	-
Common stock		
(Par value: \$0.0001, Authorized: 100,000,000 shares, 15,101,679 shares issued and outstanding at June 30, 2015 and 15,084,746 shares issued and outstanding at December 31, 2014)	1,510	1,508
Additional paid-in capital	10,987,266	10,530,430
Statutory and other reserves	3,611,501	3,611,501
Retained earnings	22,418,787	20,675,021
Accumulated other comprehensive income	5,628,189	5,628,657
Total equity for the Company's stockholders	42,647,253	40,447,117
Non-controlling interest	1,162,690	1,307,239
<b>TOTAL EQUITY</b>	<b>43,809,943</b>	<b>41,754,356</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>142,433,363</b>	<b>146,154,072</b>

See notes to consolidated financial statements

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Net sales	38,635,801	38,134,636	70,773,449	67,294,950
Cost of sales	<u>(30,072,041)</u>	<u>(30,405,145)</u>	<u>(56,653,975)</u>	<u>(53,634,514)</u>
Gross profit	<u>8,563,760</u>	<u>7,729,491</u>	<u>14,119,474</u>	<u>13,660,436</u>
Research and development expenses	(1,997,494)	(1,976,965)	(3,671,618)	(3,788,917)
Selling and distribution expenses	(1,597,564)	(1,587,726)	(3,396,286)	(3,124,886)
General and administrative expenses	(3,423,770)	(3,312,296)	(6,448,521)	(6,883,576)
Foreign currency translation gain	73,546	247,102	443,857	349,695
Gain (loss) on derivative instruments	-	21,147	-	(116,134)
Total operating expenses	<u>(6,945,282)</u>	<u>(6,608,738)</u>	<u>(13,072,568)</u>	<u>(13,563,818)</u>
Income from operations	1,618,478	1,120,753	1,046,906	96,618
Gain on change of fair value of warrant liability	84,833	74,548	431,132	74,548
Other income	357,055	361,954	587,147	903,374
Interest expenses	<u>(275,476)</u>	<u>(474,162)</u>	<u>(544,118)</u>	<u>(1,069,543)</u>
Income before taxes	<u>1,784,890</u>	<u>1,083,093</u>	<u>1,521,067</u>	<u>4,997</u>
Income taxes benefit (expenses)	<u>(18,840)</u>	<u>(281,364)</u>	<u>76,416</u>	<u>(189,213)</u>
Net income (loss)	<u>1,766,050</u>	<u>801,729</u>	<u>1,597,483</u>	<u>(184,216)</u>
Less: net loss attributable to non-controlling interest	(101,074)	(10,769)	(146,283)	(61,565)
Net income (loss) attributable to the Company	<u>1,867,124</u>	<u>812,498</u>	<u>1,743,766</u>	<u>(122,651)</u>
Comprehensive income (loss)				
Net income (loss)	1,766,050	801,729	1,597,483	(184,216)
Foreign currency translation income (loss)	<u>206,027</u>	<u>(19,936)</u>	<u>1,266</u>	<u>(361,122)</u>
Comprehensive income (loss)	<u>1,972,077</u>	<u>781,793</u>	<u>1,598,749</u>	<u>(545,338)</u>
Less: comprehensive loss attributable to non-controlling interest	<u>(95,376)</u>	<u>(11,294)</u>	<u>(144,549)</u>	<u>(72,727)</u>
Comprehensive income (loss) attributable to the Company	<u>2,067,453</u>	<u>793,087</u>	<u>1,743,298</u>	<u>(472,611)</u>
Income (loss) per share of common stock attributable to the Company				
- Basic	<u>0.12</u>	<u>0.05</u>	<u>0.12</u>	<u>(0.01)</u>
- Diluted	<u>0.12</u>	<u>0.05</u>	<u>0.11</u>	<u>(0.01)</u>
Weighted average number of common stock outstanding				
- Basic	<u>15,094,979</u>	<u>14,853,219</u>	<u>15,091,639</u>	<u>14,415,662</u>
- Diluted	<u>15,441,576</u>	<u>15,277,743</u>	<u>15,469,274</u>	<u>14,415,662</u>

See notes to consolidated financial statements

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

	<i>Six months ended June 30,</i>	
	<u>2015</u>	<u>2014</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$
<b>Cash flows from operating activities</b>		
Net income (loss)	1,597,483	(184,216)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,535,695	2,053,486
Allowance for doubtful accounts	896	266
Loss on disposal of property, plant and equipment	79,692	151,237
Gain on derivative instruments	-	130,948
Deferred income tax	(230,050)	(549,140)
Share based payment	412,304	916,244
Gain on change of fair value of warrant liability	(431,132)	(74,548)
Changes in operating assets and liabilities:		
Accounts receivable	(787,672)	159,094
Notes receivable	(1,645,051)	(1,560,871)
Prepayments	(2,292,844)	(1,200,028)
Other receivable	(45,640)	253,843
Inventories	(3,386,818)	(1,086,899)
Accounts payable	(1,503,555)	6,887,622
Deferred income	-	1,009,295
Other payables and accrued liabilities	315,942	(2,175,844)
Income taxes payable	(573,875)	88,688
<b>Net cash flows (used in) provided by operating activities</b>	<u>(5,954,625)</u>	<u>4,819,177</u>
<b>Cash flows from investing activities</b>		
Acquisitions of plant and equipment	(4,047,717)	(3,503,027)
<b>Net cash flows used in investing activities</b>	<u>(4,047,717)</u>	<u>(3,503,027)</u>
<b>Cash flows from financing activities</b>		
Proceeds from short-term bank loans	-	9,611,198
Repayment of short-term bank loans	(6,062,248)	(14,367,008)
Repayment of long-term bank loans	(978,649)	(976,737)
Proceeds from notes payable	30,931,015	21,753,902
Repayment of notes payable	(27,631,861)	(25,195,047)
Proceeds from exercise of employee options	44,534	-
Proceeds from issuance of capital stock, net	-	4,633,164
Change in restricted cash	2,588,730	8,316,169
<b>Net cash flows (used in) provided by financing activities</b>	<u>(1,108,479)</u>	<u>3,775,641</u>
Effect of foreign currency translation on cash and cash equivalents	238,188	(244,829)
Net (decrease) increase in cash and cash equivalents	(10,872,633)	4,846,962
Cash and cash equivalents - beginning of period	14,611,892	7,973,459
Cash and cash equivalents - end of period	<u>3,739,259</u>	<u>12,820,421</u>
Supplemental disclosures for cash flow information:		
Cash paid for:		
Income taxes	727,509	649,665
Interest expenses	615,363	1,061,904
Non-cash transactions		
Accounts payable for construction in progress	-	794,356
Offset of deferred income and property, plant and equipment	-	669,668

See notes to consolidated financial statements

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

**1. Organization and basis of presentation**

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

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

On May 15, 2013, GZ Highpower increased its paid-in capital from RMB15,000,000 (\$2,381,293) to RMB30,000,000 (\$4,807,847). SZ Highpower holds 60% of the equity interest of GZ Highpower, and four founding management members of GZ Highpower hold the remaining 40%. 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

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

**2. Summary of significant accounting policies**

Basis of presentation

The accompanying consolidated balance sheet as of December 31, 2014, which has been derived from audited financial statements, and the unaudited interim consolidated financial statements as of June 30, 2015 and for the three and six month periods ended June 30, 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 June 30, 2015, its consolidated results of operations and cash flows for the six month periods ended June 30, 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.



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

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

Concentrations of credit risk

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

No customer accounted for 10% or more of total sales during the six months ended June 30, 2015 and 2014.

No supplier accounted for 10% or more of total purchase amount during the six months ended June 30, 2015 and 2014.

None of the Company's customers accounted for 10% or more of the accounts receivable as of June 30, 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.

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

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

Inventories

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use. Maintenance, repairs and betterments, including replacement of minor items, are charged to expense; major additions to physical properties are capitalized. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or estimated useful life.

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.

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

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

Intangible assets

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

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

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

Government grants

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

Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current 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 June 30, 2015 and December 31, 2014, the Company recorded deferred income of \$1,890,464 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 six months ended June 30, 2015 and 2014, approximately \$221,483 and \$180,923 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.

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

**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 \$484,903 and \$413,112, respectively, for the six months ended June 30, 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 six months ended June 30, 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 June 30, 2015 and December 31, 2014.

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

Comprehensive income

Recognized revenue, expenses, gains and losses are included in net income or loss. Although certain changes in assets and liabilities are reported as separate components of the equity section of the consolidated balance sheet, such items, along with net income 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.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES  
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**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.

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

Earnings per share

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

Recently issued accounting pronouncements

As of August 14, 2015, the Financial Accounting Standards Board (“FASB”) has issued ASU No. 2015-01 Income Statement-Extraordinary and Unusual Items through ASU No. 2015-11 Inventory, which are not expected to have a material impact on the consolidated financial statements upon adoption.

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**3. Restricted cash**

As of June 30, 2015 and December 31, 2014, restricted cash consisted of the following:

	<u>June 30,</u> <u>2015</u> <i>(Unaudited)</i>	<u>December 31,</u> <u>2014</u>
	\$	\$
Securities for bank acceptance bill	11,028,827	10,689,297
Time deposits	1,797,294	4,707,530
	<u>12,826,121</u>	<u>15,396,827</u>

**4. Accounts receivable, net**

As of June 30, 2015 and December 31, 2014, accounts receivable consisted of the following:

	<u>June 30,</u> <u>2015</u> <i>(Unaudited)</i>	<u>December 31,</u> <u>2014</u>
	\$	\$
Accounts receivable	35,651,499	34,816,914
Less: allowance for doubtful debts	2,503,339	2,500,307
	<u>33,148,160</u>	<u>32,316,607</u>

The Company recorded bad debt expense of \$896 and \$266, respectively, during the six months ended June 30, 2015 and 2014. And the Company recorded bad debt expense of \$877 and \$266, respectively, during the three months ended June 30, 2015 and 2014. The Company wrote off accounts receivable of \$nil and \$2,951, respectively, in the six months ended June 30, 2015 and 2014. The Company wrote off accounts receivable of \$nil for both three months ended June 30, 2015 and 2014.

**5. Prepayments**

	<u>June 30,</u> <u>2015</u> <i>(Unaudited)</i>	<u>December 31,</u> <u>2014</u>
	\$	\$
Purchase deposits paid	2,683,479	1,793,599
Value-added tax prepayment	1,170,499	384,008
Rental deposit	266,973	266,556
Deferred insurance fee	204,890	97,005
Advances to staff for operations	185,302	122,452
Other deposits and prepayments	1,076,535	619,900
	<u>5,587,678</u>	<u>3,283,520</u>

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



HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES  
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**6. Other receivables**

	<i>June 30, 2015</i>	<i>December 31, 2014</i>
	<i>(Unaudited)</i>	
	\$	\$
Compensation receivable for land occupation	517,255	516,418
Others	195,411	149,410
	<u>712,666</u>	<u>665,828</u>

**7. Inventories**

	<i>June 30, 2015</i>	<i>December 31, 2014</i>
	<i>(Unaudited)</i>	
	\$	\$
Raw materials	5,378,464	4,341,675
Work in progress	5,506,411	3,949,778
Finished goods	14,403,742	13,685,166
Packing materials	23,558	20,137
Consumables	387,630	271,313
	<u>25,699,805</u>	<u>22,268,069</u>

Where there is evidence that the utility of inventories, in their disposal in the ordinary course of business, will be less than cost, whether due to physical deterioration, obsolescence, changes in price levels, or other causes, the inventories are written down to fair value. \$1,169,186 was written down for inventories as of June 30, 2015 and \$777,638 was written down for inventories as of December 31, 2014.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES  
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**8. Property, plant and equipment**

	<i>June 30, 2015</i>	<i>December 31, 2014</i>
	<i>(Unaudited)</i>	
	\$	\$
Cost		
Construction in progress	1,155,430	715,821
Furniture, fixtures and office equipment	4,002,756	3,754,990
Leasehold improvement	4,264,250	3,763,290
Machinery and equipment	30,406,838	28,180,306
Motor vehicles	1,587,842	1,479,921
Building	<u>25,337,786</u>	<u>25,414,914</u>
	66,754,902	63,309,242
Less: accumulated depreciation	<u>15,025,580</u>	<u>12,871,524</u>
	<u>51,729,322</u>	<u>50,437,718</u>

The Company recorded depreciation expenses of \$2,462,008 and \$1,979,893 for the six months ended June 30, 2015 and 2014, respectively, and \$1,252,756 and \$1,009,036 for the three months ended June 30, 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 six months ended June 30, 2015.

The buildings comprising the Huizhou facilities were pledged as collateral for bank loans as of June 30, 2015 and December 31, 2014. The carrying amount of the building was \$10,461,665 and \$10,573,369 as of June 30, 2015 and December 31, 2014, respectively.

On July 1, 2015, the buildings comprising the Ganzhou facilities were pledged as collateral for line of credit, which were used for short-term loans and bank guarantee promissory notes. The carrying amount of the building was \$2,874,363 as of June 30, 2015.

**9. Land use rights, net**

	<i>June 30, 2015</i>	<i>December 31, 2014</i>
	<i>(Unaudited)</i>	
	\$	\$
Cost		
Land located in Huizhou	3,511,597	3,505,921
Land located in Ganzhou	<u>1,369,944</u>	<u>1,367,729</u>
	4,881,541	4,873,650
Accumulated amortization	<u>(618,069)</u>	<u>(568,333)</u>
Net	<u>4,263,472</u>	<u>4,305,317</u>

As of June 30, 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.

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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	48,815
2016	97,631
2017	97,631
2018	97,631
2019	97,631
2020 and thereafter	3,824,133
	<u>4,263,472</u>

The Company recorded amortization expenses of \$48,688 and \$48,593 for the six months ended June 30, 2015 and 2014, respectively, and \$24,397 and \$20,149 for the three months ended June 30, 2015 and 2014, respectively.

The land use right for land located in Huizhou City was pledged as collateral for bank loans as of June 30, 2015 and December 31, 2014.

On July 1, 2015, the land use right for land located in Ganzhou City was pledged as collateral for line of credit, which was used for short-term loans and bank guarantee promissory notes.

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**10. Intangible asset**

	<i>June 30, 2015</i>	<i>December 31, 2014</i>
	<i>(Unaudited)</i>	
	\$	\$
Cost		
Consumer battery license fee	1,000,000	1,000,000
Accumulated amortization	(425,000)	(400,000)
Net	575,000	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 June 30, 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 \$25,000 for the six months ended June 30, 2015 and 2014, and \$12,500 for the three months ended June 30, 2015 and 2014.

**11. Other payables and accrued liabilities**

	<i>June 30, 2015</i>	<i>December 31, 2014</i>
	<i>(Unaudited)</i>	
	\$	\$
Accrued expenses	4,338,892	3,649,806
Royalty payable	492,252	580,032
VAT payable	262,539	405,859
Sales deposits received	791,170	911,947
Other payables	337,690	348,903
	6,222,543	5,896,547

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES  
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**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.

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**12. Taxation (continued)**

The components of the provision for income taxes expenses are:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	\$	\$	\$	\$
Current	61,517	411,598	153,634	738,353
Deferred	(42,677)	(130,234)	(230,050)	(549,140)
<b>Total</b>	<b>18,840</b>	<b>281,364</b>	<b>(76,416)</b>	<b>189,213</b>

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	\$	\$	\$	\$
Income before tax	1,784,890	1,083,093	1,521,067	4,997
Provision for income taxes at applicable income tax rate	399,114	226,097	312,941	(80,869)
Effect of preferential tax rate	37,545	(190,789)	31,250	(213,923)
R&D expenses eligible for super deduction	(555,607)	(71,605)	(555,607)	(71,605)
Non-deductible expenses	11,947	62,353	26,901	80,491
Change in valuation allowance	125,841	255,308	108,099	475,119
<b>Effective enterprise income tax</b>	<b>18,840</b>	<b>281,364</b>	<b>(76,416)</b>	<b>189,213</b>

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.

	<u>June 30,</u>	<u>December 31,</u>
	<u>2015</u>	<u>2014</u>
	<u>(Unaudited)</u>	
	\$	\$
Tax loss carry-forward	3,899,194	3,798,290
Allowance for doubtful receivables	111,953	111,637
Allowance for inventory obsolescence	222,571	138,458
Difference for sales cut-off	43,093	20,572
Deferred income	283,570	283,111
Property, plant and equipment subsidized by government grant	99,801	100,901
<b>Total gross deferred tax assets</b>	<b>4,660,182</b>	<b>4,452,969</b>
Valuation allowance	(2,779,772)	(2,805,785)
<b>Total net deferred tax assets</b>	<b>1,880,410</b>	<b>1,647,184</b>

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**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 \$1,141,861 notes receivable of Springpower. Outstanding notes payable were \$33,079,560 and \$29,380,782 as of June 30, 2015 and December 31, 2014, respectively.

As of June 30, 2015, the Company issued \$179,888 trade acceptances to suppliers. These trade acceptances 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**

	<i>June 30, 2015</i>	<i>December 31, 2014</i>
	<i>(Unaudited)</i>	
	\$	\$
Short- term bank loans guaranteed and repayable within one year	9,147,609	15,195,040

As of June 30, 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 \$2,984,858, and the building with a carrying amount of \$10,461,665.

The loans as of June 30, 2015 were primarily obtained from three banks with interest rates ranging from 6.0% to 6.72% per annum. The interest expenses were \$419,156 and \$869,559 for the six months ended June 30, 2015 and 2014, respectively, and \$218,142 and \$377,796 for the three months ended June 30, 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 June 30, 2015 and December 31, 2014:

<i>Lender</i>	<i>Starting date</i>	<i>Maturity date</i>	<i>June 30, 2015(Unaudited)</i>	
			<i>Line of credit</i>	<i>Unused line of credit</i>
			\$	\$
Bank of China	7/23/2014	7/23/2015(i)	3,971,564	84,262
Ping An Bank Co., Ltd	10/20/2014	10/19/2015	11,447,448	6,887,767
Shenzhen Baoan Guiyin County Bank	11/19/2014	11/18/2015	4,742,514	3,156,055
Industrial and Commercial Bank of China	7/26/2012	7/25/2015(i)	6,541,399	2,453,025
Industrial Bank Co., Ltd	10/23/2014	10/23/2015	6,541,399	5,664,022
Jiang Su Bank Co., Ltd	10/28/2014	9/11/2015	7,547,768	1,629,595
China Everbright Bank Co., Ltd	6/23/2015	6/22/2016	8,176,748	4,411,743
<b>Total</b>			48,968,840	24,286,469

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

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15. **Lines of credit (continued)**

<i>Lender</i>	<i>Starting date</i>	<i>Maturity date</i>	<i>December 31, 2014</i>	
			<i>Line of credit</i>	<i>Unused line of credit</i>
			\$	\$
Bank of China	3/10/2014	3/10/2015 (ii)	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
<b>Total</b>			<b><u>62,054,504</u></b>	<b><u>22,573,652</u></b>

(ii) 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, Ping An Bank, Industrial Bank Co. Ltd, Shenzhen Baoan Guiyin County Bank and China Everbright Bank Co., Ltd 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 June 30, 2015 and December 31, 2014, the Company was in compliance with all material covenants in its loan agreements.



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**16. Long-term loans**

	<u>June 30,</u> <u>2015</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2014</u>
	\$	\$
Long term loans from Bank of China	2,943,629	3,918,495
Less: current portion of long-term borrowings	<u>1,962,420</u>	<u>1,959,248</u>
Long- term bank loans, net of current portion	<u>981,209</u>	<u>1,959,247</u>

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 5.775%, which was equal to 110% of the benchmark-lending rate of the People's Bank of China ("PBOC") as of June 30, 2015. Interest expenses are to be paid quarterly.

The interest expenses were \$124,962 and \$199,984 for the six months ended June 30, 2015 and 2014, respectively, and \$57,334 and \$96,366 for the three months ended June 30, 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	981,209
2016	<u>1,962,420</u>
	<u>2,943,629</u>

**17. Share-based Compensation**

The 2008 Omnibus Incentive Plan

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

The 2008 Plan authorizes the issuance of awards including stock options, restricted stock units (RSUs), restricted stock, unrestricted stock, stock appreciation rights (SARs) and other equity and/or cash performance incentive awards to employees, directors, and consultants of the Company. Subject to certain restrictions, the Compensation Committee of the Board of Directors has broad discretion to establish the terms and conditions for awards under the 2008 Plan, including the number of shares, vesting conditions and the required service or performance criteria. Options and SARs may have a contractual term of up to ten years and generally vest over three to five years with an exercise price equal to the fair market value on the date of grant. Incentive stock options (ISOs) granted must have an exercise price equal to or greater than the fair market value of the Company's common stock on the date of grant. Repricing of stock options and SARs is permitted without stockholder approval. If a particular award agreement so provides, certain change in control transactions may cause such awards granted under the 2008 Plan to vest at an accelerated rate, unless the awards are continued or substituted for in connection with the transaction. As of June 30, 2015, approximately 626,714 shares of common stock remained available for issuance pursuant to awards granted under the 2008 Plan.

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17. **Share-based Compensation (continued)**

**Options Granted to Employees**

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u> \$	<u>Remaining Contractual Term in Years</u>
Outstanding, January 1, 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	<u>760,286</u>	<u>2.92</u>	<u>7.78</u>
Exercisable, December 31, 2014	413,620	3.16	6.98
Vested and expected to vest, December 31, 2014	<u>702,788</u>	<u>2.94</u>	<u>7.71</u>
	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u> \$	<u>Remaining Contractual Term in Years</u>
Outstanding, January 1, 2015	760,286	2.92	7.78
Granted	75,000	4.43	-
Exercised	(16,933)	2.63	-
Forfeited	(8,564)	2.63	-
Canceled	-	-	-
Outstanding, June 30, 2015	<u>809,789</u>	<u>3.06</u>	<u>7.49</u>
Exercisable, June 30, 2015	451,658	3.32	6.82
Vested and expected to vest, June 30, 2015	<u>745,678</u>	<u>3.09</u>	<u>7.41</u>

The aggregate intrinsic value of options vested and expected to vest as of June 30, 2015 and 2014 was approximately \$0.6 million and \$1.64 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 and six months ended June 30, 2015, the Company granted options to purchase 75,000 shares to two employees. During the six months ended June 30, 2015, nine employees exercised their option to purchase 16,933 shares of the Company's common stock. During the six months ended June 30, 2015, two employees had resigned and their options to purchase a total of 8,564 shares of the Company's common stock were forfeited. These employees had resigned with 3,670 shares vested, which if not exercised with 90 days after termination they will be cancelled. These vested shares were exercised in the period.

During the three and six months ended June 30, 2014, the Company did not grant any new options to employees. One employee exercised his options to purchase 160,000 shares of the Company's common stock. As a result, the Company issued 74,052 shares of common stock to this employee by net share settlement. Two employees resigned and their option to purchase a total of 15,549 shares of the Company's common stock were forfeited and canceled.

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

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**17. Share-based Compensation (continued)**

**Restricted Stock Awards Granted to Employees**

During the year ended December 31, 2013, the Company granted 246,000 shares of restricted stock to members of the Board of Directors as Restricted Stock Awards (“RSA”) under 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 six months ended June 30, 2015 and 2014.

The following table summarizes the restricted stock awards activities for the six months ended June 30, 2015:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u> \$	<u>Remaining Contractual Term in Years</u>
Outstanding, January 1, 2015	98,400	2.81	0.77
Granted	-	-	-
Exercised	-	-	-
Forfeited	-	-	-
Outstanding, June 30, 2015	<u>98,400</u>	<u>2.81</u>	<u>0.27</u>
Expected to vest, June 30, 2015	<u>85,386</u>	<u>2.81</u>	<u>0.27</u>

**Share-based Compensation to Nonemployees**

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

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

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

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	<i>Six months ended June 30,</i>	
	<i>2015</i>	<i>2014</i>
Expected volatility	N/A	83.62%
Risk-free interest rate	N/A	1.64%
Expected term from grant date (in years)	N/A	4.75
Dividend rate	N/A	-
Fair value	N/A	\$ <b>2.02</b>

Expected Term

The expected term of the warrants issued during the six months ended June 30, 2014, represents the remaining contractual term of the warrants.

Expected Volatility

The expected volatility used for the six-month period ended June 30, 2014 is based upon the Company's own trading history.

Risk-Free Interest Rate

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

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**17. Share-based Compensation (continued)**

**Total Share-based Compensation Expenses**

As of June 30, 2015, the gross amount of unrecognized share-based compensation expense relating to unvested share-based awards held by employees was approximately \$0.6 million, which the Company anticipates recognizing as a charge against income over a weighted average period of 1.45 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 \$412,304 and \$nil, respectively, for the six-month period ended June 30, 2015 and \$394,645 and \$521,599, respectively, for the six-month period ended June 30, 2014. The Company recorded stock-based compensation charges of \$290,943 and \$nil, respectively, for the three-month period ended June 30, 2015 and stock-based compensation charges of \$169,365 and \$345,933, respectively, for the three-month period ended June 30, 2014.

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**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 six months ended June 30, 2015 and 2014, and the three months ended June 30, 2015 and 2014.

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
<b>Numerator:</b>				
Net income (loss) attributable to the Company	<u>1,867,124</u>	<u>812,498</u>	<u>1,743,766</u>	<u>(122,651)</u>
<b>Denominator:</b>				
<b>Weighted-average shares outstanding</b>				
- Basic	15,094,979	14,853,219	15,091,639	14,415,662
- Diluted	<u>15,441,576</u>	<u>15,277,743</u>	<u>15,469,274</u>	<u>14,415,662</u>
<b>Income (loss) per common share</b>				
- Basic	0.12	0.05	0.12	(0.01)
- Diluted	<u>0.12</u>	<u>0.05</u>	<u>0.11</u>	<u>(0.01)</u>

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

1,641,723 options and warrants outstanding with a total dilutive effect of 377,635 shares were included in the computation of diluted EPS for the six months ended June 30, 2015. There were 1,669,452 options and warrants outstanding as of June 30, 2014, which were not included in the computation of diluted EPS for the period ended June 30, 2014 because of the net loss sustained for the six months ended June 30, 2014.

There were 1,641,723 and 1,669,452 options and warrants outstanding with a total dilutive effect of 346,597 and 424,524 shares were included in the computation of diluted EPS for the three months ended June 30, 2015 and 2014, respectively.

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**19. Securities Offering Transaction**

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

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

The fair value of the investor warrant liability will be re-measured at each period and recorded as a gain or loss on fair value of warrant liability. As of June 30, 2015 and December 31, 2014, the fair value of warrant liability was \$636,542 and \$1,067,674, respectively. The Company recognized a gain of \$431,132 on the change of fair value of warrant liability for the six months ended June 30, 2015.

The fair values of the warrants as of June 30, 2015 and December 31, 2014 were calculated using the Black-Scholes pricing model with the following assumptions:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Expected volatility	86.32%	86.4%
Risk-free interest rate	0.57%	0.79%
Expected term (in years)	1.79	2.29
Dividend rate	-	-
Fair value	<b>\$ 1.27</b>	<b>\$ 2.14</b>

In conjunction with the securities offering transaction, the Company issued three year warrants to investment bankers to purchase 40,000 shares of the Company's common stock at \$6.33 per share. The aggregate fair value of the warrants was \$94,982, which was recognized as a share-based compensation and resulted in an increase of additional paid-in capital. As such compensation was offering cost, it resulted in a reduction in additional paid-in capital. Hence, such transaction has no net impact on the Company's financial position as of June 30, 2015.

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**20. Defined contribution plan**

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

The total amounts for such employee benefits, which were expensed as incurred, were \$826,889 and \$703,703 for the six months ended June 30, 2015 and 2014, respectively, and \$414,201 and \$343,804 for the three months ended June 30, 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 June 30, 2015 and December 31, 2014, non-controlling interest related to GZ Highpower in the consolidated balance sheet was \$1,162,690 and \$1,307,239, respectively.

Non-controlling interest related to GZ Highpower in the consolidated statements of operations was loss of \$146,283 and \$61,565 for the six months ended June 30, 2015 and 2014, respectively, and \$101,074 and \$10,769 for the three months ended June 30, 2015 and 2014.



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**22. Commitments and contingencies**

Operating leases commitments

The Company leases factory and office premises under various non-cancelable operating lease agreements that expire at various dates through years 2015 to 2026, with options to renew the leases. All leases are on a fixed repayment basis. None of the leases includes contingent rentals. Minimum future commitments under these agreements as of June 30, 2015 are as follows:

	\$
Within one year	848,746
One to two years	1,783,158
Two to three years	695,915
Three to four years	360,047
Four to five years	360,047
More than five years	2,280,298
	<u>6,328,211</u>

Rent expenses for the six months ended June 30, 2015 and 2014 were \$819,448 and \$792,321, respectively, and \$415,254 and \$404,641 for the three months ended June 30, 2015 and 2014.

Capital commitments

The Company has no capital commitments as of June 30, 2015 and December 31, 2014, respectively.

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**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:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
<b>Net sales</b>				
Ni-MH Batteries	15,775,426	19,153,435	30,534,896	34,640,938
Lithium Batteries	22,066,302	17,511,963	38,886,930	30,902,207
New Materials	794,073	1,469,238	1,351,623	1,751,805
<b>Total</b>	<b><u>38,635,801</u></b>	<b><u>38,134,636</u></b>	<b><u>70,773,449</u></b>	<b><u>67,294,950</u></b>
<b>Cost of Sales</b>				
Ni-MH Batteries	11,850,483	15,224,391	23,565,936	27,514,189
Lithium Batteries	17,307,091	13,877,599	31,640,483	24,580,425
New Materials	914,467	1,303,155	1,447,556	1,539,900
<b>Total</b>	<b><u>30,072,041</u></b>	<b><u>30,405,145</u></b>	<b><u>56,653,975</u></b>	<b><u>53,634,514</u></b>
<b>Gross Profit</b>				
Ni-MH Batteries	3,924,943	3,929,044	6,968,960	7,126,749
Lithium Batteries	4,759,211	3,634,364	7,246,447	6,321,782
New Materials	(120,394)	166,083	(95,933)	211,905
<b>Total</b>	<b><u>8,563,760</u></b>	<b><u>7,729,491</u></b>	<b><u>14,119,474</u></b>	<b><u>13,660,436</u></b>
<b>Total Assets</b>				
Ni-MH Batteries			45,677,975	50,275,286
Lithium Batteries			85,734,415	86,339,973
New Materials			11,020,973	9,538,813
<b>Total</b>			<b><u>142,433,363</u></b>	<b><u>146,154,072</u></b>

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**23. Segment information (continued)**

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
<b><i>Net sales</i></b>				
China Mainland	19,290,058	19,913,436	33,315,390	34,426,658
Asia, others	11,637,753	8,681,760	22,079,640	14,264,126
Europe	5,749,314	7,053,769	11,565,500	13,443,062
North America	1,783,947	2,254,835	3,340,558	4,597,142
South America	147,644	76,320	301,573	201,701
Africa	-	77,365	103,807	237,144
Others	27,085	77,151	66,981	125,117
	<u>38,635,801</u>	<u>38,134,636</u>	<u>70,773,449</u>	<u>67,294,950</u>

	<i>June 30, 2015</i>	<i>December 31, 2014</i>
	<i>(Unaudited)</i>	
	\$	\$
<b><i>Accounts receivable</i></b>		
China Mainland	18,359,292	17,282,481
Asia, others	9,598,895	8,662,503
Europe	4,831,683	5,747,058
North America	77,961	296,572
South America	221,854	211,391
Africa	41,940	81,962
Others	16,535	34,640
	<u>33,148,160</u>	<u>32,316,607</u>

**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 June 30, 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 (U.S.GAAP).

**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 overseas sales contracts transfer title and risk of loss to customers when goods were delivered to the carriers. Revenue is presented net of any sales tax and value added tax.

The Company does not have arrangements for returns from customers and does not have any future obligations directly or indirectly related to product resale by 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 and six months ended June 30, 2015 and 2014, both in dollars and as a percentage of net sales.

## Consolidated Statements of Operations

(in thousands except share and per share information)

	Three months ended June 30,				Six months ended June 30,			
	2015		2014		2015		2014	
Net Sales	38,636	100.0%	38,135	100.0%	70,773	100.0%	67,295	100.0%
Cost of Sales	<u>(30,072)</u>	(77.8)%	<u>(30,405)</u>	(79.7)%	<u>(56,654)</u>	(80.0)%	<u>(53,635)</u>	(79.7)%
Gross profit	8,564	22.2%	7,730	20.3%	14,119	20.0%	13,660	20.3%
Research and development expenses	(1,998)	(5.2)%	(1,977)	(5.2)%	(3,672)	(5.2)%	(3,789)	(5.6)%
Selling and distribution expenses	(1,598)	(4.1)%	(1,588)	(4.2)%	(3,396)	(4.8)%	(3,125)	(4.6)%
General and administrative expenses	(3,424)	(8.9)%	(3,312)	(8.7)%	(6,448)	(9.1)%	(6,884)	(10.2)%
Foreign currency transaction gain	74	0.2%	247	0.7%	444	0.6%	350	0.5%
Gain (Loss) on derivative instruments	<u>-</u>	-	<u>21</u>	*	<u>-</u>	-	<u>(116)</u>	(0.2)%
Income from operations	1,618	4.2%	1,121	2.9%	1,047	1.5%	96	0.1%
Gain on change of fair value of warrant liability	85	0.2%	74	0.2%	431	0.6%	75	0.1%
Other income	357	0.9%	362	0.9%	587	0.8%	903	1.3%
Interest expenses	<u>(275)</u>	(0.7)%	<u>(474)</u>	(1.2)%	<u>(544)</u>	(0.8)%	<u>(1,070)</u>	(1.6)%
Income before taxes	1,785	4.6%	1,083	2.8%	1,521	2.1%	4	*
Income tax benefit (expenses)	<u>(19)</u>	*	<u>(281)</u>	(0.7)%	<u>77</u>	0.1%	<u>(189)</u>	(0.3)%
Net income (loss)	1,766	4.6%	802	2.1%	1,598	2.3%	(185)	(0.3)%
Less: net loss attributable to non-controlling interest	<u>(101)</u>	(0.3)%	<u>(11)</u>	*	<u>(146)</u>	(0.2)%	<u>(62)</u>	(0.1)%
Net income(loss)attributable to the company	<u>1,867</u>	4.8%	<u>813</u>	2.1%	<u>1,744</u>	2.5%	<u>(123)</u>	(0.2)%
Income (loss) per share of common stock attributable to the Company								
- Basic	<u>0.12</u>		<u>0.05</u>		<u>0.12</u>		<u>(0.01)</u>	
- diluted	<u>0.12</u>		<u>0.05</u>		<u>0.11</u>		<u>(0.01)</u>	
Weighted average number of common shares outstanding								
- Basic	<u>15,094,979</u>		<u>14,853,219</u>		<u>15,091,639</u>		<u>14,415,662</u>	
- diluted	<u>15,441,576</u>		<u>15,277,743</u>		<u>15,469,274</u>		<u>14,415,662</u>	

Three months ended June 30, 2015 and 2014

*Net sales.* We generate revenues from the sale of our Ni-MH batteries, Lithium batteries and new materials. Revenues by segment were as follows:

	<b>Three months ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>\$</b>	<b>\$</b>
<b>Net sales</b>		
Ni-MH Batteries	15,775,426	19,153,435
Lithium Batteries	22,066,302	17,511,963
New Materials	794,073	1,469,238
<b>Total</b>	<b>38,635,801</b>	<b>38,134,636</b>

Net sales for the three months ended June 30, 2015 were \$38.6 million compared to \$38.1 million for the three months ended June 30, 2014, an increase of \$501,165, or 1.3%. The increase was due to a \$4.6 million increase in net sales of our lithium batteries (resulting from a 15.9 % increase in the volume, measured in ampere hour, of batteries sold and a 8.8% increase in the average selling price of such batteries), which was offset by a \$3.4 million decrease in net sales of our Ni-MH batteries (resulting from a 13.4% decrease in the number of Ni-MH battery units sold and a 4.9% decrease in the average selling price of such batteries) and a \$675,165 decrease in revenue from our new material business. The increase in the number of lithium batteries units sold in the three months ended June 30, 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:

	<b>Three months ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>\$</b>	<b>\$</b>
<b>Cost of Sales</b>		
Ni-MH Batteries	11,850,483	15,224,391
Lithium Batteries	17,307,091	13,877,599
New Materials	914,467	1,303,155
<b>Total</b>	<b>30,072,041</b>	<b>30,405,145</b>

Cost of sales mainly consists of nickel, cobalt, lithium derived materials, labor, and overhead. Costs of sales were \$30.1 million for the three months ended June 30, 2015, as compared to \$30.4 million for the comparable period in 2014. As a percentage of net sales, cost of sales decreased to 77.8% for the three months ended June 30, 2015 compared to 79.7% for the comparable period in 2014.

*Gross profit*

Gross profit for the three months ended June 30, 2015 was \$8.6 million, or 22.2% of net sales, compared to \$7.7 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 increase of Ni-MH Batteries was attributable to decrease in the average Nickel price of battery materials. The decrease of New Materials was affected by the market price.



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 \$2.0 million, or 5.2% of net sales, for both the second quarter ended June 30, 2015 and for the same period in 2014.

#### *Selling and distribution expenses*

Selling and distribution expenses were \$1.6 million, or 4.1% of net sales, for the three months ended June 30, 2015 compared to \$1.6 million, or 4.2% of net sales, for the comparable period in 2014, an increase of 0.6%. 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 \$3.4 million, or 8.9% of net sales, for the three months ended June 30, 2015, compared to \$3.3 million, or 8.7% of net sales, for the comparable period in 2014.

#### *Foreign currency translation gain*

We experienced a gain of \$73,546 for the three months ended June 30, 2015 and a gain of \$247,102 for the three months ended June 30, 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/Gain on derivative instruments*

We experienced no loss on derivative instruments for the three months ended June 30, 2015, as compared to a gain of \$21,147 for the comparable period in 2014, which included a gain of \$14,814 on settled currency forwards and a gain of \$6,333 on unsettled currency forwards.

#### *Interest expenses*

Interest expenses were \$275,476 for the three months ended June 30, 2015, as compared to \$474,162 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 \$357,055 for the three months ended June 30, 2015, as compared to approximately \$361,954 for the comparable period in 2014, a decrease of \$4,899.

#### *Gain on fair value change of warrant liabilities*

Gain on fair value change of warrant liabilities was \$84,833 for the three months ended June 30, 2015, as compared to \$74,548 for the three months ended June 30, 2014. It represented the fair value change of 500,000 shares of warrants issued on April 17, 2014.

#### *Income tax expense*

During the three months ended June 30, 2015, we recorded provision for income tax expense of \$18,840 as compared to income tax expense of \$281,364 for the comparable period in 2014.

### Net income

Net income attributable to the Company (excluding net loss attributable to non-controlling interest) for the three months ended June 30, 2015 was \$1.9 million, compared to net income attributable to the Company (excluding net loss attributable to non-controlling interest) of \$812,498 for the comparable period in 2014.

### Six Months Ended June 30, 2015 and 2014

*Net sales*. We generate revenues from the sale of our Ni-MH batteries, Lithium batteries and new materials. Revenues by segment were as follows:

	<i>Six months ended June 30,</i>	
	<i>2015</i>	<i>2014</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$
<b>Net sales</b>		
Ni-MH Batteries	30,534,896	34,640,938
Lithium Batteries	38,886,930	30,902,207
New Materials	1,351,623	1,751,805
Total	<u>70,773,449</u>	<u>67,294,950</u>

Net sales for the six months ended June 30, 2015 were \$70.8 million compared to \$67.3 million for the six months ended June 30, 2014, an increase of \$3.5 million, or 5.2%. The increase was due to a \$8.0 million increase in net sales of our lithium batteries (resulting from a 28.5% increase in the volume, measured in ampere hour, of batteries sold which was partly offset a 2.1% decrease in the average selling price of such batteries), which was offset by a \$4.1 million decrease in net sales of our Ni-MH batteries (resulting from a 6.0% decrease in the number of Ni-MH battery units sold and a 6.2% decrease in the average selling price of such batteries) and a \$400,182 decrease in revenue from our new material business. The increase in the number of lithium batteries units sold in the six months ended June 30, 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:

	<i>Six months ended June 30,</i>	
	<i>2015</i>	<i>2014</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$
<b>Cost of Sales</b>		
Ni-MH Batteries	23,565,936	27,514,189
Lithium Batteries	31,640,483	24,580,425
New Materials	1,447,556	1,539,900
Total	<u>56,653,975</u>	<u>53,634,514</u>

Cost of sales mainly consists of nickel, cobalt, lithium derived materials, labor, and overhead. Costs of sales were \$56.7 million for the six months ended June 30, 2015, as compared to \$53.6 million for the comparable period in 2014. As a percentage of net sales, cost of sales increased to 80.0% for the six months ended June 30, 2015 compared to 79.7% for the comparable period in 2014.

### Gross profit

Gross profit for the six months ended June 30, 2015 was \$14.1 million, or 20.0% of net sales, compared to \$13.7 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 \$3.7 million, or 5.2% of net sales, for the six months ended June 30, 2015 as compared to approximately \$3.8 million, or 5.6% of net sales, for the comparable period in 2014, a decrease of 3.1%. The decrease was due to control expenses.

#### *Selling and distribution expenses*

Selling and distribution expenses were \$3.4 million, or 4.8% of net sales, for the six months ended June 30, 2015 compared to \$3.1 million, or 4.6% of net sales, for the comparable period in 2014, an increase of 8.7%. 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 \$6.4 million, or 9.1% of net sales, for the six months ended June 30, 2015, compared to \$6.9 million, or 10.2% 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 \$412,304, down from \$916,244 in the first half of 2014.

#### *Foreign currency transaction gain*

We experienced a gain of \$443,857 for the six months ended June 30, 2015 and a gain of \$349,695 for the six months ended June 30, 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 six months ended June 30, 2015, as compared to a loss of \$116,134 for the comparable period in 2014, which the primary reason for a loss of \$130,948 on unsettled currency forwards for the depreciation of the RMB relative to the U.S. Dollar.

#### *Interest expenses*

Interest expenses were \$544,118 for the six months ended June 30, 2015, as compared to \$1.1 million 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 \$587,147 for the six months ended June 30, 2015, as compared to approximately \$903,374 for the comparable period in 2014, a decrease of \$316,227. The decrease was due to a decrease of \$275,957 in bank interest income.

#### *Gain on fair value change of warrant liabilities*

Gain on fair value change of warrant liabilities was \$431,132 for the six months ended June 30, 2015, as compared to \$74,548 for the six months ended June 30, 2014. It represented the fair value change of 500,000 shares of warrants issued on April 17, 2014.

*Income tax benefit (expense)*

During the six months ended June 30, 2015, we recorded provision for income tax benefit of \$76,416 as compared to income tax expense of \$189,213 for the comparable period in 2014.

*Net income (loss)*

Net income attributable to the Company (excluding net loss attributable to non-controlling interest) for the six months ended June 30, 2015 was \$1.7 million, compared to net loss attributable to the Company (excluding net loss attributable to non-controlling interest) of \$122,651 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 six months ended June 30, 2015, the exchange rate of the RMB to the U.S. Dollar devaluated 0.2% 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 \$3.7 million as of June 30, 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 June 30, 2015, we had in place general banking facilities with seven financial institutions aggregating \$49.0 million. The maturity of these facilities is generally within one year. The facilities are subject to regular review and approval. Certain of these banking facilities are guaranteed by our Chief Executive Officer, Mr. Dang Yu Pan, and contain customary affirmative and negative covenants for secured credit facilities of this type. Interest rates are generally based on the banks’ reference lending rates. No significant commitment fees are required to be paid for the banking facilities. As of June 30, 2015, we had utilized approximately \$24.7 million under such general credit facilities and had available unused credit facilities of \$24.3 million.

For the six months ended June 30, 2015, net cash used in operating activities was approximately \$5.9 million, as compared to \$4.8 million provided by operating activities for the comparable period in 2014. The net cash decrease of \$10.7 million used in operating activities is primarily attributable to, among other items, an increase of \$8.4 million in cash outflow from accounts payable, an increase of \$2.3 million in outflow from inventories, an increase of \$1.1 million in outflow from prepayment.

Net cash used in investing activities was \$4.0 million for the six months ended June 30, 2015 compared to \$3.5 million for the comparable period in 2014. The net increase of \$0.5 million of cash used in investing activities was primarily attributable to an increase in cash outflow from acquisition of plant and equipment for increase Auto-equipment.

Net cash used in financing activities was \$1.1 million during the six months ended June 30, 2015, as compared to \$3.8 million provided by financing activities for the comparable period in 2014. The net decrease of \$4.9 million in net cash provided by financing activities was primarily attributable to a decrease of \$9.6 million in proceeds from short-term bank loans, an increase of \$2.4 million in repayment of notes payable, a decrease of \$4.6 million in proceeds from issuance of capital stock, net, and a decrease in change in restricted cash, which was partly offset by a decrease of \$8.3 million in repayment of short-term bank loans, an increase of \$9.2 million in proceeds from notes payable.

For the six months ended June 30, 2015 and 2014, our inventory turnover was 4.7 times and 5.3 times, respectively. The average days outstanding of our accounts receivable at June 30, 2015 was 83 days, as compared to 90 days at June 30, 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 \$414,201 and \$343,804 for the three months ended June 30, 2015 and 2014, respectively, and \$826,889 and \$703,703 in the six months ended June 30, 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 150 days; and (ii) using short-term bank loans. Upon receiving payment for our accounts receivable, we pay our short-term loans. Our working capital management practices are designed to ensure that we maintain sufficient working capital.

#### **Recent Accounting Pronouncements**

The FASB has issued ASU No. 2015-01 Income Statement-Extraordinary and Unusual Items through ASU No. 2015-11 Inventory, which are not expected to have a material impact on the consolidated financial statements upon adoption.

#### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Not required for a smaller reporting company.

#### **Item 4. Controls and Procedures**

##### ***Evaluation of Disclosure Controls and Procedures***

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

Based on an evaluation carried out as of the end of the period covered by this quarterly report, under the supervision and with the participation of our management, including our CEO and CFO, who have concluded that, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective as of June 30, 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 June 30, 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 30, 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**

*Credit Contract Between SZ Highpower and China Everbright Bank Co., Ltd. Shenzhen Branch*  
*Credit Contract Between SZ Springpower and China Everbright Bank Co., Ltd. Shenzhen Branch*

On June 23, 2015, SZ Highpower and SZ Springpower entered into comprehensive credit line contracts with *Everbright Bank Co., Ltd. Shenzhen Branch* respectively. SZ Highpower’s loan agreement provides for a revolving line of credit of up to RMB30,000,000 (US\$4,906,049) and SZ Springpower’s loan agreement provides for a revolving line of credit of up to RMB20,000,000 (US\$3,270,699). Each borrower may withdraw its loan, from time to time as needed, but must make a specific drawdown application on or before June 22, 2016, after which time the bank may cancel all or part of the facilities. SZ Highpower’s loan is guaranteed by our Chief Executive Officer, Dangyu Pan, SZ Springpower, HZ HTC, and ICON. SZ Springpower’s loan is guaranteed by Dangyu Pan, SZ Highpower, HZ HTC and ICON.

The following constitute events of default under the loan contracts: a significant monetary policy change in the PRC; a severe financial risk occurs or is likely to occur in borrower’s location; a significant change in borrower’s business market; the borrower has experienced or will encounter major operational difficulties or risks; a significant change in borrower’s corporate structure, such as a merger, acquisition, reorganization, separation, amalgamation or termination, which the bank believes might affect its ability to collect on the loan; the borrower’s refusal to accept the bank’s supervision and inspection of the use of loan funds and borrower’s operational and financial activities; borrower’s change in the use of the loan proceeds without the prior consent of the bank, or misappropriation of loan funds, or engagement in illegal or irregular transactions; the borrower’s providing of false materials or withholding of important financial or operational facts; the borrower’s transfer of assets, retrieval of capital, denial of indebtedness; the borrower’s being considered a “group account” according to the “Commercial Bank Group Guidelines for Customer Credit Risk Management Business,” or other relevant laws and regulations through related party transactions; the borrower’s violation of the contractual commitments stipulated in the contract; a guarantor is in critical shortage of working capital or encounters a major operational difficulty, which negatively affects the guarantor’s ability to guaranty the loan; any pledged object is damaged or lost, which jeopardizes the security and rights of the bank; the emergence of any other circumstance that the bank determines may affect the bank’s ability to collect on the loan or harm the bank’s rights and benefits; the borrower’s failure to perform any obligations in a specific business contract.

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

## Item 6. Exhibits

Exhibit Number	Description of Document
10.1	Comprehensive Credit Line Contract dated June 23, 2015 by and between Bank of China Everbright Bank and Springpower Technology (Shenzhen) Company Limited (translated to English).
10.1(a)	Maximum Guarantee Contract between Bank of China Everbright Bank Shenzhen Branch and Shenzhen Highpower Technology Co. Ltd. (translated to English).
10.1(b)	Maximum Guarantee Contract between Bank of China Everbright Bank Shenzhen Branch and Icon Energy System Co., Ltd (translated to English).
10.1(c)	Maximum Guarantee Contract between Bank of China Everbright Bank Shenzhen Branch and Huizhou Highpower Technology Co., Ltd (translated to English).
10.1(d)	Maximum Guarantee Contract between Bank of China Everbright Bank Shenzhen Branch and Pan Dangyu (translated to English).
10.2	Comprehensive Credit Line Contract dated June 23, 2015 by and between Bank of China Everbright Bank and Shenzhen Highpower Technology Company Limited (translated to English).
10.2(a)	Maximum Guarantee Contract between Bank of China Everbright Bank Shenzhen Branch and Springpower Technology (Shenzhen) Co. Ltd. (translated to English).
10.2(b)	Maximum Guarantee Contract between Bank of China Everbright Bank Shenzhen Branch and Icon Energy System Co., Ltd (translated to English).
10.2(c)	Maximum Guarantee Contract between Bank of China Everbright Bank Shenzhen Branch and Huizhou Highpower Technology Co., Ltd (translated to English).
10.2(d)	Maximum Guarantee Contract between Bank of China Everbright Bank Shenzhen Branch and Pan Dangyu (translated to English).
31.1	Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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



**HIGHPOWER INTERNATIONAL, INC.**

**SIGNATURES**

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

**Highpower International, Inc.**

Dated: August 14, 2015

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

By: /s/ Henry Sun  
Henry Sun  
Its: Chief Financial Officer (principal financial and accounting officer)

Comprehensive Credit Contract

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## Directory

<b>Chapter one</b>	Definitions and interpretation
<b>Chapter two</b>	The maximum credit limits and Specific line of credit
<b>Chapter three</b>	The period of credit
<b>Chapter four</b>	Usage of the Maximum Credit Limits and Specific Line of Credit
<b>Chapter five</b>	The Fees
<b>Chapter six</b>	Adjustment of the Maximum Credit Limits and Specific Line of Credit
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## Comprehensive Credit Contract

Party A: SPRINGPOWER TECHNOLOGY (SHENZHEN) CO., LTD  
Add: Building A, Industrial Area, Renmin Road, Guanlan street, Bao'an District, Shenzhen, china  
Legal Representative: Pan Dangyu  
Tel: 0755-89686236  
Fax: 0755-89686819

Party B: China Everbright Bank Shenzhen Shenzhen Branch  
Add: No.4, Zhuzilin road, Futian, Shenzhen, China.  
Tel: 0755-81483044  
Fax: 0755-28138641

In accordance with the relevant laws and regulations, such as "Republic of China on Commercial Banks" and "Interim Measures of commercial banks authorize and credit" and "Guidelines for Risk Management of Credit business of Commercial Bank Group's customers", Based on equality, voluntariness, the principle of good faith, Party A and Party B make the agreement after the equal consultations, and both of them are willing to follow all terms of the contract.

### **Part 1 Definitions and interpretation**

*Clause 1* Except as otherwise explained in the context, the following terms of this agreement are defined as below:

**Comprehensive credit:** Party B shall provide one or several conditional commitments by credit support to Party A.

**Specific business:** According to comprehensive credit, Party B shall provide the loans, bank acceptances, trade finance and other specific credit business to Party A.

**The maximum credit limits:** According to comprehensive credit, the highest balance of debt principal by using the specific businesses, Party A can apply to Party B within the validity period of the comprehensive credit agreement.

**Specific line of credit:** According to the maximum credit limits, the highest balance of debt principal by using one specific business Party A can apply to Party B within the validity period of the comprehensive credit agreement.

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Used line of credit: According to specific line of credit, the sum of debt principal by using one specific outstanding business Party A applied within the validity period of the comprehensive credit agreement.

Specific business contract: The contract signed by Party A and Party B about the specific using of the business and Line of credit.

## **Part 2 The maximum credit limits and Specific line of credit**

*Clause 2* The maximum credit limits under this contract (Total local currency and foreign currency , foreign currency are translated into RMB at the benchmark rate which the date of signing the agreement): RMB20,000,000.00

Both parties agree that this Agreement under the maximum credit limits including the outstanding business of original Comprehensive Credit Agreement (Agreement Number: \_\_\_\_\_)

*Clause 3* According to the maximum credit limits, the specific line of credit is:

Bank acceptances: the specific line of credit RMB20,000,000.00

## **Part 3 The period of credit**

*Clause 4* The period of the maximum credit limits: from 23th Jun 2015 to 22th Jun 2016.

The period of the specific business is determined by the specific contract, but the start date of the specific business must not exceed the effective use of the deadline of the maximum credit limits.

## **Part 4 Usage of the Maximum Credit Limits and Specific Line of Credit**

*Clause 5* According to the maximum credit limits, Party A can apply to use the specific line of credit once or several times during the period of credit. Party B determines the scope, amount and period of specific business by the credit situation of Party A based on the credit policy of Party B.

*Clause 6* Provisions of revolving usage: During the period of the maximum credit limits, Party A can revolve the line of credit. The debt of one specific business is paid off, the same kind of new specific business can be used except that Party B prohibited revolving.

*Clause 7* Party A and Party B should sign specific contract for specific business. If the specific business contract is inconsistent with this agreement, it should be subject to specific business contract. For example, Party A has been identified as customers of the Group under the "Guidelines for Risk Management of Credit business of Commercial Bank Group's customers" and other relevant laws and regulations.

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## **Part 5 The Fees**

*Clause 8* According to each specific business contract, Party A and Party B should conform to the interest rate, exchange rate, fee rate and other fees charged by Party B in the specific contract.

## **Part 6 Adjustment of the Maximum Credit Limits and Specific Line of Credit**

*Clause 9* Party B has the right to adjust the maximum credit limits and specific line of credit and the period or end the line of credit when one of the following things happens:

- (1) A significant monetary policy change in the PRC;
  - (2) A severe financial risk occurs or is likely to occur in borrower's location;
  - (3) A significant change in borrower's business market;
  - (4) The borrower has experienced or will encounter major operational difficulties or risks;
  - (5) A significant change in borrower's corporate structure, such as a merger, acquisition, reorganization, separation, amalgamation or termination, which the bank believes might affect its ability to collect on the loan;
  - (6) The borrower's refusal to accept the bank's supervision and inspection of the use of loan funds and borrower's operational and financial activities;
  - (7) The borrower's change in the use of the loan proceeds without the prior consent of the bank, or misappropriation of loan funds, or engagement in illegal or irregular transactions;
  - (8) The borrower's providing of false materials or withholding of important financial or operational facts;
  - (9) The borrower's transfer of assets, retrieval of capital, denial of indebtedness;
  - (10) The borrower's being considered a "group account" according to the "Commercial Bank Group Guidelines for Customer Credit Risk Management Business," or other relevant laws and regulations through related party transactions;
  - (11) The borrower's violation of the contractual commitments stipulated in the contract;
  - (12) A guarantor is in critical shortage of working capital or encounters a major operational difficulty, which negatively affects the guarantor's ability to guaranty the loan;
  - (13) Any pledged object is damaged or lost, which jeopardizes the security and rights of the bank;
  - (14) The emergence of any other circumstance that the bank determines may affect the bank's ability to collect on the loan or harm the bank's rights and benefits;
  - (15) The borrower's failure to perform any obligations in a specific business contract.
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*Clause 10* After signing the contract, Party A can apply to adjust specific line of credit in writing. After the written consent of Party B, the contract can be adjusted, and not subject to the constraints. The written application and written consent are considered to the modification of the part 3, which has the same power of the contract.

#### **Part 7 Guarantee**

*Clause 11* In order to ensure that claims under this agreement are satisfied, take the following guaranty methods:

The guarantor Shenzhen Highpower Technology Co., Ltd, Huizhou Highpower Technology Co., Ltd, and Icon Energy System Co., Ltd. And Pan Dangyu and signed "Guaranty Contract of Maximum Amount", which number is "GB78191506002-1GB78191506002-2GB78191506002-3GB78191506002-4" with Party B.

*Clause 12* In spite of agreed guaranty method, when both parties are involved in specific business, if Party B deems necessary, Party B also has the right to require other guarantees from Party A. Party A cannot refuse the requirement because of agreed guarantee in this part.

#### **Part 8 Commitment of Party B**

*Clause 13* Party A applies to use the specific credit in accordance with the agreement; Party B should examine and notice the result to Party A in time.

#### **Part 9 Commitment of Party A**

*Clause 14* Party A should pay off the debt and fees on time according to the specific business credit.

*Clause 15* The using of fund under the specific contract should follow the provisions of the law and the agreement, and accept Party B's examination at any time.

*Clause 16* During the period of credit, Party A should submit to Party B true financial statements, truthfully provide major domestic bank, bank account, deposit and loan balance and other relevant information of the operating conditions.

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*Clause 17* If Party A is considered as a Group Account according to the "Commercial Bank Group guidelines for customer credit risk management business", or other relevant laws and regulations. During the credit period, Party A shall promptly report to Party B about more than 10% of net assets associated with the transaction, including but not limited to:

- (1) The parties to the transaction of the association;
- (2) Trading program and nature of the transaction;
- (3) The amount of the transaction or the corresponding ratio;
- (4) Pricing policies (including no amount or only nominal amounts of transactions)
- (5) Requirements of laws, regulations or other circumstances required by Party B.

*Clause 18* During the period of credit, Party A should notice Party B in advance when providing guarantee for third party, which can not affect the ability to pay off debt.

*Clause 19* During the period of credit, Party A has the following obligation:

(1) If the legal representative or legal residence, place of business, or the registered capital of a major investment in equity change, Party A shall notice to Party B within 15 days from the date of change and provide the relevant information.

(2) During the credit period, Party A involves in significant litigation, arbitration or other judicial proceedings, administrative punishment procedures, or a significant change in operating conditions and financial condition, which may affect the realization of Party B's debt, Party A shall notify Party B immediately.

(3) During the credit period, any activities of assets reorganization (such as mergers, acquisitions, discrete), or changes of business, or activities changes the organization, operation mode, or dissolution, bankruptcy application, should notify Party B two months in advance, and should pay off all the debts of Party A or perform the debt responsibilities.

*Clause 20* If Party A fails to the rule of any specific business contract, then it can be deemed to breach the agreement, and Party B has the right to end the agreement and require all outstanding claims.

Any damages to Party B caused by Party A's breach of contract, Party A should assume full obligations.

#### **Part 10 Effect of Contract**

*Clause 21* This contract comes into effect when it signed by both parties' the legal representative or agent or sealed and stamped.

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### **Part 11 Disputes and Resolution**

*Clause 22* If two parties have a dispute, amicable settlement is accepted firstly. Necessary action is needed if the consultation fails, either party may apply to the local court.

### **Part 12 Integrity of the Contract**

*Clause 23* Every specific business contract signed by Party A and Party B is the effective part of this agreement, which make up integrity agreement.

*Clause 24* If Party A fails to perform the provisions of any specific business contract, then it can be deemed to breach the agreement, and Party B has the right to end the agreement and require all outstanding claims.

*Clause 25* Agreed by Party B, Party A can authorize all or part of the line of credit under this agreement to other units to use, and name of the unit is authorized to enter into with the relevant specific business contract signed with Party B, the specific content shall prevail by "credit line to use the power of attorney" issued by Party A and approved by Party B.

*Clause 26* In the "line of credit using the power of attorney" or "buy-back guarantee amount to use the power of attorney", it is not necessary to clear the specific business of the specific line of credit under Article 3.

*Clause 27* Party A in the " power of attorney for using line of credit " must clarify whether the authorized organization can be delegated or not.

*Clause 28* Matters not covered in this Agreement, the parties maybe reach a written agreement as an annex to this Agreement which is the integral part of this agreement, and has the same legal effect.

### **Part 13 Supplementary Provisions**

*Clause 29* This agreement is in duplicate, Party A has one copy, Party B has one copy, which have the same legal effect.

*Clause 30* This agreement is signed on June 23, 2015 in Shenzhen.

*Clause 31* The two parties agreed to notarize the contract and promise to give the contract enforceability. When the party fails to perform, do not fully comply with any legal obligations, Party B has the right to direct the people's court having jurisdiction for enforcement. Party A makes no objection to the enforcement application under the agreement. (Not applicable)

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*Clause 32* If at any time, any provision of this contract in any way becomes illegitimate, invalid or unenforceable, the legality, validity or enforceability of the other provisions of this contract is not affected.

*Clause 33* Under this agreement In the event of bank acceptance bill business, "bank acceptance agreement" signed by \_\_\_\_\_ the specific operations undertaken by the Branch Office, all the rights and obligations under "banker's acceptance agreement" borne by. \_\_\_\_\_ (Not applicable)

Party A (Stamp)

Signature of legal representative or deputy:

Party B (Stamp)

Signature of legal representative or deputy:

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**Guaranteed Maximum Contract**

**CHINA EVERBRIGHT BANK**

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## Directory

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### Guaranteed Maximum Contract

Guarantor: SHEN ZHEN HIGHPOWER TECHNOLOGY CO.,LTD  
Address: Building A1,shanxia road, pinghu street, longgang district, shenzhen, 518000  
Legal representative: PanDangyu  
Attorney:  
Managers: SunXun  
TEL: 0755-89686802  
FAX: 0755-89686819  
Bank: Bank Of China.LongHua Branch

A/C NO. 78190188000068296  
Creditor: China everbright bank CO.,LTD Shenzhen Branch  
Address: No.26 of 7th zizhu road Zhuzilin, Futian district, shenzhen, guangdong, 518000  
China  
Legal representative/ Person in charge: Peng Jianping  
Managers: Yang Xiaolin  
TEL: 0755-81483044  
FAX: 0755-28138641

## **Chapter One: General**

To ensure the fulfillment that, June 23, 2015 SPRINGPOWER TECHNOLOGY (SHENZHEN) CO., LTD. (hereinafter referred to as “fiduciary”) signed with the creditor numbered ZH78191506002 “Comprehensive Credit Agreement” (hereinafter referred to as “Comprehensive Credit Agreement”), guarantor is willing to provide the maximum amount of credit joint liability guarantee to secure fiduciary will pay off the entire debt under its “comprehensive credit agreement” timely and fully.

After reviewing, the creditor agreed to accept a guarantee provided by the guarantor. In order to clarify both the guarantor and the creditor rights and obligations we formulated this contract guided by the principles of equality and mutual benefit, in accordance with the provisions of relevant laws and regulations.

## **Chapter Two: Definition**

Article 1. Unless the context requires or the Contract requires, in this Contract:

Master contract: refers to creditor and fiduciary signed the “Comprehensive Credit Agreement” as well as the creditor and fiduciary signed a specific credit business contract or agreement under “comprehensive credit agreement” for each credit business.

Specific credit business contract or agreement refers to the creditor guided by “comprehensive credit agreement” provide the single specific credit business contract or agreement to the fiduciary, which is signed with the fiduciary including the local currency and the foreign currency loans, trade finance, discount, acceptances, letters of credit, guarantees, factoring, guarantees and other off-balance sheet credit payment form (collectively, “specific credit business”).

## **Chapter Three: The Principal Debt Secured By**

Article 2. The principal debt secured by the guarantor is all the specific credit business incurred under the contract or agreement signed by creditor and fiduciary based on the master “comprehensive credit agreement”. The guaranteed maximum principal debt for “Comprehensive Credit Agreement” is RMB Twenty million.

Of the following cases, the main contract claims to determine:

- (One) identify expiry of the period of the main contract;
- (Two) the new creditor cannot happen;
- (Three) the creditor and the fiduciary terminate the contract or the creditor and the guarantor terminate the contract;
- (Four) the fiduciary or the guarantor is declared bankrupt or is revoked, suspended, canceled or dissolution;
- (Five) other cases law claimed.

## **Chapter Four: Guaranteed Way**

Article 3. Guarantor provided the joint and several liability guarantee under the contract

## **Chapter Five: Warranty**

Article 4. Guaranteed under this contract include: a fiduciary under the contract shall repay or pay the debt principal to the main creditor, interest (including statutory interest, agreed interest and penalty interest), compound interest, fees, liquidated damages, compensation, the cost of the claim, (including, but not limited to, litigation costs, attorneys’ fees, notary fees, implementation costs, etc.) and all other fees payable (above together referred to as “collateralized debt obligations”).

Article 5. Creditor used to indicate any credit secured debt under the contract or any proof payable, unless there is manifest error, the two sides should be the conclusive evidence of the relationship between credit and debt and is binding on the guarantor.

#### **Chapter Six: Warranty period**

Article 6. Each specific credit business guarantee period under “Comprehensive Credit Agreement” calculated separately since specific contract or agreement fiduciary obligations to fulfill the expiration date (as required by law or agreement which led to the events specific credit business contract or agreement early maturity, compared with earlier due date) two years.

#### **Chapter Seven: The Documents the Guarantor Should Submit**

Article 7. Guarantor shall ensure that a fiduciary who first used the credit provided under the main contract specific credit business before the credit has been received, guarantor submitted the following documents:

1. The legal representative or agent effective guarantor signature or seal and affix the official seal of the original contract;
2. Guarantor’s articles of association or approve the establishment of documentation and sponsorship by the latest annual inspection business license or certificate of legal institutions, or other legal existence can prove guarantor state documents;
3. Prove creditworthiness of the guarantor’s financial statements or other information;
4. Guarantor’s board of directors or the right to decide matters of this warranty other guarantor internal agencies agreed to provide guarantee for this contract in accordance with a resolution;
5. Guarantor reasonably required to provide credit and other documents.

For a copy of the above documents, are subject to confirmation that the guarantor stamped copy is true, complete, valid file.

#### **Chapter Eight: Representations and Warranties of Guarantor**

Article 8. Guarantor make the following representations and warranties to the creditor here:

1. The guarantor and validly existing legal entity / other organization in accordance with Chinese laws established, with independent civil capacity, and enjoy the full power, authority and rights of all of its assets and business activities of civil liability.
2. Guarantor has sufficient power, authority and rights to sign this contract and conduct transactions under this contract and has taken or obtained all necessary legal actions and other actions and agreed to authorize the execution and performance of this contract. The contract is guaranteed by a legal representative or agent valid signature.
3. Guarantor has carefully read and fully understood the contract and t accept the Lord contents and guarantor execution and performance of this contract is voluntary, under this contract in the full meaning of true representation.

4. Guarantor provide all the documents, data, reports, and documents to the creditor are accurate, true, complete and effective, and a copy of the form of documents are consistent with the original.
5. Guarantor has been made to sign this contract with all the necessary government approvals and third party consents, the execution and performance of this contract does not violate the sponsor's corporate constituent documents / approval documents (if any) and as a party to any other contract or agreement. Guaranteed under this contract will not be subject to any restrictions.
6. To ensure that the contract legality, validity or enforceability of the guarantor has been completed or will complete all required registration, filing or notary procedures.
7. This contract is legally valid, on the guarantor constitute a legally binding obligation.
8. Currently there is no surety or anything involving major operating assets and will be the guarantor's financial position or guarantor to fulfill its obligations under this contract and adversely affect the ability of litigation, arbitration or administrative proceedings.
9. Guarantor did not occur or exist any event of default.

Article 9. The representations and warranties of the guarantor in the life of the contract shall remain correct and that the guarantor will be ready by the creditor's request for further documents.

#### **Chapter Nine: Guarantor's Commitment**

Article 10. Before all of the secured debt repaid, the guarantor shall comply with the following provisions:

1. The guarantor shall immediately notify the creditor any of the following events:
  - (1) the occurrence of any event of default;
  - (2) relates to the guarantor or any major operating assets of litigation, arbitration or administrative proceedings;
  - (3) the guarantor's financial position deterioration, suspension of business, or is declared bankrupt, dissolved, revoked business license / certificate of legal institutions or revoked.
2. In the life of the contract, as long as all of the secured debt is not repaid, without the prior written consent of the creditor, the guarantor couldn't make any associate, contract, lease, merger, joint-stock reform, or other mode of operation and ownership structure changed arrangements; If indeed due to operational needs or national policies, laws need to adjust for associates, contract, lease, merger, joint-stock reform, or otherwise change its mode of operation or ownership structure, the guarantor shall obtain the prior written consent of the creditor and in this contract under its warranty obligations and obligations to make a satisfactory credit arrangement.
3. In the life of the contract, as long as all of the secured debt is not repaid, except with the prior written consent of the creditor, the guarantor shall not sell, transfer, or otherwise dispose split any material operating assets.
4. In the life of the contract, before the completion of the all the secured debt fully settled, guarantor will not be in respect of its generation of a fiduciary to the creditor settlement of any sum or its fiduciary may be entitled to any other creditor, to the fiduciary recourse or claim right.



5. In the life of the contract, the guarantor as the administrative department for industry and commerce to make any changes to registration, should be after the change ten working days written notice to the creditor and the creditor files a copy of the relevant registration creditor.
6. If a fiduciary fails to pay the secured debt timely, the guarantor shall, upon receipt of payment in writing to the creditor within seven working days of the creditor, the creditor unconditionally in the manner required by a fiduciary on behalf of the creditor payment of such debts.
7. If the guarantor fails to credit the person's request to timely payment of any sum under the contract, the creditor entitled to directly from the guarantor to the creditor or credit to any other person within the system of opening branches directly deduct any account, without having to obtain the prior consent of the guarantor.
8. Upon the request of the creditor, the guarantor shall be required to pay immediately to the credit or compensation for costs and losses following:
  - (1) Credit artificially realize the rights under this contract incurred all costs and expenses (including but not limited to attorney's fees, court costs, fees and all other executive actual expenditure); and
  - (2) due to violation of the contract and the guarantor to the creditor liable for any other losses.

#### **Chapter Ten: The Nature and Effectiveness of Security**

Article 11. This contract guarantees established by independent credit secured debt artificially made by any other guarantee. Credit to exercise rights under this contract without first implementation of its former holdings of any other guarantees (whether material or human security guarantees), and need not first to the fiduciary or any other third party to take any other relief measures.

#### **Chapter Eleven: Events of default**

Article 12. Each of the following events and issues constitute Guarantor in the event of default under the contract:

1. Master contract any event of default occurs under;
2. Guarantor under this contract made representations, warranties or undertakings are recognized as incorrect or untrue;
3. The main part of any contract for any reason is no longer fully valid, or is terminated for any reason or restricted;
4. Guarantor suspend or cease business or enters bankruptcy, liquidation, or other similar programs out of business, or the guarantor being filed for bankruptcy liquidation or authorities decided to suspend or temporarily suspended operations
5. Occurred against the guarantor or a substantial operating assets litigation, arbitration or administrative proceedings;

6. Guarantor is in breach of its present obligations under the contract or the occurrence of other people think that credit will adversely affect the creditor rights under this Contract other events.

Article 13. Of the event of default has occurred, as the case is entitled to take credit of any one or more of the following measures:

1. Exercise credit in the main contract and enjoyed under this contract remedies for breach of contract;
2. Guarantor in accordance with the requirements of the contract responsibility of guarantee;
3. Exercise of the creditor was secured debt may have any other security interest.

#### **Chapter Twelve: Others**

Article 14. Without the prior consent of the creditor, the guarantor shall not transfer or otherwise dispose of their under this contract in whole or part of the obligations.

Article 15. Of people give credit guarantors any grace, discount or delay, shall not affect, damage or limit the creditor under this contract and the laws and regulations and all the rights; no person should be treated as credit rights under this Contract and interest waiver, does not affect the guarantor under this contract from any liability and obligations.

Article 16. If at any time any of the terms of this contract are in any way or becomes illegal, invalid or unenforceable, the other provisions of this contract the legality, validity or enforceability is not affected or impaired.

Article 17. Of the contract, the guarantor shall be guaranteed full payment of the debt, offset shall not make any claim, nor shall any conditions.

Article 18. The contract mutual issue relating to this contract notice requirements should be made in writing, sent to the home page of this contract the parties listed in the address or fax. Any party to change its address or fax, the need for timely notice to the other.

Communications between the parties, such as by hand, after delivery shall be deemed to be served; if sent by registered letter, and in three days after sending a registered letter shall be deemed to be served; if sent by facsimile, shall be deemed to be served at the time of issue

#### **Chapter Thirteen: Applicable Law and Dispute Resolution**

Article 19. Of the contract and the contract any of the matters covered by Chinese law, and in accordance with Chinese law explained.

Article 20. During the performance of this contract or in connection with all disputes relating to this contract, the two parties settled through friendly consultations. Negotiation cannot reach agreement, either party may apply to the credit people local people's court.

#### **Chapter Fourteen: Effectiveness, Change and Release of the Contract**

Article 21. Of this contract from the guarantor and the creditor both legal representative or agent or stamped and stamped with the official seal of the date.

Article 22. After the commencement of this contract, either party may change or premature termination of the contract. If we need to change or cancel the contract, the guarantor and the creditor shall be approved by mutual agreement, and reach a written agreement. Prior written agreement is reached, the provisions of this contract is still valid.

### **Chapter Fifteen: Attachment**

Article 23. The matters covered in this contract, the guarantor and the creditor both parties may otherwise agree in writing, as an annex to this contract. Hereto are an integral part of this contract, this contract have the same legal effect.

Article 24. of the annex to the contract include:

- 1.
- 2.

### **Chapter Sixteen: Supplementary**

Article 25. Of the original contract a formula two copies guarantor holding one copies of credit people who one copies of the same legal effect.

Article 26. This Contract June 23, 2015 by the guarantor and the creditor in Shenzhen signed.

Article 27. The parties to the contract agree to this contract notarized promise to give the contract unenforceable. When a fiduciary, the guarantor is not fulfilled, or if the debt is not completely fulfill the laws and regulations, the implementation contract creditor claims, guarantees the right circumstances, the creditor has the right to direct the people's court having jurisdiction for enforcement. Fiduciary, guarantor loan made under this contract enforcement application without any objection. (This section is optional terms, the parties choose this contract [ ]. 1, applies; 2, does not apply.)

This page is page contract signed by both parties, no text

Guarantor (stamp):

Legal Representative:  
(or agent)

Creditor (stamp):

Legal Representative / CEO:  
(or agent )

**Guaranteed Maximum Contract**

**CHINA EVERBRIGHT BANK**

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### **Guaranteed Maximum Contract**

Guarantor: Icon Energy Systems (Shenzhen) Co., Ltd.

Address: block A, 4/F, Jinmeiwei Industrial Park, Guanlan Hi-Tech Industrial Park, Shangcheng Community, Guanlan Town, Baoan District, Shenzhen, 518000

Legal Representative: PanDangyu

Attorney:

Managers: SunXun

TEL: 0755-89686802

FAX: 0755-89686819

Bank:

A/C NO.

Creditor: China Everbright Bank Co., Ltd. Shenzhen Branch

Address: No. 26 of 7th Zizhu Road Zhuzilin, Futian District, Shenzhen, Guangdong, 518000 China

Legal Representative/Person in Charge: Peng Jianping

Managers: Yang Xiaolin

TEL: 0755-81483044

FAX: 0755-28138641

## **Chapter One: General**

To ensure the fulfillment that, June 23, 2015 SPRINGPOWER TECHNOLOGY (SHENZHEN) CO., LTD. (hereinafter referred to as “fiduciary”) signed with the creditor numbered ZH78191506002 “Comprehensive Credit Agreement” (hereinafter referred to as “Comprehensive Credit Agreement”), guarantor is willing to provide the maximum amount of credit joint liability guarantee to secure fiduciary will pay off the entire debt under its “comprehensive credit agreement” timely and fully.

After reviewing, the creditor agreed to accept a guarantee provided by the guarantor. In order to clarify both the guarantor and the creditor rights and obligations we formulated this contract guided by the principles of equality and mutual benefit, in accordance with the provisions of relevant laws and regulations.

## **Chapter Two: Definition**

Article 1. Unless the context requires or the Contract requires, in this Contract:

Master contract: refers to creditor and fiduciary signed the “Comprehensive Credit Agreement” as well as the creditor and fiduciary signed a specific credit business contract or agreement under “comprehensive credit agreement” for each credit business.

Specific credit business contract or agreement refers to the creditor guided by “comprehensive credit agreement” provide the single specific credit business contract or agreement to the fiduciary, which is signed with the fiduciary including the local currency and the foreign currency loans, trade finance, discount, acceptances, letters of credit, guarantees, factoring, guarantees and other off-balance sheet credit payment form (collectively, “specific credit business”).

## **Chapter Three: The Principal Debt Secured By**

Article 2. The principal debt secured by the guarantor is all the specific credit business incurred under the contract or agreement signed by creditor and fiduciary based on the master “comprehensive credit agreement”. The guaranteed maximum principal debt for “Comprehensive Credit Agreement” is RMB Twenty million.

Of the following cases, the main contract claims to determine:

- (One) identify expiry of the period of the main contract;
- (Two) the new creditor cannot happen;
- (Three) the creditor and the fiduciary terminate the contract or the creditor and the guarantor terminate the contract;
- (Four) the fiduciary or the guarantor is declared bankrupt or is revoked, suspended, canceled or dissolution;
- (Five) other cases law claimed.

## **Chapter Four: Guaranteed Way**

Article 3. Guarantor provided the joint and several liability guarantee under the contract

## **Chapter Five: Warranty**

Article 4. Guaranteed under this contract include: a fiduciary under the contract shall repay or pay the debt principal to the main creditor, interest (including statutory interest, agreed interest and penalty interest), compound interest, fees, liquidated damages, compensation, the cost of the claim, (including, but not limited to, litigation costs, attorneys’ fees, notary fees, implementation costs, etc.) and all other fees payable (above together referred to as “collateralized debt obligations”).



Article 5. Creditor used to indicate any credit secured debt under the contract or any proof payable, unless there is manifest error, the two sides should be the conclusive evidence of the relationship between credit and debt and is binding on the guarantor.

#### **Chapter Six: Warranty period**

Article 6. Each specific credit business guarantee period under “Comprehensive Credit Agreement” calculated separately since specific contract or agreement fiduciary obligations to fulfill the expiration date (as required by law or agreement which led to the events specific credit business contract or agreement early maturity, compared with earlier due date) two years.

#### **Chapter Seven: The Documents the Guarantor Should Submit**

Article 7. Guarantor shall ensure that a fiduciary who first used the credit provided under the main contract specific credit business before the credit has been received, guarantor submitted the following documents:

1. The legal representative or agent effective guarantor signature or seal and affix the official seal of the original contract;
2. Guarantor’s articles of association or approve the establishment of documentation and sponsorship by the latest annual inspection business license or certificate of legal institutions, or other legal existence can prove guarantor state documents;
3. Prove creditworthiness of the guarantor’s financial statements or other information;
4. Guarantor’s board of directors or the right to decide matters of this warranty other guarantor internal agencies agreed to provide guarantee for this contract in accordance with a resolution;
5. Guarantor reasonably required to provide credit and other documents.

For a copy of the above documents, are subject to confirmation that the guarantor stamped copy is true, complete, valid file.

#### **Chapter Eight: Representations and Warranties of Guarantor**

Article 8. Guarantor make the following representations and warranties to the creditor here:

1. The guarantor and validly existing legal entity / other organization in accordance with Chinese laws established, with independent civil capacity, and enjoy the full power, authority and rights of all of its assets and business activities of civil liability.
2. Guarantor has sufficient power, authority and rights to sign this contract and conduct transactions under this contract and has taken or obtained all necessary legal actions and other actions and agreed to authorize the execution and performance of this contract. The contract is guaranteed by a legal representative or agent valid signature.
3. Guarantor has carefully read and fully understood the contract and t accept the Lord contents and guarantor execution and performance of this contract is voluntary, under this contract in the full meaning of true representation.

4. Guarantor provide all the documents, data, reports, and documents to the creditor are accurate, true, complete and effective, and a copy of the form of documents are consistent with the original.
5. Guarantor has been made to sign this contract with all the necessary government approvals and third party consents, the execution and performance of this contract does not violate the sponsor's corporate constituent documents / approval documents (if any) and as a party to any other contract or agreement. Guaranteed under this contract will not be subject to any restrictions.
6. To ensure that the contract legality, validity or enforceability of the guarantor has been completed or will complete all required registration, filing or notary procedures.
7. This contract is legally valid, on the guarantor constitute a legally binding obligation.
8. Currently there is no surety or anything involving major operating assets and will be the guarantor's financial position or guarantor to fulfill its obligations under this contract and adversely affect the ability of litigation, arbitration or administrative proceedings.
9. Guarantor did not occur or exist any event of default.

Article 9. The representations and warranties of the guarantor in the life of the contract shall remain correct and that the guarantor will be ready by the creditor's request for further documents.

#### **Chapter Nine: Guarantor's Commitment**

Article 10. Before all of the secured debt repaid, the guarantor shall comply with the following provisions:

1. The guarantor shall immediately notify the creditor any of the following events:
  - (1) the occurrence of any event of default;
  - (2) relates to the guarantor or any major operating assets of litigation, arbitration or administrative proceedings;
  - (3) the guarantor's financial position deterioration, suspension of business, or is declared bankrupt, dissolved, revoked business license / certificate of legal institutions or revoked.
2. In the life of the contract, as long as all of the secured debt is not repaid, without the prior written consent of the creditor, the guarantor couldn't make any associate, contract, lease, merger, joint-stock reform, or other mode of operation and ownership structure changed arrangements; If indeed due to operational needs or national policies, laws need to adjust for associates, contract, lease, merger, joint-stock reform, or otherwise change its mode of operation or ownership structure, the guarantor shall obtain the prior written consent of the creditor and in this contract under its warranty obligations and obligations to make a satisfactory credit arrangement.
3. In the life of the contract, as long as all of the secured debt is not repaid, except with the prior written consent of the creditor, the guarantor shall not sell, transfer, or otherwise dispose split any material operating assets.
4. In the life of the contract, before the completion of the all the secured debt fully settled, guarantor will not be in respect of its generation of a fiduciary to the creditor settlement of any sum or its fiduciary may be entitled to any other creditor, to the fiduciary recourse or claim right.

5. In the life of the contract, the guarantor as the administrative department for industry and commerce to make any changes to registration, should be after the change ten working days written notice to the creditor and the creditor files a copy of the relevant registration creditor.
6. If a fiduciary fails to pay the secured debt timely, the guarantor shall, upon receipt of payment in writing to the creditor within seven working days of the creditor, the creditor unconditionally in the manner required by a fiduciary on behalf of the creditor payment of such debts.
7. If the guarantor fails to credit the person's request to timely payment of any sum under the contract, the creditor entitled to directly from the guarantor to the creditor or credit to any other person within the system of opening branches directly deduct any account, without having to obtain the prior consent of the guarantor.
8. Upon the request of the creditor, the guarantor shall be required to pay immediately to the credit or compensation for costs and losses following:
  - (1) Credit artificially realize the rights under this contract incurred all costs and expenses (including but not limited to attorney's fees, court costs, fees and all other executive actual expenditure); and
  - (2) due to violation of the contract and the guarantor to the creditor liable for any other losses.

#### **Chapter Ten: The Nature and Effectiveness of Security**

Article 11. This contract guarantees established by independent credit secured debt artificially made by any other guarantee. Credit to exercise rights under this contract without first implementation of its former holdings of any other guarantees (whether material or human security guarantees), and need not first to the fiduciary or any other third party to take any other relief measures.

#### **Chapter Eleven: Events of default**

Article 12. Each of the following events and issues constitute Guarantor in the event of default under the contract:

1. Master contract any event of default occurs under;
2. Guarantor under this contract made representations, warranties or undertakings are recognized as incorrect or untrue;
3. The main part of any contract for any reason is no longer fully valid, or is terminated for any reason or restricted;
4. Guarantor suspend or cease business or enters bankruptcy, liquidation, or other similar programs out of business, or the guarantor being filed for bankruptcy liquidation or authorities decided to suspend or temporarily suspended operations
5. Occurred against the guarantor or a substantial operating assets litigation, arbitration or administrative proceedings;

6. Guarantor is in breach of its present obligations under the contract or the occurrence of other people think that credit will adversely affect the creditor rights under this Contract other events.

Article 13. Of the event of default has occurred, as the case is entitled to take credit of any one or more of the following measures:

1. Exercise credit in the main contract and enjoyed under this contract remedies for breach of contract;
2. Guarantor in accordance with the requirements of the contract responsibility of guarantee;
3. Exercise of the creditor was secured debt may have any other security interest.

#### **Chapter Twelve: Others**

Article 14. Without the prior consent of the creditor, the guarantor shall not transfer or otherwise dispose of their under this contract in whole or part of the obligations.

Article 15. Of people give credit guarantors any grace, discount or delay, shall not affect, damage or limit the creditor under this contract and the laws and regulations and all the rights; no person should be treated as credit rights under this Contract and interest waiver, does not affect the guarantor under this contract from any liability and obligations.

Article 16. If at any time any of the terms of this contract are in any way or becomes illegal, invalid or unenforceable, the other provisions of this contract the legality, validity or enforceability is not affected or impaired.

Article 17. Of the contract, the guarantor shall be guaranteed full payment of the debt, offset shall not make any claim, nor shall any conditions.

Article 18. The contract mutual issue relating to this contract notice requirements should be made in writing, sent to the home page of this contract the parties listed in the address or fax. Any party to change its address or fax, the need for timely notice to the other.

Communications between the parties, such as by hand, after delivery shall be deemed to be served; if sent by registered letter, and in three days after sending a registered letter shall be deemed to be served; if sent by facsimile, shall be deemed to be served at the time of issue

#### **Chapter Thirteen: Applicable Law and Dispute Resolution**

Article 19. Of the contract and the contract any of the matters covered by Chinese law, and in accordance with Chinese law explained.

Article 20. During the performance of this contract or in connection with all disputes relating to this contract, the two parties settled through friendly consultations. Negotiation cannot reach agreement, either party may apply to the credit people local people's court.

#### **Chapter Fourteen: Effectiveness, Change and Release of the Contract**

Article 21. Of this contract from the guarantor and the creditor both legal representative or agent or stamped and stamped with the official seal of the date.

Article 22. After the commencement of this contract, either party may change or premature termination of the contract. If we need to change or cancel the contract, the guarantor and the creditor shall be approved by mutual agreement, and reach a written agreement. Prior written agreement is reached, the provisions of this contract is still valid.

### **Chapter Fifteen: Attachment**

Article 23. The matters covered in this contract, the guarantor and the creditor both parties may otherwise agree in writing, as an annex to this contract. Hereto are an integral part of this contract, this contract have the same legal effect.

Article 24. of the annex to the contract include:

- 1.
- 2.

### **Chapter Sixteen: Supplementary**

Article 25. Of the original contract a formula two copies guarantor holding one copies of credit people who one copies of the same legal effect.

Article 26. This Contract June 23, 2015 by the guarantor and the creditor in Shenzhen signed.

Article 27. The parties to the contract agree to this contract notarized promise to give the contract unenforceable. When a fiduciary, the guarantor is not fulfilled, or if the debt is not completely fulfill the laws and regulations, the implementation contract creditor claims, guarantees the right circumstances, the creditor has the right to direct the people's court having jurisdiction for enforcement. Fiduciary, guarantor loan made under this contract enforcement application without any objection. (This section is optional terms, the parties choose this contract [ ]. 1, applies; 2, does not apply.)

This page is page contract signed by both parties, no text

Guarantor (stamp):

Legal Representative:  
(or agent)

Creditor (stamp):

Legal Representative / CEO:  
(or agent )

**Guaranteed Maximum Contract**

**CHINA EVERBRIGHT BANK**

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Chapter sixteen	Supplementary



### **Guaranteed Maximum Contract**

Guarantor: HUIZHOU HIGHPOWER TECHNOLOGY CO., LTD  
Address: Xihu Industrial Zone, MaAn Town, Huicheng District, Huizhou 518000  
Legal Representative: PanDangyu  
Attorney:  
Managers: SunXun  
TEL: 0755-89686802  
FAX: 0755-89686819  
Bank: Bank Of China, HuiZhou Branch  
A/C NO. 663958438624  
Creditor: China Everbright Bank Co., Ltd, Shenzhen Branch  
Address: No. 26 of 7th Zizhu Road Zhuzilin, Futian District, Shenzhen, Guangdong  
518000 China  
Legal Representative/Person in Charge: Peng Jianping  
Managers: Yang Xiaolin  
TEL: 0755-81483044  
FAX: 0755-28138641

## **Chapter One: General**

To ensure the fulfillment that, June 23, 2015 SPRINGPOWER TECHNOLOGY (SHENZHEN) CO., LTD. (hereinafter referred to as “fiduciary”) signed with the creditor numbered ZH78191506002 “Comprehensive Credit Agreement” (hereinafter referred to as “Comprehensive Credit Agreement”), guarantor is willing to provide the maximum amount of credit joint liability guarantee to secure fiduciary will pay off the entire debt under its “comprehensive credit agreement” timely and fully.

After reviewing, the creditor agreed to accept a guarantee provided by the guarantor. In order to clarify both the guarantor and the creditor rights and obligations we formulated this contract guided by the principles of equality and mutual benefit, in accordance with the provisions of relevant laws and regulations.

## **Chapter Two: Definition**

Article 1. Unless the context requires or the Contract requires, in this Contract:

Master contract: refers to creditor and fiduciary signed the “Comprehensive Credit Agreement” as well as the creditor and fiduciary signed a specific credit business contract or agreement under “comprehensive credit agreement” for each credit business.

Specific credit business contract or agreement refers to the creditor guided by “comprehensive credit agreement” provide the single specific credit business contract or agreement to the fiduciary, which is signed with the fiduciary including the local currency and the foreign currency loans, trade finance, discount, acceptances, letters of credit, guarantees, factoring, guarantees and other off-balance sheet credit payment form (collectively, “specific credit business”).

## **Chapter Three: The Principal Debt Secured By**

Article 2. The principal debt secured by the guarantor is all the specific credit business incurred under the contract or agreement signed by creditor and fiduciary based on the master “comprehensive credit agreement”. The guaranteed maximum principal debt for “Comprehensive Credit Agreement” is RMB Thirty million.

Of the following cases, the main contract claims to determine:

- (One) identify expiry of the period of the main contract;
- (Two) the new creditor cannot happen;
- (Three) the creditor and the fiduciary terminate the contract or the creditor and the guarantor terminate the contract;
- (Four) the fiduciary or the guarantor is declared bankrupt or is revoked, suspended, canceled or dissolution;
- (Five) other cases law claimed.

## **Chapter Four: Guaranteed Way**

Article 3. Guarantor provided the joint and several liability guarantee under the contract

## **Chapter Five: Warranty**

Article 4. Guaranteed under this contract include: a fiduciary under the contract shall repay or pay the debt principal to the main creditor, interest (including statutory interest, agreed interest and penalty interest), compound interest, fees, liquidated damages, compensation, the cost of the claim, (including, but not limited to, litigation costs, attorneys’ fees, notary fees, implementation costs, etc.) and all other fees payable (above together referred to as “collateralized debt obligations”).

Article 5. Creditor used to indicate any credit secured debt under the contract or any proof payable, unless there is manifest error, the two sides should be the conclusive evidence of the relationship between credit and debt and is binding on the guarantor.

#### **Chapter Six: Warranty period**

Article 6. Each specific credit business guarantee period under “Comprehensive Credit Agreement” calculated separately since specific contract or agreement fiduciary obligations to fulfill the expiration date (as required by law or agreement which led to the events specific credit business contract or agreement early maturity, compared with earlier due date) two years.

#### **Chapter Seven: The Documents the Guarantor Should Submit**

Article 7. Guarantor shall ensure that a fiduciary who first used the credit provided under the main contract specific credit business before the credit has been received, guarantor submitted the following documents:

1. The legal representative or agent effective guarantor signature or seal and affix the official seal of the original contract;
2. Guarantor’s articles of association or approve the establishment of documentation and sponsorship by the latest annual inspection business license or certificate of legal institutions, or other legal existence can prove guarantor state documents;
3. Prove creditworthiness of the guarantor’s financial statements or other information;
4. Guarantor’s board of directors or the right to decide matters of this warranty other guarantor internal agencies agreed to provide guarantee for this contract in accordance with a resolution;
5. Guarantor reasonably required to provide credit and other documents.

For a copy of the above documents, are subject to confirmation that the guarantor stamped copy is true, complete, valid file.

#### **Chapter Eight: Representations and Warranties of Guarantor**

Article 8. Guarantor make the following representations and warranties to the creditor here:

1. The guarantor and validly existing legal entity / other organization in accordance with Chinese laws established, with independent civil capacity, and enjoy the full power, authority and rights of all of its assets and business activities of civil liability.
2. Guarantor has sufficient power, authority and rights to sign this contract and conduct transactions under this contract and has taken or obtained all necessary legal actions and other actions and agreed to authorize the execution and performance of this contract. The contract is guaranteed by a legal representative or agent valid signature.
3. Guarantor has carefully read and fully understood the contract and t accept the Lord contents and guarantor execution and performance of this contract is voluntary, under this contract in the full meaning of true representation.

4. Guarantor provide all the documents, data, reports, and documents to the creditor are accurate, true, complete and effective, and a copy of the form of documents are consistent with the original.
5. Guarantor has been made to sign this contract with all the necessary government approvals and third party consents, the execution and performance of this contract does not violate the sponsor's corporate constituent documents / approval documents (if any) and as a party to any other contract or agreement. Guaranteed under this contract will not be subject to any restrictions.
6. To ensure that the contract legality, validity or enforceability of the guarantor has been completed or will complete all required registration, filing or notary procedures.
7. This contract is legally valid, on the guarantor constitute a legally binding obligation.
8. Currently there is no surety or anything involving major operating assets and will be the guarantor's financial position or guarantor to fulfill its obligations under this contract and adversely affect the ability of litigation, arbitration or administrative proceedings.
9. Guarantor did not occur or exist any event of default.

Article 9. The representations and warranties of the guarantor in the life of the contract shall remain correct and that the guarantor will be ready by the creditor's request for further documents.

#### **Chapter Nine: Guarantor's Commitment**

Article 10. Before all of the secured debt repaid, the guarantor shall comply with the following provisions:

1. The guarantor shall immediately notify the creditor any of the following events:
  - (1) the occurrence of any event of default;
  - (2) relates to the guarantor or any major operating assets of litigation, arbitration or administrative proceedings;
  - (3) the guarantor's financial position deterioration, suspension of business, or is declared bankrupt, dissolved, revoked business license / certificate of legal institutions or revoked.
2. In the life of the contract, as long as all of the secured debt is not repaid, without the prior written consent of the creditor, the guarantor couldn't make any associate, contract, lease, merger, joint-stock reform, or other mode of operation and ownership structure changed arrangements; If indeed due to operational needs or national policies, laws need to adjust for associates, contract, lease, merger, joint-stock reform, or otherwise change its mode of operation or ownership structure, the guarantor shall obtain the prior written consent of the creditor and in this contract under its warranty obligations and obligations to make a satisfactory credit arrangement.
3. In the life of the contract, as long as all of the secured debt is not repaid, except with the prior written consent of the creditor, the guarantor shall not sell, transfer, or otherwise dispose split any material operating assets.
4. In the life of the contract, before the completion of the all the secured debt fully settled, guarantor will not be in respect of its generation of a fiduciary to the creditor settlement of any sum or its fiduciary may be entitled to any other creditor, to the fiduciary recourse or claim right.

5. In the life of the contract, the guarantor as the administrative department for industry and commerce to make any changes to registration, should be after the change ten working days written notice to the creditor and the creditor files a copy of the relevant registration creditor.
6. If a fiduciary fails to pay the secured debt timely, the guarantor shall, upon receipt of payment in writing to the creditor within seven working days of the creditor, the creditor unconditionally in the manner required by a fiduciary on behalf of the creditor payment of such debts.
7. If the guarantor fails to credit the person's request to timely payment of any sum under the contract, the creditor entitled to directly from the guarantor to the creditor or credit to any other person within the system of opening branches directly deduct any account, without having to obtain the prior consent of the guarantor.
8. Upon the request of the creditor, the guarantor shall be required to pay immediately to the credit or compensation for costs and losses following:
  - (1) Credit artificially realize the rights under this contract incurred all costs and expenses (including but not limited to attorney's fees, court costs, fees and all other executive actual expenditure); and
  - (2) due to violation of the contract and the guarantor to the creditor liable for any other losses.

#### **Chapter Ten: The Nature and Effectiveness of Security**

Article 11. This contract guarantees established by independent credit secured debt artificially made by any other guarantee. Credit to exercise rights under this contract without first implementation of its former holdings of any other guarantees (whether material or human security guarantees), and need not first to the fiduciary or any other third party to take any other relief measures.

#### **Chapter Eleven: Events of default**

Article 12. Each of the following events and issues constitute Guarantor in the event of default under the contract:

1. Master contract any event of default occurs under;
2. Guarantor under this contract made representations, warranties or undertakings are recognized as incorrect or untrue;
3. The main part of any contract for any reason is no longer fully valid, or is terminated for any reason or restricted;
4. Guarantor suspend or cease business or enters bankruptcy, liquidation, or other similar programs out of business, or the guarantor being filed for bankruptcy liquidation or authorities decided to suspend or temporarily suspended operations
5. Occurred against the guarantor or a substantial operating assets litigation, arbitration or administrative proceedings;

6. Guarantor is in breach of its present obligations under the contract or the occurrence of other people think that credit will adversely affect the creditor rights under this Contract other events.

Article 13. Of the event of default has occurred, as the case is entitled to take credit of any one or more of the following measures:

1. Exercise credit in the main contract and enjoyed under this contract remedies for breach of contract;
2. Guarantor in accordance with the requirements of the contract responsibility of guarantee;
3. Exercise of the creditor was secured debt may have any other security interest.

#### **Chapter Twelve: Others**

Article 14. Without the prior consent of the creditor, the guarantor shall not transfer or otherwise dispose of their under this contract in whole or part of the obligations.

Article 15. Of people give credit guarantors any grace, discount or delay, shall not affect, damage or limit the creditor under this contract and the laws and regulations and all the rights; no person should be treated as credit rights under this Contract and interest waiver, does not affect the guarantor under this contract from any liability and obligations.

Article 16. If at any time any of the terms of this contract are in any way or becomes illegal, invalid or unenforceable, the other provisions of this contract the legality, validity or enforceability is not affected or impaired.

Article 17. Of the contract, the guarantor shall be guaranteed full payment of the debt, offset shall not make any claim, nor shall any conditions.

Article 18. The contract mutual issue relating to this contract notice requirements should be made in writing, sent to the home page of this contract the parties listed in the address or fax. Any party to change its address or fax, the need for timely notice to the other.

Communications between the parties, such as by hand, after delivery shall be deemed to be served; if sent by registered letter, and in three days after sending a registered letter shall be deemed to be served; if sent by facsimile, shall be deemed to be served at the time of issue

#### **Chapter Thirteen: Applicable Law and Dispute Resolution**

Article 19. Of the contract and the contract any of the matters covered by Chinese law, and in accordance with Chinese law explained.

Article 20. During the performance of this contract or in connection with all disputes relating to this contract, the two parties settled through friendly consultations. Negotiation cannot reach agreement, either party may apply to the credit people local people's court.

#### **Chapter Fourteen: Effectiveness, Change and Release of the Contract**

Article 21. Of this contract from the guarantor and the creditor both legal representative or agent or stamped and stamped with the official seal of the date.

Article 22. After the commencement of this contract, either party may change or premature termination of the contract. If we need to change or cancel the contract, the guarantor and the creditor shall be approved by mutual agreement, and reach a written agreement. Prior written agreement is reached, the provisions of this contract is still valid.

### **Chapter Fifteen: Attachment**

Article 23. The matters covered in this contract, the guarantor and the creditor both parties may otherwise agree in writing, as an annex to this contract. Hereto are an integral part of this contract, this contract have the same legal effect.

Article 24. of the annex to the contract include:

- 1.
- 2.

### **Chapter Sixteen: Supplementary**

Article 25. Of the original contract a formula two copies guarantor holding one copies of credit people who one copies of the same legal effect.

Article 26. This Contract June 23, 2015 by the guarantor and the creditor in Shenzhen signed.

Article 27. The parties to the contract agree to this contract notarized promise to give the contract unenforceable. When a fiduciary, the guarantor is not fulfilled, or if the debt is not completely fulfill the laws and regulations, the implementation contract creditor claims, guarantees the right circumstances, the creditor has the right to direct the people's court having jurisdiction for enforcement. Fiduciary, guarantor loan made under this contract enforcement application without any objection. (This section is optional terms, the parties choose this contract [ ]. 1, applies; 2, does not apply.)

This page is page contract signed by both parties, no text

Guarantor (stamp):

Legal Representative:  
(or agent)

Creditor (stamp):

Legal Representative / CEO:  
(or agent )



**Guaranteed Maximum Contract**

Natural person as a guarantor

**CHINA EVERBRIGHT BANK**

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### Guaranteed Maximum Contract

Guarantor: PanDangyu  
ID number: 430104196803184316  
Address: Tianhe District, Guangzhou Road, 463 Shougouling compound No. 34, 2nd Floor Room 604  
Living Address: Pinghu Street, Longgang District, No. 68 Avenue, the new building  
Zip code: 518111  
TEL: 89686236  
FAX: 89686819  
Attorney: (Required to provide a power of attorney signed by the guarantor)  
ID number:  
Address:  
Living Address:  
Zip code:  
TEL:  
FAX:

Creditor: China Everbright Bank branch in Shenzhen Longhua  
Address: Longhua, Bao'an District of Shenzhen City People's Road, Silver Spring Garden Building  
Ground Floor 3,4  
Zip code: 518000  
Legal representative/ Person in charge: Chen Wei  
Attorney:  
Managers: Yang Xiaolin  
TEL: 0755-81483044  
FAX: 0755-28138641

## **Chapter One: General**

To ensure the fulfillment that, June 23, 2015 SPRINGPOWER TECHNOLOGY (SHENZHEN) CO., LTD. (hereinafter referred to as “fiduciary”) signed with the creditor numbered ZH78191506002 “Comprehensive Credit Agreement” (hereinafter referred to as “Comprehensive Credit Agreement”), guarantor is willing to provide the maximum amount of credit joint liability guarantee to secure fiduciary will pay off the entire debt under its “comprehensive credit agreement” timely and fully.

After reviewing, the creditor agreed to accept a guarantee provided by the guarantor. In order to clarify both the guarantor and the creditor rights and obligations we formulated this contract guided by the principles of equality and mutual benefit, in accordance with the provisions of relevant laws and regulations.

## **Chapter Two: Definition**

Article 1. Unless the context requires or the Contract requires, in this Contract:

Master contract: refers to creditor and fiduciary signed the “Comprehensive Credit Agreement” as well as the creditor and fiduciary signed a specific credit business contract or agreement under “comprehensive credit agreement” for each credit business.

Specific credit business contract or agreement refers to the creditor guided by “comprehensive credit agreement” provide the single specific credit business contract or agreement to the fiduciary, which is signed with the fiduciary including the local currency and the foreign currency loans, trade finance, discount, acceptances, letters of credit, guarantees, factoring, guarantees and other off-balance sheet credit payment form (collectively, “specific credit business”).

## **Chapter Three: The Principal Debt Secured By**

Article 2. The principal debt secured by the guarantor is all the specific credit business incurred under the contract or agreement signed by creditor and fiduciary based on the master “comprehensive credit agreement”. The guaranteed maximum principal debt for “Comprehensive Credit Agreement” is RMB Twenty million.

Of the following cases, the main contract claims to determine:

- (One) identify expiry of the period of the main contract;
- (Two) the new creditor cannot happen;
- (Three) the creditor and the fiduciary terminate the contract or the creditor and the guarantor terminate the contract;
- (Four) the fiduciary or the guarantor is declared bankrupt or is revoked, suspended, canceled or dissolution;
- (Five) other cases law claimed.

## **Chapter Four: Guaranteed Way**

Article 3. Guarantor provided the joint and several liability guarantee under the contract

## **Chapter Five: Warranty**

Article 4. Guaranteed under this contract include: a fiduciary under the contract shall repay or pay the debt principal to the main creditor, interest (including statutory interest, agreed interest and penalty interest), compound interest, fees, liquidated damages, compensation, the cost of the claim, (including, but not limited to, litigation costs, attorneys' fees, notary fees, implementation costs, etc.) and all other fees payable (above together referred to as "collateralized debt obligations").

Article 5. Creditor used to indicate any credit secured debt under the contract or any proof payable, unless there is manifest error, the two sides should be the conclusive evidence of the relationship between credit and debt and is binding on the guarantor.

## **Chapter Six: Warranty period**

Article 6. Each specific credit business guarantee period under "Comprehensive Credit Agreement" calculated separately since specific contract or agreement fiduciary obligations to fulfill the expiration date (as required by law or agreement which led to the events specific credit business contract or agreement early maturity, compared with earlier due date) two years.

## **Chapter Seven: The Documents the Guarantor Should Submit**

Article 7. Guarantor shall ensure that a fiduciary who first used the credit provided under the main contract specific credit business before the credit has been received, guarantor submitted the following documents:

1. The guarantor or agent valid original signed copy of this contract;
2. Guarantor of identity documents;
3. Prove creditworthiness of guarantors proof of assets or other information;
4. Guarantor reasonably required to provide credit and other documents.

For a copy of the above documents, are subject to the guarantor or the authorized signatory signature confirmation that the copy is true, complete and valid documents.

## **Chapter Eight: Representations and Warranties of Guarantor**

Article 8. Guarantor make the following representations and warranties to the creditor here:

1. Guarantor is a full civil capacity of natural persons, have full qualifications and authority to enter into and perform this contract, and can independently bear civil liability.
2. Guarantor has carefully read and fully understood the contract and this contract to accept the Lord contents guarantor execution and performance of this contract is voluntary, under this contract in the full meaning of true representation.
3. Guarantor to the creditor to provide all the documents are accurate, true, complete and effective, and to provide a copy of the form of documents are consistent with the original.
4. Guarantor signing and implementation of the contract does not violate its position as a party to any other contract or agreement, and any laws or regulations applicable thereto. Guaranteed under this contract will not be subject to any restrictions.
5. To ensure that the contract legality, validity or enforceability of the guarantor has been completed or will complete all required registration, filing or notary procedures.
6. This contract is legally valid, on the guarantor constitute a legally binding obligation

7. Do not currently exist and will be anything involving guarantor or surety guarantor's financial position to meet its obligations under this contract and adversely affect the ability of litigation, arbitration or administrative proceedings.
8. Guarantor did not occur or exist any event of default.

Article 9. The representations and warranties of the guarantor in the life of the contract shall remain correct and that the guarantor will be ready by the creditor's request for further documents.

#### **Chapter Nine: Guarantor's Commitment**

Article 10. Before all of the secured debt repaid, the guarantor shall comply with the following provisions:

1. The guarantor shall immediately notify the creditor any of the following events:
  - (1) the occurrence of any event of default;
  - (2) relates to the guarantor or any major operating assets of litigation, arbitration or administrative proceedings;
  - (3) the guarantor income substantially reduced significantly, the loss of economic resources such as lost or may lose its ability to perform the case;
  - (4) the guarantor change residential address and communication.
2. In the life of the contract, as long as all of the secured debt is not repaid, except with the prior written consent of the creditor, the guarantor shall not sell, transfer, split or otherwise dispose of any of its major assets in the form
3. In the life of the contract, before the completion of the all the secured debt fully settled, guarantor will not be in respect of its generation of a fiduciary to the creditor settlement of any sum or its fiduciary may be entitled to any other creditor, to the fiduciary recourse or claim right
4. If a fiduciary fails to pay the secured debt timely, the guarantor shall, upon receipt of payment in writing to the creditor within seven working days of the creditor, the creditor unconditionally in the manner required by a fiduciary on behalf of the creditor payment of such debts.
5. If the guarantor fails to credit the person's request to timely payment of any sum under the contract, the creditor entitled to directly from the guarantor to the creditor or credit to any other person within the system of opening branches directly deduct any account, without having to obtain the prior consent of the guarantor.
6. Upon the request of the creditor, the guarantor shall be required to pay immediately to the credit or compensation for costs and losses following:
  - (1) Credit artificially realize the rights under this contract incurred all costs and expenses (including but not limited to attorney's fees, court costs, fees and all other executive actual expenditure); and
  - (2) due to violation of the contract and the guarantor to the creditor liable for any other losses.

## **Chapter Ten: The Nature and Effectiveness of Security**

Article 11. This contract guarantees established by independent credit secured debt artificially made by any other guarantee. Credit to exercise rights under this contract without first implementation of its former holdings of any other guarantees (whether material or human security guarantees), and need not first to the fiduciary or any other third party to take any other relief measures.

## **Chapter Eleven: Events of default**

Article 12. Each of the following events and issues constitute Guarantor in the event of default under the contract:

1. Master contract any event of default occurs under;
2. Guarantor under this contract made representations, warranties or undertakings are recognized as incorrect or untrue;
3. The main part of any contract for any reason is no longer fully valid, or is terminated for any reason or restricted;
4. Occurred against the guarantor or a substantial operating assets litigation, arbitration or administrative proceedings;
5. Guarantor is in breach of its present obligations under the contract or the occurrence of other people think that credit will adversely affect the creditor rights under this Contract other events.

Article 13. Of the event of default has occurred, as the case is entitled to take credit of any one or more of the following measures:

1. Exercise credit in the main contract and enjoyed under this contract remedies for breach of contract;
2. Guarantor in accordance with the requirements of the contract responsibility of guarantee;
3. Exercise of the creditor was secured debt may have any other security interest.

## **Chapter Twelve: Others**

Article 14. Without the prior consent of the creditor, the guarantor shall not transfer or otherwise dispose of their under this contract in whole or part of the obligations.

Article 15. Of people give credit guarantors any grace, discount or delay, shall not affect, damage or limit the creditor under this contract and the laws and regulations and all the rights; no person should be treated as credit rights under this Contract and interest waiver, does not affect the guarantor under this contract from any liability and obligations.

Article 16. If at any time any of the terms of this contract are in any way or becomes illegal, invalid or unenforceable, the other provisions of this contract the legality, validity or enforceability is not affected or impaired.

Article 17. Of the contract, the guarantor shall be guaranteed full payment of the debt, offset shall not make any claim, nor shall any conditions.

Article 18. The contract mutual issue relating to this contract notice requirements should be made in writing, sent to the home page of this contract the parties listed in the address or fax. Any party to change its address or fax, the need for timely notice to the other.

Communications between the parties, such as by hand, after delivery shall be deemed to be served; if sent by registered letter, and in three days after sending a registered letter shall be deemed to be served; if sent by facsimile, shall be deemed to be served at the time of issue. However, given the guarantor's credit file, you need to actually received before the creditor is deemed served.

### **Chapter Thirteen: Applicable Law and Dispute Resolution**

Article 19. This contract and the contract to any of the matters covered by applicable PRC laws (excluding Hong Kong, Macau and Taiwan law. and in accordance with laws of the PRC (excluding Hong Kong, Macau and Taiwan law) explained.

Article 20. During the performance of this contract or in connection with all disputes relating to this contract, the two parties settled through friendly consultations. Negotiation cannot reach agreement, either party may apply to the credit people local people's court.

### **Chapter Fourteen: Effectiveness, Change and Release of the Contract**

Article 21. This contract is signed by the guarantor and the creditor or agent authorized representative / responsible person or agent or stamped signature and seal of the date.

Article 22. After the commencement of this contract, either party may change or premature termination of the contract. If we need to change or cancel the contract, the guarantor and the creditor shall be approved by mutual agreement, and reach a written agreement. Prior written agreement is reached, the provisions of this contract is still valid.

### **Chapter Fifteen: Attachment**

Article 23. The matters covered in this contract, the guarantor and the creditor both parties may otherwise agree in writing, as an annex to this contract. Hereto are an integral part of this contract, this contract have the same legal effect.

Article 24. of the annex to the contract include:

- 1.
- 2.

### **Chapter Sixteen: Supplementary**

Article 25. Of the original contract a formula three copies guarantor holding one copies of credit people who two copies of the same legal effect.

Article 26. This Contract June 23, 2015 by the guarantor and the creditor in Shenzhen signed.

Article 27. The parties to the contract agree to this contract notarized promise to give the contract unenforceable. When a fiduciary, the guarantor is not fulfilled, or if the debt is not completely fulfill the laws and regulations, the implementation contract creditor claims, guarantees the right circumstances, the creditor has the right to direct the people's court having jurisdiction for enforcement. Fiduciary, guarantor loan made under this contract enforcement application without any objection. (This section is optional terms, the parties choose this contract [ ]. 1, applies; 2, does not apply.)



This page is page contract signed by both parties, no text

Guarantor or agent (Signature):

Creditor (stamp):

Legal Representative / CEO:  
(Or agent)

## Comprehensive Credit Contract



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## Comprehensive Credit Contract

Party A: SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD  
Add: Building A1, shanxia road, Pinghu Street, longgang district, shenzhen  
Legal Representative: Pan Dangyu  
Tel: 0755-89686236  
Fax: 0755-89686819

Party B: China Everbright Bank Shenzhen Shenzhen Branch  
Add: No.4, Zhuzilin road, Futian, Shenzhen, China.  
Tel: 0755-81483044  
Fax: 0755-28138641

In accordance with the relevant laws and regulations, such as "Republic of China on Commercial Banks" and "Interim Measures of commercial banks authorize and credit" and "Guidelines for Risk Management of Credit business of Commercial Bank Group's customers", Based on equality, voluntariness, the principle of good faith, Party A and Party B make the agreement after the equal consultations, and both of them are willing to follow all terms of the contract.

### **Part 1 Definitions and interpretation**

*Clause 1* Except as otherwise explained in the context, the following terms of this agreement are defined as below:

**Comprehensive credit:** Party B shall provide one or several conditional commitments by credit support to Party A.

**Specific business:** According to comprehensive credit, Party B shall provide the loans, bank acceptances, trade finance and other specific credit business to Party A.

**The maximum credit limits:** According to comprehensive credit, the highest balance of debt principal by using the specific businesses, Party A can apply to Party B within the validity period of the comprehensive credit agreement.

**Specific line of credit:** According to the maximum credit limits, the highest balance of debt principal by using one specific business Party A can apply to Party B within the validity period of the comprehensive credit agreement.

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Used line of credit: According to specific line of credit, the sum of debt principal by using one specific outstanding business Party A applied within the validity period of the comprehensive credit agreement.

Specific business contract: The contract signed by Party A and Party B about the specific using of the business and Line of credit.

## **Part 2 The maximum credit limits and Specific line of credit**

*Clause 2* The maximum credit limits under this contract (Total local currency and foreign currency, foreign currency are translated into RMB at the benchmark rate which the date of signing the agreement): RMB30,000,000.00

Both parties agree that this Agreement under the maximum credit limits including the outstanding business of original Comprehensive Credit Agreement (Agreement Number: \_\_\_\_\_)

*Clause 3* According to the maximum credit limits, the specific line of credit is:  
Bank acceptances: the specific line of credit RMB30,000,000.00

## **Part 3 The period of credit**

*Clause 4* The period of the maximum credit limits: from 23th Jun 2015 to 22th Jun 2016.

The period of the specific business is determined by the specific contract, but the start date of the specific business must not exceed the effective use of the deadline of the maximum credit limits.

## **Part 4 Usage of the Maximum Credit Limits and Specific Line of Credit**

*Clause 5* According to the maximum credit limits, Party A can apply to use the specific line of credit once or several times during the period of credit. Party B determines the scope, amount and period of specific business by the credit situation of Party A based on the credit policy of Party B.

*Clause 6* Provisions of revolving usage: During the period of the maximum credit limits, Party A can revolve the line of credit. The debt of one specific business is paid off, the same kind of new specific business can be used except that Party B prohibited revolving.

*Clause 7* Party A and Party B should sign specific contract for specific business. If the specific business contract is inconsistent with this agreement, it should be subject to specific business contract. For example, Party A has been identified as customers of the Group under the "Guidelines for Risk Management of Credit business of Commercial Bank Group's customers" and other relevant laws and regulations.

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## **Part 5 The Fees**

*Clause 8* According to each specific business contract, Party A and Party B should conform to the interest rate, exchange rate, fee rate and other fees charged by Party B in the specific contract.

## **Part 6 Adjustment of the Maximum Credit Limits and Specific Line of Credit**

*Clause 9* Party B has the right to adjust the maximum credit limits and specific line of credit and the period or end the line of credit when one of the following things happens:

- (1) A significant monetary policy change in the PRC;
  - (2) A severe financial risk occurs or is likely to occur in borrower's location;
  - (3) A significant change in borrower's business market;
  - (4) The borrower has experienced or will encounter major operational difficulties or risks;
  - (5) A significant change in borrower's corporate structure, such as a merger, acquisition, reorganization, separation, amalgamation or termination, which the bank believes might affect its ability to collect on the loan;
  - (6) The borrower's refusal to accept the bank's supervision and inspection of the use of loan funds and borrower's operational and financial activities;
  - (7) The borrower's change in the use of the loan proceeds without the prior consent of the bank, or misappropriation of loan funds, or engagement in illegal or irregular transactions;
  - (8) The borrower's providing of false materials or withholding of important financial or operational facts;
  - (9) The borrower's transfer of assets, retrieval of capital, denial of indebtedness;
  - (10) The borrower's being considered a "group account" according to the "Commercial Bank Group Guidelines for Customer Credit Risk Management Business," or other relevant laws and regulations through related party transactions;
  - (11) The borrower's violation of the contractual commitments stipulated in the contract;
  - (12) A guarantor is in critical shortage of working capital or encounters a major operational difficulty, which negatively affects the guarantor's ability to guaranty the loan;
  - (13) Any pledged object is damaged or lost, which jeopardizes the security and rights of the bank;
  - (14) The emergence of any other circumstance that the bank determines may affect the bank's ability to collect on the loan or harm the bank's rights and benefits;
  - (15) The borrower's failure to perform any obligations in a specific business contract.
-

*Clause 10* After signing the contract, Party A can apply to adjust specific line of credit in writing. After the written consent of Party B, the contract can be adjusted, and not subject to the constraints. The written application and written consent are considered to the modification of the part 3, which has the same power of the contract.

#### **Part 7 Guarantee**

*Clause 11* In order to ensure that claims under this agreement are satisfied, take the following guaranty methods:

The guarantor Springpower Technology (Shenzhen) Co., Ltd, Huizhou Highpower Technology Co., Ltd, and Icon Energy System Co., Ltd. And Pan Dangu signed "Guaranty Contract of Maximum Amount", which number is "GB78191506001-1GB78191506001-2GB78191506001-3GB78191506001-4" with Party B.

*Clause 12* In spite of agreed guaranty method, when both parties are involved in specific business, if Party B deems necessary, Party B also has the right to require other guarantees from Party A. Party A cannot refuse the requirement because of agreed guarantee in this part.

#### **Part 8 Commitment of Party B**

*Clause 13* Party A applies to use the specific credit in accordance with the agreement; Party B should examine and notice the result to Party A in time.

#### **Part 9 Commitment of Party A**

*Clause 14* Party A should pay off the debt and fees on time according to the specific business credit.

*Clause 15* The using of fund under the specific contract should follow the provisions of the law and the agreement, and accept Party B's examination at any time.

*Clause 16* During the period of credit, Party A should submit to Party B true financial statements, truthfully provide major domestic bank, bank account, deposit and loan balance and other relevant information of the operating conditions.

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*Clause 17* If Party A is considered as a Group Account according to the "Commercial Bank Group guidelines for customer credit risk management business", or other relevant laws and regulations. During the credit period, Party A shall promptly report to Party B about more than 10% of net assets associated with the transaction, including but not limited to:

- (1) The parties to the transaction of the association;
- (2) Trading program and nature of the transaction;
- (3) The amount of the transaction or the corresponding ratio;
- (4) Pricing policies (including no amount or only nominal amounts of transactions)
- (5) Requirements of laws, regulations or other circumstances required by Party B.

*Clause 18* During the period of credit, Party A should notice Party B in advance when providing guarantee for third party, which can not affect the ability to pay off debt.

*Clause 19* During the period of credit, Party A has the following obligation:

(1) If the legal representative or legal residence, place of business, or the registered capital of a major investment in equity change, Party A shall notice to Party B within 15 days from the date of change and provide the relevant information.

(2) During the credit period, Party A involves in significant litigation, arbitration or other judicial proceedings, administrative punishment procedures, or a significant change in operating conditions and financial condition, which may affect the realization of Party B's debt, Party A shall notify Party B immediately.

(3) During the credit period, any activities of assets reorganization (such as mergers, acquisitions, discrete), or changes of business, or activities changes the organization, operation mode, or dissolution, bankruptcy application, should notify Party B two months in advance, and should pay off all the debts of Party A or perform the debt responsibilities.

*Clause 20* If Party A fails to the rule of any specific business contract, then it can be deemed to breach the agreement, and Party B has the right to end the agreement and require all outstanding claims.

Any damages to Party B caused by Party A's breach of contract, Party A should assume full obligations.

#### **Part 10 Effect of Contract**

*Clause 21* This contract comes into effect when it signed by both parties' the legal representative or agent or sealed and stamped.

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### **Part 11 Disputes and Resolution**

*Clause 22* If two parties have a dispute, amicable settlement is accepted firstly. Necessary action is needed if the consultation fails, either party may apply to the local court.

### **Part 12 Integrity of the Contract**

*Clause 23* Every specific business contract signed by Party A and Party B is the effective part of this agreement, which make up integrity agreement.

*Clause 24* If Party A fails to perform the provisions of any specific business contract, then it can be deemed to breach the agreement, and Party B has the right to end the agreement and require all outstanding claims.

*Clause 25* Agreed by Party B, Party A can authorize all or part of the line of credit under this agreement to other units to use, and name of the unit is authorized to enter into with the relevant specific business contract signed with Party B, the specific content shall prevail by "credit line to use the power of attorney" issued by Party A and approved by Party B.

*Clause 26* In the "line of credit using the power of attorney" or "buy-back guarantee amount to use the power of attorney", it is not necessary to clear the specific business of the specific line of credit under Article 3.

*Clause 27* Party A in the " power of attorney for using line of credit " must clarify whether the authorized organization can be delegated or not.

*Clause 28* Matters not covered in this Agreement, the parties maybe reach a written agreement as an annex to this Agreement which is the integral part of this agreement, and has the same legal effect.

### **Part 13 Supplementary Provisions**

*Clause 29* This agreement is in duplicate, Party A has one copy, Party B has one copy, which have the same legal effect.

*Clause 30* This agreement is signed on June 23, 2015 in Shenzhen.

*Clause 31* The two parties agreed to notarize the contract and promise to give the contract enforceability. When the party fails to perform, do not fully comply with any legal obligations, Party B has the right to direct the people's court having jurisdiction for enforcement. Party A makes no objection to the enforcement application under the agreement. (Not applicable)

*Clause 32* If at any time, any provision of this contract in any way becomes illegitimate, invalid or unenforceable, the legality, validity or enforceability of the other provisions of this contract is not affected.

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Clause 33 Under this agreement In the event of bank acceptance bill business, "bank acceptance agreement" signed by \_\_\_\_\_ the specific operations undertaken by the Branch Office, all the rights and obligations under "banker's acceptance agreement" borne by \_\_\_\_\_ (Not applicable)

Party A (Stamp)

Signature of legal representative or deputy:

Party B (Stamp)

Signature of legal representative or deputy:

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**Guaranteed Maximum Contract**

**CHINA EVERBRIGHT BANK**

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### Guaranteed Maximum Contract

Guarantor: SPRINGPOWER TECHNOLOGY (SHENZHEN) CO., LTD.  
Address: Building A, Industrial Area, Renmin Road, Guanlan street, Bao'an District,  
Shenzhen, china  
Zip code: 518000  
Legal representative: PanDangyu  
Attorney:  
Managers: SunXun  
TEL: 0755-89686236  
FAX: 0755-89686819  
Bank: Bank Of China. LongHua Branch  
A/C NO. 78190188000068296  
Creditor: China everbright bank CO.,LTD Shenzhen Branch  
Address: No.26 of 7th zizhu road Zhuzilin, Futian district, shenzhen, guangdong, 518000  
China  
Legal representative/Person in charge: Peng Jianping,  
Managers: Yang Xiaolin  
TEL: 0755-81483044  
FAX: 0755-28138641

## **Chapter One: General**

To ensure the fulfillment that, June 23, 2015 SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. (hereinafter referred to as “fiduciary”) signed with the creditor numbered ZH78191506001 “Comprehensive Credit Agreement” (hereinafter referred to as “Comprehensive Credit Agreement”), guarantor is willing to provide the maximum amount of credit joint liability guarantee to secure fiduciary will pay off the entire debt under its “comprehensive credit agreement” timely and fully.

After reviewing, the creditor agreed to accept a guarantee provided by the guarantor. In order to clarify both the guarantor and the creditor rights and obligations we formulated this contract guided by the principles of equality and mutual benefit, in accordance with the provisions of relevant laws and regulations.

## **Chapter Two: Definition**

Article 1. Unless the context requires or the Contract requires, in this Contract:

Master contract: refers to creditor and fiduciary signed the “Comprehensive Credit Agreement” as well as the creditor and fiduciary signed a specific credit business contract or agreement under “comprehensive credit agreement” for each credit business.

Specific credit business contract or agreement refers to the creditor guided by “comprehensive credit agreement” provide the single specific credit business contract or agreement to the fiduciary, which is signed with the fiduciary including the local currency and the foreign currency loans, trade finance, discount, acceptances, letters of credit, guarantees, factoring, guarantees and other off-balance sheet credit payment form (collectively, “specific credit business”).

## **Chapter Three: The Principal Debt Secured By**

Article 2. The principal debt secured by the guarantor is all the specific credit business incurred under the contract or agreement signed by creditor and fiduciary based on the master “comprehensive credit agreement”. The guaranteed maximum principal debt for “Comprehensive Credit Agreement” is RMB Thirty million.

Of the following cases, the main contract claims to determine:

- (One) identify expiry of the period of the main contract;
- (Two) the new creditor cannot happen;
- (Three) the creditor and the fiduciary terminate the contract or the creditor and the guarantor terminate the contract;
- (Four) the fiduciary or the guarantor is declared bankrupt or is revoked, suspended, canceled or dissolution;
- (Five) other cases law claimed.

## **Chapter Four: Guaranteed Way**

Article 3. Guarantor provided the joint and several liability guarantee under the contract

## **Chapter Five: Warranty**

Article 4. Guaranteed under this contract include: a fiduciary under the contract shall repay or pay the debt principal to the main creditor, interest (including statutory interest, agreed interest and penalty interest), compound interest, fees, liquidated damages, compensation, the cost of the claim, (including, but not limited to, litigation costs, attorneys’ fees, notary fees, implementation costs, etc.) and all other fees payable (above together referred to as “collateralized debt obligations”).

Article 5. Creditor used to indicate any credit secured debt under the contract or any proof payable, unless there is manifest error, the two sides should be the conclusive evidence of the relationship between credit and debt and is binding on the guarantor.

#### **Chapter Six: Warranty period**

Article 6. Each specific credit business guarantee period under “Comprehensive Credit Agreement” calculated separately since specific contract or agreement fiduciary obligations to fulfill the expiration date (as required by law or agreement which led to the events specific credit business contract or agreement early maturity, compared with earlier due date) two years.

#### **Chapter Seven: The Documents the Guarantor Should Submit**

Article 7. Guarantor shall ensure that a fiduciary who first used the credit provided under the main contract specific credit business before the credit has been received, guarantor submitted the following documents:

1. The legal representative or agent effective guarantor signature or seal and affix the official seal of the original contract;
2. Guarantor’s articles of association or approve the establishment of documentation and sponsorship by the latest annual inspection business license or certificate of legal institutions, or other legal existence can prove guarantor state documents;
3. Prove creditworthiness of the guarantor’s financial statements or other information;
4. Guarantor’s board of directors or the right to decide matters of this warranty other guarantor internal agencies agreed to provide guarantee for this contract in accordance with a resolution;
5. Guarantor reasonably required to provide credit and other documents.

For a copy of the above documents, are subject to confirmation that the guarantor stamped copy is true, complete, valid file.

#### **Chapter Eight: Representations and Warranties of Guarantor**

Article 8. Guarantor make the following representations and warranties to the creditor here:

1. The guarantor and validly existing legal entity / other organization in accordance with Chinese laws established, with independent civil capacity, and enjoy the full power, authority and rights of all of its assets and business activities of civil liability.
2. Guarantor has sufficient power, authority and rights to sign this contract and conduct transactions under this contract and has taken or obtained all necessary legal actions and other actions and agreed to authorize the execution and performance of this contract. The contract is guaranteed by a legal representative or agent valid signature.
3. Guarantor has carefully read and fully understood the contract and t accept the Lord contents and guarantor execution and performance of this contract is voluntary, under this contract in the full meaning of true representation.

4. Guarantor provide all the documents, data, reports, and documents to the creditor are accurate, true, complete and effective, and a copy of the form of documents are consistent with the original.
5. Guarantor has been made to sign this contract with all the necessary government approvals and third party consents, the execution and performance of this contract does not violate the sponsor's corporate constituent documents / approval documents (if any) and as a party to any other contract or agreement. Guaranteed under this contract will not be subject to any restrictions.
6. To ensure that the contract legality, validity or enforceability of the guarantor has been completed or will complete all required registration, filing or notary procedures.
7. This contract is legally valid, on the guarantor constitute a legally binding obligation.
8. Currently there is no surety or anything involving major operating assets and will be the guarantor's financial position or guarantor to fulfill its obligations under this contract and adversely affect the ability of litigation, arbitration or administrative proceedings.
9. Guarantor did not occur or exist any event of default.

Article 9. The representations and warranties of the guarantor in the life of the contract shall remain correct and that the guarantor will be ready by the creditor's request for further documents.

#### **Chapter Nine: Guarantor's Commitment**

Article 10. Before all of the secured debt repaid, the guarantor shall comply with the following provisions:

1. The guarantor shall immediately notify the creditor any of the following events:
  - (1) the occurrence of any event of default;
  - (2) relates to the guarantor or any major operating assets of litigation, arbitration or administrative proceedings;
  - (3) the guarantor's financial position deterioration, suspension of business, or is declared bankrupt, dissolved, revoked business license / certificate of legal institutions or revoked.
2. In the life of the contract, as long as all of the secured debt is not repaid, without the prior written consent of the creditor, the guarantor couldn't make any associate, contract, lease, merger, joint-stock reform, or other mode of operation and ownership structure changed arrangements; If indeed due to operational needs or national policies, laws need to adjust for associates, contract, lease, merger, joint-stock reform, or otherwise change its mode of operation or ownership structure, the guarantor shall obtain the prior written consent of the creditor and in this contract under its warranty obligations and obligations to make a satisfactory credit arrangement.
3. In the life of the contract, as long as all of the secured debt is not repaid, except with the prior written consent of the creditor, the guarantor shall not sell, transfer, or otherwise dispose split any material operating assets.
4. In the life of the contract, before the completion of the all the secured debt fully settled, guarantor will not be in respect of its generation of a fiduciary to the creditor settlement of any sum or its fiduciary may be entitled to any other creditor, to the fiduciary recourse or claim right.



5. In the life of the contract, the guarantor as the administrative department for industry and commerce to make any changes to registration, should be after the change ten working days written notice to the creditor and the creditor files a copy of the relevant registration creditor.
6. If a fiduciary fails to pay the secured debt timely, the guarantor shall, upon receipt of payment in writing to the creditor within seven working days of the creditor, the creditor unconditionally in the manner required by a fiduciary on behalf of the creditor payment of such debts.
7. If the guarantor fails to credit the person's request to timely payment of any sum under the contract, the creditor entitled to directly from the guarantor to the creditor or credit to any other person within the system of opening branches directly deduct any account, without having to obtain the prior consent of the guarantor.
8. Upon the request of the creditor, the guarantor shall be required to pay immediately to the credit or compensation for costs and losses following:
  - (1) Credit artificially realize the rights under this contract incurred all costs and expenses (including but not limited to attorney's fees, court costs, fees and all other executive actual expenditure); and
  - (2) due to violation of the contract and the guarantor to the creditor liable for any other losses.

#### **Chapter Ten: The Nature and Effectiveness of Security**

Article 11. This contract guarantees established by independent credit secured debt artificially made by any other guarantee. Credit to exercise rights under this contract without first implementation of its former holdings of any other guarantees (whether material or human security guarantees), and need not first to the fiduciary or any other third party to take any other relief measures.

#### **Chapter Eleven: Events of default**

Article 12. Each of the following events and issues constitute Guarantor in the event of default under the contract:

1. Master contract any event of default occurs under;
2. Guarantor under this contract made representations, warranties or undertakings are recognized as incorrect or untrue;
3. The main part of any contract for any reason is no longer fully valid, or is terminated for any reason or restricted;
4. Guarantor suspend or cease business or enters bankruptcy, liquidation, or other similar programs out of business, or the guarantor being filed for bankruptcy liquidation or authorities decided to suspend or temporarily suspended operations
5. Occurred against the guarantor or a substantial operating assets litigation, arbitration or administrative proceedings;

6. Guarantor is in breach of its present obligations under the contract or the occurrence of other people think that credit will adversely affect the creditor rights under this Contract other events.

Article 13. Of the event of default has occurred, as the case is entitled to take credit of any one or more of the following measures:

1. Exercise credit in the main contract and enjoyed under this contract remedies for breach of contract;
2. Guarantor in accordance with the requirements of the contract responsibility of guarantee;
3. Exercise of the creditor was secured debt may have any other security interest.

#### **Chapter Twelve: Others**

Article 14. Without the prior consent of the creditor, the guarantor shall not transfer or otherwise dispose of their under this contract in whole or part of the obligations.

Article 15. Of people give credit guarantors any grace, discount or delay, shall not affect, damage or limit the creditor under this contract and the laws and regulations and all the rights; no person should be treated as credit rights under this Contract and interest waiver, does not affect the guarantor under this contract from any liability and obligations.

Article 16. If at any time any of the terms of this contract are in any way or becomes illegal, invalid or unenforceable, the other provisions of this contract the legality, validity or enforceability is not affected or impaired.

Article 17. Of the contract, the guarantor shall be guaranteed full payment of the debt, offset shall not make any claim, nor shall any conditions.

Article 18. The contract mutual issue relating to this contract notice requirements should be made in writing, sent to the home page of this contract the parties listed in the address or fax. Any party to change its address or fax, the need for timely notice to the other.

Communications between the parties, such as by hand, after delivery shall be deemed to be served; if sent by registered letter, and in three days after sending a registered letter shall be deemed to be served; if sent by facsimile, shall be deemed to be served at the time of issue

#### **Chapter Thirteen: Applicable Law and Dispute Resolution**

Article 19. Of the contract and the contract any of the matters covered by Chinese law, and in accordance with Chinese law explained.

Article 20. During the performance of this contract or in connection with all disputes relating to this contract, the two parties settled through friendly consultations. Negotiation cannot reach agreement, either party may apply to the credit people local people's court.

#### **Chapter Fourteen: Effectiveness, Change and Release of the Contract**

Article 21. Of this contract from the guarantor and the creditor both legal representative or agent or stamped and stamped with the official seal of the date.

Article 22. After the commencement of this contract, either party may change or premature termination of the contract. If we need to change or cancel the contract, the guarantor and the creditor shall be approved by mutual agreement, and reach a written agreement. Prior written agreement is reached, the provisions of this contract is still valid.

### **Chapter Fifteen: Attachment**

Article 23. The matters covered in this contract, the guarantor and the creditor both parties may otherwise agree in writing, as an annex to this contract. Hereto are an integral part of this contract, this contract have the same legal effect.

Article 24. of the annex to the contract include:

- 1.
- 2.

### **Chapter Sixteen: Supplementary**

Article 25. Of the original contract a formula two copies guarantor holding one copies of credit people who one copies of the same legal effect.

Article 26. This Contract June 23, 2015 by the guarantor and the creditor in Shenzhen signed.

Article 27. The parties to the contract agree to this contract notarized promise to give the contract unenforceable. When a fiduciary, the guarantor is not fulfilled, or if the debt is not completely fulfill the laws and regulations, the implementation contract creditor claims, guarantees the right circumstances, the creditor has the right to direct the people's court having jurisdiction for enforcement. Fiduciary, guarantor loan made under this contract enforcement application without any objection. (This section is optional terms, the parties choose this contract [ ]. 1, applies; 2, does not apply.)

This page is page contract signed by both parties, no text

Guarantor (stamp):

Legal Representative:  
(or agent)

Creditor (stamp):

Legal Representative / CEO:  
(or agent )

**Guaranteed Maximum Contract**

**CHINA EVERBRIGHT BANK**

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### **Guaranteed Maximum Contract**

Guarantor: Icon Energy systems (Shenzhen) Co., Ltd.

Address: Block A, 4/F, Jinmeiwei Industrial Park, Guanlan Hi-Tech Industrial Park,  
Shangkeng Community, Guanlan Town, Baoan District, Shenzhen, 518000

Legal Representative: PanDangyu

Attorney:

Managers: SunXun

TEL: 0755-89686802

FAX: 0755-89686819

Bank:

A/C NO.

Creditor: China Everbright Bank Co., Ltd, Shenzhen Branch

Address: No. 26 of 7th Zizhu Road Zhuzilin, Futian District, Shenzhen, Guangdong 518000  
China

Legal Representative/Person in Charge: Chen Wei

Managers: Yang Xiaolin

TEL: 0755-81483044

FAX: 0755-28138641

## **Chapter One: General**

To ensure the fulfillment that, June 23, 2015 SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. (hereinafter referred to as “fiduciary”) signed with the creditor numbered ZH78191506001 “Comprehensive Credit Agreement” (hereinafter referred to as “Comprehensive Credit Agreement”), guarantor is willing to provide the maximum amount of credit joint liability guarantee to secure fiduciary will pay off the entire debt under its “comprehensive credit agreement” timely and fully.

After reviewing, the creditor agreed to accept a guarantee provided by the guarantor. In order to clarify both the guarantor and the creditor rights and obligations we formulated this contract guided by the principles of equality and mutual benefit, in accordance with the provisions of relevant laws and regulations.

## **Chapter Two: Definition**

Article 1. Unless the context requires or the Contract requires, in this Contract:

Master contract: refers to creditor and fiduciary signed the “Comprehensive Credit Agreement” as well as the creditor and fiduciary signed a specific credit business contract or agreement under “comprehensive credit agreement” for each credit business.

Specific credit business contract or agreement refers to the creditor guided by “comprehensive credit agreement” provide the single specific credit business contract or agreement to the fiduciary, which is signed with the fiduciary including the local currency and the foreign currency loans, trade finance, discount, acceptances, letters of credit, guarantees, factoring, guarantees and other off-balance sheet credit payment form (collectively, “specific credit business”).

## **Chapter Three: The Principal Debt Secured By**

Article 2. The principal debt secured by the guarantor is all the specific credit business incurred under the contract or agreement signed by creditor and fiduciary based on the master “comprehensive credit agreement”. The guaranteed maximum principal debt for “Comprehensive Credit Agreement” is RMB Thirty million.

Of the following cases, the main contract claims to determine:

- (One) identify expiry of the period of the main contract;
- (Two) the new creditor cannot happen;
- (Three) the creditor and the fiduciary terminate the contract or the creditor and the guarantor terminate the contract;
- (Four) the fiduciary or the guarantor is declared bankrupt or is revoked, suspended, canceled or dissolution;
- (Five) other cases law claimed.

## **Chapter Four: Guaranteed Way**

Article 3. Guarantor provided the joint and several liability guarantee under the contract

## **Chapter Five: Warranty**

Article 4. Guaranteed under this contract include: a fiduciary under the contract shall repay or pay the debt principal to the main creditor, interest (including statutory interest, agreed interest and penalty interest), compound interest, fees, liquidated damages, compensation, the cost of the claim, (including, but not limited to, litigation costs, attorneys’ fees, notary fees, implementation costs, etc.) and all other fees payable (above together referred to as “collateralized debt obligations”).



Article 5. Creditor used to indicate any credit secured debt under the contract or any proof payable, unless there is manifest error, the two sides should be the conclusive evidence of the relationship between credit and debt and is binding on the guarantor.

#### **Chapter Six: Warranty period**

Article 6. Each specific credit business guarantee period under “Comprehensive Credit Agreement” calculated separately since specific contract or agreement fiduciary obligations to fulfill the expiration date (as required by law or agreement which led to the events specific credit business contract or agreement early maturity, compared with earlier due date) two years.

#### **Chapter Seven: The Documents the Guarantor Should Submit**

Article 7. Guarantor shall ensure that a fiduciary who first used the credit provided under the main contract specific credit business before the credit has been received, guarantor submitted the following documents:

1. The legal representative or agent effective guarantor signature or seal and affix the official seal of the original contract;
2. Guarantor’s articles of association or approve the establishment of documentation and sponsorship by the latest annual inspection business license or certificate of legal institutions, or other legal existence can prove guarantor state documents;
3. Prove creditworthiness of the guarantor’s financial statements or other information;
4. Guarantor’s board of directors or the right to decide matters of this warranty other guarantor internal agencies agreed to provide guarantee for this contract in accordance with a resolution;
5. Guarantor reasonably required to provide credit and other documents.

For a copy of the above documents, are subject to confirmation that the guarantor stamped copy is true, complete, valid file.

#### **Chapter Eight: Representations and Warranties of Guarantor**

Article 8. Guarantor make the following representations and warranties to the creditor here:

1. The guarantor and validly existing legal entity / other organization in accordance with Chinese laws established, with independent civil capacity, and enjoy the full power, authority and rights of all of its assets and business activities of civil liability.
2. Guarantor has sufficient power, authority and rights to sign this contract and conduct transactions under this contract and has taken or obtained all necessary legal actions and other actions and agreed to authorize the execution and performance of this contract. The contract is guaranteed by a legal representative or agent valid signature.
3. Guarantor has carefully read and fully understood the contract and t accept the Lord contents and guarantor execution and performance of this contract is voluntary, under this contract in the full meaning of true representation.

4. Guarantor provide all the documents, data, reports, and documents to the creditor are accurate, true, complete and effective, and a copy of the form of documents are consistent with the original.
5. Guarantor has been made to sign this contract with all the necessary government approvals and third party consents, the execution and performance of this contract does not violate the sponsor's corporate constituent documents / approval documents (if any) and as a party to any other contract or agreement. Guaranteed under this contract will not be subject to any restrictions.
6. To ensure that the contract legality, validity or enforceability of the guarantor has been completed or will complete all required registration, filing or notary procedures.
7. This contract is legally valid, on the guarantor constitute a legally binding obligation.
8. Currently there is no surety or anything involving major operating assets and will be the guarantor's financial position or guarantor to fulfill its obligations under this contract and adversely affect the ability of litigation, arbitration or administrative proceedings.
9. Guarantor did not occur or exist any event of default.

Article 9. The representations and warranties of the guarantor in the life of the contract shall remain correct and that the guarantor will be ready by the creditor's request for further documents.

#### **Chapter Nine: Guarantor's Commitment**

Article 10. Before all of the secured debt repaid, the guarantor shall comply with the following provisions:

1. The guarantor shall immediately notify the creditor any of the following events:
  - (1) the occurrence of any event of default;
  - (2) relates to the guarantor or any major operating assets of litigation, arbitration or administrative proceedings;
  - (3) the guarantor's financial position deterioration, suspension of business, or is declared bankrupt, dissolved, revoked business license / certificate of legal institutions or revoked.
2. In the life of the contract, as long as all of the secured debt is not repaid, without the prior written consent of the creditor, the guarantor couldn't make any associate, contract, lease, merger, joint-stock reform, or other mode of operation and ownership structure changed arrangements; If indeed due to operational needs or national policies, laws need to adjust for associates, contract, lease, merger, joint-stock reform, or otherwise change its mode of operation or ownership structure, the guarantor shall obtain the prior written consent of the creditor and in this contract under its warranty obligations and obligations to make a satisfactory credit arrangement.
3. In the life of the contract, as long as all of the secured debt is not repaid, except with the prior written consent of the creditor, the guarantor shall not sell, transfer, or otherwise dispose split any material operating assets.
4. In the life of the contract, before the completion of the all the secured debt fully settled, guarantor will not be in respect of its generation of a fiduciary to the creditor settlement of any sum or its fiduciary may be entitled to any other creditor, to the fiduciary recourse or claim right.

5. In the life of the contract, the guarantor as the administrative department for industry and commerce to make any changes to registration, should be after the change ten working days written notice to the creditor and the creditor files a copy of the relevant registration creditor.
6. If a fiduciary fails to pay the secured debt timely, the guarantor shall, upon receipt of payment in writing to the creditor within seven working days of the creditor, the creditor unconditionally in the manner required by a fiduciary on behalf of the creditor payment of such debts.
7. If the guarantor fails to credit the person's request to timely payment of any sum under the contract, the creditor entitled to directly from the guarantor to the creditor or credit to any other person within the system of opening branches directly deduct any account, without having to obtain the prior consent of the guarantor.
8. Upon the request of the creditor, the guarantor shall be required to pay immediately to the credit or compensation for costs and losses following:
  - (1) Credit artificially realize the rights under this contract incurred all costs and expenses (including but not limited to attorney's fees, court costs, fees and all other executive actual expenditure); and
  - (2) due to violation of the contract and the guarantor to the creditor liable for any other losses.

#### **Chapter Ten: The Nature and Effectiveness of Security**

Article 11. This contract guarantees established by independent credit secured debt artificially made by any other guarantee. Credit to exercise rights under this contract without first implementation of its former holdings of any other guarantees (whether material or human security guarantees), and need not first to the fiduciary or any other third party to take any other relief measures.

#### **Chapter Eleven: Events of default**

Article 12. Each of the following events and issues constitute Guarantor in the event of default under the contract:

1. Master contract any event of default occurs under;
2. Guarantor under this contract made representations, warranties or undertakings are recognized as incorrect or untrue;
3. The main part of any contract for any reason is no longer fully valid, or is terminated for any reason or restricted;
4. Guarantor suspend or cease business or enters bankruptcy, liquidation, or other similar programs out of business, or the guarantor being filed for bankruptcy liquidation or authorities decided to suspend or temporarily suspended operations
5. Occurred against the guarantor or a substantial operating assets litigation, arbitration or administrative proceedings;

6. Guarantor is in breach of its present obligations under the contract or the occurrence of other people think that credit will adversely affect the creditor rights under this Contract other events.

Article 13. Of the event of default has occurred, as the case is entitled to take credit of any one or more of the following measures:

1. Exercise credit in the main contract and enjoyed under this contract remedies for breach of contract;
2. Guarantor in accordance with the requirements of the contract responsibility of guarantee;
3. Exercise of the creditor was secured debt may have any other security interest.

#### **Chapter Twelve: Others**

Article 14. Without the prior consent of the creditor, the guarantor shall not transfer or otherwise dispose of their under this contract in whole or part of the obligations.

Article 15. Of people give credit guarantors any grace, discount or delay, shall not affect, damage or limit the creditor under this contract and the laws and regulations and all the rights; no person should be treated as credit rights under this Contract and interest waiver, does not affect the guarantor under this contract from any liability and obligations.

Article 16. If at any time any of the terms of this contract are in any way or becomes illegal, invalid or unenforceable, the other provisions of this contract the legality, validity or enforceability is not affected or impaired.

Article 17. Of the contract, the guarantor shall be guaranteed full payment of the debt, offset shall not make any claim, nor shall any conditions.

Article 18. The contract mutual issue relating to this contract notice requirements should be made in writing, sent to the home page of this contract the parties listed in the address or fax. Any party to change its address or fax, the need for timely notice to the other.

Communications between the parties, such as by hand, after delivery shall be deemed to be served; if sent by registered letter, and in three days after sending a registered letter shall be deemed to be served; if sent by facsimile, shall be deemed to be served at the time of issue

#### **Chapter Thirteen: Applicable Law and Dispute Resolution**

Article 19. Of the contract and the contract any of the matters covered by Chinese law, and in accordance with Chinese law explained.

Article 20. During the performance of this contract or in connection with all disputes relating to this contract, the two parties settled through friendly consultations. Negotiation cannot reach agreement, either party may apply to the credit people local people's court.

#### **Chapter Fourteen: Effectiveness, Change and Release of the Contract**

Article 21. Of this contract from the guarantor and the creditor both legal representative or agent or stamped and stamped with the official seal of the date.

Article 22. After the commencement of this contract, either party may change or premature termination of the contract. If we need to change or cancel the contract, the guarantor and the creditor shall be approved by mutual agreement, and reach a written agreement. Prior written agreement is reached, the provisions of this contract is still valid.

### **Chapter Fifteen: Attachment**

Article 23. The matters covered in this contract, the guarantor and the creditor both parties may otherwise agree in writing, as an annex to this contract. Hereto are an integral part of this contract, this contract have the same legal effect.

Article 24. of the annex to the contract include:

- 1.
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### **Chapter Sixteen: Supplementary**

Article 25. Of the original contract a formula two copies guarantor holding one copies of credit people who one copies of the same legal effect.

Article 26. This Contract June 23, 2015 by the guarantor and the creditor in Shenzhen signed.

Article 27. The parties to the contract agree to this contract notarized promise to give the contract unenforceable. When a fiduciary, the guarantor is not fulfilled, or if the debt is not completely fulfill the laws and regulations, the implementation contract creditor claims, guarantees the right circumstances, the creditor has the right to direct the people's court having jurisdiction for enforcement. Fiduciary, guarantor loan made under this contract enforcement application without any objection. (This section is optional terms, the parties choose this contract [ ]. 1, applies; 2, does not apply.)

This page is page contract signed by both parties, no text

Guarantor (stamp):

Legal Representative:  
(or agent)

Creditor (stamp):

Legal Representative / CEO:  
(or agent )

**Guaranteed Maximum Contract**

**CHINA EVERBRIGHT BANK**

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Chapter Fourteen	Effectiveness; Change and Release of the Contract
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Chapter Sixteen	Supplementary



**Guaranteed Maximum Contract**

Guarantor: HUIZHOU HIGHPOWER TECHNOLOGY CO., LTD  
Address: Xihu Industrial Zone, MaAn Town, Huicheng District, Huizhou 518000  
Legal Representative: PanDangyu  
Attorney:  
Managers: SunXun  
TEL: 0755-89686802  
FAX: 0755-89686819  
Bank: Bank Of China, HuiZhou Branch  
A/C NO. 663958438624  
Creditor: China Everbright Bank, Shenzhen Branch  
Address: No. 26 of 7th Zizhu Road Zhuzilin, Futian District, Shenzhen, Guangdong  
518000 China  
Legal Representative/Person in Charge: Peng Jianping  
Managers: Yang Xiaolin  
TEL: 0755-81483044  
FAX: 0755-28138641

## **Chapter One: General**

To ensure the fulfillment that, June 23, 2015 SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. (hereinafter referred to as “fiduciary”) signed with the creditor numbered ZH78191506001 “Comprehensive Credit Agreement” (hereinafter referred to as “Comprehensive Credit Agreement”), guarantor is willing to provide the maximum amount of credit joint liability guarantee to secure fiduciary will pay off the entire debt under its “comprehensive credit agreement” timely and fully.

After reviewing, the creditor agreed to accept a guarantee provided by the guarantor. In order to clarify both the guarantor and the creditor rights and obligations we formulated this contract guided by the principles of equality and mutual benefit, in accordance with the provisions of relevant laws and regulations.

## **Chapter Two: Definition**

Article 1. Unless the context requires or the Contract requires, in this Contract:

Master contract: refers to creditor and fiduciary signed the “Comprehensive Credit Agreement” as well as the creditor and fiduciary signed a specific credit business contract or agreement under “comprehensive credit agreement” for each credit business.

Specific credit business contract or agreement refers to the creditor guided by “comprehensive credit agreement” provide the single specific credit business contract or agreement to the fiduciary, which is signed with the fiduciary including the local currency and the foreign currency loans, trade finance, discount, acceptances, letters of credit, guarantees, factoring, guarantees and other off-balance sheet credit payment form (collectively, “specific credit business”).

## **Chapter Three: The Principal Debt Secured By**

Article 2. The principal debt secured by the guarantor is all the specific credit business incurred under the contract or agreement signed by creditor and fiduciary based on the master “comprehensive credit agreement”. The guaranteed maximum principal debt for “Comprehensive Credit Agreement” is RMB Thirty million.

Of the following cases, the main contract claims to determine:

- (One) identify expiry of the period of the main contract;
- (Two) the new creditor cannot happen;
- (Three) the creditor and the fiduciary terminate the contract or the creditor and the guarantor terminate the contract;
- (Four) the fiduciary or the guarantor is declared bankrupt or is revoked, suspended, canceled or dissolution;
- (Five) other cases law claimed.

## **Chapter Four: Guaranteed Way**

Article 3. Guarantor provided the joint and several liability guarantee under the contract

## **Chapter Five: Warranty**

Article 4. Guaranteed under this contract include: a fiduciary under the contract shall repay or pay the debt principal to the main creditor, interest (including statutory interest, agreed interest and penalty interest), compound interest, fees, liquidated damages, compensation, the cost of the claim, (including, but not limited to, litigation costs, attorneys’ fees, notary fees, implementation costs, etc.) and all other fees payable (above together referred to as “collateralized debt obligations”).

Article 5. Creditor used to indicate any credit secured debt under the contract or any proof payable, unless there is manifest error, the two sides should be the conclusive evidence of the relationship between credit and debt and is binding on the guarantor.

#### **Chapter Six: Warranty period**

Article 6. Each specific credit business guarantee period under “Comprehensive Credit Agreement” calculated separately since specific contract or agreement fiduciary obligations to fulfill the expiration date (as required by law or agreement which led to the events specific credit business contract or agreement early maturity, compared with earlier due date) two years.

#### **Chapter Seven: The Documents the Guarantor Should Submit**

Article 7. Guarantor shall ensure that a fiduciary who first used the credit provided under the main contract specific credit business before the credit has been received, guarantor submitted the following documents:

1. The legal representative or agent effective guarantor signature or seal and affix the official seal of the original contract;
2. Guarantor’s articles of association or approve the establishment of documentation and sponsorship by the latest annual inspection business license or certificate of legal institutions, or other legal existence can prove guarantor state documents;
3. Prove creditworthiness of the guarantor’s financial statements or other information;
4. Guarantor’s board of directors or the right to decide matters of this warranty other guarantor internal agencies agreed to provide guarantee for this contract in accordance with a resolution;
5. Guarantor reasonably required to provide credit and other documents.

For a copy of the above documents, are subject to confirmation that the guarantor stamped copy is true, complete, valid file.

#### **Chapter Eight: Representations and Warranties of Guarantor**

Article 8. Guarantor make the following representations and warranties to the creditor here:

1. The guarantor and validly existing legal entity / other organization in accordance with Chinese laws established, with independent civil capacity, and enjoy the full power, authority and rights of all of its assets and business activities of civil liability.
2. Guarantor has sufficient power, authority and rights to sign this contract and conduct transactions under this contract and has taken or obtained all necessary legal actions and other actions and agreed to authorize the execution and performance of this contract. The contract is guaranteed by a legal representative or agent valid signature.
3. Guarantor has carefully read and fully understood the contract and t accept the Lord contents and guarantor execution and performance of this contract is voluntary, under this contract in the full meaning of true representation.

4. Guarantor provide all the documents, data, reports, and documents to the creditor are accurate, true, complete and effective, and a copy of the form of documents are consistent with the original.
5. Guarantor has been made to sign this contract with all the necessary government approvals and third party consents, the execution and performance of this contract does not violate the sponsor's corporate constituent documents / approval documents (if any) and as a party to any other contract or agreement. Guaranteed under this contract will not be subject to any restrictions.
6. To ensure that the contract legality, validity or enforceability of the guarantor has been completed or will complete all required registration, filing or notary procedures.
7. This contract is legally valid, on the guarantor constitute a legally binding obligation.
8. Currently there is no surety or anything involving major operating assets and will be the guarantor's financial position or guarantor to fulfill its obligations under this contract and adversely affect the ability of litigation, arbitration or administrative proceedings.
9. Guarantor did not occur or exist any event of default.

Article 9. The representations and warranties of the guarantor in the life of the contract shall remain correct and that the guarantor will be ready by the creditor's request for further documents.

#### **Chapter Nine: Guarantor's Commitment**

Article 10. Before all of the secured debt repaid, the guarantor shall comply with the following provisions:

1. The guarantor shall immediately notify the creditor any of the following events:
  - (1) the occurrence of any event of default;
  - (2) relates to the guarantor or any major operating assets of litigation, arbitration or administrative proceedings;
  - (3) the guarantor's financial position deterioration, suspension of business, or is declared bankrupt, dissolved, revoked business license / certificate of legal institutions or revoked.
2. In the life of the contract, as long as all of the secured debt is not repaid, without the prior written consent of the creditor, the guarantor couldn't make any associate, contract, lease, merger, joint-stock reform, or other mode of operation and ownership structure changed arrangements; If indeed due to operational needs or national policies, laws need to adjust for associates, contract, lease, merger, joint-stock reform, or otherwise change its mode of operation or ownership structure, the guarantor shall obtain the prior written consent of the creditor and in this contract under its warranty obligations and obligations to make a satisfactory credit arrangement.
3. In the life of the contract, as long as all of the secured debt is not repaid, except with the prior written consent of the creditor, the guarantor shall not sell, transfer, or otherwise dispose split any material operating assets.
4. In the life of the contract, before the completion of the all the secured debt fully settled, guarantor will not be in respect of its generation of a fiduciary to the creditor settlement of any sum or its fiduciary may be entitled to any other creditor, to the fiduciary recourse or claim right.

5. In the life of the contract, the guarantor as the administrative department for industry and commerce to make any changes to registration, should be after the change ten working days written notice to the creditor and the creditor files a copy of the relevant registration creditor.
6. If a fiduciary fails to pay the secured debt timely, the guarantor shall, upon receipt of payment in writing to the creditor within seven working days of the creditor, the creditor unconditionally in the manner required by a fiduciary on behalf of the creditor payment of such debts.
7. If the guarantor fails to credit the person's request to timely payment of any sum under the contract, the creditor entitled to directly from the guarantor to the creditor or credit to any other person within the system of opening branches directly deduct any account, without having to obtain the prior consent of the guarantor.
8. Upon the request of the creditor, the guarantor shall be required to pay immediately to the credit or compensation for costs and losses following:
  - (1) Credit artificially realize the rights under this contract incurred all costs and expenses (including but not limited to attorney's fees, court costs, fees and all other executive actual expenditure); and
  - (2) due to violation of the contract and the guarantor to the creditor liable for any other losses.

#### **Chapter Ten: The Nature and Effectiveness of Security**

Article 11. This contract guarantees established by independent credit secured debt artificially made by any other guarantee. Credit to exercise rights under this contract without first implementation of its former holdings of any other guarantees (whether material or human security guarantees), and need not first to the fiduciary or any other third party to take any other relief measures.

#### **Chapter Eleven: Events of default**

Article 12. Each of the following events and issues constitute Guarantor in the event of default under the contract:

1. Master contract any event of default occurs under;
2. Guarantor under this contract made representations, warranties or undertakings are recognized as incorrect or untrue;
3. The main part of any contract for any reason is no longer fully valid, or is terminated for any reason or restricted;
4. Guarantor suspend or cease business or enters bankruptcy, liquidation, or other similar programs out of business, or the guarantor being filed for bankruptcy liquidation or authorities decided to suspend or temporarily suspended operations
5. Occurred against the guarantor or a substantial operating assets litigation, arbitration or administrative proceedings;

6. Guarantor is in breach of its present obligations under the contract or the occurrence of other people think that credit will adversely affect the creditor rights under this Contract other events.

Article 13. Of the event of default has occurred, as the case is entitled to take credit of any one or more of the following measures:

1. Exercise credit in the main contract and enjoyed under this contract remedies for breach of contract;
2. Guarantor in accordance with the requirements of the contract responsibility of guarantee;
3. Exercise of the creditor was secured debt may have any other security interest.

#### **Chapter Twelve: Others**

Article 14. Without the prior consent of the creditor, the guarantor shall not transfer or otherwise dispose of their under this contract in whole or part of the obligations.

Article 15. Of people give credit guarantors any grace, discount or delay, shall not affect, damage or limit the creditor under this contract and the laws and regulations and all the rights; no person should be treated as credit rights under this Contract and interest waiver, does not affect the guarantor under this contract from any liability and obligations.

Article 16. If at any time any of the terms of this contract are in any way or becomes illegal, invalid or unenforceable, the other provisions of this contract the legality, validity or enforceability is not affected or impaired.

Article 17. Of the contract, the guarantor shall be guaranteed full payment of the debt, offset shall not make any claim, nor shall any conditions.

Article 18. The contract mutual issue relating to this contract notice requirements should be made in writing, sent to the home page of this contract the parties listed in the address or fax. Any party to change its address or fax, the need for timely notice to the other.

Communications between the parties, such as by hand, after delivery shall be deemed to be served; if sent by registered letter, and in three days after sending a registered letter shall be deemed to be served; if sent by facsimile, shall be deemed to be served at the time of issue

#### **Chapter Thirteen: Applicable Law and Dispute Resolution**

Article 19. Of the contract and the contract any of the matters covered by Chinese law, and in accordance with Chinese law explained.

Article 20. During the performance of this contract or in connection with all disputes relating to this contract, the two parties settled through friendly consultations. Negotiation cannot reach agreement, either party may apply to the credit people local people's court.

#### **Chapter Fourteen: Effectiveness, Change and Release of the Contract**

Article 21. Of this contract from the guarantor and the creditor both legal representative or agent or stamped and stamped with the official seal of the date.

Article 22. After the commencement of this contract, either party may change or premature termination of the contract. If we need to change or cancel the contract, the guarantor and the creditor shall be approved by mutual agreement, and reach a written agreement. Prior written agreement is reached, the provisions of this contract is still valid.

### **Chapter Fifteen: Attachment**

Article 23. The matters covered in this contract, the guarantor and the creditor both parties may otherwise agree in writing, as an annex to this contract. Hereto are an integral part of this contract, this contract have the same legal effect.

Article 24. of the annex to the contract include:

- 1.
- 2.

### **Chapter Sixteen: Supplementary**

Article 25. Of the original contract a formula two copies guarantor holding one copies of credit people who one copies of the same legal effect.

Article 26. This Contract June 23, 2015 by the guarantor and the creditor in Shenzhen signed.

Article 27. The parties to the contract agree to this contract notarized promise to give the contract unenforceable. When a fiduciary, the guarantor is not fulfilled, or if the debt is not completely fulfill the laws and regulations, the implementation contract creditor claims, guarantees the right circumstances, the creditor has the right to direct the people's court having jurisdiction for enforcement. Fiduciary, guarantor loan made under this contract enforcement application without any objection. (This section is optional terms, the parties choose this contract [ ]. 1, applies; 2, does not apply.)

This page is page contract signed by both parties, no text

Guarantor (stamp):

Legal Representative:  
(or agent)

Creditor (stamp):

Legal Representative / CEO:  
(or agent )



**Guaranteed Maximum Contract**

Natural person as a guarantor

**CHINA EVERBRIGHT BANK**

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### Guaranteed Maximum Contract

Guarantor: PanDangyu  
ID number: 430104196803184316  
Address: Tianhe District, Guangzhou Road, 463 Shougouling compound No. 34,  
2nd Floor Room 604  
Living Address: Pinghu Street, Longgang District, No. 68 Avenue, the new building  
Zip code: 518111  
TEL: 89686236  
FAX: 89686819  
Attorney: (Required to provide a power of attorney signed by the guarantor)  
ID number:  
Address:  
Living Address:  
Zip code:  
TEL:  
FAX:  
Creditor: China Everbright Bank branch in Shenzhen Longhua  
Address: Longhua, Bao'an District of Shenzhen City People's Road, Silver Spring Garden Building Ground Floor  
3,4  
Zip code: 518000  
Legal representative/ Person in charge: Chen Wei  
Attorney:  
Managers: Yang Xiaolin  
TEL: 0755-81483044  
FAX: 0755-28138641

## **Chapter One: General**

To ensure the fulfillment that, June 23, 2015 SHENZHEN HIGHPOWER TECHNOLOGY CO., LTD. (hereinafter referred to as “fiduciary”) signed with the creditor numbered ZH78191506001 “Comprehensive Credit Agreement” (hereinafter referred to as “Comprehensive Credit Agreement”), guarantor is willing to provide the maximum amount of credit joint liability guarantee to secure fiduciary will pay off the entire debt under its “comprehensive credit agreement” timely and fully.

After reviewing, the creditor agreed to accept a guarantee provided by the guarantor. In order to clarify both the guarantor and the creditor rights and obligations we formulated this contract guided by the principles of equality and mutual benefit, in accordance with the provisions of relevant laws and regulations.

## **Chapter Two: Definition**

Article 1. Unless the context requires or the Contract requires, in this Contract:

Master contract: refers to creditor and fiduciary signed the “Comprehensive Credit Agreement” as well as the creditor and fiduciary signed a specific credit business contract or agreement under “comprehensive credit agreement” for each credit business.

Specific credit business contract or agreement refers to the creditor guided by “comprehensive credit agreement” provide the single specific credit business contract or agreement to the fiduciary, which is signed with the fiduciary including the local currency and the foreign currency loans, trade finance, discount, acceptances, letters of credit, guarantees, factoring, guarantees and other off-balance sheet credit payment form (collectively, “specific credit business”).

## **Chapter Three: The Principal Debt Secured By**

Article 2. The principal debt secured by the guarantor is all the specific credit business incurred under the contract or agreement signed by creditor and fiduciary based on the master “comprehensive credit agreement”. The guaranteed maximum principal debt for “Comprehensive Credit Agreement” is RMB Thirty million.

Of the following cases, the main contract claims to determine:

- (One) identify expiry of the period of the main contract;
- (Two) the new creditor cannot happen;
- (Three) the creditor and the fiduciary terminate the contract or the creditor and the guarantor terminate the contract;
- (Four) the fiduciary or the guarantor is declared bankrupt or is revoked, suspended, canceled or dissolution;
- (Five) other cases law claimed.

## **Chapter Four: Guaranteed Way**

Article 3. Guarantor provided the joint and several liability guarantee under the contract

## **Chapter Five: Warranty**

Article 4. Guaranteed under this contract include: a fiduciary under the contract shall repay or pay the debt principal to the main creditor, interest (including statutory interest, agreed interest and penalty interest), compound interest, fees, liquidated damages, compensation, the cost of the claim, (including, but not limited to, litigation costs, attorneys' fees, notary fees, implementation costs, etc.) and all other fees payable (above together referred to as "collateralized debt obligations").

Article 5. Creditor used to indicate any credit secured debt under the contract or any proof payable, unless there is manifest error, the two sides should be the conclusive evidence of the relationship between credit and debt and is binding on the guarantor.

## **Chapter Six: Warranty period**

Article 6. Each specific credit business guarantee period under "Comprehensive Credit Agreement" calculated separately since specific contract or agreement fiduciary obligations to fulfill the expiration date (as required by law or agreement which led to the events specific credit business contract or agreement early maturity, compared with earlier due date) two years.

## **Chapter Seven: The Documents the Guarantor Should Submit**

1. The guarantor or agent valid original signed copy of this contract;
2. Guarantor of identity documents;
3. Prove creditworthiness of guarantors proof of assets or other information;
4. Guarantor reasonably required to provide credit and other documents.

For a copy of the above documents, are subject to the guarantor or the authorized signatory signature confirmation that the copy is true, complete and valid documents.

## **Chapter Eight: Representations and Warranties of Guarantor**

Article 8. Guarantor make the following representations and warranties to the creditor here :

1. Guarantor is a full civil capacity of natural persons, have full qualifications and authority to enter into and perform this contract, and can independently bear civil liability.
2. Guarantor has carefully read and fully understood the contract and this contract to accept the Lord contents guarantor execution and performance of this contract is voluntary, under this contract in the full meaning of true representation.
3. Guarantor to the creditor to provide all the documents are accurate, true, complete and effective, and to provide a copy of the form of documents are consistent with the original.
4. Guarantor signing and implementation of the contract does not violate its position as a party to any other contract or agreement, and any laws or regulations applicable thereto. Guaranteed under this contract will not be subject to any restrictions.
5. To ensure that the contract legality, validity or enforceability of the guarantor has been completed or will complete all required registration, filing or notary procedures.
6. This contract is legally valid, on the guarantor constitute a legally binding obligation.

7. Do not currently exist and will be anything involving guarantor or surety guarantor's financial position to meet its obligations under this contract and adversely affect the ability of litigation, arbitration or administrative proceedings.
8. Guarantor did not occur or exist any event of default.

Article 9. The representations and warranties of the guarantor in the life of the contract shall remain correct and that the guarantor will be ready by the creditor's request for further documents.

#### **Chapter Nine: Guarantor's Commitment**

Article 10. Before all of the secured debt repaid ,the guarantor shall comply with the following provisions:

1. The guarantor shall immediately notify the creditor any of the following events:
  - (1) the occurrence of any event of default;
  - (2) relates to the guarantor or any major operating assets of litigation, arbitration or administrative proceedings;
  - (3) the guarantor income substantially reduced significantly, the loss of economic resources such as lost or may lose its ability to perform the case;
  - (4) the guarantor change residential address and communication.
2. In the life of the contract, as long as all of the secured debt is not repaid, except with the prior written consent of the creditor, the guarantor shall not sell, transfer, split or otherwise dispose of any of its major assets in the form.
3. In the life of the contract, before the completion of the all the secured debt fully settled, guarantor will not be in respect of its generation of a fiduciary to the creditor settlement of any sum or its fiduciary may be entitled to any other creditor, to the fiduciary recourse or claim right.
4. If a fiduciary fails to pay the secured debt timely, the guarantor shall, upon receipt of payment in writing to the creditor within seven working days of the creditor, the creditor unconditionally in the manner required by a fiduciary on behalf of the creditor payment of such debts.
5. If the guarantor fails to credit the person's request to timely payment of any sum under the contract, the creditor entitled to directly from the guarantor to the creditor or credit to any other person within the system of opening branches directly deduct any account, without having to obtain the prior consent of the guarantor.
6. Upon the request of the creditor, the guarantor shall be required to pay immediately to the credit or compensation for costs and losses following:
  - (1) Credit artificially realize the rights under this contract incurred all costs and expenses (including but not limited to attorney's fees, court costs, fees and all other executive actual expenditure); and
  - (2) due to violation of the contract and the guarantor to the creditor liable for any other losses

## **Chapter Ten: The nature and effectiveness of security**

Article 11. This contract guarantees established by independent credit secured debt artificially made by any other guarantee. Credit to exercise rights under this contract without first implementation of its former holdings of any other guarantees (whether material or human security guarantees), and need not first to the fiduciary or any other third party to take any other relief measures.

## **Chapter Eleven: Events of default**

Article 12. Each of the following events and issues constitute Guarantor in the event of default under the contract:

1. Master contract any event of default occurs under;
2. Guarantor under this contract made representations, warranties or undertakings are recognized as incorrect or untrue;
3. The main part of any contract for any reason is no longer fully valid, or is terminated for any reason or restricted;
4. Occurred against the guarantor or a substantial operating assets litigation, arbitration or administrative proceedings;
5. Guarantor is in breach of its present obligations under the contract or the occurrence of other people think that credit will adversely affect the creditor rights under this Contract other events.

Article 13. Of the event of default has occurred, as the case is entitled to take credit of any one or more of the following measures:

1. Exercise credit in the main contract and enjoyed under this contract remedies for breach of contract;
2. Guarantor in accordance with the requirements of the contract responsibility of guarantee;
3. Exercise of the creditor was secured debt may have any other security interest.

## **Chapter Twelve: Others**

Article 14. Without the prior consent of the creditor, the guarantor shall not transfer or otherwise dispose of their under this contract in whole or part of the obligations.

Article 15. Of people give credit guarantors any grace, discount or delay, shall not affect, damage or limit the creditor under this contract and the laws and regulations and all the rights; no person should be treated as credit rights under this Contract and interest waiver, does not affect the guarantor under this contract from any liability and obligations.

Article 16. If at any time any of the terms of this contract are in any way or becomes illegal, invalid or unenforceable, the other provisions of this contract the legality, validity or enforceability is not affected or impaired.

Article 17. Of the contract, the guarantor shall be guaranteed full payment of the debt, offset shall not make any claim, nor shall any conditions.

Article 18. The contract mutual issue relating to this contract notice requirements should be made in writing, sent to the home page of this contract the parties listed in the address or fax. Any party to change its address or fax, the need for timely notice to the other.

Communications between the parties, such as by hand, after delivery shall be deemed to be served; if sent by registered letter, and in three days after sending a registered letter shall be deemed to be served; if sent by facsimile, shall be deemed to be served at the time of issue. However, given the guarantor's credit file, you need to actually received before the creditor is deemed served.

### **Chapter Thirteen: Applicable Law and Dispute Resolution**

Article 19. This contract and the contract to any matters covered by applicable PRC laws (excluding Hong Kong, Macau and Taiwan law), and in accordance with laws of the PRC (excluding Hong Kong, Macau and Taiwan law) explained.

Article 20. During the performance of this contract or in connection with all disputes relating to this contract, the two parties settled through friendly consultations. Negotiation can not reach agreement, either party may apply to the credit people local people's court.

### **Chapter Fourteen: Effectiveness, Change and Release of the Contract**

Article 21. This contract is signed by the guarantor and the creditor or agent authorized representative / responsible person or agent or stamped signature and seal of the date.

Article 22. After the commencement of this contract, either party may change or premature termination of the contract. If we need to change or cancel the contract, the guarantor and the creditor shall be approved by mutual agreement, and reach a written agreement. Prior written agreement is reached, the provisions of this contract is still valid.

### **Chapter Fifteen: Attachment**

Article 23. The matters covered in this contract, the guarantor and the creditor both parties may otherwise agree in writing, as an annex to this contract. Hereto are an integral part of this contract, this contract have the same legal effect.

Article 24. of the annex to the contract include:

- 1.
- 2.

### **Chapter Sixteen: Supplementary**

Article 25. Of the original contract a formula three copies guarantor holding one copies of credit people who II copies of the same legal effect.

Article 26. This Contract June 23, 2015 by the guarantor and the creditor in Shenzhen signed.

Article 27. The parties to the contract agree to this contract notarized promise to give the contract unenforceable. When a fiduciary, the guarantor is not fulfilled, or if the debt is not completely fulfill the laws and regulations, the implementation contract creditor claims, guarantees the right circumstances, the creditor has the right to direct the people's court having jurisdiction for enforcement. Fiduciary, guarantor loan made under this contract enforcement application without any objection. (This section is optional terms, the parties choose this contract [ ]. 1, applies; 2, does not apply.)



**This page is page contract signed by both parties, no text**

Guarantor or agent (Signature):

Creditor (stamp):

Legal Representative / CEO:  
(or agent )

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

I, Dang Yu Pan, certify that:

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

Date: August 14, 2015

/s/ Dang Yu Pan  
By: Dang Yu Pan  
Chairman of the Board and Chief Executive Officer  
(Principal Executive Officer)

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

I, Henry Sun, certify that:

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

Date: August 14, 2015

/s/ Henry Sun

Henry Sun  
Chief Financial Officer  
(Principal Financial Officer)

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

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

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Dang Yu Pan  
Chairman of the Board and Chief Executive Officer  
(Principal Executive Officer)  
August 14, 2015

/s/ Henry Sun

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Henry Sun  
Chief Financial Officer  
(Principal Financial and Accounting Officer)  
August 14, 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.*

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