

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

FORM10-Q

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

For The Quarterly Period Ended June 30, 2016

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 15, 2016.

HIGHPOWER INTERNATIONAL, INC.
FORM10-Q
FOR THE QUARTERLY PERIOD ENDED June 30, 2016
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Item 1. Consolidated Financial Statements

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

	<i>June 30,</i> <i>2016</i>	<i>December 31,</i> <i>2015</i>
	<i>(Unaudited)</i>	
	\$	\$
ASSETS		
Current Assets:		
Cash	6,798,975	5,849,967
Restricted cash	9,892,758	11,656,204
Accounts receivable, net	32,279,032	36,139,866
Accounts receivable - related party	2,152,054	-
Notes receivable	684,697	1,757,709
Prepayments and other receivables	6,210,666	6,060,904
Inventories, net	<u>20,502,568</u>	<u>19,218,331</u>
Total Current Assets	78,520,750	80,682,981
Property, plant and equipment, net	48,569,186	47,464,186
Land use right, net	3,830,862	3,963,003
Other assets	1,000,662	550,000
Deferred tax assets	1,574,303	1,544,314
Long-term investment	<u>751,925</u>	-
	□	
TOTAL ASSETS	<u><u>134,247,688</u></u>	<u><u>134,204,484</u></u>
LIABILITIES AND EQUITY		
LIABILITIES		
Current Liabilities:		
Accounts payable	32,803,377	36,077,396
Deferred income	785,899	879,944
Short-term bank loan	14,963,306	13,839,341
Non-financial institution borrowings	4,511,550	-
Notes payable	29,003,988	30,490,166
Amount due to a related company	761,895	-
Other payables and accrued liabilities	6,503,604	6,292,492
Income taxes payable	1,252,743	1,783,013
Current portion of long-term loan	<u>902,310</u>	<u>1,845,245</u>
Total Current Liabilities	91,488,672	91,207,597
Warrant Liability	<u>14,003</u>	<u>140,549</u>
TOTAL LIABILITIES	<u><u>91,502,675</u></u>	<u><u>91,348,146</u></u>
COMMITMENTS AND CONTINGENCIES	-	-

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

	<i>June 30, 2016</i>	<i>December 31, 2015</i>
	<u>(Unaudited)</u>	
	\$	\$
EQUITY		
Stockholders' equity		
Preferred stock		
(Par value: \$0.0001, Authorized: 10,000,000 shares, Issued and outstanding: none)	-	-
Common stock		
(Par value: \$0.0001, Authorized: 100,000,000 shares, 15,101,679 shares issued and outstanding at June 30, 2016 and December 31, 2015)	1,510	1,510
Additional paid-in capital	11,433,948	11,227,979
Statutory and other reserves	4,042,429	4,042,429
Retained earnings	25,807,349	24,098,175
Accumulated other comprehensive income	932,176	2,632,762
	<u>42,217,412</u>	<u>42,002,855</u>
Total equity for the stockholders of Highpower International Inc.	42,217,412	42,002,855
Non-controlling interest	527,601	853,483
	<u>42,745,013</u>	<u>42,856,338</u>
TOTAL EQUITY	<u>42,745,013</u>	<u>42,856,338</u>
TOTAL LIABILITIES AND EQUITY	<u>134,247,688</u>	<u>134,204,484</u>

See notes to condensed consolidated financial statements

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Net sales	36,732,310	38,635,801	65,829,365	70,773,449
Cost of sales	<u>(29,088,639)</u>	<u>(30,072,041)</u>	<u>(52,308,655)</u>	<u>(56,653,975)</u>
Gross profit	<u>7,643,671</u>	<u>8,563,760</u>	<u>13,520,710</u>	<u>14,119,474</u>
Research and development expenses	(2,035,886)	(1,997,494)	(3,658,769)	(3,671,618)
Selling and distribution expenses	(1,539,395)	(1,597,564)	(3,074,431)	(3,396,286)
General and administrative expenses	(3,248,899)	(3,423,770)	(6,318,613)	(6,448,521)
Foreign currency transaction gain	600,313	73,546	509,877	443,857
Total operating expenses	<u>(6,223,867)</u>	<u>(6,945,282)</u>	<u>(12,541,936)</u>	<u>(13,072,568)</u>
Income from operations	<u>1,419,804</u>	<u>1,618,478</u>	<u>978,774</u>	<u>1,046,906</u>
Gain on change of fair value of warrant liability	7,077	84,833	126,546	431,132
Other income	1,055,947	357,055	1,211,875	587,147
Interest expenses	(435,402)	(275,476)	(710,394)	(544,118)
Income before taxes	<u>2,047,426</u>	<u>1,784,890</u>	<u>1,606,801</u>	<u>1,521,067</u>
Income taxes (expenses) benefit	(174,313)	(18,840)	(209,817)	76,416
Net income	<u>1,873,113</u>	<u>1,766,050</u>	<u>1,396,984</u>	<u>1,597,483</u>
Less: net loss attributable to non-controlling interest	(178,669)	(101,074)	(312,190)	(146,283)
Net income attributable to the Company	<u>2,051,782</u>	<u>1,867,124</u>	<u>1,709,174</u>	<u>1,743,766</u>
Comprehensive (loss) income				
Net income	1,873,113	1,766,050	1,396,984	1,597,483
Foreign currency translation (loss) income	(1,964,424)	206,027	(1,714,278)	1,266
Comprehensive (loss) income	<u>(91,311)</u>	<u>1,972,077</u>	<u>(317,294)</u>	<u>1,598,749</u>
Less: comprehensive loss attributable to non-controlling interest	(197,060)	(95,376)	(325,882)	(144,549)
Comprehensive income attributable to the Company	<u>105,749</u>	<u>2,067,453</u>	<u>8,588</u>	<u>1,743,298</u>
Income per share of common stock attributable to the Company				
- Basic	<u>0.14</u>	<u>0.12</u>	<u>0.11</u>	<u>0.12</u>
- Diluted	<u>0.14</u>	<u>0.12</u>	<u>0.11</u>	<u>0.11</u>
Weighted average number of common stock outstanding				
- Basic	<u>15,101,679</u>	<u>15,094,979</u>	<u>15,101,679</u>	<u>15,091,639</u>
- Diluted	<u>15,102,877</u>	<u>15,441,576</u>	<u>15,103,886</u>	<u>15,469,274</u>

See notes to condensed consolidated financial statements

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

	<i>Six months ended June 30</i>	
	<u>2016</u>	<u>2015</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$
Cash flows from operating activities		
Net income	1,396,984	1,597,483
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,486,196	2,535,695
Allowance for doubtful accounts	4,837	896
Income on disposal of property, plant and equipment	95,368	79,692
Deferred income tax	(64,671)	(230,050)
Share based compensation	205,969	412,304
Change in fair value of warrant liability	(126,546)	(431,132)
Changes in operating assets and liabilities:		
Accounts receivable	3,216,097	(787,672)
Notes receivable	1,051,486	(1,645,051)
Prepayments and other receivables	(770,029)	(2,338,484)
Accounts receivable - related party	(2,187,784)	-
Amount due to a related company	774,545	-
Inventories	(1,735,486)	(3,386,818)
Accounts payable	(2,843,233)	(1,503,555)
Deferred revenue	(75,912)	-
Other payables and accrued liabilities	349,026	315,942
Income taxes payable	(499,161)	(573,875)
Net cash flows provided by (used in) operating activities	<u>1,277,686</u>	<u>(5,954,625)</u>
Cash flows from investing activities		
Acquisitions of plant and equipment	(4,415,690)	(4,047,717)
Payment for long-term investment	(764,409)	-
Net cash flows used in investing activities	<u>(5,180,099)</u>	<u>(4,047,717)</u>
Cash flows from financing activities		
Proceeds from short-term bank loans	1,452,377	-
Repayment of short-term loans	-	(6,062,248)
Proceeds from non-financial institution borrowings	4,586,455	-
Repayment of long-term bank loans	(917,291)	(978,649)
Proceeds from notes payable	29,485,540	30,931,015
Repayment of notes payable	(30,313,965)	(27,631,861)
Proceeds from exercise of employee options	-	44,534
Change in restricted cash	1,531,837	2,588,730
Net cash flows provided by (used in) financing activities	<u>5,824,953</u>	<u>(1,108,479)</u>
Effect of foreign currency translation on cash and cash equivalents	(973,532)	238,188
Net increase (decrease) in cash and cash equivalents	949,008	(10,872,633)
Cash and cash equivalents - beginning of period	5,849,967	14,611,892
Cash and cash equivalents - end of period	<u>6,798,975</u>	<u>3,739,259</u>
Supplemental disclosures for cash flow information:		
Cash paid for:		
Income taxes	773,650	727,509
Interest expenses	710,394	615,363

See notes to condensed consolidated financial statements

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(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"), Springpower Technology (Shenzhen) Company Limited ("SZ Springpower"), Ganzhou Highpower Technology Company Limited ("GZ Highpower"), Icon Energy System Company Limited ("ICON") and Huizhou Highpower Technology Co., Ltd ("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). 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 June 30, 2016, 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 paid to the placement agent and other offering expenses.

Highpower Energy Technology (Huizhou) Company Limited ("HZ Highpower") which was formed by HKHTC in 2008, was dissolved in September 2015. The subsidiary did not commence operation since establishment. Therefore, the Company did not consider it as a strategic shift.

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
HKHTC	Hong Kong July 4, 2003	100%	Investment holding and marketing of batteries
SZ Highpower	PRC October 8, 2002	100%	Manufacturing & marketing of NiMH batteries
SZ Springpower	PRC June 4, 2008	100%	Manufacturing & marketing of lithium batteries
GZ Highpower	PRC September 21, 2010	70%	Processing, marketing and research of battery materials
ICON	PRC February 23, 2011	100%	Design and production of advanced battery packs and systems
HZ HTC	PRC March 8, 2012	100%	Manufacturing & marketing of lithium batteries

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

2. Summary of significant accounting policies

Basis of presentation

The accompanying consolidated balance sheet as of December 31, 2015, which has been derived from audited financial statements, and the unaudited interim consolidated financial statements as of June 30, 2016 and for the three and six ended June 30, 2016 and 2015 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. 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, 2015, previously filed with the SEC on March 29, 2016.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair presentation of the Company's consolidated financial position as of June 30, 2016, its consolidated results of operations and cash flows for the six months ended June 30, 2016 and 2015, 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.

Principles of consolidation

The consolidated financial statements include the accounts of Highpower 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.

Reclassification

The Company has reclassified certain comparative balances in the consolidated balance sheet for December 31, 2015 to conform to the current period's presentation. The reclassification is related to the aggregation of the balance of prepayments and the balance of other receivables into the balance of prepayments and other receivables. The reclassification did not have an impact on the reported total assets, liabilities and stockholders' equity.

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 significantly from these estimates.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(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 three and six months ended June 30, 2016 and 2015.

No supplier accounted for 10% or more of the total purchase amount during the three and six months ended June 30, 2016 and 2015.

No customer accounted for 10% or more of the accounts receivable as of June 30, 2016. As of December 31, 2015, there was one major customer accounted for 11.3% of the accounts receivable.

Cash

Cash include all cash and deposits in banks with initial maturities of three months or less.

Restricted cash

Restricted cash include time deposits, cash security for bank acceptance bills included in notes payable and cash security for government subsidy.

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 against the allowance after all collection efforts have ceased. 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' and commercial 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 one year.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(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, net are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use. Maintenance, repairs and betterments, including replacement of minor items, are charged to expense; major additions to physical properties are capitalized.

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

Buildings	2.5% -5%
Furniture, fixtures and office equipment	20%
Leasehold improvement	Shorter of the remaining lease terms or estimated useful lives
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 expenses 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

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Stated in US Dollars)

2. Summary of significant accounting policies (continued)

Other assets

Other assets mainly represent a royalty-bearing, non-exclusive license to use certain patents owned by an unrelated party ("License Provider"), 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 License Provider to manufacture, sell and distribute Consumer Batteries.

Long-term investment

Investments in equity securities of privately-held companies in which the Company holds less than 20% voting interest are accounted for under the cost method. Investments in equity securities of privately-held companies in which the Company has between 20% and 50% of ownership interest in the voting stock, and to which the Company does not have the ability to exercise significant influence are accounted for under the cost method. Significant influence is generally considered to exist when the Company has between 20% and 50% of ownership interest in the voting stock, but other factors, such as representation on the board of directors, voting rights and the impact of commercial arrangements, are considered in determining whether the equity method of accounting is appropriate.

Entities in which the Company has the ability to exercise significant influence, but does not have a controlling interest, are accounted for under the equity method.

The Company evaluates potential impairment whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. For investments carried at cost, the Company recognizes impairment in the event that the carrying value of the investment exceeds the Company's proportionate share of the net book value of the investee. As of June 30, 2016, management believes no impairment charge is necessary.

On April 1, 2016, the Company entered into an investment agreement with Huizhou Yipeng Energy Technology Co. Ltd. ("Yipeng"), whereby the Company acquired 5% equity interest of Yipeng for RMB 5,000,000 (\$751,925). Yipeng finished the commercial and administrative registration of the change of shareholder on May 2, 2016.

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 accompanying condensed consolidated balance sheet as deferred income and subsequently deducted in calculating the carrying amount of the related asset after the purchase, construction or acquisition completed. As of June 30, 2016 and December 31, 2015, the Company recorded deferred income of \$785,899 and \$879,944, respectively, for the government grants to purchase non-current assets.

Government grants for the purpose of giving immediate financial support to the Company by local government are recognized as other income when received. In the three months ended June 30, 2016 and 2015, \$938,856 and \$112,188 of government grants were recognized as other income, respectively. In the six months ended June 30, 2016 and 2015, \$945,525 and \$221,483 of government grants were recognized as other income, respectively.

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

2. Summary of significant accounting policies (continued)

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 sales 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Stated in US Dollars)

2. Summary of significant accounting policies (continued)

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 expenses associated with research and development are expensed as incurred.

Advertising

Advertising, which generally represents the cost of promotions to create or stimulate a positive image of the Company or a desire to buy the Company's products and services, is expensed as incurred. No significant advertising expense was recorded for the three and six months ended June 30, 2016 and 2015.

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 non-employees is recorded at the fair value on the measurement date. The measurement of stock-based compensation is subject to periodic adjustment as the underlying equity instruments vest.

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. According to the PRC Tax Administration and Collection Law, the statute of limitations is three years, five years, ten years and twenty years, if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent, the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent, and under the circumstances of transferring pricing issues and tax evasion, respectively. There were no uncertain tax positions as of June 30, 2016 and December 31, 2015 and the Company does not believe that its unrecognized tax benefits will change over the next twelve months.

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

2. Summary of significant accounting policies (continued)

Comprehensive Income (loss)

Comprehensive income (loss) is comprised of the Company's net income (loss) and other comprehensive income (loss). The component of other comprehensive income or loss is 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 (loss).

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

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

2. Summary of significant accounting policies (continued)

Fair value of financial instruments

The carrying values of the Company's financial instruments, including cash, restricted cash, trade and other receivables, deposits, trade and other payables and bank borrowings, approximate their fair 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 income. 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.

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

2. Summary of significant accounting policies (continued)

Earnings per share

Basic earnings per share is computed by dividing income attributable to holders of common shares by the weighted average number of common shares outstanding during the year. Diluted earnings per share (“EPS”) reflect 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

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers, or ASU 2014-09. This new standard will replace all current U.S. GAAP guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to correlate with the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB voted to defer the effective date of ASU 2014-09 by one year, while allowing a company to adopt the new revenue standard early but not before the original effective date. This guidance will be effective as to us on January 1, 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. In April and May 2016, the FASB issued Accounting Standards Update 2016-10, Revenue from Contracts with Customers, or ASU 2016-10, and Accounting Standards Update 2016-12, Revenue from Contracts with Customers, or ASU 2016-12, respectively. These new standards will identify performance obligations and narrow aspects on achieving core principle. The Company is currently evaluating the impact of adopting these ASUs on our consolidated financial statements.

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

In March 2016, the FASB issued Accounting Standards Update (ASU) 2016-09, Compensation—Stock Compensation (Topic 718). Under this update, share-based payment transactions simplified several aspects of the accounting, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some of the areas for simplification apply only to nonpublic entities. For public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any entity in any interim or annual period. The Company is currently evaluating the impact of adopting ASU 2016-09 on our consolidated financial statements.

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

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

3. Restricted cash

As of June 30, 2016 and December 31, 2015, restricted cash consisted of the following:

	<i>June 30, 2016</i>	<i>December 31, 2015</i>
	<i>(Unaudited)</i>	
	\$	\$
Securities for bank acceptance bill	9,437,906	11,392,231
Government subsidy deposit	454,852	-
Time deposits	-	263,973
	<u>9,892,758</u>	<u>11,656,204</u>

4. Accounts receivable, net

As of June 30, 2016 and December 31, 2015, accounts receivable consisted of the following:

	<i>June 30, 2016</i>	<i>December 31, 2015</i>
	<i>(Unaudited)</i>	
	\$	\$
Accounts receivable	34,346,909	38,211,951
Less: allowance for doubtful debts	2,067,877	2,072,085
	<u>32,279,032</u>	<u>36,139,866</u>

5. Prepayments and other receivables

	<i>June 30, 2016</i>	<i>December 31, 2015</i>
	<i>(Unaudited)</i>	
	\$	\$
Purchase deposits paid	4,435,842	3,752,125
Value-added tax (“VAT”) prepayment	345,049	546,358
Rental deposit	405,957	414,843
Prepaid insurance fee	188,518	206,424
Advances to employee for daily operations	278,536	39,886
Compensation receivable for land occupation	-	486,370
Prepaid expenses	556,764	614,898
	<u>6,210,666</u>	<u>6,060,904</u>

As the compensation receivable for land occupation will not be received in the next 12 months, it is reclassified to non-current assets.

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

6. Inventories

	<i>June 30, 2016</i>	<i>December 31, 2015</i>
	<i>(Unaudited)</i>	
	\$	\$
Raw materials	5,398,508	4,320,455
Work in progress	4,683,830	4,568,530
Finished goods	10,130,115	9,994,401
Packing materials	13,183	17,167
Consumables	276,932	317,778
	<u>20,502,568</u>	<u>19,218,331</u>

7. Property, plant and equipment, net

	<i>June 30, 2016</i>	<i>December 31, 2015</i>
	<i>(Unaudited)</i>	
	\$	\$
Cost		
Construction in progress	1,550,612	1,678,961
Furniture, fixtures and office equipment	3,990,851	3,882,594
Leasehold improvement	5,434,218	4,092,668
Machinery and equipment	31,112,125	29,295,041
Motor vehicles	1,647,036	1,643,173
Buildings	22,771,842	23,046,056
	<u>66,506,684</u>	<u>63,638,493</u>
Less: accumulated depreciation	17,937,498	16,174,307
	<u>48,569,186</u>	<u>47,464,186</u>

The Company recorded depreciation expenses of \$2,415,561 and \$2,462,008 for the six months ended June 30, 2016 and 2015, respectively, and \$1,194,584 and \$1,252,756 for the three months ended June 30, 2016 and 2015, respectively.

During the six months ended June 30, 2016, the Company deducted deferred income related to government grants of \$26,988 on the carrying amount of property, plant and equipment. During the year ended December 31, 2015, the Company deducted deferred income related to government grants of \$2,547,545 on the carrying amount of property, plant and equipment.

The buildings comprising the Huizhou facilities have been pledged as collateral for bank loans as of June 30, 2016 and December 31, 2015. The buildings comprising the Ganzhou facilities have been pledged as collateral for short-term loans and bank acceptance bills drawn under certain lines of credit (see Note 16) as of June 30, 2016 and December 31, 2015.

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

8. Land use rights, net

	<i>June 30, 2016</i>	<i>December 31, 2015</i>
	<i>(Unaudited)</i>	
	\$	\$
Cost		
Land located in Huizhou	3,229,227	3,301,923
Land located in Ganzhou	1,259,785	1,288,146
	4,489,012	4,590,069
Accumulated amortization	(658,150)	(627,066)
Net	3,830,862	3,963,003

As of June 30, 2016, 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 126,605 square meters and in Ganzhou City with an area of approximately 58,669 square meters will expire on May 23, 2057 and January 4, 2062, respectively.

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

	\$
Remaining 2016	45,635
2017	91,270
2018	91,270
2019	91,270
2020	91,270
thereafter	3,420,147
	3,830,862

The Company recorded amortization expenses of \$45,635 and \$48,688 for the six months ended June 30, 2016 and 2015, respectively, and \$22,733 and \$24,397 for the three months ended June 30, 2016 and 2015, respectively.

The land use right for land located in Huizhou City was pledged as collateral for bank loans as of June 30, 2016 and December 31, 2015.

As of June 30, 2016 and December 31, 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 acceptance bills.

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

9. Other assets

	<i>June 30, 2016</i>	<i>December 31, 2015</i>
	<i>(Unaudited)</i>	
	\$	\$
Consumer battery license fee	525,000	550,000
Compensation receivable for land occupation	475,662	-
	1,000,662	550,000

The Company is amortizing the \$1,000,000 cost of the Consumer Battery License Agreement with a License Provider over a period of 20 years on the straight line basis in accordance with the terms of license.

Amortization expenses included in research and development expenses were \$25,000 for the six months ended June 30, 2016 and 2015, and \$12,500 for the three months ended June 30, 2016 and 2015.

10. Long-term investment

On April 1, 2016, the Company entered into an investment agreement with Huizhou Yipeng Energy Technology Co. Ltd. ("Yipeng"), whereby the Company acquired 5% equity interest of Yipeng for RMB 5,000,000 (\$751,925). Yipeng finished the commercial and administrative registration of the change of shareholder on May 2, 2016.

11. Other payables and accrued liabilities

	<i>June 30, 2016</i>	<i>December 31, 2015</i>
	<i>(Unaudited)</i>	
	\$	\$
Accrued expenses	3,827,899	3,816,940
Royalty payable	418,866	461,055
Value-added tax payable	747,734	959,422
Sales deposits received	1,082,071	562,696
Other payables	427,034	492,379
	6,503,604	6,292,492

Other payables mainly represent department expenses payable and scholarship funds payable.

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

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., it is not subject to U.S. federal income tax 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. If these subsidiaries fail to renew NHTE status, they will be subject to income tax at a rate of 25% after the expiration of NHTE status.

All the PRC subsidiaries received NHTE status and enjoy 15% income tax rate for calendar year 2016 and 2015.

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

12. Taxation (continued)

The components of the provision for income taxes expenses are:

	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Current	111,867	61,517	274,488	153,634
Deferred	62,446	(42,677)	(64,671)	(230,050)
Total income tax expense (benefit)	<u>174,313</u>	<u>18,840</u>	<u>209,817</u>	<u>(76,416)</u>

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

	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Income before tax	2,047,426	1,784,890	1,606,801	1,521,067
Provision for income taxes at applicable income tax rate	512,993	399,114	409,393	312,941
Effect of preferential tax rate	(116,208)	37,545	(139,878)	31,250
R&D expenses eligible for super deduction	(555,531)	(555,607)	(555,531)	(555,607)
Non-deductible expenses	96,716	11,947	114,336	26,901
Change in valuation allowance	<u>236,343</u>	<u>125,841</u>	<u>381,497</u>	<u>108,099</u>
Effective enterprise income tax expense (benefit)	<u>174,313</u>	<u>18,840</u>	<u>209,817</u>	<u>(76,416)</u>

3) Deferred tax assets

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

	<i>June 30 2016</i>	<i>December 31, 2015</i>
	<u>(Unaudited)</u>	
	\$	\$
Tax loss carry-forward	4,081,452	3,382,543
Allowance for doubtful receivables	46,871	47,197
Allowance for inventory obsolescence	128,797	217,733
Difference for sales cut-off	11,381	33,071
Deferred income	117,885	131,992
Property, plant and equipment subsidized by government grant	473,464	490,883
Total gross deferred tax assets	<u>4,859,850</u>	<u>4,303,419</u>
Valuation allowance	<u>(3,285,547)</u>	<u>(2,759,105)</u>
Total net deferred tax assets	<u>1,574,303</u>	<u>1,544,314</u>

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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(Stated in US Dollars)

12. Taxation (continued)

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

Valuation allowance was provided against deferred tax assets in entities where it was determined it was more likely than not that the benefits of the deferred tax assets will not be realized. The Company had deferred tax assets which consisted of tax loss carry-forwards and others, which can be carried forward to offset future taxable income. The management determines it is more likely than not that part of deferred tax assets could not be utilized, so allowance was provided as of June 30, 2016 and December 31, 2015.

13. Notes payable

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

Notes payable are mainly bank acceptance bills which are non-interest bearing and generally mature within six months. The outstanding bank acceptance bills are secured by restricted cash deposited in banks. Outstanding bank acceptance bills were \$29,003,988 and \$30,379,170 as of June 30, 2016 and December 31, 2015, respectively.

As of June 30, 2016 and December 31, 2015, the outstanding trade acceptances to suppliers were \$nil and \$110,996. These trade acceptances were non-interest bearing and mature within one year. No security deposit is needed.

14. Short-term loans

	<i>June 30, 2016</i>	<i>December 31, 2015</i>
	<i>(Unaudited)</i>	
	\$	\$
Short- term bank loans guaranteed and repayable within one year	14,963,306	13,839,341

As of June 30, 2016, 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, land use right with a carrying amount of \$3,830,862, and the building with a carrying amount of \$12,129,450. These short-term loans are drawn from the lines of credit (Note 16).

As of December 31, 2015, the above bank borrowings were for working capital and capital expenditure purposes and were secured by personal guarantees executed by certain directors of the Company, a land use right with a carrying amount of \$3,963,003, the building with a carrying amount of \$12,419,622.

The loans as of June 30, 2016 were primarily obtained from three banks with interest rates ranging from 4.35% to 6.06% per annum. The interest expenses were \$422,593 and \$419,156 for the six months ended June 30, 2016 and 2015, respectively. The interest expenses were \$215,485 and \$218,142 for the three months ended June 30, 2016 and 2015, respectively.

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

15. Non-financial institution borrowings

	<i>June 30, 2016</i>	<i>December 31, 2015</i>
	<i>(Unaudited)</i>	
	\$	\$
Non-financial institution borrowings	4,511,550	-

In April and May, 2016, the Company obtained borrowings from a third party non-financial institution and an individual, which were used for working capital and capital expenditure purposes. The borrowings are personally guaranteed by the Company's Chief Executive Officer, Mr. Dang Yu Pan.

The interest rate for both borrowings is 5.66% per annum, and would be repaid anytime no later than August 31, 2017. The interest expenses were \$32,905 for the three and six months ended June 30, 2016.

16. 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, 2016 and December 31, 2015:

<i>Lender</i>	<i>June 30, 2016 (Unaudited)</i>			
	<i>Starting date</i>	<i>Maturity date</i>	<i>Line of credit</i>	<i>Unused line of credit</i>
			\$	\$
Bank of China	7/13/2015	9/13/2016	13,857,707	2,220,160
Ping An Bank Co., Ltd	12/10/2015	12/9/2016	10,838,430	5,725,094
China Minsheng Banking Corp., LTD.	7/16/2015	7/16/2016	4,423,849	166,542
Industrial Bank CO., LTD.	7/15/2015	7/15/2016	9,290,083	9,290,083
Industrial and Commercial Bank of China	10/1/2015	10/1/2016	7,741,736	4,734,036
Jiang Su Bank Co., Ltd	11/4/2015(i)	11/3/2016	3,673,987	1,276,003
Hong Kong and Shanghai Banking Corporation	9/1/2015	7/15/2016	8,000,000	8,000,000
Huaxia Bank Co., Ltd	6/1/2015	6/1/2017	5,800,564	5,800,564
Total			63,626,356	37,212,482

(i) Jiang Su Bank Co., Ltd provided a \$2.3M line of credit which was without secure deposit on November 4, 2015. As of December 31, 2015, Jiangsu Bank did not request for secure deposit and the line of credit was \$2.3M. As of June 30, 2016, Jiangsu bank required 35% or 40% of deposit. The line of credit was changed accordingly to \$3.67M.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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(Stated in US Dollars)

16. Lines of credit (continued)

Lender	<i>December 31, 2015</i>			
	<u>Starting date</u>	<u>Maturity date</u>	<u>Line of credit</u>	<u>Unused line of credit</u>
			\$	\$
Bank of China	7/13/2015	9/13/2016	13,762,455	4,707,595
Bank of China	7/1/2015	6/30/2016	11,203,276	155,498
Ping An Bank Co., Ltd	12/10/2015	12/9/2016	10,763,931	3,878,818
China Minsheng Banking Corp., LTD.	7/16/2015	7/16/2016	4,393,441	1,916,253
Industrial Bank CO., LTD.	7/15/2015	7/15/2016	9,226,227	7,079,785
China Everbright Bank	6/23/2015	6/22/2016	7,688,523	3,647,289
Industrial and Commercial Bank of China	10/1/2015	10/1/2016	7,688,523	4,613,113
Jiang Su Bank Co., Ltd	11/4/2015	11/3/2016	2,306,557	995,703
Hongkong and Shanghai Banking Corporation Limited	9/1/2015	7/15/2016	8,000,000	8,000,000
Total			<u>75,032,933</u>	<u>34,994,054</u>

The lines of credits from Bank of China, Ping An Bank Co., Ltd, China Minsheng Banking Corp. LTD., Industrial Bank CO., LTD, China Everbright Bank, Industrial and Commercial Bank of China, and Hongkong and Shanghai Banking Corporation Limited are guaranteed by the Company's Chief Executive Officer, Mr. Dang Yu Pan. The lines of credits from Jiang Su Bank Co., Ltd are guaranteed by the Company's Chief Executive Officer, Mr. Dang Yu Pan, and his wife. Certain of the agreements governing the Company's loans include standard affirmative and negative covenants.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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17. Long-term loans

	<i>June 30, 2016</i>	<i>December 31, 2015</i>
	<i>(Unaudited)</i>	
	\$	\$
Long-term loans from Bank of China	902,310	1,845,245
Less: current portion of long-term borrowings	902,310	1,845,245
Long-term bank loans, net of current portion	-	-

On January 13, 2012, the Company borrowed \$8,198,065 (RMB50 million) from Bank of China, which is guaranteed by the Company's Chief Executive Officer, Mr. Dang Yu Pan. It is five-year long-term loan, with an annual interest equals to 110% of the benchmark-lending rate of the People's Bank of China ("PBOC"), which was 5.39% as of June 30, 2016. Interest expenses are to be paid quarterly.

The interest expenses were \$44,038 and \$ 124,962 for the six months ended June 30, 2016 and 2015, respectively, and \$18,402 and \$57,334 for the three months ended June 30, 2016 and 2015, 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.

18. 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, 2016, 393,141 shares of common stock remained available for issuance pursuant to awards granted under the 2008 Plan.

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18. 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, 2015	760,286	2.92	7.78
Granted	75,000	4.43	-
Exercised	(16,933)	2.63	-
Forfeited	(26,336)	2.63	-
Canceled	(5,091)	2.63	-
Outstanding, December 31, 2015	<u>786,926</u>	<u>3.08</u>	<u>6.90</u>
Exercisable, December 31, 2015	<u>587,407</u>	<u>3.16</u>	<u>6.56</u>
	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u> \$	<u>Remaining Contractual Term in Years</u>
Outstanding, January 1, 2016	786,926	3.08	6.90
Granted	190,000	2.66	-
Outstanding, June 30, 2016	<u>976,926</u>	<u>3.00</u>	<u>7.02</u>
Exercisable, June 30, 2016	<u>623,407</u>	<u>3.22</u>	<u>6.27</u>

The Company determined the estimated grant-date fair value of share options based on the Black-Scholes pricing model using the following assumptions:

	<u>Six months ended June 30</u>	
	<u>2016</u>	<u>2015</u>
Expected volatility	76.98%-79.55%	78.57%-89.73%
Risk-free interest rate	1.21%-1.4%	1.54%-1.71%
Expected term from grant date (in years)	5-6.05	5.0-6.05
Dividend rate	0.00%	0.00%

The aggregate intrinsic value of options vested and expected to vest as of June 30, 2016 and December 31, 2015 was approximately \$1,950 and \$178,000, 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 six months ended June 30, 2016, the Company granted options to purchase 190,000 shares to two employees at a weighted average exercise price of \$2.66 per share. No employees exercised their options and no options were forfeited or canceled. During the three months ended June 30, 2016, no options were granted, exercised, forfeited or cancelled.

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.

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.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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18. Share-based Compensation (continued)

Restricted Stock Awards Granted to Employees

There were no RSAs granted to employees during the three and six months ended June 30, 2016.

Total Share-based Compensation Expense

As of June 30, 2016 the gross amount of unrecognized share-based compensation expense relating to unvested share-based awards held by employees was approximately \$388,479, which the Company anticipates recognizing as a charge against income over a weighted average period of 1.57 years.

In connection with the grant of stock options, restricted stock awards and warrants to employees, the Company recorded stock-based compensation charges of \$95,259 and \$290,943, for the three-month period ended June 30, 2016 and 2015, respectively. The Company recorded stock-based compensation charges of \$205,969 and \$412,304 for the six-month period ended June 30, 2016 and 2015, respectively.

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19. Earnings per share

The following table sets forth the computation of basic and diluted earnings per common share for the six months ended June 30, 2016 and 2015, and the three months ended June 30, 2016 and 2015

	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Numerator:				
Net income attributable to the Company	<u>2,051,782</u>	<u>1,867,124</u>	<u>1,709,174</u>	<u>1,743,766</u>
Denominator:				
Weighted-average shares outstanding				
- Basic	15,101,679	15,094,979	15,101,679	15,091,639
- Dilutive effects of equity incentive awards	<u>1,198</u>	<u>346,597</u>	<u>2,207</u>	<u>377,635</u>
- Diluted	<u>15,102,877</u>	<u>15,441,576</u>	<u>15,103,886</u>	<u>15,469,274</u>
Net income per share				
Basic	0.14	0.12	0.11	0.12
Diluted	0.14	0.12	0.11	0.11

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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20. 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	\$ 2.3

The fair value of the warrant liability is re-measured at each reporting period and recorded as a gain or loss on fair value of warrant liability. As of June 30, 2016 and December 31, 2015, the fair value of warrant liability was \$14,003 and \$140,549, respectively. For the three months ended June 30, 2016 and 2015, the Company recognized a gain of \$7,077 and \$84,833, respectively, on the change in the fair value of the warrant liability. For the six months ended June 30, 2016 and 2015, the Company recognized a gain of \$126,542 and \$431,132, respectively, on the change in the fair value of the warrant liability.

The fair values of the warrants as of June 30, 2016 and December 31, 2015 were calculated using the Black-Scholes pricing model with the following assumptions:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Expected volatility	72.31%	79.85%
Risk-free interest rate	0.41	0.56%
Expected term (in years)	0.80	1.30
Dividend rate	-	-
Fair value	\$ 0.03	\$ 0.81

The Company revalued the warrants utilizing a binomial model as of June 30, 2016 and December 31, 2015 with no difference in the value.

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 recorded as offering cost.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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21. 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 \$754,663 and \$ 826,889 for the six months ended June 30, 2016 and 2015, respectively, and \$419,105 and \$414,201 for the three months ended June 30, 2016 and 2015, respectively.

22. Non-controlling interest

As of June 30 2016 and December 31, 2015, non-controlling interest related to the 30% minority interest in GZ Highpower in the consolidated balance sheet was \$527,601 and \$853,483, respectively.

Non-controlling interest related to GZ Highpower in the consolidated statements of operations was loss of \$312,190 and \$146,283 for the six months ended June 30, 2016 and 2015, respectively, and \$178,669 and \$101,074 for the three months ended June 30, 2016 and 2015, respectively.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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23. 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 2016 to 2019, 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, 2016 are as follows:

	\$
Remaining 2016	864,915
2017	800,397
2018	491,296
2019	236,562
	2,393,170

Rent expenses for the six months ended June 30, 2016 and 2015 were \$800,284 and \$819,448, respectively, and \$394,711 and \$415,254 for the three months ended June 30, 2016 and 2015.

Capital commitment

On June 30, 2016, HZ HTC entered into an Agreement for Equity Transfer and Capital Increase with Yipeng and the shareholders listed therein, which was amended by Supplementary Agreements, I, II, and III (collectively, the “Equity Purchase Agreement”).

Pursuant to the terms of the Equity Purchase Agreement, the Company will purchase up to 50% of Yipeng’s equity on two dates: (1) on August 10, 2016, in addition to the existing 5% shares of Yipeng, the Company agree to pay approximately \$2.3 million in cash and transfer equipment worth approximately \$6.8 million in exchange for the purchase of 30.4% of the shares of Yipeng, and (2) prior to November 5, 2016, provided that Yipeng has been approved to be listed in the catalogue of Industrial Standards of Auto Mobile Power Battery Cell (the “Catalogue) prior to October 31, 2016, the Company will pay approximately \$2.9 million in cash and transfer equipment worth approximately \$5.3 million in exchange for an additional 14.6% of the shares of Yipeng. The Company also has the right to purchase in the future an additional 1% of the shares from Yipeng’s founding shareholders at a price of approximately \$0.4 million which would result in an aggregate of 51% of Yipeng.

Contingencies

On January 14, 2016, FirsTrust China, Ltd filed an amended complaint in the Delaware Chancery Court (amending its initial complaint filed February 25, 2015) naming Highpower as the defendant asserting a cause of action for breach of contract and conversion of stock, and seeking damages in the form of issuance of 150,000 shares or the value of such shares, plus interest thereon, attorneys’ fees and costs and expenses. On February 4, 2016, Highpower filed an answer, affirmative defenses and counterclaim against FirsTrust asserting claims for equitable rescission, declaratory relief and breach of contract, and seeking rescission of the contract, return of the 200,000 warrants and 150,000 shares of Highpower stock previously issued to FirsTrust, plus interest, attorneys’ fees and costs and expenses. Highpower has also added as counter-defendants four individuals to whom it issued shares pursuant to FirsTrust’s request. In April 2016, FirsTrust filed a motion for judgment on the pleadings with respect to its complaint and a hearing date is scheduled for January 2017. FirsTrust has also filed a notice of a motion to dismiss Highpower’s counterclaim. The Company believes that it has meritorious defenses to this claim and intends to defend the claim vigorously.

HIGHPOWER INTERNATIONAL, INC. AND SUBSIDIARIES
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24. Segment information

The reportable segments are components of the Company that offer different products and are separately managed, with separate financial information available that is separately evaluated regularly by the Company's chief operating decision maker ("CODM"), the Chief Executive Officer, in determining the performance of the business. The Company categorizes its business into three reportable segments, namely (i) Lithium Batteries; (ii) Ni-MH 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>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Net sales				
Ni-MH Batteries	11,972,810	15,775,426	24,829,135	30,534,896
Lithium Batteries	23,666,887	22,066,302	38,981,832	38,886,930
New Materials	1,092,613	794,073	2,018,398	1,351,623
Total	<u>36,732,310</u>	<u>38,635,801</u>	<u>65,829,365</u>	<u>70,773,449</u>
Cost of Sales				
Ni-MH Batteries	8,869,549	11,850,483	18,475,355	23,565,936
Lithium Batteries	18,857,605	17,307,091	31,364,936	31,640,483
New Materials	1,361,485	914,467	2,468,364	1,447,556
Total	<u>29,088,639</u>	<u>30,072,041</u>	<u>52,308,655</u>	<u>56,653,975</u>
Gross Profit				
Ni-MH Batteries	3,103,261	3,924,943	6,353,780	6,968,960
Lithium Batteries	4,809,282	4,759,211	7,616,896	7,246,447
New Materials	(268,872)	(120,394)	(449,966)	(95,933)
Total	<u>7,643,671</u>	<u>8,563,760</u>	<u>13,520,710</u>	<u>14,119,474</u>
Total Assets				
		<u>June 30, 2016</u>	<u>December 31, 2015</u>	
		<i>(Unaudited)</i>		
		\$	\$	
Lithium Batteries		87,157,260	82,006,317	
Ni-MH Batteries		36,911,805	41,590,201	
New Materials		10,178,623	10,607,966	
Total		<u>134,247,688</u>	<u>134,204,484</u>	

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24. 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>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$	\$	\$
Net sales				
China Mainland	28,855,932	19,290,058	37,385,011	33,315,390
Asia, others	6,295,056	11,637,753	18,275,423	22,079,640
Europe	208,548	5,749,314	6,524,327	11,565,500
North America	1,285,688	1,783,947	2,919,834	3,340,558
South America	14,074	147,644	478,971	301,573
Africa	25,968	-	50,001	103,807
Others	47,044	27,085	195,798	66,981
	<u>36,732,310</u>	<u>38,635,801</u>	<u>65,829,365</u>	<u>70,773,449</u>

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
	<i>(Unaudited)</i>	
	\$	\$
Accounts receivable		
China Mainland	22,392,393	23,832,388
Asia, others	7,293,500	6,443,781
Europe	1,879,847	5,324,389
North America	675,645	433,458
South America	20,778	-
Africa	-	55,240
Others	16,869	50,610
	<u>32,279,032</u>	<u>36,139,866</u>

25. Related party balance and transaction

Related party balance

The outstanding amounts of the related party as of June 30, 2016 (unaudited) as follow:

	\$
Accounts receivable - related party(I)	2,152,054
Amount due to Yipeng(II)	761,895

(I) The balance of accounts receivable - related party represented the balance of accounts receivable with Yipeng.

(II) The balance of amount due to a related company mainly represented the sales security deposit collected from Yipeng, amounting to \$755,793, which would be refund to Yipeng once the sales of battery cell since January 1, 2016 reached 550,000 PCS. And the remaining balance represented the accounts payable with Yipeng.

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25. Related party balance and transaction (continued)

Related party transaction

The details of the related party transactions were as follows:

	<u><i>Period from May 2, 2016 to June 30, 2016</i></u> <i>(Unaudited)</i> \$
Sales-Yipeng(III)	1,264,934

(III) The transaction amount represented the total sales of Lithium battery with Yipeng.

26. Subsequent event

On August 3, 2016, Henry Sun advised the Company of his decision to resign as Chief Financial Officer and Corporate Secretary of the Company effective upon the appointment of a successor. On August 7, 2016, the Company appointed Sunny Pan as its Interim Chief Financial Officer and Corporate Secretary.

On August 10, 2016, the Company consummated the first closing pursuant to the terms of the Equity Purchase Agreement, resulting in an aggregate 35.4% equity ownership of Yipeng.

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”) and Icon Energy System Company Limited (“ICON”); SZ Highpower’s wholly-owned subsidiary, Huizhou Highpower Technology Company Limited (“HZ HTC”) and its 70%-owned subsidiary Ganzhou Highpower Technology Company Limited (“GZ Highpower”); and SZ Highpower’s and HKHTC’s jointly owned subsidiary, Springpower Technology (Shenzhen) Company Limited (“SZ Springpower”).

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, 2015 filed with SEC on March 29, 2016 (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 was dissolved in 2015. 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.

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). 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 June 30, 2016, SZ Highpower holds 70% of the equity interest of GZ Highpower, and four founding management members of GZ Highpower hold the remaining 30%.

On November 27, 2015, the Company’s Board of Directors received a non-binding investment proposal letter from Anshan Co-Operation (Group) Co., Ltd. (“Anshan Co-Operation”), joined with Mr. Dang Yu Pan, the Company’s Chairman and CEO, and certain management of Highpower International, and China Innovative Capital Management Ltd. Anshan Co-Operation (Group) Co., Ltd. (“Anshan Co-Operation”), proposing to purchase newly issued shares of SZ Highpower, SZ Springpower and ICON, the three subsidiaries in the PRC wholly-owned by the Company with not less than RMB650 million, or approximately US\$101.7 million (based on an exchange rate of \$6.39 as of November 26, 2015) based on the valuation of RMB280 million, or approximately US\$43.8 million (based on an exchange rate of \$6.39 as of November 26, 2015) for the three subsidiaries, in exchange for more than 50% of the equity of each of the three subsidiaries and become the controlling shareholder of each of the subsidiaries after the subscription. The Company’s Board of Directors has formed a special committee consisting of the following independent directors to consider the proposal: Ping Li, who will serve as chairman, Xinhai Li and T. Joseph Fisher, III. The special committee has retained independent legal and financial advisors to assist it in the process.

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

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

Results of Operations

The following table sets forth the unaudited consolidated statements of operations of the Company for the three and six months ended June 30, 2016 and 2015, both in dollars and as a percentage of net sales.

Consolidated Statements of Operations

(in thousands except share and per share information)

	<i>Three months ended June 30,</i>				<i>Six months ended June 30,</i>			
	<i>2016</i>		<i>2015</i>		<i>2016</i>		<i>2015</i>	
Net Sales	36,732	100.0%	38,636	100.0%	65,829	100%	70,773	100.0%
Cost of Sales	(29,089)	(79.2)%	(30,072)	(77.8)%	(52,308)	(79.5)%	(56,654)	(80.1)%
Gross profit	7,643	20.8%	8,564	22.2%	13,521	20.5%	14,119	19.9%
Research and development expenses	(2,036)	(5.5)%	(1,998)	(5.2)%	(3,659)	(5.6)%	(3,672)	(5.2)%
Selling and distribution expenses	(1,539)	(4.2)%	(1,598)	(4.1)%	(3,074)	(4.7)%	(3,396)	(4.8)%
General and administrative expenses	(3,249)	(8.8)%	(3,424)	(8.9)%	(6,319)	(9.6)%	(6,448)	(9.1)%
Foreign currency transaction gain	600	1.6%	74	0.2%	510	0.8%	444	0.6%
Income from operations	1,419	3.9%	1,618	4.2%	979	1.5%	1,047	1.5%
Gain on change of fair value of warrant liability	7	0.0%	85	0.2%	127	0.2%	431	0.6%
Other income	1,056	2.9%	357	0.9%	1,211	1.8%	587	0.8%
Interest expenses	(435)	(1.2)%	(275)	(0.7)%	(710)	(1.1)%	(544)	(0.8)%
Income before taxes	2,047	5.6%	1,785	4.6%	1,607	2.4%	1,521	2.1%
Income tax (expenses) benefit	(174)	(0.5)%	(19)	0.0%	(210)	(0.3)%	77	0.1%
Net income	1,873	5.1%	1,766	4.6%	1,397	2.1%	1,598	2.3%
Less: net loss attributable to non-controlling interest	(179)	(0.5)%	(101)	(0.3)%	(312)	(0.5)%	(146)	(0.2)%
Net income attributable to the company	<u>2,052</u>	5.6%	<u>1,867</u>	4.8%	<u>1,709</u>	2.6%	<u>1,744</u>	2.5%
Income per share of common stock attributable to the Company								
- Basic	<u>0.14</u>		<u>0.12</u>		<u>0.11</u>		<u>0.12</u>	
- diluted	<u>0.14</u>		<u>0.12</u>		<u>0.11</u>		<u>0.11</u>	
Weighted average number of common shares outstanding								
- Basic	<u>15,101,679</u>		<u>15,094,979</u>		<u>15,101,679</u>		<u>15,091,639</u>	
- diluted	<u>15,102,877</u>		<u>15,441,576</u>		<u>15,103,886</u>		<u>15,469,274</u>	

Three months ended June 30, 2016 and 2015

Net sales

We generate revenues from the sale of our Ni-MH batteries, Lithium batteries and new materials for three months ended June 30, 2016 and 2015. Revenues by segment were as follows:

	<i>Three months ended June 30,</i>	
	<i>2016</i>	<i>2015</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	\$	\$
<i>Net sales</i>		
Ni-MH Batteries	11,972,810	15,775,426
Lithium Batteries	23,666,887	22,066,302
New Materials	1,092,613	794,073
Total	36,732,310	38,635,801

Net sales for the three months ended June 30, 2016 were \$36.7 million compared to \$38.6 million for the three months ended June 30, 2015, a decrease of \$1.9 million, or 4.9%. The decrease was due to a \$3.8 million decrease in net sales of our Ni-MH batteries (resulting from a 16.3% decrease in the volume, measured in ampere hour, of batteries sold and a 9.3% decrease in the average selling price of such batteries), a \$1.6 million increase in net sales of our lithium batteries (resulting from a 56.7% increase in the volume, measured in ampere hour, and 31.5% decrease in the average selling price of such batteries) and a \$0.3 million increase in revenue from our new material business.

Cost of sales

Cost of sales mainly consists of nickel, cobalt, lithium derived materials, labor, and overhead. Costs of sales were \$29.1 million for the three months ended June 30, 2016, as compared to \$30.1 million for the comparable period in 2015. As a percentage of net sales, cost of sales increased to 79.2% for the three months ended June 30, 2016 compared to 77.8% for the comparable period in 2015, which was mainly due to the adjusted product mix.

Gross profit

Gross profit for the three months ended June 30, 2016 was \$7.6 million, or 20.8% of net sales, compared to \$8.6 million, or 22.2% of net sales for the comparable period in 2015. 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 attributed to the 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 \$2.0 million, or 5.5% of net sales, for the three months ended June 30, 2016, as compared to \$2.0 million, or 5.2% of net sales for the comparable period in 2015.

Selling and distribution expenses

Selling and distribution expenses were \$1.5 million, or 4.2% of net sales, for the three months ended June 30, 2016 compared to \$1.6 million, or 4.1% of net sales, for the comparable period in 2015.

General and administrative expenses

General and administrative expenses were \$3.2 million, or 8.8% of net sales, for the three months ended June 30, 2016, compared to \$3.4 million, or 8.9% of net sales, for the comparable period in 2015.

Foreign currency transaction gain

We experienced a gain of \$600,313 for the three months ended June 30, 2016 and a gain of \$73,546 for the three months ended June 30, 2015 on the exchange rate difference between the U.S. Dollar and the RMB. The gain in exchange rate difference was due to the influence of the RMB relative to the U.S. Dollar over the respective periods.

Interest expenses

Interest expenses were \$435,402 for the three months ended June 30, 2016, as compared to \$275,476 for the comparable period in 2015. The increase was mainly due to the increase of non-financial borrowings.

Other income

Other income, which consists of bank interest income, government grants and sundry income, was approximately \$1,055,947 for the three months ended June 30, 2016, as compared to approximately \$357,055 for the comparable period in 2015, an increase of \$698,892. The increase was mainly due to the increase of income from government subsidies.

Change in fair value change of warrant liabilities

Change in fair value change of warrant liabilities was a gain of \$7,077 for the three months ended June 30, 2016, as compared to a gain of \$84,833, for the comparable period in 2015. It represented the fair value change of 500,000 shares of warrants issued on April 17, 2014.

Income tax (expenses) benefit

During the three months ended June 30, 2016, we recorded provision for income tax expense of \$174,313 as compared to income tax expense of \$18,840 for the comparable period in 2015.

Net income

Net income attributable to the Company (excluding net loss attributable to non-controlling interest) for the three months ended June 30, 2016 was \$2,051,782, compared to net income attributable to the Company (excluding net loss attributable to non-controlling interest) of \$1,867,124 for the comparable period in 2015.

Six Months Ended June 30, 2016 and 2015

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>2016</i>	<i>2015</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>\$</i>	<i>\$</i>
<i>Net sales</i>		
Ni-MH Batteries	24,829,135	30,534,896
Lithium Batteries	38,981,832	38,886,930
New Materials	2,018,398	1,351,623
Total	65,829,365	70,773,449

Net sales for the six months ended June 30, 2016 were \$65.8 million compared to \$70.8 million for the six months ended June 30, 2015, a decrease of \$5.0 million, or 7.0%. The decrease was due to a \$5.7 million decrease in net sales of our Ni-MH batteries (resulting from an 8.4% decrease in the volume and an 11.2% decrease in the average selling price of such batteries), a \$0.1 million increase in net sales of our lithium batteries and a \$0.7 million increase in revenue from our new material business.

Cost of sales

Cost of sales mainly consists of nickel, cobalt, lithium derived materials, labor, and overhead. Costs of sales were \$52.3 million for the six months ended June 30, 2016, as compared to \$56.7 million for the comparable period in 2015. As a percentage of net sales, cost of sales decreased to 79.5% for the six months ended June 30, 2016 compared to 80.1% for the comparable period in 2015.

Gross profit

Gross profit for the six months ended June 30, 2016 was \$13.5 million, or 20.5% of net sales, compared to \$14.1 million, or 19.9% of net sales for the comparable period in 2015. 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 5.6% of net sales, for the six months ended June 30, 2016 as compared to approximately \$3.7 million, or 5.2% of net sales, for the comparable period in 2015.

Selling and distribution expenses

Selling and distribution expenses were \$3.1 million, or 4.7% of net sales, for the six months ended June 30, 2016 compared to \$3.4 million, or 4.8% of net sales, for the comparable period in 2015, a decrease of 9.5%. Selling and distribution expenses decreased due to the decrease of net sales.

General and administrative expenses

General and administrative expenses were \$6.3 million, or 9.6% of net sales, for the six months ended June 30, 2016, compared to \$6.4 million, or 9.1% of net sales, for the comparable period in 2015.

Foreign currency transaction gain

We experienced a gain of \$509,877 for the six months ended June 30, 2016 and a gain of \$443,857 for the six months ended June 30, 2015 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.

Interest expenses

Interest expenses were \$710,394 for the six months ended June 30, 2016, as compared to \$544,118 for the comparable period in 2015. The increase in interest expense was due to an increase in borrowing.

Other income

Other income, which consists of bank interest income, government grants and sundry income, was approximately \$1,211,875 for the six months ended June 30, 2016, as compared to approximately \$587,147 for the comparable period in 2015, an increase of \$624,728. The increase was mainly due to an increase of \$724,042 in income from government subsidiary.

Gain on fair value change of warrant liabilities

Gain on fair value change of warrant liabilities was \$126,546 for the six months ended June 30, 2016, as compared to \$431,132 for the six months ended June 30, 2015. It represented the fair value change of 500,000 shares of warrants issued on April 17, 2014.

Income tax (expense) benefit

During the six months ended June 30, 2016, we recorded provision for income tax expense of \$209,817 as compared to income tax benefit of \$76,416 for the comparable period in 2015.

Net income

Net income attributable to the Company (excluding net loss attributable to non-controlling interest) for the six months ended June 30, 2016 was \$1.7 million, compared to net income attributable to the Company (excluding net loss attributable to non-controlling interest) of \$1.7 million for the comparable period in 2015.

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, 2016, the exchange rate of the RMB to the U.S. Dollar devaluated 2.3% from the level at the end of December 31, 2015. 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 \$6.8 million as of June 30, 2016, as compared to \$5.8 million as of December 31, 2015. 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 funds under bank facilities and other external sources of financing. As of June 30, 2016, we had lines of credit with 8 financial institutions aggregating \$64 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, pledged by land use right and buildings, and contain customary affirmative and negative covenants for secured credit facilities of this type. Interest rates are generally based on the banks’ reference lending rates. No significant commitment fees are required to be paid for the banking facilities. As of June 30, 2016, we had utilized approximately \$27 million under such general credit facilities and had available unused credit facilities of \$37 million.

For the six months ended June 30, 2016, net cash provided by operating activities was approximately \$1.3 million, as compared to \$6.0 million used in operating activities for the comparable period in 2015. The net cash increase of \$7.3 million provided by operating activities is primarily attributable to, among other items, an increase of \$4.0 million in cash inflow from accounts receivable, an increase of \$2.7 million in inflow from notes receivable, a decrease of 1.6 million in outflow from prepayment, an increase of \$2.2 million in outflow from accounts receivable - related party, and an increase of \$0.8 million in inflow due to a related party.

Net cash used in investing activities was \$5.2 million for the six months ended June 30, 2016 compared to \$4.0 million for the comparable period in 2015. The net increase of \$1.2 million of cash used in investing activities was attributable to an increase of \$0.4 million in cash outflow from acquisition of plant and equipment and an increase of \$0.8 million in cash outflow from investment.

Net cash provided by financing activities was \$5.8 million during the six months ended June 30, 2016, as compared to \$1.1 million used in financing activities for the comparable period in 2015. The net increase of \$6.9 million in net cash provided by financing activities was primarily attributable to an increase of \$4.6 million in proceeds from non-financial institution and an increase of \$1.5 million in proceeds from short-term bank loan.

For the six months ended June 30, 2016 and 2015, our inventory turnover was 5.3 times and 4.7 times, respectively. The average days outstanding of our accounts receivable at June 30, 2016 was 94 days, as compared to 83 days at June 30, 2015. 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 \$419,105 and \$414,201 for the three months ended June 30, 2016 and 2015, respectively, and \$754,663 and \$826,889 in the six months ended June 30, 2016 and 2015, respectively. We expect the amount of our contribution to the government's social insurance funds to increase in the future as we expand our workforce and operations.

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

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

Recent Accounting Pronouncements

Please refer to Note 2 (Recently issued accounting pronouncements) in Item 1 (d).

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, 2016.

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 this quarter ended June 30, 2016 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

As previously reported in our Annual report on Form 10K for the year ended December 31, 2015, on January 14, 2016, FirsTrust China, Ltd filed an amended complaint in the Delaware Chancery Court (amending its initial complaint filed February 25, 2015) naming Highpower as the defendant asserting a cause of action for breach of contract and conversion of stock, and seeking damages in the form of issuance of 150,000 shares or the value of such shares, plus interest thereon, attorneys' fees and costs and expenses.

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 29, 2016 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

Execution and First Closing of Equity Transfer and Capital Increase Agreement with Yipeng

On June 30, 2016, our wholly-owned subsidiary, Huizhou Highpower Technology Co., Ltd, entered into an Agreement for Equity Transfer and Capital Increase with Huizhou Yipeng Energy Technology Co. Ltd. ("Yipeng") and the shareholders listed therein, which was amended by Supplementary Agreements I, II, and III (collectively, the "Equity Purchase Agreement"). Pursuant to the terms and conditions of the Equity Purchase Agreement, the Company will purchase up to 50% of Yipeng's equity for an aggregate of RMB114.75 million, or \$17.3 million based on current exchange rates, consisting of \$5.2 million in cash and \$12.1 million of power battery equipment. The Company intends to fund the acquisition with cash on hand, expected future cash flow, and if needed, approximately \$2.0 million in borrowings under existing credit arrangements.

Pursuant to the terms of the Equity Purchase Agreement, the purchase of equity will occur on two dates: (1) on August 10, 2016, in addition to the existing 5% shares of Yipeng currently held by Highpower, we agreed to pay approximately \$2.3 million in cash and transfer equipment worth approximately \$6.8 million in exchange for the purchase of 30.4% of the shares of Yipeng, and (2) prior to November 5, 2016, provided that Yipeng has been approved to be listed in the catalogue of Industrial Standards of Auto Mobile Power Battery Cell (the "Catalogue") prior to October 31, 2016, we will pay approximately \$2.9 million in cash and transfer equipment worth approximately \$5.3 million in exchange for an additional 14.6% of the shares of Yipeng. The Company also has the right to purchase in the future an additional 1% of the shares from Yipeng's founding shareholders at a price of approximately \$0.4 million, which would result in a 51% aggregate equity ownership of Yipeng.

On August 10, 2016, we consummated the first closing pursuant to the terms of the Equity Purchase Agreement, resulting in a current equity ownership of Yipeng by Highpower of an aggregate of 35.4%.

The Equity Purchase Agreement contains customary representations, warranties, covenants and agreements of the parties, and completion of the transaction is subject to customary closing conditions, including, among others, obtaining an amended business license, transfer of title to the equipment, waiver of rights by existing Yipeng shareholders, execution of employment agreements with certain senior management at Yipeng, no material adverse events, and required governmental approvals.

In addition, under the terms of the Equity Purchase Agreement, if Yipeng fails to achieve 90% of its projected net profit for 2016, 2017 or 2018, then Yipeng's founding shareholders will make up the difference through a payment of cash or transfer of equivalent equity to all of Yipeng's shareholders. If Yipeng achieves 100% to 110% of its projected net profit for 2016, 2017 or 2018, then the 10% of the excess profit will be awarded to Yipeng's founding shareholders and operating management team.

Yipeng has been a customer of Highpower since 2014, and for the year ended December 31, 2015 and the six months ended June 30, 2016, Yipeng purchased an aggregate of \$3.2 million, or 2.2% of net sales, and \$2.9 million, or 4.4% of net sales, of products from the Company, respectively. Pursuant to the Equity Purchase Agreement, Yipeng has agreed that Highpower will be its preferred supplier for lithium

batteries.

Under the terms of the Equity Purchase Agreement, we will have a right of first refusal and co-sale right on sales of shares by equity holders of Yipeng, and pre-emptive and anti-dilution rights on additional equity issuances by Yipeng. Highpower's shares also have a contractual liquidation preference and, under certain circumstances, a right to put the shares to the Yipeng founding equity holders. Highpower's repurchase rights may be exercised as a result of certain events, such as certain financial losses by Yipeng or Yipeng's failure to be approved for listing in the Catalogue. Highpower has veto rights over material actions, such as amendments to Yipeng's charter documents, change in organizational structure and management personnel, loans, commitments exceeding approximately \$150,000, and mergers, acquisitions and asset sales. Highpower will also appoint three members to a five member board of directors of Yipeng.

The Equity Purchase Agreement may be terminated (1) if agreed by all the parties, (2) by Highpower if (a) Yipeng's representations are untrue or it breaches its obligations resulting in a material adverse impact on Yipeng, or (b) unless waived, all conditions are not satisfied prior to December 31, 2016 or a grace period approved by Highpower, or (3) by Yipeng if Highpower's representations are untrue or it breaches its obligations. The Equity Purchase Agreement may be terminated by any party due to force majeure events or other reasons not attributable to the parties, bankruptcy or revocation of a party's business license or a party's inability to fulfill the Equity Purchase Agreement.

The foregoing is a summary only and does not purport to be a complete description of all of the terms, provisions, covenants, and agreements contained in the Equity Purchase Agreement, and is subject to and qualified in its entirety by reference to the Equity Purchase Agreement and Supplementary Agreements which are filed hereto as exhibits to this quarterly report on Form 10-Q, and incorporated by reference herein.

The information set forth above is included herewith for the purpose of providing the disclosure required under "Item 1.01 - Entry into a Material Definitive Agreement" and "Item 2.01 - Completion of Acquisition or Disposition of Assets" of Form 8-K.

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

On April 29, 2016, SZ Highpower entered into a borrowing agreement with a non-financial institution (Lender) providing for an aggregate loan of RMB20,000,000 (US\$3,007,700) to be used by SZ Highpower as working capital. SZ Highpower must pay back the loans before the maturity day on August 31, 2017. The interest rate is 5.66%, which equals to 130% of one year's benchmark-lending rate of the People's Bank of China ("PBOC"). The loan is guaranteed by the Company's Chief Executive Officer, Mr. Danguy Pan.

The following constitute events of default under the loan contract: SZ Highpower's failure to use the loan proceeds for the prescribed purposes; SZ Highpower's failure to timely repay the principal, interest under the contract; SZ Highpower or a guarantor's avoidance that will result in Lender or its designated third party fail to subscribe additional directional shares of Anshan Co-Operation; SZ Highpower or a guarantor's violation of any other obligations in the contract.

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

Borrowing agreement between Shenzhen Highpower Technology Co., Ltd. and an individual

On May 19, 2016, SZ Highpower entered into a borrowing agreement with an individual (Lender) providing for an aggregate loan of RMB50,000,000 (US\$7,519,249) to be used by SZ Highpower as working capital. SZ Highpower can withdraw the loan on and before September 30, 2016. SZ Highpower must pay back the loans before the maturity day on August 31, 2017. The interest rate is 5.66%, which equals to 130% of one year's benchmark-lending rate of the People's Bank of China ("PBOC"). The loan is guaranteed by Mr. Danguy Pan.

The following constitute events of default under the loan contract: SZ Highpower's failure to use the loan proceeds for the prescribed purposes; SZ Highpower's failure to timely repay the principal, interest under the contract; SZ Highpower or a guarantor's avoidance that will result in Lender or its designated third party fail to subscribe additional directional shares of Anshan Co-Operation; SZ Highpower or a guarantor's violation of any other obligations in the contract.

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

Credit Line Contract Between Springpower Technology (Shenzhen) Co., Ltd. and Huaxia Bank Co., Ltd. Shenzhen Great China Sub-branch

On June 23, 2016, SZ Springpower entered into a comprehensive credit line contract with Huaxia Bank Co., Ltd. Shenzhen Great China Sub-branch, which provides for a revolving line of credit of up to RMB30,000,000 (US\$4,511,550) (CCL Agreement). SZ Springpower may withdraw from the loan, from time to time as needed, but must make a specific drawdown application on or before June 1, 2017. The loan is guaranteed by SZ Highpower, HZ HTC, ICON, Mr. Danguy Pan and his wife Ms. Zhoutao Yin.

The following constitute events of default under the loan contract: SZ Springpower provides false information or holds back important operational accounting facts; SZ Springpower changes the purpose of the financed capital without consented, or uses the financed capital for conducting any illegal or rule-breaking transaction; SZ Springpower violates any other contract or agreement concluded with others, or makes any commitment or warranty unilaterally, which constitutes serious breach of other debts; the guarantee capacity of a guarantor becomes obviously insufficient, or the pledged or mortgaged property is expropriated or damaged or its value obviously declines, and SZ Springpower fails to provide a new guarantee as required by the bank; SZ Springpower's failure to perform its obligations specified in this Contracts or the specific business contract; SZ Springpower transfers its assets, withdraws funds, evades debts or has any other behavior which damages the bank's rights and interest; SZ Springpower's refusal to accept the bank's supervision of the use of the loan and the company's operational and financial activities; SZ Springpower uses a false contract with an affiliated party to discount or pledge on the basis of bill receivable and accounts receivable without real trade background to illegally withdraw bank's financing; SZ Springpower evades bank's obligatory right intentionally through affiliated transaction; SZ Springpower's operating mode, self-system or legal status is changed, including but not limited to contracting, lease, custody, asset reorganization, debt reconstruction, reform of shareholding system, joint operation, consolidation (merger), division, paid transfer or property, joint venture (cooperation), reduce of registered capital, or applying for winding-up, applying for dissolution (or cancellation), applying for reforming, reconciliation and bankruptcy; SZ Springpower hasn't implemented the liability of repayment of the debts under a specific business contract of this Contract or hasn't provided a new guarantee accepted by the bank; Any serious crisis of the overall credit status, operating conditions and financial status of the group customer of SZ Springpower, which causes significant threat to the safety of bank's funds; SZ Springpower is unable to or is likely unable to repay the due debt because SZ Springpower sells, transfers or disposes by other means any material assets or SZ Springpower's operation and financial status becomes worse; SZ Springpower is involved in any significant economic lawsuit or arbitration and other legal dispute, or is involved in any significant administrative punishment, which serious affects and threatens the realization of the bank's rights; SZ Springpower goes out of business, is dissolved, stops business or is ordered to close, or its business license is revoked or cancelled; SZ Springpower violates any other obligation agreed in this Contract, or the Guarantor violates any obligation agreed in the guarantee contract, that the bank thinks sufficient to affect realization of its rights; SZ Springpower causes a liability accident or a significant environment and social risk incident due to violation of relevant laws, regulations, regulatory provisions or industrial standards for food safety, work safety, environmental protection and management of environment and social risks, which has affected or may affect the performance of obligations under this Contract or a specific business contract.

Upon the occurrence of an event of default, the bank may terminate the unused portion of the credit line and announce the debt outstanding under the agreement immediately due and payable.

Item 6. Exhibits

Exhibit Number	Description of Document
10.1	Agreement for Equity Transfer and Capital Increase dated June 30, 2016 between Huizhou Highpower Technology Co., Ltd., Huizhou Yipeng Energy Technology Co., Ltd. and the shareholders listed therein. (translated to English)+
10.1(a)	Supplementary Agreement (I) to Agreement for Equity Transfer and Capital Increase dated June 30, 2016. (translated to English)+
10.1(b)	Supplementary Agreement (II) to Agreement for Equity Transfer and Capital Increase dated June 30, 2016. (translated to English)+
10.1(c)	Supplementary Agreement (III) to Agreement for Equity Transfer and Capital Increase dated June 30, 2016. (translated to English)
10.2	Investment Cooperation Agreement dated April 29, 2016, between Shenzhen Highpower Technology Co., Ltd., Shenzhen PowTech Equity Investment LP, and Pan Dangyu, as guarantor. (translated to English)
10.3	Investment Cooperation Agreement dated May 19, 2016, between Shenzhen Highpower Technology Co., Ltd., Wei Linwei and Pan Dangyu, as guarantor. (translated to English)
10.4	Maximum Financing Contract dated June 23, 2016, between Springpower Technology (Shenzhen) Co., Ltd. and Huaxia Bank Co., Ltd. Shenzhen Great China Sub-branch. (translated to English)
10.4(a)	Personal Maximum Guarantee Contract between Yin Zhoutao and Huaxia Bank Co., Ltd. Shenzhen Great China Sub-branch, dated June 30, 2016. (translated to English)
10.4(b)	Personal Maximum Guarantee Contract between Pan Dangyu and Huaxia Bank Co., Ltd. Shenzhen Great China Sub-branch, dated June 30, 2016. (translated to English)
10.4(c)	Maximum Guarantee Contract dated June 30, 2016, between Icon Energy System (Shenzhen) Co., Ltd. and Huaxia Bank Co., Ltd. Shenzhen Great China Sub-branch. (translated to English)
10.4(d)	Maximum Guarantee Contract dated June 30, 2016, between Huizhou Highpower Technology Co., Ltd. and Huaxia Bank Co., Ltd. Shenzhen Great China Sub-branch. (translated to English)
10.4(e)	Maximum Guarantee Contract dated June 30, 2016, between Shenzhen Highpower Technology Co., Ltd. and Huaxia Bank Co., Ltd. Shenzhen Great China Sub-branch. (translated to English)
31.1	Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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

+ Confidential treatment has been requested for certain confidential portions of this exhibit pursuant to Rule 24b-2 under the Exchange Act.

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 15, 2016

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

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

CONFIDENTIAL TREATMENT REQUESTED BY HIGHPOWER INTERNATIONAL, INC.

Confidential Portions of this Exhibit marked as [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.**

Huizhou Yipeng Energy Technology Co., Ltd.

Agreement for Equity Transfer and Capital Increase

2016

Confidential Portions of this Exhibit marked as [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.**

The Agreement for Capital Increase and Capital Increase (hereinafter referred to as “the Agreement”) is made on the day of June 30, 2016 between

Party A: Huizhou Highpower Technology Co., Ltd. (abbreviated as “Huizhou Highpower”), a limited liability company incorporated and existing under the laws of China (hereinafter referred to as “the Investor”), whose registered address is at Xinhua Industrial Development Zone, Ma’an Town, Huicheng District, Huizhou City, Guangdong Province ;

Party B: Huizhou Yipeng Energy Technology Co., Ltd. (abbreviated as “Huizhou Yipeng Energy Technology”), a limited liability company incorporated and existing under the laws of China (hereinafter referred to as “the Company”), whose registered address is at (Factory Building B1) No.1 Qunliao Road, Ma’an Town, Huicheng District, Huizhou City, Guangdong Province ;

Party C: Shareholders listed in Appendix 1

Party A, Party B and Party C mentioned above are hereinafter collectively referred to as “the Parties”, and individually referred to as “each Party” or “one Party”.

Whereas,

1. The Company, as an independent legal entity, is a limited liability company incorporated and existing under the laws of China; As of the date of signing of this Agreement, the Company’s registered capital shall be RMB 25,000,000 yuan, with its shareholding structure as below:

No.	Name of shareholder	Registered capital (RMB yuan)	Proportion of equity
1.	Shenzhen Jin Penglong Science and Technology Co., Ltd.	10,000,000	40%
2.	He Ping	2,750,000	11%
3.	ShuJianqin	4,750,000	19%
4.	QuJingdong	2,500,000	10%
5.	Beijing DFJ Fuhua Venture Investment Fund Management Centre (limited partnership)	2,500,000	10%

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No.	Name of shareholder	Registered capital (RMB yuan)	Proportion of equity
6.	Icon Energy System Co., Ltd.	1,250,000	5%
7.	Yang Lishan	1,250,000	5%
	Total	25,000,000	100.00%

- Party A, Party B and Party C unanimously determined that the value of Huizhou Yipeng Energy Technology is estimated at RMB 127.5 million yuan (in words: RMB one hundred and twenty-seven million, and five hundred thousand yuan) before the investment.
- Party A shall invest in Party B according to the above estimated value RMB 127.5 million yuan. The Parties unanimously determined that the 5% of Yipeng's equity held by Icon Energy System Co., Ltd. will be transferred to Party A when the investment agreement is signed. After the completion of the investment, , Party A will hold 50% of the Equity in Party B. If Party A's parent company, decides to include Party B into its listed company, the Parties unanimously determined that Party A will purchase 2% of Party B's equity from Party B's founding shareholders at the price of RMB 2.5 million yuan, and Party A will hold 51% of the Equity in Party B then.
- Commitment to business objectives, and performance compensation / incentive system According to Party B's development plan, requirements from the Parties, and the preparation for future capital market, Party B's annual operating revenue and net profit after tax during the years 2016 to 2018 are shown as below:

	2016	2017	2018
Operating revenue	[***]	[***]	[***]
Net profit	[***]	[***]	[***]

Currency unit: (RMB) ten thousand yuan.

(1) After Party A's investing in Party B, Party B should pledge that Party A will become Party B's preferred supplier for lithium ion battery, and Party A should pledge its fulfilment of Party B's orders will be prioritized.

(2) Performance compensation: During Party B' commitment period, if net profit achieved in current year failed to reach 90% of performance commitment value, Party B's founding shareholders shall make up for the deficiency through the payment of cash or transfer of equivalent equity to entire shareholders of Party B in a lump sum.

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(3) Performance incentive: During Party B's commitment period, if net profit achieved in current year reached 100% to 110% of performance commitment value, then the excess profit 10% will be awarded to Party B's founding shareholders and operating management team; if net profit achieved in current year exceeded 110% of performance commitment value, then the excess profit 20% will be awarded to Party B's founding shareholders and operating management team.

The Parties hereby enter into this Agreement on the Equity Transfer and Capital Increase to define rights and obligations of each party through negotiations on the basis of equality and mutual benefit, and agree to abide by the following terms and conditions.

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Article 1 Definitions and Interpretation

In this Agreement, all of the words and expressions, unless otherwise defined herein, shall have the following meanings.

1.1 The Company means Huizhou Yipeng Energy Technology Co., Ltd.

1.2 Equity Transfer and Capital Increase means the money and equipment, with the total value of RMB 114,750,000 yuan, will be invested in Party B in two phases: The first phase: power battery equipment with valuation of RMB 45 Million yuan (pursuant to the actual amount) and RMB 15 million yuan in cash. Huizhou Highpower and Party B agreed that Party A will endeavour to complete its first-phase equipment transfer before June 30th and the RMB 15 Million yuan in cash will be completed before August 5th. Party A will complete its secondary-phase investment project (Cash plus equipment (at the invoice price of RMB 35 million yuan, pursuant to the actual amount) before November 5, 2016 with the precondition that Party B successfully get into the catalogue of Industrial Standards of Auto Mobile Power Battery Cell before Oct. 31st, 2016.

1.3 Completion of Equity Transfer and Capital Increase means completion of the items as below: (1) The Company has completed the filing relating to amended articles of association (the content and format as listed in Appendix 2) with registration authority; (2) The Company has completed the procedures for registration of change of industrial and commercial items; (3) The Company has obtained the amended Business License, relating to Equity Transfer and Capital Increase, issued by registration authority; (4) The Investor has obtained the investment certificate issued by the Company (the content and format as listed in Appendix 3), affixed with signature of legal representative and official seal of the Company; (5) The Investor has been recorded in the Company's list of shareholders (the content and format as listed in Appendix 4); (6) The Company has completed the filing with registration authority relating to directors, shareholders' representative and supervisors (nominated by the investor) to be employed in Board of Directors and Board of Supervisors; (7) The Investor has been registered, by registration authority, as the shareholder holding the Company's registered capital RMB 23,750,000 yuan (accounting for 50% of the Company's registered capital).

1.4 Completion date of Equity Transfer and Capital Increase means date of completion of matters relating to Equity Transfer and Capital Increase (as defined in the article 1.3).

1.5 Registration authority means the Administration of Industry & Commerce who has the right to issue a business license to the Company.

1.6 Articles of association refer to the Company's articles of association currently in force.

1.7 Amended articles of association refer to the articles of association which can be amended from time to time for the purpose of Equity Transfer and Capital Increase

1.8 Transaction documents refer to this Agreement and amended articles of association.

1.9 Main business means the business items within the business scope recorded in Company's business license, as well as actual business activities.

1.10 Working day means any day except Sunday, Saturday or the day on which banks in China shall have the right or obligation to suspend business in accordance with applicable laws.

1.11 Business license means the Company's business license, and business license which can be amended from time to time.

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1.12 Intellectual property rights refer to various types of intellectual property rights (no matter if registered, including any application for such rights), including but not limited to (1) patent (including patent application right), discovery, technical procedure, technical proposal, application design, production technology, and know-how etc.; (2) trademark, logo, identification, trade name, domain name and related goodwill; (3) copyright, and relevant works recorded in the information medium, including but not limited to hardware, software, software and hardware combination, database, software coding, testing report, experimental data, test result, technical index, drawing, sample, model, operating manual, technical documentation, and other related information; (4) trade secret, business management method and other confidential information; and (5) intellectual property rights of same or similar nature anywhere in the world.

1.13 Affiliate: For any entity, organization or natural person, affiliate shall include the entity or natural person associated with the entity, organization or natural person, and its scope shall be referred to in No. 36 Accounting Standards for Business Enterprises – Disclosure of Affiliate; For any natural person, affiliate shall mean his/her spouse, children, parents, and close family members, as well as any other economic entity directly or indirectly controlled by such natural person.

1.14 Material adverse impact shall mean any event or circumstance that may result in failure to fulfil any obligation set forth in this Agreement, or any untrue or inaccurate representations and warranties made in this Agreement, or have major impact on legality, validity or enforceability of under this Agreement, or any event or circumstance that may or is considered to individually or jointly cause the Company's net asset or net profit to reduce to 5% above the end-of-period value of the audited consolidated financial report in the recent fiscal year (with the exception of (i) any change in Accounting Standards; (ii) any actions or omissions of one party expressly permitted by this Agreement or any other transaction document; if such event or circumstance is due to the party who claims for material adverse impact, then such event or circumstance shall not constitute material adverse impact).

1.15 Government authority means any local government authority, legislative, administrative or regulatory authority, group, institution, commission or other similar entities (including any of its branches or departments) or any subsequent entity in any country, region, province, city, troop (including affiliated organization, department and unit), or at other levels.

1.16 Senior management shall include general manager, deputy general manager, financial principal and other management personnel at director-level or above.

1.17 Encumbrances shall include any mortgage, pledge, lien, ownership in dispute, or other rights of third party (including but not limited to share-holding entrustment, subscription right, option and trust etc.)

1.18 With regard to provision or disclosure of information, integrity / completeness shall include any documents, information or materials required by one party or other relevant parties, which are provided any party as required ; With regard to any documents, information or materials, integrity / completeness shall mean content and format are integral, without deficiency or significant omission.

1.19 China, that is, the People's Republic of China, shall be deemed to serve the purpose of this Agreement only (Hong Kong, Macao and Taiwan not included).

1.20 Force majeure means any events that are unforeseeable at the time of execution of contract and could not be controlled, avoided or overcome by any party, including but not limited to fire, flood, typhoon, tsunami, earthquake, war, and any change in policies, laws and regulations.

1.21 Laws refer to any laws, administrative regulations, department rules and regulations, local rules and regulations, normative documents, judgments, prohibitions, orders, decrees or other restrictions set by any court or government organization.

1.22 Potential default events refer to any events or circumstances that are considered to constitute a breach of this Agreement by relevant party, in its reasonable judgment.

1.23 Currency, referred to RMB or Renminbi in this Agreement, means China's legal currency,

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Article 2 The Company

The Company (referred to in this Agreement), as an independent legal entity, is a limited liability company incorporated and existing under the laws of China, and its business scope approved by registration authority is R & D, production, assembly and sale of lithium-ion power battery, lithium-ion power battery system and its accessories (including high and low voltage wiring, charging cable, BMS, connector assembly, and battery box etc.). (As for business items required to be approved by authorities in accordance with laws and regulations, the operating activities are allowed, with approval of relevant authorities.)

Article 3 Equity Transfer and Capital Increase of the Company

3.1 The Investor proposes to hold 50% of the Equity of the Company (equivalent to the total registered capital RMB 47,500,000 yuan). In this case, Party A shall invest in Party B according to the above estimated value RMB 127.5 million yuan. The Parties unanimously determined that the 5% of Yipeng's equity held by Icon Energy System Co., Ltd. will be transferred to Party A when the investment agreement is signed. After the completion of the investment, Party A will hold 50% of the Equity in Party B. The Company's shareholders and their respective proportion of equity are shown as below:

<u>No.</u>	<u>Name of shareholder</u>	<u>Registered capital (RMB yuan)</u>	<u>Proportion of equity</u>
1.	Huizhou Highpower Technology Co., Ltd.	23,750,000	50.00%
2.	Shenzhen Jin Penglong Science and Technology Co., Ltd.	10,000,000	21.053%
3.	He Ping	2,750,000	5.789%
4.	ShuJianqin	4,750,000	10%
5.	QuJingdong	2,500,000	5.263%
6.	Beijing DFJ Fuhua Venture Investment Fund Management Centre (limited partnership)	2,500,000	5.263%
7.	Yang Lishan	1,250,000	2.632%
	Total	47,500,000	100.00%

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3.2 Payment for the Equity Transfer and Capital Increase

The Parties unanimously determined that the following Conditions Precedent, which may be waived, wholly or in part, in written form, by the Investor, shall be fulfilled. The investor shall, within ten (10) working days after receipt of the payment notice on Equity Transfer and Capital Increase (note: such payment notice shall be issued not earlier than the day when the Investor confirms in writing the following Conditions Precedent have been satisfied, or waived, wholly or in part), make the payment for the Equity Transfer and Capital Increase and allocate the equipment of equivalent value accordingly.

- (a) The Investor has conducted due diligence investigation relating to all business, finance, taxation and laws, and got satisfactory results.
- (b) The Investor has handled all of internal review and approval procedures required for the Equity Transfer and Capital Increase.
- (c) Party B's internal power sector has approved the Equity Transfer and Capital Increase, and has presented the relevant written resolution to the Investor.
- (d) Existing shareholders of the Company have issued the Letter of Consent for abandonment of pre-emptive right or other letters with same effects involving the Equity Transfer and Capital Increase. The transferor has provided the Investor with such letters.
- (e) Party B's related parties have signed all transaction documents, including this Agreement and amended articles of association, that the Investor deems necessary to sign. The Company has provided the Investor with such signed transaction documents,
- (f) The Equity Transfer and Capital Increase has occurred, and the Company has provided the Investor with the relevant certification documents as below:
 - (i) Duplicate of authentic and integral (amended) Business License for the Company issued by registration authority;
 - (ii) Registration authority has issued the certificate for completion of the filing relating to amended articles of association of the Company;
 - (iii) The Company has issued investment certificate, affixed with signature of legal representative and official seal of the Company (the content and format as listed in Appendix 3), to the Investor;
 - (iv) The Company has made the list of shareholders (the content and format as listed in Appendix 4), and
 - (v) Registration authority has reviewed and approved the certificate for registration of amended Business License / filing of amendment, relating to the Equity Transfer and Capital Increase.

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- (g) Consent, approval, authorization, order, registration, filing or qualification, which are required for the Equity Transfer and Capital Increase , or must be issued by any third party or government authority have been obtained and in full force (if any). The Company has provided the Investor with the duplicate of authentic and integral documents as mentioned above.
- (h) The Company's senior management and core personnel as listed in Appendix 5 have wholly remained in office. The Company has signed contract of employment and contract for transfer of intellectual property right, involving the clauses of non-competition and obligation of confidentiality, for the contract period no less than 5 years with those senior management and core personnel, which have been approved by the Investor.
- (i) During the period from the date of signing of this Agreement to the Investor's paying off for the Equity Transfer and Capital Increase , based on the Investor's sensible judgement, there has never been any matter, fact, condition, change or other circumstances which may have material adverse (or reasonably foreseeable) impact on the Company.
- (j) During the period from the date of signing of this Agreement to the Investor's paying off for the Equity Transfer and Capital Increase, representations and warranties made by actual controllers, existing shareholders and / or the Company under this Agreement are true, complete, accurate and effective. They have fulfilled obligations under this agreement, without any default events or potential default events.
- (k) During the period from the date of signing of this Agreement to the Investor's paying off for the Equity Transfer and Capital Increase , based on the Investor's sensible judgement, there has never been any material adverse impact resulted from the Company's capital structure, asset status, financial situation or business condition.
- (l) During the period from the date of signing of this Agreement to the Investor's paying off for the Equity Transfer and Capital Increase , there has been no judgment, adjudication, arbitration or injunction for restriction, prohibition or cancellation of the Equity Transfer and Capital Increase from any court or government authority, nor any potential litigation, arbitration, judgment, adjudication, arbitration or injunction which has or will have a material adverse impact on the Company and / or Equity Transfer and Capital Increase ,

Article 4 Registration for the Equity Transfer and Capital Increase

- 4.1 The Company shall complete the (1) registration procedures for Equity Transfer and Capital Increase and change in business duration, business scope and name of items in industrial and commercial administration (2) complete the filing relating to amended articles of association of the Company with registration authority; (3) and complete the filing relating to directors and supervisors (nominated by the investor) with registration authority, and submit the duplicate of (amended) Business License to the Investor within thirty (30) days from the date of signing of this Agreement or reasonable period agreed upon by both parties;
- 4.2 The Investor shall assist the Company in handling the registration procedures for capital increase stipulated in this article, including but not limited to timely provision of the documents required for registration procedures for industrial and commercial change and filing, and in affixing seal and signature etc.

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Article 5 Transaction Taxes and Expense

5.1 If the Equity Transfer and Capital Increase (1) can be completed on schedule, or (2) can't be completed due to actual controllers and / or the Company, then relevant expenses and reasonable costs (hereinafter referred to as "expenses") arising from the Investor during the process of Equity Transfer and Capital Increase, including but not limited to legal, financial and other intermediary costs, shall be borne by the Company.

Article 6 Representations and Warranties of Actual controllers, Existing Shareholders and the Company

6.1 During the period from the date of signing of this Agreement to the Investor's paying off for the Equity Transfer and Capital Increase, actual controllers, existing shareholders and the Company make the following representations and warranties.

- (1) Each party shall be legal person or natural person who has full capacity for civil conduct.
- (2) Each party has obtained or guaranteed that they can obtain all or any of authorities and / or approval required for the signing of this Agreement.
- (3) During the process of the Investor's conducting due diligence investigation, and the process of each party's preparation, negotiation, signing and execution of the transaction documents, all documents, information and materials submitted to the Investor by existing shareholders and/or the Company are true, accurate, complete, effective, without misleading message.
- (4) Actual controllers, existing shareholders and/or the Company have the ability, power and authority to sign and execute this Agreement and other transaction documents, including but not limited to handling the procedures for authorization, approval, and internal decision-making etc. in a legitimate and effective manner (if applicable).
- (5) The signing and execution of this Agreement and other transaction documents shall not constitute (i) a violation of effective organizational documents of existing shareholders and / or the Company, or (ii) a violation of any Chinese law, any approval/authorization/consent/permission from government authorities, or any judgement/adjudication/order by Chinese courts, or (iii) a breach of a legally binding agreement or contract in which Actual controllers, existing shareholders and/or the Company are the contracting party, or (iv) cause the opposite party under the contract signed by Actual controllers, existing shareholders and/or the Company to make a claim for the release from obligations or obtain other rights to claim (eg. right of claim for early repayment etc.).
- (6) The Company is a limited liability company incorporated and existing under the laws of China. To the knowledge of actual controllers, existing shareholders and/or the Company, establishment and evolution of the Company conform to the local laws and regulations. The Company's entire shareholders have paid in full their subscribed registered capital, without any encumbrances.
- (7) The Company's capital structure recorded in the Articles of Association and Amendment to Articles of Association which are filed with the registration authority are fully consistent with the information disclosed by the Investor, and can accurately and completely reflect the Company's capital structure as of the date of signing of this Agreement. Except the contents recorded in the Articles of Association and Amendment to Articles of Association as well as the information disclosed by the Company, the Company's shareholders and / or any third parties are not entitled to pre-emptive right, right of pre-emption, right of preferential transfer, first refusal, option, subscription warrant, conversion right, right to repurchase or redemption, equity incentive plan etc., nor get involved in any such agreements, arrangements or commitments.

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- (8) The Company has completed or will complete the filing relating to the completed or ongoing projects with competent government authorities, or has obtained or will obtain the approval of competent government authorities, according to relevant laws and regulations or requirements of relevant competent departments (if applicable), and there are no obstacles or defects in such approval or filing both in law and fact, nor any risks to our knowledge.
- (9) The Company has been granted authorization, approvals, permits and licenses required for business activities from any government authorities and / or other departments as well as consents from any three party (if applicable) in an overall effective way, and believed that there is no possibility that such authorization or approvals will be revoked.
- (10) The Company has complied with all applicable laws, and has been granted authorization, approvals, permits and licenses required by environmental departments, and there are no circumstances which may cause the Company's failure to obtain or renew such authorization, approvals, permits and licenses. The Company's all completed and ongoing projects have obtained or will obtain the approval of competent environmental departments, and its environmental protection facilities have been inspected. There are no obstacles or defects in such approval or inspection both in law and fact, nor any risks to our knowledge. The Company has made its pollutant emission declaration according to relevant laws and regulations, and paid in full sewage charges and other fees without delay, with no default in payment. The Company has never received any environmental claim, or got involved in any pending or possible dispute, administrative punishment or judicial procedure relating to environmental pollution, and there are no risks to our knowledge.
- (11) The Company has the legitimate right to use and legally-binding right to lease all immovable property (including land and housing, etc.), movable property and other assets (hereinafter collectively referred to as "the Company's assets"). There has been no encumbrance against the Company's assets. As for the land occupied by the Company, all procedures for transfer of state-owned land have been completed. The Company has paid all fees, including land-transferring fees, and obtained certificate for the use of state-owned land, and certificate of property ownership for all buildings. Each lease agreement signed the Company has constituted legal, valid, binding and enforceable obligations that the Parties shall fulfil. Rental or other expenses to be borne by the Company under such lease agreement are current. The Company has never been given any notice about or claim for termination or possible termination of any such lease agreement from any lessors.
- (12) With regard to the Company's assets, there have been no illegally acquiring or possessing, nor any pending or possible expropriation, compulsory requisition, enforcement, supplementary payment of taxes, or other similar procedures, nor any risks to our knowledge. All of the Company's assets are in the normal operation and maintenance condition (normal wear and tear during the normal use not included).
- (13) The ownership, right of use, or application right of all intellectual property rights are legally owned by the Company. The Company has taken all appropriate measures to protect the legitimacy, validity, integrity and security of the intellectual property rights (including timely handling of the corresponding procedures for registration, filing, and fee renewal etc.). With regard to the production and business activities that involve others' intellectual property rights, the Company has obtained approval and authorization from obligee of the intellectual property rights, and has signed the relevant agreement in accordance with relevant laws and regulations. To our knowledge, the Company has never infringed others' intellectual property rights, or received any third party's claim for damages for the Company's (possible) infringement of intellectual property rights, or got involved in any pending or possible dispute or judicial procedure relating to any intellectual property rights.

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- (14) The Company shall pay the insurance in accordance with business practices, and type of insurance and insured amount shall conform with the established practice of the industry. The Company has paid for insurance in full, and all insurance policy, insurance certificate, performance guarantee are in full effect.
- (15) As of the date of signing of this Agreement, the Company has provided the Investor with the financial statements dated May 30, 2016 prepared based on China GAAP (including but not limited to balance sheet, income statement, cash flow statement, and consolidated financial report, etc., same as below). The financial statements (together with its notes) can reflect the Company's financial situation, business result and cash flow in a fair, complete and accurate manner, and is in conformity with the Company's account book, voucher and financial records in all material aspects. From the issuing date of the financial statements, there are no circumstances which may have material adverse (or possible) impact on the Company's financial and business situation, nor any risks to our knowledge. There are no liabilities and contingent liabilities which should be but have not been disclosed in financial statements (or its notes), nor any liabilities and contingent liabilities which may have material adverse impact on the Company's financial and business situation according to China GAAP.
- (16) From the financial reference date to the completion date of Equity Transfer and Capital Increase, the Company has never declared or paid any distributable profits / dividends.
- (17) Transactions between Actual controllers, existing shareholders and / or affiliates and the Company are conducted at the fair price of similar products / service market and on terms of exchange. The Company has never transferred profits through transfer pricing, or got involved in any arrangements which may have material adverse impact on the Company's profitability.
- (18) There has been no debtor-creditor relationship between actual controllers, existing shareholders and affiliates, the Company's directors, supervisors, senior management and affiliates, and the Company (except the debtor-creditor relationship between the Company and its subsidiaries), nor any arrangement to our knowledge.
- (19) The Company has complied with all applicable laws and regulations of respective jurisdictions in which its employees worked, and purchased social insurance for its employees (including but not limited to endowment insurance, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance, and housing accumulation fund) in accordance with applicable Chinese laws. There have been no unsettled labor disputes or disputes (including but not limited to ongoing labor dispute mediation and arbitration, or labor litigation), nor any risks to our knowledge. The Company has never made equity incentive plan and / or equity subscription plan.
- (20) The Company has handled tax declaration procedure, submitted tax returns and financial statements in accordance with applicable laws and regulations, within the time limit for filing income tax returns prescribed by tax authorities based on applicable laws, delivered other tax information required by tax authorities, and paid all taxes and fees in accordance with applicable laws, with no tax evasion or outstanding tax debts. Tax returns and other relevant tax information submitted to relevant tax authorities (including but not limited to China's national tax, land tax, customs and finance departments, the same below) are prepared based on applicable laws, and are true, accurate, current and complete, without any false or misleading information or any major events which should be but have not been disclosed. Preferential tax policies adopted by or any similar arrangement made by the Company are in compliance with applicable laws, to which government authorities raise no objections, and there are no risks to our knowledge. Any payments for employees made by the Company are withholding of personal income tax. The Company has never got involved in any pending tax investigation, tax claims, tax levy, tax administrative penalties, disputes, reconciliation or similar arrangement, and no risks to our knowledge.
- (21) The Company has never got involved in insolvency or other circumstances that may result in dissolution or dissolution, and never applied or been requested to start any procedure for dissolution or liquidation, nor any risks to our knowledge.

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- (22) The Company has never presented itself before a court as defendant or plaintiff, or got involved in any legal procedure, administrative procedure or other compulsory measures relating to the Company or its assets, and no risks to our knowledge.
 - (23) Actual controllers and the Company have never got involved in any default or potential event of default with respect to this Agreement and other transaction documents, and no risks to our knowledge.
 - (24) The Company has complied with applicable laws and regulations, and has never got involved in the violation of laws and regulations on anti-bribery, anti-corruption, anti-unfair competition
- 6.2 Actual controllers and the Company promise that in the event of any circumstances, after the date of signing of this Agreement, which may cause any of the foregoing statements to be untrue, inaccurate, incomplete or misleading, actual controllers and the Company will give a written notice to the Investor without delay, and take all necessary measures according to reasonable requirements of the Investor.

Article 7 Representations and Warranties of the Investor

- 7.1 During the period from the date of signing of this Agreement to the Investor's paying off for the Equity Transfer and Capital Increase, the Investor made the representations and warranties as below:
- (1) The Investor, a limited liability company incorporated and existing under the laws of China, is able to assume its legal obligations and responsibilities on its own.
 - (2) The Investor has the power and authority to fulfil the obligations under this Agreement. This Agreement is signed according to true intention of the Investor. The Investor has handled the procedures required by the signing of this Agreement, including but not limited to authorization, approval, and internal decision making etc., in a legitimate way.
 - (3) The signing and execution of this Agreement shall not constitute (i) a breach of effective organizational documents, or (ii) breach of local laws and regulations of the place where the Investor set up business, or consent/approval/ authorization of government authorities, or judgments/adjudication/ decrees by any court.
 - (4) Unless controlling shareholders otherwise agree in writing, the Investor shall not grant the equity gained from Equity Transfer and Capital Increase to any competitors of the Company.
- 7.2 The Investor promises that in the event of any circumstances, after the day of signing of this Agreement, which may cause any of the foregoing statements to be untrue, inaccurate, incomplete or misleading, the Investor will give a written notice to the Investor without delay, and take all necessary measures according to reasonable requirements of the Company.

Article 8 Rights of the Investor

8.1 Transfer limit

(1) Restriction on equity:

No matter whether there are other stipulations, from the day when the Investor would pay in full the amount for Equity Transfer and Capital Increase, actual controllers and / or existing shareholders may not transfer any equity held in the Company to any competitors of the Company, unless the Investor otherwise agrees in writing.

(2) Right of pre-emption:

- (i) Since the day when the Investor has become the Company's shareholder (the content and format as listed in Appendix 4 — list of shareholders), any shareholder (hereinafter referred to as the "transferor") may sell all or part of its equity held in the Company (hereinafter referred to as the "equity for sale") to any third party other than the shareholder (hereinafter referred to as the "transferee"), however, the transfer shall be subject to the article 8.1(1), 8.1(2), 8.1(3) under this Agreement.
- (ii) The transferor shall give a written notice about the equity transfer to other shareholders (hereinafter referred to as the "Notice of Transfer") which indicates (a) Name of the transferor and the transferee; (b) Amount for proposed transfer of the equity (c) Transfer price of the equity for sale and (d) Other terms and conditions for the equity for sale
- (iii) Within twenty (20) working days after the delivery of Notice of Transfer to other shareholders (hereinafter referred to as the "exercise period of right of pre-emption"), other shareholder(s) (hereinafter referred to as the "shareholder for the purpose other than equity transfer) has the right but not obligation to exercise pre-emptive right to purchase all or part of the equity for sale (hereinafter referred to as the "right of pre-emption"). If any shareholder for the purpose other than equity transfer requests to exercise right of pre-emption, then he/she/it shall give a written reply to other shareholders within the exercise period of right of pre-emption, indicating the number of equities purchased, provided that such number of equity purchased may not exceed the number of equity obtained from the following formula calculation: Number of equity for sale should be multiplied by number of equity held by the shareholders, exercising right of pre-emption, for the purpose other than equity transfer, and divided by the sum of the number of equity held by the shareholders for the purpose other than equity transfer; If the shareholder for the purpose other than equity transfer gives up exercising the right of pre-emption, he/she/it shall give a written notice to the transferor and other shareholders before the expiry of exercise period of right of pre-emption (hereinafter referred to as the "Notice of Waiver"); If the shareholder for the purpose other than equity transfer gives no reply within 20 working days after receipt of the Notice of Transfer, he/she/it shall be deemed as waiver of the right of pre-emption.

(3) Co-sale right

- (i) With regard to Equity Transfer and Capital Increase, directly or indirectly made by controlling shareholder, set forth in article 8.1(1) and 8.1(2), if the Investor, as the shareholder for the purpose other than equity transfer, sends the Notice of Waiver or gives no reply within the exercise period of right of pre-emption, then he/she/it (called as the "shareholder of co-sale right" for the purpose of article 8.1(3)) has the right but no obligation to request the transferee to purchase a certain percentage of equity according to the terms and price stipulated in "Notice of Transfer" from the shareholder of co-sale right (hereinafter referred to as the "co-sale right"). The percentage should be calculated according to the following formula. $S = P \times A / B$, among which "S" refers to the proportion of equity for sale held by shareholder of co-sale right, "P" refers to proportion of the equity for transfer held by transferor "A" refers to proportion of the equity held by shareholder of co-sale right, "B" refers to sum of proportion of the equity held by the transferor and shareholder of co-sale right.

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- (ii) If shareholder of co-sale right decides to exercise its co-sale right, he/she/it shall give a written notice on the day of delivery of Notice of Waiver or within (20) twenty working days after the expiry of exercise period of right of pre-emption, indicating the proportion of equity involving co-sale right. If the shareholder fails to give a written notice about exercising co-sale right within the above specified time limit, he/she/it shall be deemed as waiver of the co-sale right.
 - (iii) If shareholder of co-sale right decides to exercise the co-sale right, the transferor shall adopt the measure of reduction of the proportion of sale right to assist in exercising the co-sale right.
 - (iv) If shareholder of co-sale right decides to exercise the co-sale right, and the transferee fails to purchase relevant equity from the shareholder of co-sale right, then the transferor shall not transfer the equity. In the case that the transferor makes any Equity Transfer and Capital Increase without prior written consent from shareholder of co-sale right, such transfer shall be deemed invalid and void.
- (4) Any Equity Transfer and Capital Increase, made by the transferor, in a breach of the article 8.1(1), 8.1(2) and 8.1(3) (including but not limited to obligation of delivery of written notice to other shareholders) shall be deemed invalid and void. The Investor has the right to request the Company, and the Company shall take all reasonable and necessary measures for the prohibition or restriction of the Equity Transfer and Capital Increase as stipulate in the article, and such Equity Transfer and Capital Increase are not allowed for filing with industrial and commercial administration.

8.2 Pre-emptive right:

- (1) From the day when the Investor has become the Company's shareholder (the content and format as stipulated in List of Shareholders in Appendix 6), if the Company decides to increase its registered capital, the entire shareholders, under equal conditions, shall have the right but no obligation of pre-emptive subscription of the increased registered capital according to their previous shareholding percentage to maintain their proportion of shareholding on a fully diluted basis (hereinafter referred to as the "pre-emptive right").
- (2) Before proposed increase in the registered capital (hereinafter referred to as the " proposed capital increase"), the Company shall give a written notice to shareholders within twenty (20) working days before the proposed capital increase (hereinafter referred to as the " Notice of Capital Increase"). The Notice of Capital Increase shall indicate (1) amount of the registered capital and relevant terms and conditions; (2) Cash consideration in the Company based on the capital increase; and (3) details for the potential subscribers.
- (3) Within twenty (20) working days after receipt of the Notice of Capital Increase (hereinafter referred to as the "Time limit for reply of pre-emption"), the entire shareholders shall have the right but no obligation to choose exercising of pre-emptive right to the proposed capital increase according to the same price and terms set forth in Notice of Capital Increase in proportion to their previous shareholding. If the shareholder chooses to exercise pre-emptive right to the proposed capital increase, wholly or in part, he/she/it shall give a written reply, indicating the number of equity subscribed, within the time limit for reply of pre-emption; If the shareholder chooses the waiver of pre-emptive right to the proposed capital increase, wholly or in part, he/she/it shall give a written reply to the Company before the expiry of the time limit for reply of pre-emption (hereinafter referred to as the "Notice of Confirmation"). If the shareholder gives no reply within twenty (20) working days after the receipt of Notice of Capital Increase", then he/she/it shall be deemed as waiver of pre-emptive right (hereinafter referred to as the " Expiration of Pre-emptive Right "). Within twenty (20) working days after the delivery of Notice of Confirmation and Expiration of Pre-emptive Right, the Company and other shareholders shall have the right to subscribe to the part which has not been subscribed in accordance with the proportion of equity held in the Company at that time.

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- (4) At the expiration of Time limit for reply of pre-emption, or within sixty (60) working days after the delivery of written reply to Notice of Capital Increase, if the Company fails to conclude a legally-binding subscription agreement with shareholders on the shareholders' failure in exercising of Pre-emptive right during the propose capital increase, and has not gone through the procedures for pre-emptive right set forth in the article 8.2, then the Company is not allowed to increase is register capital.

8.3 Right to anti-dilution

- (1) From the day when the Investor has become the Company's shareholder (the content and format referred to in List of Shareholders in Appendix 4), when it comes to next round of financing or capital increase (hereinafter referred to as the "next round of financing"), if the Company's estimated value before investment is lower than the estimated value after Equity Transfer and Capital Increase (i.e. RMB 242250000 yuan), (hereinafter referred to as the "low estimated value in next round of financing"), the Investor has the right to adjust its equity proportion in the Company according to the low estimated value in next round of financing. After the adjustment, the Investor's equity proportion in the Company before the next round of financing should be calculated according to the following formula calculation:

The Investor's equity proportion after adjustment = Proportion of the equity held by the Investor after the Equity Transfer and Capital Increase x (estimated value for the Company during the Equity Transfer and Capital Increase / low estimated value in next round of financing)

- (2) In the above circumstance, actual controller and / or holding shareholder shall sign an agreement for Equity Transfer and Capital Increase with the Investor before the next round of financing delivery, and transfer a part of equity to the Investor for free of charge, so that the equity held by the Investor in the Company can achieve the calculation result of the following formula. Under the laws of China, if the Investor can't obtain the compensation equity from actual controller and / or existing shareholder for free of charge, after the agreement for Equity Transfer and Capital Increase on defining the obligation of exchange for shares is concluded between the Investor, actual controller and / or existing shareholders (at the Investor's discretion), actual controller and / or existing shareholders shall issue a certificate of exemption on Equity Transfer and Capital Increase according to the format required by the Investor, based on which the Investor is exempted from paying the amount for Equity Transfer and Capital Increase. As for the Investor's obligation for tax payment resulted from the above exemption, actual controller and / or existing shareholders shall give full compensation to the Investor, which come up with the result that the Investor is exempted from obligation of payment of any tax.
- (3) In order to avoid any doubt, if the Investor can obtain any entity through exercising pre-emptive right referred to in the article 8.2 during next round of financing, then proportion of total equity held by the Investor after next round of financing shall be consisted of the following two parts (1) proportion of the equity held by the Investor after anti-dilution adjustment pursuant to the article hereof; (2) proportion of the equity obtained by the Investor Pre-emptive right under the article 8.2 hereof during next round of financing
- (4) The Parties agree to complete all legal proceedings relating to transactions under the article 8.3 hereof, including but not limited to the signing of any relevant contracts and other written documents, approval of Equity Transfer and Capital Increase by voting for the resolution adopted by meetings of shareholders' committee and board of directors, filing with registration authority, and approval and registration from other relevant government authorities (to the extent required by laws).

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8.4 Preferential right:

From the day when the Investor has become the Company's shareholder (the content and format referred to in List of Shareholders in Appendix 4), if the Company's other shareholders are entitled to shareholders' right which is more preferential than the Investor, then the Investor shall enjoy such preferential right accordingly.

8.5 Right to information access:

From the day when the Investor has become the Company's shareholder (the content and format referred to in List of Shareholders in Appendix 6), the Company, and actual controller and existing shareholders shall facilitate the Company to adopt the following measures to protect the Investor's right to know:

- (1) The Company shall provide the Investor with the following information in an acceptable way:
 - (a) Within 90 days after the end of fiscal year, the Company should provide consolidated financial statements audited by accounting firm having the qualification of securities and operation report which can meet the requirements of the Investor;
 - (b) Within 60 days after the end of each quarter, the Company should provide quarterly financial report and operation report;
 - (c) Duplicates of all documents or information provided to shareholders

All financial statements must be prepared in accordance with China GAAP, and include at least balance sheet, cash flow statement and profit statement.

- (2) The Company shall provide members of board of directors with the Company's information or materials relating to financial or other aspects, if requested by the Investor. Actual controller, existing shareholders and Company should allow the Investor or representative (designated by the Investor) to conduct investigation and inspection during business hours, including operating assets, accounting books and records, and discuss the Company's business, operation and situation with directors, managers, consultants, independent auditors, legal consultants and investment bankers.
- (3) The Investor has the right to engage a third party audit institution to conduct independent audit of the Company's financial situation, and shall bear the expense arising from the audit. However, if(a) there are any discrepancies between any items audited by third party audit institution, such as the Company's net assets, operating income and net profit, and the data shown in financial statements provided to the Investor, with the variance of 10%, or (b) if the third party audit institution failed to issue the standard and unqualified opinion audit report, the Company shall bear the expenses arising therefrom.

8.6 Liquidation preference right:

Liquidation refers to any of the following circumstances:

- (1) Liquidation of the Company — voluntary or compulsory liquidation;
- (2) The Company's substantial or material assets are sold or otherwise disposed of, or Company's substantial intellectual property rights are exclusively authorized by any other party. In any of the above circumstances, the Company shall, and actual controllers and existing shareholders shall cause the Company to distribute assets (all distributable assets to shareholders) in the following way.

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- (3) Before the distribution of assets to any shareholder (except the Investor), the Company shall pay the Investor the amount, equivalent to full amount for Equity Transfer and Capital Increase, and the dividend previously paid to the Investor should be deducted from such amount (hereinafter referred to as "priority allocation").
- (4) After priority allocation is made to the Investor according to the above item (1), the Company's remaining and distributable assets shall be divided among entire shareholders (including the Investor) in proportion to their current shareholding.

8.7 Right of repurchase:

- (1) In any of the following circumstances, the Investor shall have the right but no obligation to request the founding shareholders of Party B to repurchase the equity in the Company, wholly or in part, held by the Investor (hereinafter referred to as "Right of Repurchase"). The founding shareholders of Party B shall be held jointly and severally liable for the above, and shall guarantee that such repurchase is approved by shareholders' committee and board of directors.
 - (a) Any change in control power in the Company, without prior consent of the Investor;
 - (b) The founding shareholders of Party B and/or the Company are held accountable for breach of laws in their operation and management, and the Investor can reasonably believe that such breach of laws will lead to obstacles in the Company's continuing operations.
 - (c) Representations and warranties made by The Company, and / or The founding shareholders of Party B, and transferors are untrue, inaccurate, incomplete or misleading, and constitute a serious breach of their obligations and commitments, and endanger the company's continuing operations;
 - (d) From the day when the Investor has become the Company's shareholder (the content and format referred to in List of Shareholders in Appendix 4), The Company has seen losses for consecutive three fiscal years, or
 - (e) From the day when the Investor has become the Company's shareholder (the content and format referred to in List of Shareholders in Appendix 6), Cumulative loss of the Company has been RMB 10 million yuan; or
 - (f) Party B fails to get into the catalogue of Industrial Standards of Auto Mobile Power Battery Cell issued by Ministry of Industry and Information Technology of the People's Republic of China before Oct. 31st, 2016 and this failure endanger the development of the company.
 - (g) Party B fails to get into the catalogue of Industrial Standards of Auto Mobile Power Battery Pack issued by Ministry of Industry and Information Technology of the People's Republic of China before May 31st, 2017 and this failure endanger the development of the company.
- (2) If the Investor exercises its right pursuant to article 8.7(1) herein herein, repurchase price shall be consisted of the amount payable in exchange for the equity repurchase, and return on investment as of the day of the Investor's paying off for the Equity Transfer and Capital Increase, calculated according to the following formula (hereinafter referred to as "repurchase interest").(i) under the conditions of item(a) to (c), repurchase interest is annually single interest 5%, and (ii) under the conditions of item(d) to (f), repurchase interest is annually single interest 2%, however, the dividend paid to the Investor, during the period from day of the Investor's paying off for the Equity Transfer and Capital Increase to payment of repurchase price, shall be deducted.

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- (3) If the Investor exercises its right pursuant to article 8.7(1) herein, it shall give a written notice about request for repurchase of equity (hereinafter referred to as the "Notice of Repurchase") to the founding shareholders of Party B. The founding shareholders of Party B, after receipt of the Notice of Repurchase shall take all reasonable measures immediately, including signing of necessary documents, and assisting in obtaining the approval of government authorities (if required), handling of other legal procedures, and completion of repurchase within thirty (30) days after the receipt of Notice of Repurchase.
- (4) If the Investor exercises its right pursuant to article 8.7(1) herein, or the repurchase is not completed within the time limit prescribed in article 8.7(1) herein). Without prejudice to other right to relief that the Investor can enjoy pursuant to this Agreement, the Investor may contact any third party on its own (hereinafter referred to as "Transferee with the Intention") for the acquisition of repurchased equity. If requested by the Investor, the equity in the Company, wholly or in part, held by existing shareholders shall be transferred to the Transferee with the Intention under the same terms and conditions. The founding shareholders of Party B shall assist the completion of the transfer procedure within thirty (30) days after receipt of the written notice about the equity transfer from the Investor to the Transferee with the Intention. Actual controller shall instruct existing shareholders and Transferee with the Intention to handle the above formalities.

Article 9 Further Commitment

9.1 Actual controllers, existing shareholders and/or the Company represent, warrant and agree that during the period from the date of signing of this Agreement to the Investor's paying off for the Equity Transfer and Capital Increase, The Company will not take any of the following actions, unless otherwise specified by prior written consent from the Investor:

- (1) Amendment of the articles of association and other organizational documents, except the amendment of articles of association and other organization documents for the purpose of this transaction;
- (2) Major adjustment to the Company's organization structure and management personnel; Conclusion, termination or revision of contract for employment of directors or senior management personnel employment arrangements (except the renewal of existing agreements, or arrangements and / or promotion and salary raise during the period of employment;
- (3) Apart from main business, conclusion of any agreement or commitment which can involve the total price exceeding RMB 1 million yuan (or other currency of equivalent value), or that may result in any major change in the nature or scope of the Company's business;
- (4) Apart from main business, conclusion of any agreement, contract, arrangement or transaction which may have material adverse impact on the company.
- (5) Cancellation or waiver of third-party claims, including claim for compensation and creditor's right;
- (6) Provide any loan to the third party, set any encumbrance based on all or part of the Company's shares, assets, income or equity, or allow any encumbrance by taking any third party as the beneficiary;
- (7) The Company's borrowings from financial institution or other third party exceeding RMB 1 million yuan (or other currency of equivalent value), or other forms of financing;

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- (8) Direct or indirect sale, lease, transfer or otherwise dispose of the Company's major assets and business through one or more or a series of transactions (no matter if they are connected transaction);
- (9) Render service to any customer in accordance with more preferential terms and conditions, or participate in any obviously unfair business practices or any transactions that may damage the interests of the Company;
- (10) Amendment of the Company's accounting methods, policies / principles, and financial accounting rules and regulations etc., (except the revision in accordance with China GAAP and applicable laws);
- (11) Mergers and acquisitions, investment in any company by shares, merger or incorporation with anyone, or restructuring or adjustment of the Company's capital structure in any way;
- (12) Application for liquidation or bankruptcy proceedings;
- (13) Declaration, distribution or payment of any dividend to the Company's shareholders or other allocations
- (14) Any amendment to any existing contract which may have a significant effect on nature or scope of operation of the company, as one of the contracting party
- (15) Conclusion of any contract or other legally binding document that is worth over RMB 1 million yuan (or other currency of equivalent value) no matter whether in the general business process.
- (16) Apart from main business, conclusion of any agreement, contract, arrangement or transaction that may affects the Company's business, or have material adverse impact on the Company.

9.2 During the period from the date of signing of this Agreement to the Investor's paying off for the Equity Transfer and Capital Increase, actual controllers and existing shareholders shall request the Company to adopt any of the following measures, unless otherwise specified by prior written consent from the Investor:

- (1) Maintain the operation of the Company according to previous practices, maintain good relationship with customers, to ensure that there is no major change in the Company's goodwill, business and business;
- (2) Ensure the integrity and continuation of organizational structure and business organization the Company, and maintain the stability of personnel of the company's management and technical team.
- (3) Continue to ensure that the company's operating assets are in normal operation and good maintenance / repair status.
- (4) Maintain the effectiveness of the company's business license and qualification;
- (5) No violation of any of representations and warranties under this agreement by means of action or omission;
- (6) Give written notice about any event, fact, condition, change or any other situation that has or may have material adverse impact on the company to the investors in a timely manner;
- (7) Handling of the company's tax affairs in accordance with applicable laws

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9.3 After the signing of this Agreement, the Parties shall maintain close cooperation and take all necessary actions to promote the completion of the Equity Transfer and Capital Increase as soon as possible, including but not limited to:

- (1) Within shortest possible period after the signing of this agreement, take all effective measures as soon as possible to obtain consent, exemption, approval of all third parties relating to the Equity Transfer and Capital Increase, or give notice to third parties (if required).
- (2) Within shortest possible period after the signing of this agreement, adoption of effective measures as soon as possible to obtain consent, exemption, approval, command, license, authorization and registration from government authorities relating to the Equity Transfer and Capital Increase, or handling of necessary filing procedures in government authorities (if necessary).
- (3) Sign or promote the signing of any reasonable, necessary or appropriate further documents, and take or prompt to take reasonable, necessary or appropriate further action to perform this agreement in an effective way.
- (4) Make best efforts to meet precedent conditions for the payment under the agreement in a timely manner.

9.4 Corporate governance

After the completion of the capital increase, the Parties shall standardize the company's governance structure, and promote the construction of systems, to lay the foundation for Party B's sustainable development. The Parties agreed that they will discuss about Party B's production and operation after the signing of this agreement, and make a detailed five-year (2017-2021) business plan, including but not limited to market planning, product planning, development planning, supply planning, production planning, sales planning, human resource planning, investment planning, financial planning and forecasting etc., and formulate the company's development planning with strong guidance and reliability to serve as programmatic document for Party B's business development.

After the signing of this Agreement, the Company's organizational structure shall be properly adjusted in accordance with the following provisions, and such adjustment shall be reflected in the amended articles of association.

(1) Shareholders' Committee

Shareholders' Committee, as the company's supreme organ, shall exercise its powers in accordance with relevant Chinese laws. The following (a) to (b) items require affirmative votes by shareholders representing two-thirds of the votes, and other items by shareholders representing one-third of the votes;

- (a) Make resolution for the increase or reduction of registered capital of the company;
- (b) Make resolution for the company's merger, division, termination, dissolution, liquidation, bankruptcy filing, or change in company form;
- (c) Amendment of the company's articles of association;
- (d) Make resolution for issuing of corporate bonds

Confidential Portions of this Exhibit marked as [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.**

(2) Board of directors

The Parties agreed that Party B's original board structure will be adjusted after the signing of this agreement. Five board seats for members of board of directors (including 3 members recommended by Party A, and 2 members recommended by Party B) will be set. Chairman of the board of directors, as the legal person, shall be served by the director recommended by Party A. The existing shareholders cast the affirmative votes for candidates of director nominated by the Investor. Meeting of the board of directors shall be held at least twice a year, and shall be effective when more half of entire directors are present.

The following items require affirmative votes by more half of entire directors

- (e) Make plans for the increase or reduction of registered capital of the company, and issuance of corporate bonds, with the exception of the company's issuance of the bonds (no more than 20% of the company's registered capital) to any third party, at the price of more than the investor's payment of the Equity Transfer and Capital Increase
- (f) Make plans for the Company's merger, division, termination, dissolution, liquidation, bankruptcy filing, and change in company form;
- (g) The Company's acquisition, merger, reorganization or equity investment in other forms, with each single item worth of over RMB 1 million yuan, or for 12-month accumulated value of RMB 5 million yuan;
- (h) Sale, transfer, lease, acquisition or disposal of the Company's assets with each single item worth of over RMB 1 million yuan, or for 12-month accumulated value of RMB 5 million yuan, with the exception of the items specified in annual financial budget plan;
- (i) As for the Company's borrowings or loans, each single item worth of over RMB 3 million yuan, or for 12-month accumulated value of RMB 15 million yuan, with the exception of the items specified in annual financial budget plan;
- (j) As for the Company's contract, each single item worth of over RMB 5 million yuan, or 12-month accumulated value of over RMB 5 million yuan, with the exception of the items specified in annual financial budget plan;
- (k) Hire or dismiss the audit firm;
- (l) Implement profit distribution plan approved by the board of shareholders, and pay dividends and dividends to shareholders;

(3) Board of supervisors

The company shall have a board of supervisors, which shall be composed of 3 members, consisting of 1 shareholders' representative, and 2 workers' representative

(4) Management team

The Parties agree that the company's CFO will be recommended by Party B, other senior managers, including general manager and deputy general manager etc., will be appointed by board of directors, based on the existing team, and management team can be replenished from time to time according to needs of the company's development.

Confidential Portions of this Exhibit marked as [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.**

(5) Resource coordination

After the implementation of this cooperation, Party A shall give full play to its advantages in financing, industry integration, organization management, human resources and brand operation, Party B and Party C should give full play to the advantages in technology, research and development, quality management, marketing, policy and industry resources, and make their great efforts to jointly promote Party B's sound and rapid development, to achieve the vision of becoming domestic venture board market and main board market through merger at an early date.

9.5 Non-competition

During the period when the investor directly or indirectly hold the equity in the company, without the investor's prior written resolution, actual controllers, existing shareholders and their affiliates (1) shall not engage in or participate in any business activities which have competitive relationships with the Company's main business and future business, including but not limited to, as the shareholder, director, employee, partner, agent, consultant or other status; (2) shall not own or hold, directly or indirectly, any equity, equity interest, subscription right, or other investment interest in any enterprise which has competitive relationships with the Company's products and main business; (3) shall not, for the benefit of anyone outside the company, hire, lobby, seduce or attempt to hire, lobby, seduce the company's management, managers, consultants or employees; (4) and shall not, for the benefit of anyone outside the company, use the Company's logo or other similar signs, which is often the cause of confusion between the Company's and others' business and product name. Management shareholders pledge that they will make great efforts to serve the Company during their tenure of office.

9.6 Specifications

Actual controller, existing shareholders and the Company make commitment, jointly and severally, to the Investor that they will cause relevant subject to take measures or actions in accordance with relevant agreement.

- (1) The Company ensures that after the completion of the Equity Transfer and Capital Increase, the composition of board of directors and board of supervisors, stipulated in the filing information, will be disclosed in National enterprise credit information publicity system. The disclosed information can truthfully reflect the status of directors and supervisors after the company's Equity Transfer and Capital Increase
- (2) In the event that the Investor has good reason to believe that the management shareholders' investment in the form of patent right may be considered as "untrue capital contribution" by registration authority or other regulatory authorities, then management shareholders shall, within thirty days upon receipt of the request from relevant authorities, adopt proper measures, including but not limited to replacement or replenishment of capital contribution and etc. to rectify the situation of "untrue capital contribution". If any of management shareholders is transferor, then such transferor, actual controller and / or existing shareholders shall be held jointly and severally liable for the investor's loss arising from "untrue capital contribution" under the Equity Transfer and Capital Increase (including but not limited to any expenses incurred in adoption of any remedial measures).
- (3) The Company ensures that the connected transaction between the Company and affiliates should follow the principle of fair market price. On the premise that the company makes a detailed disclosure to and obtain approval from the investor in advance, the Company's affiliates may provide the Company with preferential conditions, that is, more favourable price compared with fair market price.
- (4) The company shall be responsible for payment of social insurance and housing provident fund in accordance with laws and relevant requirements, if requested by competent administrative department of labour.

Confidential Portions of this Exhibit marked as [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.**

Article 10 Liability for Breach of Contract

10.1 On the premise that the relevant parties may terminate this agreement in accordance with the stipulations of this Agreement. Unless otherwise expressly agreed by the Parties, if one party (hereinafter referred to as the “observant party”) suffered any losses (including direct and indirect losses) due to other parties’ (hereinafter referred to as the “defaulting party”) breach of contract (including the violation of any commitments, warranties, representations made in this Agreement, with exception of force majeure), breaching party shall bear the full liability for the losses caused to observant party. Breaching party shall assume no liability for the losses due to observant party’s own fault, negligence and omission, or failure in adoption of prompt measures resulting in damage or loss and expanded part.

10.2 The Parties further agree that any events, facts, circumstances, or liabilities of the Company arising before the completion of the Equity Transfer and Capital Increase (including but not limited to any claim, loss, or other contingent liabilities caused by any administrative punishment, or any problems relating to labor, social insurance and housing fund, environmental protection, safety, taxation, assets and business, regardless of whether they have been disclosed to the Investor). Actual controller and existing shareholders shall compensate the company for the above losses and claims, and shall bear joint and several liability for such compensation obligation.

10.3 For clarity, if the company has provided guarantee to any third parties on behalf of any affiliates on or before the date of completion of the Equity Transfer and Capital Increase (including but not limited to guarantee, mortgage, pledge), actual controller and existing shareholders shall compensate the company for any claims, compensation, loss and / or cost arising from assumption of security responsibilities after the completion of the Equity Transfer and Capital Increase, and shall bear joint and several liability for such compensation obligation.

10.4 The waiver by either party hereto of breach or default of any provision of this Agreement by the other party hereto for one or several times will not be construed as a waiver of its right to termination of this Agreement and/ or any succeeding claims for damages as a result of breach or default of any provision of this Agreement

Article 11 Termination of this Agreement

11.1 The Parties hereby agree that this Agreement may be terminated before the date of completion of the Equity Transfer and Capital Increase, in the following circumstances.

- (1) The Parties agreed to terminate the Agreement through consultation.
- (2) Before the date of completion of the Equity Transfer and Capital Increase, if representations and warranties made by the Investor are proved to be untrue, false or misleading, or actual controller, existing shareholders and / or the Company is in serious violation of its obligations under this Agreement, resulting in Material adverse impact on the Company, the Investor may terminate the Agreement after giving a written notice of termination to other relevant parties. In any case, the Investor’s failure in exercise the above right shall not mean the waiver of other rights and remedies resulted from actual controller, existing shareholders and / or the Company’s breach of contract.
- (3) Before the date of completion of the Equity Transfer and Capital Increase, if representations and warranties made by the Investor is proved to be untrue, false or misleading, or the Investor is in serious violation of its obligations under this Agreement, then actual controller, existing shareholders and / or the Company may terminate the Agreement after giving a written notice of termination to the Investor. In any case, actual controller, existing shareholders and / or the Company’s failure in exercise the above right shall not mean their waiver of other rights and remedies resulted from the Investor’s breach of contract.
- (4) If precedent conditions referred to in article 3.2 (1) herein can’t be met before December 31 2016 or within the grace period agreed in writing by the Investor (or exempted by the Investor), the Investor may terminate the Agreement after giving a written notice of termination to other relevant parties.

Confidential Portions of this Exhibit marked as [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.**

- (5) Either party may terminate this agreement in any of the following circumstances
- (a) In the case that this Agreement can't be fulfilled due to force majeure or other reasons not attributable to the Parties, either party may terminate the Agreement after giving a written notice of termination to other relevant parties.
 - (b) In the event that either party files its bankruptcy petition, or its registration or business license has been revoked, or closed down by order, or fails to fulfill this agreement due to any other reasons, then other parties may terminate this Agreement after giving a written notice of termination to the party who is unable to fulfill this Agreement.

Article 12 Dissolution of Effect

12.1 When this agreement is terminated pursuant to article 11 herein, then the effect of rescission or termination shall be in accordance with Contract Law and other relevant laws, however, obligations of each party set forth in Article 10 - Liability for Breach of Contract, Article 12 - Dissolution of Effect, and Article 13 - Jurisdiction and Dispute Resolution, Article 15.3 - Notice, Article 15.4 - Confidentiality remain in effect. Unless otherwise agreed in writing by the parties, the termination or rescission of this agreement shall have no prejudice to the rights and obligations of the Parties before.

Article 13 Jurisdiction and Dispute Resolution

13.1 The conclusion, interpretation and performance of this Agreement shall be governed by the laws of China.

13.2 Any disputes arising from the performance of this agreement shall be settled by the Parties through friendly negotiation. If a consensus couldn't be reached through negotiation, either party may file a lawsuit to local people's court.

Article 14 Effectiveness

14.1 This Agreement shall come into effect upon signature and seal (if applicable) by the representatives authorized by each party and internal audit procedures are conducted by the Investor.

Article 15 Miscellaneous

15.1 The Parties shall conclude a supplementary agreement for any changes or additions. The Supplementary agreement shall have the same legal effect with this Agreement. If there are any parts not included in the revised articles of association, or any parts specified in the revised articles of association which are associated with this Agreement, such parts shall be in accordance with this agreement.

15.2 This Agreement shall come into effect upon signature and seal by legal representatives or authorized representatives of each party, as well as signature and fingerprint by members (natural person) of each party.

15.3 Any change or modification in this Agreement shall come in effect upon signature and seal by legal representatives or authorized representatives of each party, as well as signature and fingerprint by members (natural person) of each party.

15.4 If any terms or conditions under this agreement are deemed invalid or void, it shall not affect the validity of other clauses.

15.5 After the formal investment agreement is in force, the terms of the investment agreement shall prevail.

15.6 This Agreement made out in eight originals, one copy held by Party A, one copy held by Party B, and one copy held by each member of Party C, respectively, shall have the same legal effect.

Confidential Portions of this Exhibit marked as [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.**

This Agreement is signed on June 25, 2016 in Shenzhen.

15.7 Notice

All notices or other communications hereunder shall be in writing in Chinese, and shall be sent to the following address by hand, courier service or other special delivery. If delivered by hand, it will be viewed as delivered when actually delivered to the addresses below; If delivered by mail, it will be viewed as delivered when the recipient actually receives the mail; If delivered by fax, it will be viewed as delivered when the fax is sent; If delivered by registered or certified mail, prepaid, (return receipt requested), it will be viewed as delivered to the following address when the mail is sent;

To the Investor:

Address: Xihu Industrial Development Zone, Ma'an Town, Huicheng District, Huizhou City,
Guangdong Province
Postcode: 516057
Receiver: Pan Danguyu
Telephone:
Fax:

To the Company:

Address: Huizhou Yipeng Energy Technology Co., Ltd.
Postcode: 516057
Receiver: He Ping
Telephone:
Fax:

Each party may change its address or contact information after delivery of the notice in accordance with the article herein.

15.8 Confidentiality

The Parties shall keep confidential the nonpublic information (hereinafter referred to as "confidential information") relating to the articles of this agreement and the Equity Transfer and Capital Increase. With prior written consent from other parties, each party may disclose the confidential information to a third party or used for the purposes other than Equity Transfer and Capital Increase. In any of the following circumstances, the information may not be deemed as confidential information: (1) the information known to the public before the disclosure (2) the information known to the public due to any party's breach of confidentiality obligations; and (3) any party's obtaining the aforesaid confidential information through non-confidential channel before the use of it.

Notwithstanding the above agreement, the aforesaid confidential information shall not apply to the following circumstances:

- (1) Disclosure of the confidential information subject to any applicable law, order or judgment;
- (2) Disclosure of the confidential information at the request of any government authorities, regulatory authorities or any relevant administration, administrative or securities trading institution
- (3) Disclosure of the confidential information to its affiliates, managers, investor, or directors, employees, managers, agents or professional consultants of its affiliates' investor in the view of achieving the purpose of this Agreement or performing the Agreement
- (4) Other circumstances agreed in writing by the Parties

Confidential Portions of this Exhibit marked as [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.**

(Page for signature and seal below)

Confidential Portions of this Exhibit marked as [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.**

Page for Signature

In witness hereof, Agreement for Equity Transfer and Capital Increase — Equity Investment Agreement for Huizhou Yipeng Energy Technology Co., Ltd. is entered into by duly authorized representatives of each party on the date first written above.

Huizhou Highpower Technology Co., Ltd.

Huizhou Yipeng Energy Technology Co., Ltd.

Authorized representative:/s/ Pan Dangyu (seal)

Authorized representative:/s/ He Ping (seal)

Post:

Post:

Shenzhen Jin Penglong Science and Technology Co., Ltd.

Beijing DFJ Fuhua Venture Investment Fund Management Centre
(limited partnership)

Authorized representative:/s/ He Ping

Authorized representative:/s/ Qu Jingdong (seal)

(seal)

Post:

Icon Energy System Co., Ltd.

He Ping

Authorized representative:/s/ Pan Dangyu (seal)

Signature:/s/ He Ping

Post:

(seal)

Shu Jianqin

Qu Jingdong

Signature:/s/ Shu Jianqin

Signature:/s/ Qu Jingdong

(seal)

(seal)

Yang Lishan

Signature:/s/ Yang Lishan

(seal)

Confidential Portions of this Exhibit marked as [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.**

Appendix 1 Management Shareholders

<u>No.</u>	<u>Name of shareholders</u>
1.	Huizhou Highpower Technology Co., Ltd.
2.	Shenzhen Jin Penglong Science and Technology Co., Ltd.
3.	He Ping
4.	ShuJianqin
5.	QuJingdong
6.	Beijing DFJ Fuhua Venture Investment Fund Management Centre (limited partnership)
7.	Yang Lishan

Confidential Portions of this Exhibit marked as [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.**

Appendix 2 Amended Articles of Association

Confidential Portions of this Exhibit marked as [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.**

Appendix 3 Investment Certificate

Investment Certificate of Huizhou Yipeng Energy Technology Co., Ltd.

Name of enterprise: Huizhou Yipeng Energy Technology Co., Ltd.

Date of establishment:

Registered capital: RMB 47,500,000 yuan

Name of shareholder: Huizhou Highpower Technology Co., Ltd.

Registration number:

Amount of subscribed registered capital: RMB 23,750,000 yuan

This is to certify that Huizhou Highpower Technology Co., Ltd.(with subscribed registered capital of RMB 23,750,000 yuan) held 50% of equity in Huizhou Yipeng Energy Technology Co., Ltd.

Huizhou Yipeng Energy Technology Co., Ltd. (chop) □

Signature:

Name:

Position:

Date:

Confidential Portions of this Exhibit marked as [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.**

Appendix 4 List of Shareholders

List of Shareholders of Huizhou Yipeng Energy Technology Co., Ltd.

<u>Name of shareholder/Name</u>	<u>ID Card No. / Registered No.</u>	<u>Amount of Investment RMB (Yuan)</u>
Huizhou Highpower Technology Co., Ltd.		23,750,000
Shenzhen Jin Penglong Science and Technology Co., Ltd.		10,000,000
He Ping		2,750,000
ShuJianqin		4,750,000
QuJingdong		2,500,000
Beijing DFJ Fuhua Venture Investment Fund Management Centre (limited partnership)		2,500,000
Yang Lishan		1,250,000
Total		47,500,000

Huizhou Yipeng Energy Technology Co., Ltd.(seal)

Signature:

Name:

Position:

Date:

Confidential Portions of this Exhibit marked as [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.**

Appendix 5 List of Core Employees

<u>No.</u>	<u>Name</u>	<u>Department</u>	<u>Position</u>
1			
2			
3			
4			
5			
6			
7			
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12			
13			

CONFIDENTIAL TREATMENT REQUESTED BY HIGHPOWER INTERNATIONAL, INC.

Confidential Portions of this Exhibit marked as [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.**

**Supplementary Agreement (I)
to Capital Increase Agreement of Yipeng Energy Technology Co. Ltd.**

Party A (Current Investor): Huizhou Highpower Technology Co. Ltd.

Address: Xihu Industrial Development Area, Ma'an Town, Huicheng District, Huizhou City, Guangdong Province

Legal Representative: Pan Dangyu

Party B (Founding Team): (the following members are hereinafter referred to collectively as "Party B")

Name: Shenzhen Jinpenglong Traffic Technology Co. Ltd.

Address: East 6H18, 6/F, Shenhua Technology Industrial Park, Meihua Road, Futian District, Shenzhen

Legal Representative: He Ping

Organization Code Certificate No.: 69712844-1

Name: He Ping

Address: No. 25, 2nd Door, Bldg. 15, No. A8, Xinwai Street, Xicheng District, Beijing

Name: Shu Jianqin

Address: Fangjiaju Street, Fangjiaju Villiage, Yingshan County, Hubei Province

Party C (Investors): (the following members are hereinafter referred to collectively as "Party C")

Name: Beijing Defengjie Fuhua Venture Investment Fund Management Center (limited partnership)

Address: Room 37, 1/F, Bldg. 23, No. 72, Qinghe Third Street, Haidian District, Beijing

Unified Social Credit Code: 91110108318078553P

Name: Qu Jingdong

Address: No. 701, 1st Door, Bldg. 18, Shangdi Digital Park, An'ning Zhuang, Haidian District, Beijing

Name: Yang Lishan

Address: Zhongguancun South Street, Haidian District, Beijing

Party D: Huizhou Yipeng Energy Technology Co. Ltd. ("Party D" or "the Target Company")

Address: (Workshop Building B1) No. 1, Qunliao Road, Ma'an Town, Huicheng District, Huizhou

Legal Representative: He Ping

Party A, Party B, Party C and Party D are hereinafter referred to collectively as "the Parties" and individually as "one Party".

This Agreement is made and entered into amongst the foregoing Parties in Huizhou June 30, 2016.

Confidential Portions of this Exhibit marked as [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.**

Whereas: The Parties made and entered into the “Capital Increase Agreement of Yipeng Energy Technology Co. Ltd.” (hereinafter referred to as the Capital Increase Agreement) on June 30, under which Party A shall increase capital investment to Party D, and Party B and Party C are Party D’s shareholders.

IN WITNESS WHEREOF, the Parties agree as follows:

Article 1: Whereas Beijing Defengjie Fuhua Venture Investment Fund Management Center (limited partnership) (hereinafter referred to as Defengjie) and Qu Jingdong provide relevant financial consultancy service for the Parties in this capital increase, the Parties agree to make payment in cash or donate shares to Defengjie and Qu Jingdong in proportion to their respective shareholdings. Within ten (10) working days as of the date of signature of this Agreement, Party A shall pay Defengjie or the agency designated by Defengjie RMB125,000.00 (in words: One Hundred and Twenty-Five Thousand Yuan Only); Shenzhen Jipenglong Traffic Technology Co. Ltd. shall donate its 0.434% equity held in Party D to Qu Jingdong; He Ping shall donate his 0.119% equity held in Party D to Qu Jingdong; Shu Jianqin shall donate his 0.206% equity held in Party D to Qu Jingdong; and Yangli shall donate his 0.055% equity held in Party D to Qu Jingdong.

Article 2: The shareholding proportions of Party D’s shareholders at the industrial and commercial change shall be subject to the shareholding proportions after donation as indicated in the following table.

Shareholder structure before and after donation:

Shareholder	Before		After		Payment in cash	Equity donated
	Amount of capital contribution	Ratio	Amount of capital contribution	Ratio		
Huizhou Highpower Technology Co. Ltd.	121,125,000	50%	121,250,000	50%	-125,000	
Shenzhen Jipenglong Traffic Technology Co. Ltd.	51,000,000	21.053%	50,000,000	20.619%		-0.434%
He Ping	14,025,000	5.789%	13,750,000	5.67%		-0.119%
Shu Jianqin	24,225,000	10%	23,750,000	9.794%		-0.206%
Beijing Defengjie Fuhua Venture Investment Fund Management Center (limited partnership)	12,750,000	5.263%	15,000,000	6.185%		
Qu Jingdong	12,750,000	5.263%	12,500,000	6.077%		+0.814%
Yang Lishan	6,375,000	2.632%	6,250,000	2.577%		-0.055%
Total	242,250,000	100%	242,500,000	100%		0

Article 3: The Parties agree to, in the next three years, commonly push forward Party D’s listed transactions in domestic securities market or seek for acquiring Party D by a company including but not limited to a listed company of main board.

Confidential Portions of this Exhibit marked as [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.**

Article 4: Liability for breach of contract.

(1) If Party A fails to make payment to Beijing Defengjie Fuhua Venture Investment Fund Management Center (limited partnership) pursuant to Article 3 herein, Party A shall pay Beijing Defengjie Fuhua Venture Investment Fund Management Center (limited partnership) 3% of the total amount payable as late fee per day. If such delay exceeds thirty days, Party A shall also pay 30% of the total amount payable as penalty;

(2) If one Party breaks this Agreement (“the defaulting party” and causes losses to the other party (“the observant party”), the defaulting party shall make full compensation for all the losses caused to the observant party.

Article 5: Provisions on restricting horizontal competition.

Whereas [***] is a BMS supplier of Party D and some shareholder of Party D is a shareholder of [***], to avoid competition with Party D after [***] carries out PACK business in the future, Party D promises to sign a non-competition agreement in the name of Party D with [***] and, agreed in the agreement, [***] shall not carry out PACK business in the future and not sell its BMS to Party D’s competitor [***] and [***].

Where needed in the future, Party D may purchase [***] at a reasonable price, which is a second consideration. The Parties agree that the reasonable estimate of [***] will not be higher than [***] by [***], and Party D may purchase [***] equity of [***] at a price not exceeding the estimated value.

Article 6: Allocation and depreciation of the equipment Party A invests Party D.

Party A and Party D agree that the depreciation expenses of the power equipment Party A invests Party D shall be calculated according to ten years.

Article 7: In case of any discrepancy between a document and/or an agreement signed by the Parties and this Agreement prior to signature of this Agreement, this Agreement shall prevail. The Parties have the obligation to amend the document and/or agreement signed to ensure consistency with this Agreement. In case of matters concerned in an agreement signed by the Parties and provided herein, this Agreement shall prevail. All clauses in conflict with the stipulations of this Agreement shall be invalid.

Article 8: All aspects of this Agreement shall be governed by laws of the People’s Republic of China.

Article 9: A dispute arising from the execution of this Agreement may be submitted by one Party to Huizhou Arbitration Committee for arbitration according to the current effective arbitration rules of the Committee. Arbitration shall be made in Chinese in Huizhou. The arbitral award shall be final and binding upon the Parties.

Article 10: This Agreement is made out in eight originals for the Parties hereto each holding one, which shall be equally authentic.

Article 11: This Agreement shall be established and come into force as of the date of signature of the Parties.

(The remainder of this page is intentionally left blank.)

Confidential Portions of this Exhibit marked as [*] have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.**

Party A: Huizhou Highpower Technology Co. Ltd. (Seal)

Legal Representative/Authorized Representative: (Signature): /s/ Pan Dangyu

Party B: (the following members are hereinafter referred to collectively as “Party B”)

Name: Shenzhen Jinpenglong Traffic Technology Co. Ltd. (Seal)

Legal Representative/Authorized Representative: (Signature): /s/ He Ping

Name: He Ping Signature: /s/ He Ping

Name: Shu Jianqin Signature: /s/ Shu Jianqin

Party C: (the following members are hereinafter referred to collectively as “Party C”)

Name: Beijing Defengjie Fuhua Venture Investment Fund Management Center (limited partnership) (Seal)

Legal Representative/Authorized Representative: (Signature): /s/ Qu Jingdong

Name: Qu Jingdong Signature: /s/ Qu Jingdong

Name: Yang Lishan Signature: /s/ Yang Lishan

Party D: Huizhou Yipeng Energy Technology Co. Ltd. (Seal)

Legal Representative/Authorized Representative: (Signature): /s/ He Ping

CONFIDENTIAL TREATMENT REQUESTED BY HIGHPOWER INTERNATIONAL, INC.

Supplementary Agreement (II)
to Capital Increase Agreement of Yipeng Energy Technology Co. Ltd.

Party A (Current Investor): Huizhou Highpower Technology Co. Ltd.

Address: Xihu Industrial Development Area, Ma'an Town, Huicheng District, Huizhou City, Guangdong Province

Legal Representative: Pan Dangyu

Party B (Founding Team): (the members are hereinafter referred to collectively as "Party B")

Name: Shenzhen Jinpenglong Traffic Technology Co. Ltd.

Address: East 6H18, 6/F, Shenhua Technology Industrial Park, Meihua Road, Futian District, Shenzhen

Legal Representative: He Ping

Organization Code Certificate No.: 69712844-1

Name: He Ping

Address: No. 25, 2nd Door, Bldg. 15, No. A8, Xinwai Street, Xicheng District, Beijing

Name: S hu Jianqin

Address: Fangjiaju Street, Fangjiaju Villiage, Yingshan County, Hubei Province

Party C (Investors): (the members are hereinafter referred to collectively as "Party C")

Name: Beijing Defengjie Fuhua Venture Investment Fund Management Center (limited partnership)

Address: Room 37, 1/F, Bldg. 23, No. 72, Qinghe Third Street, Haidian District, Beijing

Unified Social Credit Code: 91110108318078553P

Name: Qu Jingdong

Address: No. 701, 1st Door, Bldg. 18, Shangdi Digital Park, An'ning Zhuang, Haidian District, Beijing

Name: Yang Lishan

Address: Zhongguancun South Street, Haidian District, Beijing

Party D: Huizhou Yipeng Energy Technology ("Party D" or "the Target Company")

Address: (Workshop Building B1) No. 1, Qunliao Road, Ma'an Town, Huicheng District, Huizhou

Legal Representative: He Ping

Party A, Party B, Party C and Party D are hereinafter referred to collectively as "the Parties" and individually as "one Party".

This Agreement is made and entered into amongst the foregoing Parties in Huizhou June 30, 2016.

Whereas: Party A's parent company, Highpower International, is a listed company. The board of directors of Highpower International attached great importance to this investment transaction and presented some core problems concerned by the board of directors. Party D gave supplementary replies on these core problems as follows:

Article 1: Core competitiveness of Yipeng.

Question: Yipeng have no core technology of power batteries. In other words, Yipeng is incapable of producing and manufacturing "cell" and "management system". What is Yipeng's core competitiveness?

Yipeng replied: The value of Yipeng is mainly reflected in the following three aspects:

Cell technology: Yipeng has the formula of cell technology and make mass production of the power cell technology through cooperation with the group of Highpower.

PACK technology: Yipeng has air-cooling and liquid-cooling technology. More than 700 buses have been applied and put into market, without any bad feedback;

BMS: [***] is invested, established and controlled by Yipeng's shareholder and the purchase price is not higher than the counterpart Yineng.

The core competitiveness of Yipeng is actually the integration capability of Yipeng's successful business mode and excellent resources in the past three years.

Article 2: Profitability of Yipeng:

Question: There are provisions for performance compensation in the investment cooperation agreement, but how to embody and ensure the growth of Yipeng's profits?

Yipeng replied: Yipeng's minimum sales target is [***] this year. Affected by the national subsidy policy, Yipeng completed about 30 million Yuan and got one to two million Yuan of profits in the first half year. Yipeng is now a standard supplier of [***] and [***] and has received an order of [***] from [***]. It is estimated to start mass production in the second half year and we will make a dash towards the target of [***] this year. Yipeng may make adjustment flexibly according to its performance needs. For example, it may change [***] for pure electric rapid charge of [***]. The profit will be [***]. If productivity can fully form sales volume this year, the profit target of this year may be [***].

Yipeng's target in 2017 is to realize over [***] of PHEV and achieve [***] of productivity reserves. [***] conservatively estimated [***] on demand.

Yipeng's sales target in 2018 is [***], which requires realization of [***] of PHEV in total.

Yipeng's sales volume: PHEV accounts for 90-95%, while BEV accounts for 5-10%. Centralized on PHEV and auxiliary by BEV, we can not only play our advantages but also make good technical reserves for BEV market, and meanwhile, promote the modification of the cell plan.

Article 3: In case of any discrepancy between a document and/or an agreement signed by the Parties and this Agreement prior to signature of this Agreement, this Agreement shall prevail. The Parties have the obligation to amend the document and/or agreement signed to ensure consistency with this Agreement. In case of matters concerned in an agreement signed by the Parties and provided herein, this Agreement shall prevail. All clauses in conflict with the stipulations of this Agreement shall be invalid.

Article 4: All aspects of this Agreement shall be governed by laws of the People's Republic of China.

Article 5: A dispute arising from the execution of this Agreement may be submitted by one Party to Huizhou Arbitration Committee for arbitration according to the current effective arbitration rules of the Committee. Arbitration shall be made in Chinese in Huizhou. The arbitral award shall be final and binding upon the Parties.

Article 6: This Agreement is made out in eight originals for the Parties hereto each holding one, which shall be equally authentic.

Article 7: This Agreement shall be established and come into force as of the date of signature of the Parties.

(The remainder of this page is intentionally left blank.)

Party A: Huizhou Highpower Technology Co. Ltd. (Seal)

Legal Representative/Authorized Representative: (Signature): /s/ Pan Dangyu

Party B: (the following members are hereinafter referred to collectively as “Party B”)

Name: Shenzhen Jinpenglong Traffic Technology Co. Ltd. (Seal)

Legal Representative/Authorized Representative: (Signature): /s/ He Ping

Name: He Ping Signature: /s/ He Ping

Name: Shu Jianqin Signature: /s/ Shu Jianqin

Party C: (the following members are hereinafter referred to collectively as “Party C”)

Name: Beijing Defengjie Fuhua Venture Investment Fund Management Center (limited partnership) (Seal)

Legal Representative/Authorized Representative: (Signature): /s/ Qu Jingdong

Name: Qu Jingdong Signature: /s/ Qu Jingdong

Name: Yang Lishan Signature: /s/ Yang Lishan

Party D: Huizhou Yipeng Energy Technology Co. Ltd. (Seal)

Legal Representative/Authorized Representative: (Signature): /s/ He Ping

**Supplementary Agreement (III) to
Capital Increase Agreement of Yipeng Energy Technology Co. Ltd.**

Party A (Current Investor): Huizhou Highpower Technology Co. Ltd.

Address: Xihu Industrial Development Area, Ma'an Town, Huicheng District, Huizhou City, Guangdong Province

Legal Representative: Pan Dangyu

Party B (Founding Team): (the members are hereinafter referred to collectively as "Party B")

Name: Shenzhen Jinpenglong Traffic Technology Co. Ltd.

Address: East 6H18, 6/F, Shenhua Technology Industrial Park, Meihua Road, Futian District, Shenzhen

Legal Representative: He Ping

Organization Code Certificate No.: 69712844-1

Name: He Ping

Address: No. 25, 2nd Door, Bldg. 15, No. A8, Xinwai Street, Xicheng District, Beijing

Name: Shu Jianqin

Address: Fangjiaju Street, Fangjiaju Villiage, Yingshan County, Hubei Province

Party C (Investors): (the members are hereinafter referred to collectively as "Party C")

Name: Beijing Defengjie Fuhua Venture Investment Fund Management Center (limited partnership)

Address: Room 37, 1/F, Bldg. 23, No. 72, Qinghe Third Street, Haidian District, Beijing

Unified Social Credit Code: 91110108318078553P

Name: Qu Jingdong

Address: No. 701, 1st Door, Bldg. 18, Shangdi Digital Park, An'ning Zhuang, Haidian District, Beijing

Name: Yang Lishan

Address: Zhongguancun South Street, Haidian District, Beijing

Party D: Huizhou Yipeng Energy Technology ("Party D" or "the Target Company")

Address: (Workshop Building B1) No. 1, Qunliao Road, Ma'an Town, Huicheng District, Huizhou

Legal Representative: He Ping

Party A, Party B, Party C and Party D are hereinafter referred to collectively as "the Parties" and individually as "one Party".

Whereas:

The Parties made and entered into the “Capital Increase Agreement of Yipeng Energy Technology Co. Ltd.” (hereinafter referred to as the Capital Increase Agreement) on June 30, under which Party A shall increase capital investment to Party D, and Party B and Party C are Party D’s shareholders.

IN WITNESS WHEREOF, the Parties agree as follows:

Article 1: With the unanimous agreement of all parties, the closing date of first phase investment (power battery equipment with around 45 Million RMB value, which will subject to actual amount, and 15 Million RMB in cash) will be changed from August 5th to August 10th.

Article 2: In case of any discrepancy between a document and/or an agreement signed by the Parties and this Agreement prior to signature of this Agreement, this Agreement shall prevail. The Parties have the obligation to amend the document and/or agreement signed to ensure consistency with this Agreement. In case of matters concerned in an agreement signed by the Parties and provided herein, this Agreement shall prevail. All clauses in conflict with the stipulations of this Agreement shall be invalid.

Article 3: All aspects of this Agreement shall be governed by laws of the People’s Republic of China.

Article 4: A dispute arising from the execution of this Agreement may be submitted by one Party to Huizhou Arbitration Committee for arbitration according to the current effective arbitration rules of the Committee. Arbitration shall be made in Chinese in Huizhou. The arbitral award shall be final and binding upon the Parties.

(The remainder of this page is intentionally left blank.)

Party A: Huizhou Highpower Technology Co. Ltd. (Seal)

Legal Representative/Authorized Representative: (Signature): /s/ Pan Dangyu

Party B: (the following members are hereinafter referred to collectively as “Party B”)

Name: Shenzhen Jinpenglong Traffic Technology Co. Ltd. (Seal)

Legal Representative/Authorized Representative: (Signature): /s/ He Ping

Name: He Ping Signature: /s/ He Ping

Name: Shu Jianqin Signature: /s/ Shu Jianqin

Party C: (the following members are hereinafter referred to collectively as “Party C”)

Name: Beijing Defengjie Fuhua Venture Investment Fund Management Center (limited partnership) (Seal)

Legal Representative/Authorized Representative: (Signature): /s/ Qu Jingdong

Name: Qu Jingdong Signature: /s/ Qu Jingdong

Name: Yang Lishan Signature: /s/ Yang Lishan

Party D: Huizhou Yipeng Energy Technology Co. Ltd. (Seal)

Legal Representative/Authorized Representative: (Signature): /s/ He Ping

Investment Cooperation Agreement

This Investment Cooperation Agreement (hereinafter referred to as “this Agreement”) is made and entered into by and between the following parties in Shenzhen, the People’s Republic of China (hereinafter referred to as “China”) on May 19, 2016 (hereinafter referred to as “the Date of Signature”):

Party A: Shenzhen PowTech Equity Investment LP

Domicile: Room 201, Building A, Qianwan No.1 Rd., Qianhai District, Shenzhen

Managing Partner: Liping Zhao

Party B: Shenzhen Highpower Technology Co., Ltd.

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

Legal Representative: Pan Dangyu

Party C: Pan Dangyu

Domicile: Room 604, Elevator 2, Bldg. 34, No. 463 Yard, Shougouling Road, Tianhe District, Guangzhou

The Borrower, the Lender and the Guarantor in this Agreement are hereinafter referred to collectively as “the Parties” and individually as “one Party”.

Whereas:

1. Party A is an equity investment company;
2. Party B is a limited liability company duly established and validly existing under the laws of China and a provider of overall solutions for Nickel-Hydrogen charging batteries of China and other clean energy sources; and
3. Party C is the actual controller of Party B.

Party A, main management of Party B, and Party C propose to subscribe the shares targeted additionally issued by Anshan Co-Operation (Group) Co., Ltd. (hereinafter referred to as “Anshan Co-Operation”), and Anshan Co-Operation shall use the subscribed capital for increasing capital (hereinafter referred to as “the Investment”) to all new energy assets owned by Party C at home, including Party B’s new energy assets; meanwhile, Party A shall provide Party B with a loan equivalent to the shares-subscribing money for Party B’s business development prior to implementation of the Investment and as the premise for participating in targeted additional issuance of shares by Anshan Co-Operation (hereinafter referred to as “the Loan”).

Through friendly consultation, the Parties achieve the terms and conditions of this Agreement as follows:

1. Loan.

- 1.1. Party A agrees to provide Party B with a loan of RMB20,000,000.00 according to the terms and conditions of this Agreement. The Loan shall not be used for any purpose other than Party B’s business development, except otherwise agreed by Party A in written form in advance. Party B agrees to borrow the said Loan according to the terms and conditions of this Agreement.
- 1.2. Party A agrees to pay RMB20,000,000.00 to the Borrower’s designated account agreed in sub-clause 1.3 of this Agreement within five working days after signature of this Agreement.
- 1.3. To receive the Loan from Party A, Party B has opened a bank account with the specific information as follows:

Opening Bank: Bank of China Shenzhen Pinghu Sub-branch

Account Name: Shenzhen Highpower Technology Co., Ltd.

Account No.: 744 5579 38816

On the date of receiving of the Loan in full, Party B shall issue an acknowledgement receipt to Party A, indicating the time of receiving and amount of the full Loan. Party B shall sign the receipt for confirmation.

1.4. Party C agrees to make warranty to Party A and irrevocably and unconditionally agrees to perform Party B's obligations and responsibilities under the Loan Agreement and bear joint and several suretyship liability for Party A, including but not limited to timely and full repayment of the Loan principal and other relevant expenses (including but not limited to penalty, damages and debt recovery cost, if any).

1.5. The time limit of the Loan (hereinafter referred to as "the Loan Term") shall be till the date when Anshan Co-Operation transfers the Borrower's increased capital to the special account for increased capital but shall not be later than August 31, 2017.

1.6. The Parties agree that the annual interest rate of the Loan under this Agreement is [5.66%] (30% higher than the interest rate for one-year RMB loans of the same period). Interest of the Loan shall be calculated on the basis of 360 days a year and shall be charged according to the actual amount withdrawn and the number of days of occupation from the date of withdrawal.

2. Repayment.

2.1. Party B shall repay Party A the Loan in full and the interest thereof prior to expiration of the Loan Term. Party B shall make repayment in full to the bank account then notified by Party A in written form.

2.2. Party B promises to repay Party A's principal and interest of the Loan in full in a lump sum within five working days after the increased capital is transferred to the special account for increased capital. Party C shall bear joint and several suretyship liability for Party B's obligation of repayment under this Agreement.

2.3 After notifying Party A in written form, Party B may prepay all or part of the Loan and interest thereof prior to expiration of the Loan Term.

3. Investment.

3.1. Party A shall invest RMB20,000,000.00 for subscribing the shares targeted additionally issued by Anshan Co-Operation.

3.2. Party C promises and ensures to promote Party A or the third party designated by Party A to subscribe the shares of Anshan Co-Operation and the total amount of Investment shall not be lower than RMB20,000,000.00, except that Party A or the third party designated by Party A does not meet the subscription qualifications and the Investment is not approved by Anshan Co-Operation or the internal decision-making department of Party B.

4. Breach of contract and liability for breach of contract.

4.1. Breach of contract

The Party concerned shall be deemed as having conducted breach of contract (hereinafter referred to as "Breach") if:

- (a) Party B uses the Loan hereunder for other purpose not agreed in this Agreement;
 - (b) Party B delays in repayment of the principal and interest of the Loan;
 - (c) Party A or the third party designated by Party A is unable to subscribe the shares targeted additionally issued by Anshan Co-Operation due to causes attributable to Party B and/or Party C, unless otherwise provided herein;
 - (d) Party B and/or Party C violates other stipulations of this Agreement.
-

4.2. Liability for breach of contract:

4.2.1. In the event that Party B delays repayment of the principal and interest, Party B shall pay Party A 0.1% of the principal and interest of the Loan as late fee per each day overdue.

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

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

5. Confidentiality.

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

6. Governing Law and Dispute Resolution.

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

6.2. Each Party hereto shall resolve disputes arising from the interpretation or performance of this Agreement through friendly negotiation. If a dispute is unable to be settled within ten (10) days after one Party gives to the other Party a written notice on requesting consultation on the dispute, any party may submit the dispute to Shenzhen Arbitration Commission and arbitration shall be made according to the effective arbitration rules of the Commission and the following provisions in Shenzhen:

- (a) Arbitration shall be made in Chinese. The arbitral tribunal is composed of three (3) arbitrators. The applicant and the respondent each shall designate one arbitrator, and the arbitration center shall designate the third arbitrator;
 - (b) The arbitral award shall be final and binding upon the Parties, and shall be enforced according to the clauses of the award.
-

(c) The arbitration fee shall be borne by the losing party ruled in the arbitral award.

6.3. During the consultation and arbitration period, the Parties shall continue to perform this Agreement without interruption, except the matters in dispute.

7. Miscellaneous.

7.1. This Agreement shall come into force as of the date of the signature of the Parties.

7.2. Amendment and supplementation to this Agreement shall be made in written form. Any and all amendment agreements and/or supplementary agreements to this Agreement amongst the Parties hereto shall be an integral part of this Agreement and have the same equal legal force as this Agreement.

7.3. Without the other parties' written consent, any Party may not transfer to a third party all or part of its rights and obligations under this Agreement. However, the Lender may at any time transfer to the Lender's affiliated party all or part of its rights and obligations under this Agreement (including but not limited to the loan provided by the affiliated party of the Lender).

7.4. This Agreement is originally written in Chinese and made out in three originals for the Parties hereto each holding one, which shall be equally authentic.

(The remainder of this page is intentionally left blank.)

(The remainder of this page is intentionally left blank for signature of the Investment Cooperation Agreement.)

IN WITNESS WHEREOF, the authorized representatives of the Parties hereto sign this Agreement on the date first above written.

Party A: Shenzhen PowTech Equity Investment LP

Signature: Liping Zhao (Signature and official seal)

Party B: Shenzhen Highpower Technology Co., Ltd. (Official Seal)

Shenzhen Highpower Technology Co., Ltd. (Official Seal)

Legal Representative (or Authorized Representative):

Party C: Pan Dangyu

Signature: Pan Dangyu (Signature)

Investment Cooperation Agreement

This Investment Cooperation Agreement (hereinafter referred to as “this Agreement”) is made and entered into by and between the following parties in Shenzhen, the People’s Republic of China (hereinafter referred to as “China”) on May 19, 2016 (hereinafter referred to as “the Date of Signature”):

Party A: Wei Linwei

Domicile: Room 506, No. 6, Zhusigang Sima Road, Dongshan District, Guangzhou

Party B: Shenzhen Highpower Technology Co., Ltd.

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

Legal Representative: Pan Dangyu

Party C: Pan Dangyu

Domicile: Room 604, Elevator 2, Bldg. 34, No. 463 Yard, Shougouling Road, Tianhe District, Guangzhou

The Borrower, the Lender and the Guarantor in this Agreement are hereinafter referred to collectively as “the Parties” and individually as “one Party”.

Whereas:

1. Party A is a natural person with full capacity for civil conducts;
2. Party B is a limited liability company duly established and validly existing under the laws of China and a provider of overall solutions for Nickel-Hydrogen charging batteries of China and other clean energy sources; and
3. Party C is the actual controller of Party B.

Party A, main management of Party B, and Party C propose to subscribe the shares targeted additionally issued by Anshan Co-Operation (Group) Co., Ltd. (hereinafter referred to as “Anshan Co-Operation”), and Anshan Co-Operation shall use the subscribed capital for increasing capital (hereinafter referred to as “the Investment”) to all new energy assets owned by Party C at home, including Party B’s new energy assets; meanwhile, Party A shall provide Party B with a loan equivalent to the shares-subscribing money for Party B’s business development prior to implementation of the Investment and as the premise for participating in targeted additional issuance of shares by Anshan Co-Operation (hereinafter referred to as “the Loan”).

Through friendly consultation, the Parties achieve the terms and conditions of this Agreement as follows:

1. Loan.

- 1.1. Party A agrees to provide Party B with a loan of RMB50,000,000.00 according to the terms and conditions of this Agreement. The Loan shall not be used for any purpose other than Party B’s business development, except otherwise agreed by Party A in written form in advance. Party B agrees to borrow the said Loan according to the terms and conditions of this Agreement.
- 1.2. Party A agrees to pay RMB10,000,000.00 to the Borrower’s designated account agreed in sub-clause 1.3 of this Agreement within five working days after signature of this Agreement, i.e. prior to May 24, 2016, and pay RMB40,000,000.00 to the designated account notified by the Borrower in writing prior to September 30, 2016.
- 1.3. To receive the Loan from Party A, Party B has opened a bank account with the specific information as follows:

Opening Bank: Bank of China Shenzhen Pinghu Sub-branch

Account Name: Shenzhen Highpower Technology Co., Ltd.

Account No.: 744 5579 38816

On the date of receiving of the Loan in full, Party B shall issue an acknowledgement receipt to Party A, indicating the time of receiving and amount of the full Loan. Party B shall sign the receipt for confirmation.

1.4. Party C agrees to make warranty to Party A and irrevocably and unconditionally agrees to perform Party B's obligations and responsibilities under the Loan Agreement and bear joint and several suretyship liability for Party A, including but not limited to timely and full repayment of the Loan principal and other relevant expenses (including but not limited to penalty, damages and debt recovery cost, if any).

1.5. The time limit of the Loan (hereinafter referred to as "the Loan Term") shall be till the date when Anshan Co-Operation transfers the Borrower's increased capital to the special account for increased capital but shall not be later than August 31, 2017.

1.6. The Parties agree that the annual interest rate of the Loan under this Agreement is [5.66%] (30% higher than the interest rate for one-year RMB loans of the same period). Interest of the Loan shall be calculated on the basis of 360 days a year and shall be charged according to the actual amount withdrawn and the number of days of occupation from the date of withdrawal.

2. Repayment.

2.1. Party B shall repay Party A the Loan in full and the interest thereof prior to expiration of the Loan Term. Party B shall make repayment in full to the bank account then notified by Party A in written form.

2.2. Party B promises to repay Party A's principal and interest of the Loan in full in a lump sum within five working days after the increased capital is transferred to the special account for increased capital. Party C shall bear joint and several suretyship liability for Party B's obligation of repayment under this Agreement.

2.3. After notifying Party A in written form, Party B may prepay all or part of the Loan and interest thereof prior to expiration of the Loan Term.

3. Investment.

3.1. Party A shall invest RMB50,000,000.00 for subscribing the shares targeted additionally issued by Anshan Co-Operation.

3.2. Party C promises and ensures to promote Party A or the third party designated by Party A to subscribe the shares of Anshan Co-Operation and the total amount of Investment shall not be lower than RMB50,000,000.00, except that Party A or the third party designated by Party A does not meet the subscription qualifications and the Investment is not approved by Anshan Co-Operation or the internal decision-making department of Party B.

3.3. Party B makes commitments that, Party B shall, ten working days prior to the expiry date of the increased capital payment term agreed in the share subscription agreement between Party A and Anshan Co-Operation (Group) Co., Ltd., repay Party A the aforesaid Loan RMB50,000,000.00. And the expenses arising from matters concerning raising of funds shall be borne by Party B.

4. Breach of contract and liability for breach of contract.

4.1. Breach of contract.

The Party concerned shall be deemed as having conducted breach of contract (hereinafter referred to as "Breach") if:

(a) Party B uses the Loan hereunder for other purpose not agreed in this Agreement;

(b) Party B delays in repayment of the principal and interest of the Loan;

(c) Party A or the third party designated by Party A is unable to subscribe the shares targeted additionally issued by Anshan Co-Operation due to causes attributable to Party B and/or Party C, unless otherwise provided herein;

(d) Party B and/or Party C violates other stipulations of this Agreement.

4.2. Liability for breach of contract:

4.2.1. In the event that Party B delays repayment of the principal and interest, Party B shall pay Party A 0.1% of the principal and interest of the Loan as late fee per each day overdue.

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

(1) To require the Breaching Party to cure the default and continue to perform its obligations;

(2) To suspend the performance of its obligations until the Breaching Party has cured the default; the non-breaching Party shall not be deemed to have failed to perform or delayed in performing its obligations if it suspends its performance of obligations according to this paragraph;

(3) To unilaterally terminate this Agreement by issuing written notice, and such termination notice shall enter into force on the date of issuance; however, the non-breaching Party shall not be deemed to have waived any right to require the Breaching Party to bear liabilities for default according to laws when it issues a unilateral notice of termination;

(4) To require the Breaching Party to indemnify the non-breaching Party against all economic losses, including the expenses actually incurred for the loan, other foreseeable economic losses, and the expenses incurred by the non-breaching Party for litigation or arbitration in connection therewith; and

(5) Other types of remedies agreed or stipulated by the laws and regulations.

5. Confidentiality.

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

6. Governing Law and Dispute Resolution.

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

6.2. Each Party hereto shall resolve disputes arising from the interpretation or performance of this Agreement through friendly negotiation. If a dispute is unable to be settled within ten (10) days after one Party gives to the other Party a written notice on requesting consultation on the dispute, any party may submit the dispute to Shenzhen Arbitration Commission and arbitration shall be made according to the effective arbitration rules of the Commission and the following provisions in Shenzhen:

(a) Arbitration shall be made in Chinese. The arbitral tribunal is composed of three (3) arbitrators. The applicant and the respondent each shall designate one arbitrator, and the arbitration center shall designate the third arbitrator.

(b) The arbitral award shall be final and binding upon the Parties, and shall be enforced according to the clauses of the award.

(c) The arbitration fee shall be borne by the losing party ruled in the arbitral award.

6.3. During the consultation and arbitration period, the Parties shall continue to perform this Agreement without interruption, except the matters in dispute.

7. Miscellaneous.

7.1. This Agreement shall come into force as of the date of the signature of the Parties.

7.2. Amendment and supplementation to this Agreement shall be made in written form. Any and all amendment agreements and/or supplementary agreements to this Agreement amongst the Parties hereto shall be an integral part of this Agreement and have the same equal legal force as this Agreement.

7.3. Without the other parties' written consent, any Party may not transfer to a third party all or part of its rights and obligations under this Agreement. However, the Lender may at any time transfer to the Lender's affiliated party all or part of its rights and obligations under this Agreement (including but not limited to the loan provided by the affiliated party of the Lender).

7.4. This Agreement is originally written in Chinese and made out in three originals for the Parties hereto each holding one, which shall be equally authentic.

(The remainder of this page is intentionally left blank.)

(The remainder of this page is intentionally left blank for signature of the Investment Cooperation Agreement.)

IN WITNESS WHEREOF, the authorized representatives of the Parties hereto sign this Agreement on the date first above written.

Party A: Wei Linwei

Signature: Wei Linwei (Signature and Fingerprint)

Party B: Shenzhen Highpower Technology Co., Ltd. (Official Seal)

Shenzhen Highpower Technology Co., Ltd. (Official Seal)

Legal Representative (or Authorized Representative):

Party C: Pan Dangyu

Signature: Pan Dangyu (Signature)

Maximum Financing Contract

Huaxia Bank Co., Ltd.

Maximum Financing Contract

No.: SZ03 (R.Z.) 20160015

Party A: Springpower Technology (Shenzhen) Co., Ltd.

Domicile: Workshop Building A, Shunchao Industrial Zone, Renmin Road, Danhu Community, Guanlan Street, Bao'an District, Shenzhen City

Zip Code: 51800

Tel.: 0755-89686802

Fax: 0755-89666819

Basic Account Opening Bank: Bank of China Shenzhen Branch

Account No.: 764057938815

Party B: Huaxia Bank Co., Ltd. Shenzhen Great China Sub-branch

Domicile: East of First Floor, Great China International Exchange Square, Futian District, Shenzhen

Zip Code: 518000

Legal Representative / Main Principal: Xia Feng

Tel.: 0755-23997085

Fax: 0755-23997090

In accordance with relevant laws and regulations of China, Party A and Party B make and enter into this Contract upon unanimity through consultation between both parties following the principle of fairness.

Article 1 Maximum Financing Limit and Type

1.1. Within the valid period of the maximum financing limit agreed herein (hereinafter referred to as "the Valid Period of Limit"), the maximum financing limit Party A may apply Party B for use is:

Currency: RMB

Amount (in words): Thirty Million Yuan Only

(The amount of a foreign currency transaction shall be converted according to the selling price of foreign exchange listed by Party B on the date when the transaction occurs.)

This Contract shall not constitute Party B's inevitable obligation of providing Party A with financing. Party B shall, under any circumstances, have the right to adjust the Valid Period of Limit and the maximum financing limit under this Contract.

1.2. The financing form under the maximum financing limit agreed herein shall include but not be limited to loan, acceptance of bill, discount of bill, trade financing, letter of guarantee or other credit business types accepted by Party B.

1.3. Within the Valid Period of Limit agreed herein, the specific business type, amount, usage period and purpose of the financing limit used by Party A shall be subject to the specific business contract under this Contract. Both parties shall handle relevant business according to the stipulations of the specific business contract.

The specific business contract may be a contract or an agreement signed by both parties, or other legal document submitted by Party A to Party B and accepted by Party B, for example, "application for opening of a L/C".

Article 2 Valid Period of Limit

- 2.1. The Valid Period of Limit agreed in Article 1 of this Contract shall be one year from June 1, 2016 to June 1, 2017.
- 2.2. Party B has the right to review the use of the maximum financing limit under this Contract and adjust the aforesaid Valid Period of Limit.

Article 3 Guarantee

- 3.1. In order to ensure that the creditor's rights produced under this Contract are repaid, mortgage, pledge, suretyship, or other one or several guarantees permitted by law may be adopted. The guarantee contract shall be made and entered into by and between the guarantor and Party B, separately.
- 3.2. When Party A and Party B conclude a specific business contract hereunder, Party B shall have the right to demand Party A to provide guarantee other than the guarantee specified herein.

Article 4 Use of Maximum Financing Limit

- 4.1. Each time when Party A uses a financing limit, Party A shall present a written application to Party B ten working days in advance, and Party B has the right to review. When Party B agrees through review, both parties shall conclude and sign a specific business contract separately.
- 4.2. Within the Valid Period of Limit, Party A may reapply for use of the financing limit released by means of payment, and the financing limit unused within the Valid Period of Limit shall be automatically lapsed upon expiration of the Valid Period.
- 4.3. Party B must apply for use of the financing limit within the Valid Period of Limit agreed in Article 2 herein. The date of signature of a specific business contract shall not be later than the deadline of the Valid Period of Limit. The date of payment of each loan or the date of draft of acceptance of bill/discount/ opening of L/C/ opening of letter of guarantee / issuance of a letter of guarantee for the release of goods shall not be later than the deadline of this period.

If Party B adjusts or Party A and Party B agree to extend the Valid Period of Limit upon unanimity through consultation between both parties, this deadline shall be the deadline after adjustment. The service life of each maximum financed capital shall be subject to the stipulation of the specific business contract and the expiry date of the performance period shall not be affected by the expiration of the Valid Period of Limit.

- 4.4. The expenses which should be charged under bills, letter of guarantee, international trade financing and other related business, the discount rate under discount of bills, and the interest rate and exchange rate which should be determined in inward and outward documentary bills shall be agreed by Party A and Party B in each specific business contract.

Article 5 Party A's Representations and Warranties

Party A hereby makes the following representations and warranties to Party B:

- 5.1. Party A is a legal entity duly established and validly existing. Party A has the right to dispose the properties under its operation and management, do business for the purpose related to that specified in this Contract and the specific business contract, and sign and execute this Contract and the specific business contract.
 - 5.2. To sign and execute this Contract and the specific business contract, Party A has obtained approvals from competent authorities, including superior competent department or the board of directors of the company and has obtained all necessary authorizations.
-

5.3. The signature and execution of this Contract and the specific business contract by Party A does not violate the stipulations or provisions binding upon Party A and Party A's assets, including but not limited to any guarantee agreement between Party A and another party or the contents of guarantee commitments made to another party.

5.4. All documents and materials that Party A provides Party B shall be genuine, accurate, legitimate and effective.

5.5. Party A's all behaviors and performances in connection with environment and social risks shall comply with statutory and regulatory requirements, and there is no major lawsuit connected with environment and social risks.

Article 6 Party A's Rights and Obligations

6.1. During the execution period of this Contract and a specific business contract thereof, Party A shall, according to Party B's requirements, provide coordination in inspection and timely provide, including but not limited to:

6.1.1. business license, organization code certificate, identity certification and necessary personal information of the legal representative, members and main principal of the board of directors, list of financial officers, business operation permit, tax registration certificate of pass of the taxation departments' annual inspection, photocopies of the tax payment proof materials of taxation departments provided according to the year required by Party B, and loan certificate (card);

6.1.2. all opening banks, account number, and deposit and loan;

6.1.3. audited balance sheet, statement of profit and loss, statement of changes of owner's equity, sales conditions, statement of cash flow, financial statements and notes and explanations;

6.1.4. production management planning, statistics statements, and engineering budget and settlement materials;

6.1.5. situations of all external guarantee (including guarantee for Party B's any institution);

6.1.6. information of all affiliated enterprises and affiliated relations, information of affiliated transaction accounting for over ten percent of Party A's net assets which have occurred and are going to occur, and information of mutual guarantee amongst group customers;

6.1.7. information of lawsuit, arbitration, administrative punishment and dispute over obligation with others, and criminal case, prosecution and punishment on members of the management.

6.2. Use of a financing limit by Party A shall comply with laws, this Contract and the specific business contract.

6.3. Party A shall notify Party B in written form thirty days prior to the following changes, including but not limited to contracting, lease, custody, reorganization of assets, reconstruction of debts, transformation of equity system, joint operation, business combination (or merger), division, paid transfer of property, joint investment (or cooperation), reduce of registered capital, or filing for winding-up, filing for dissolution (or cancellation), filing for reorganization, mediation and bankruptcy, or change of self system or legal status. Party A shall implement the liability of repayment of the debts under this Contract upon Party B's written consent, or provide a new guarantee accepted by Party B in written form, or Party A shall not conduct the foregoing activities prior to full repayment of all debts under this Contract.

6.4. Party A shall notify Party B of the following changes in written form thirty days prior to occurrence of the changes that Party A is announced winding-up, is announced closed, is announced dissolved (cancelled), is filed reorganization or bankruptcy, or changes self system and legal status. Meanwhile, Party A shall take sufficient and effective actions to protect the creditor's rights of Party B.

6.5. Where there is any situation which is sufficient to endanger Party A's normal operation or the safety of the creditor's rights of Party B, Party A shall notify Party B in writing within three days. Meanwhile, Party A shall take sufficient and effective actions to protect the creditor's rights of Party B.

- 6.6. Without Party B's consent, Party A shall not sell specific assets, prepay other long-term debts or provide a third party with extra guarantee for debts until Party A has repaid Party B the principal and interest of the amount of the specific business under this Contract.
- 6.7. Party A shall not conclude any contract with any a third party which damages Party B's rights and interests under this Contract and a specific business contract hereof.
- 6.8. In the event that Party A's legal representative, domicile, name or middle and senior management personnel have any significant change, Party A shall notify Party B in writing within seven days after this change.
- 6.9. Party A shall repay on time the principal and interest of the amount of the specific business under this Contract and pay the expenses payable on time.
- 6.10. If Party A uses a financing limit to handle international trade financing business (including packing loan, import and export bill purchase, opening of L/C, letter of guarantee, discount of bill and acceptance of bill of exchange), Party A shall ensure: when the business is conducted, the Uniform Customs and Practice for Documentary Credits (latest version) of the International Chamber of Commerce, the Uniform Rules for Collections (URC522) and other related international practices prevailing when this Contract is signed shall be strictly observed. Party B's reputation and interest shall not be damaged due to any business dispute.
- 6.11. In the event that Party B realizes creditor's rights through lawsuit, arbitration or other means due to Party A's violation of this Contract and a specific business contract hereof, Party A shall bear the appraisal cost, evaluation cost, auction cost, legal cost, arbitration fee, notarization fee and attorney fee paid by Party B therefore, and other reasonable expenses of Party B for realizing creditor's rights.
- 6.12. If Party A is a group customer, Party A shall:
- 6.12.1. Provide Party B with relevant information and materials of the group company, including but not limited to list of members of the group customer, legal representative, actual controlled, registered address, registered capital, main business, equity structure, senior management personnel, financial status, items of major assets, guarantees and important lawsuits, and so on.
- 6.12.2. Timely report to Party B in written form the affiliated transactions accounting for over ten percent of Party A's net assets, including but not limited to affiliated relations amongst transaction parties, transaction items, transaction nature, transaction amount or relevant proportions and pricing policy of transaction.
- 6.13. Party A shall strengthen management of environment and social risks, and accept and coordinate Party B or a third party affirmed by Party B in supervision and inspection. At Party B's request, Party A shall submit an environment and social risk report to Party B timely.

Article 7 Party B's Rights and Obligations

- 7.1. Party B is entitled to, according to relevant management regulations and credit examination and approval procedures of Huaxia Bank, decide whether to conclude a specific business contract with Party A and check and supervise the situations of the specific business at any time.
- 7.2. If Party B agrees Party A to use a financing limit, the specific business contract concluded shall be timely executed.
- 7.3. Party B shall keep confidential the materials and information about Party A's debt, financial status, production and operation provided by Party A, except otherwise prescribed by laws and regulations and regulatory policies.

Article 8 Management and Control of Post-Credit Risks

- 8.1. During the period when the maximum financed capital hereunder is used, to meet the needs for control of Party B's risks, Party A shall ensure and continue to meet the requirements of the following financial indicators:

_____ / _____.

Where there is any stipulation in the specific business contract, the contents specified in the specific business contract shall prevail.

8.2. During the period when the maximum financed capital hereunder is used, to meet the needs for control of Party B's risks, Party A shall ensure and continue to make business settlement according to the following stipulations:

Party B is the main settlement bank of Party A and Party A's main settlement business shall be handled through Party A's account opened with Party B.

Party B is not the main settlement bank of Party A. Party A shall provide Party B with the bank statements of the main settlement account or other relevant materials once every month(s).

 / .

Article 9 Prepayment

9.1. During the execution process of this Contract, Party B shall have the right to ask Party A to prepay the financing limit used by Party A under the following circumstances:

9.1.1. Party A provides false information or holds back important operational accounting facts;

9.1.2. without Party B's consent, Party A changes the purpose of the financed capital or uses the financed capital for conducting any illegal or rule-breaking transaction;

9.1.3. Party A violates any other contract or agreement concluded with others, or Party A makes any commitment or warranty unilaterally, which constitutes serious breach of other debts;

9.1.4. the guarantee capacity of the guarantor hereunder becomes obviously insufficient, or the pledged or mortgaged property hereunder is expropriated or damaged or its value obviously declines, and Party A is unable to provide a new guarantee according to Party B's requirements;

9.1.5. During the valid period of this Contract, Party A expressly indicates or indicates by its acts that Party A is unable to or fails to perform its obligations specified in this Contract or the specific business contract;

9.1.6. Party A transfers its assets, withdraws funds, evades debts or has any other behavior which damages Party B's rights and interest;

9.1.7 Party A does not perform its commitments made in Article 5 herein or does not perform the obligations agreed in this Contract or a specific business contract;

9.1.8. Party A refuses Party B's supervision and examination on Party A's use of the credit funds and relevant operation and financial activities;

9.1.9. Party A uses a false contract with an affiliated party to discount or pledge on the basis of bill receivable and accounts receivable without real trade background to illegally withdraw Party B's financing;

9.1.10. Party A evades Party B's obligatory right intentionally through affiliated transaction;

9.1.11. Party A's operating mode, self system or legal status is changed, including but not limited to contracting, lease, custody, asset reorganization, debt reconstruction, reform of shareholding system, joint operation, consolidation (merger), division, paid transfer of property, joint venture (cooperation), reduce of registered capital, or applying for winding-up, applying for dissolution (or cancellation), applying for reforming, reconciliation and bankruptcy. Party A has not obtained Party A's written consent, hasn't implemented the liability of repayment of the debts under a specific business contract of this Contract or hasn't provided a new guarantee accepted by Party B;

9.1.12. There is any serious crisis of the overall credit status, operating conditions and financial status of the group customer of Party A, which causes significant threat to the safety of Party B's loan;

9.1.13. Party A is unable to or is likely unable to repay the due debt because Party A sells, transfers or disposes by other means any material assets or Party A's operation and financial status becomes worse; or Party A is involved in any significant economic lawsuit or arbitration and other legal dispute, or is involved in any significant administrative punishment, which seriously affects and threatens the realization of the creditor's rights of Party B;

9.1.14. Party A goes out of business, is dissolved, stops business or is ordered to close, or its business license is revoked or cancelled;

9.1.15. Party A violates any other obligation agreed in this Contract, or the Guarantor hereunder violates any obligation agreed in the guarantee contract, that Party B thinks sufficient to affect realization of its creditor's rights;

9.1.16. Party A causes a liability accident or a significant environment and social risk incident due to violation of relevant laws, regulations, regulatory provisions or industrial standards for food safety, work safety, environmental protection and management of environment and social risks, which has affected or may affect the performance of obligations under this Contract or a specific business contract.

9.2. If Party A applies for prepayment, Party A shall present a written application to Party B ten working days in advance and make treatment according to the following methods upon Party B's written consent:

Party B shall calculate and collect interest according to the number of days of actual occupation of the loan and the loan interest rate agreed in the specific business contract under this Contract;

In addition to the interest calculated and collected according to the number of days of actual occupation of the loan and the loan interest rate agreed in the specific business contract under this Contract, Party B shall charge $L\%$ of the prepayment amount as compensation. However, the maximum compensation shall not exceed the result of: repayment amount \times loan interest rate agreed in the specific business contract $/ 360 \times$ number of days advanced.

Article 10 Effectiveness, Transfer and Change of Contract

10.1. This Contract shall come into force as of the date of signature of both parties. However, Party B shall have no obligation for allowing Party A to use any financing limit before Party A and its guarantor conclude a guarantee contract according to Party B's requirements and complete the procedures agreed in the guarantee contract and the mortgage /pledge right becomes effective by law.

10.2. As agreed by Party A, after effectiveness of this Contract, Party B may transfer to a third party all or part of the debts under this Contract and the specific business contract.

10.3. If Party A transfers to a third party all or part of the debts under this Contract and the specific business contract after effectiveness of this Contract, Party A shall submit to Party B the written documents that the guarantor agrees transfer of successive guarantee obligation or provide a new guarantee, and obtain Party B's written consent.

10.4. Party A and Party B shall not change this Contract without authorization after effectiveness of this Contract. Where necessary, Party A and Party B shall reach a written change agreement.

Article 11 Confidentiality

Party A or Party B shall bear the obligation of confidentiality for the other party's business secret, contractual clauses and other information related to interest acquired during the signature and execution processes of this Contract, but shall not disclose the aforesaid information to a third party without the other party's consent, except otherwise prescribed by laws, regulations and regulatory policies.

Article 12 Governing Laws and Dispute Settlement

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

12.2. Any and all disputes arising from the execution of this Contract and/or a specific business contract shall be settled through consultation between Party A and Party B. Where consultation fails, either party may make settlement according to the following method, except otherwise agreed in the specific business contract for dispute settlement under this Contract:

To bring a case to the local people's court at the domicile of Party B;

To apply _____ / _____ Arbitration Committee for arbitration.

Article 13 Notice and Service

During the valid period of this Contract, if Party A changes its information first given in this Contract without notifying Party B in written form, including name of Party A's legal person, legal representative, domicile and telephone number, all documents that Party B sends to Party A according to Party A's information given in this Contract shall be deemed as having been served.

Article 14 Supplementary Provisions

14.1. The specific business contracts made and entered into by and between Party A and Party B for each specific maximum financing business on the basis of this Contract shall be a part of this Contract and constitute an entire contract. In case of discrepancy between a specific business contract and this Contract, the specific business contract shall prevail.

14.2. Party A authorizes Party B to, in accordance with relevant laws and regulations, or other regulatory documents or requirements of financial regulators, provide the relevant information of the Contract and other relevant information for the credit information basic database of the People's Bank of China or other credit database established by law for the qualified institutions or individuals to search and use. Party A also authorizes Party B to, for the purpose of the conclusion and performance of the Contract, search Party B's relevant information through the credit information basic database of the People's Bank of China or other credit database established by law.

14.3. If selection is made in under this Contract, this clause shall apply if is ticked in but shall not apply if is given in .

14.4. This Contract shall be provided for Party A holding one original, Party B holding two originals and the Guarantor holding one original, which shall be equally authentic.

14.5. Other provisions agreed by both parties:

14.6. Party B has taken reasonable measures to remind Party A to pay attention to the clauses of exempting or restricting Party B's responsibilities and, according to Party A's requirements, has given full explanation of relevant clauses. Party A and Party B have no objection to the understanding of the contents of all clauses of this Contract.

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Party A: (Seal)
Springpower Technology (Shenzhen) Co., Ltd. (Seal)
Legal Representative:
(Or Authorized Agent): (Signature)
June 23, 2016

Party B: (Seal)
Huaxia Bank Co., Ltd. Shenzhen Great China Sub-branch (Seal)
Legal Representative / Main Principal:
(Or Authorized Agent) (Signature or Seal)
June 23, 2016

**Personal Maximum Guarantee Contract
(2014)**

Huaxia Bank Co., Ltd.

Personal Maximum Guarantee Contract

No.: SZ03 (G.B.) 20160015-15

Party A (Guarantor): Yin Zhoutao

Domiciles: Room 2402, Unit 3, Bldg. 3, Phase II, Dongfang Qinyuan, 12th Zone, Longgang Central City, Longgang District, Shenzhen

Home Tel.: 0755-89686802

Zip Code: 518000

Work Unit: Springpower Technology (Shenzhen) Co., Ltd.

Company Tel.: 0755-89686802

Mobile: 13923469509

Party B (Creditor): Huaxia Bank Co., Ltd. Shenzhen Great China Sub-branch

Domicile: East of First Floor, Great China International Exchange Square, Futian District, Shenzhen

Zip Code: 518000

Legal Representative / Main Principal: Xia Feng

Tel.: 0755-23997085

Fax: 0755-23997090

In accordance with the Guarantee Law of the People's Republic of China and other relevant laws and regulations, whereas Party B will have many creditor's rights continuously with the Debtor Springpower Technology (Shenzhen) Co., Ltd. (hereinafter referred to as "the Debtor of the Main Contract) on the basis of the Main Contract during the period agreed herein, and Party A is willing to provide Party B with suretyship guaranty for the aforesaid creditor's rights (hereinafter referred to as "the Principal Creditor's Rights") to the extent of the total amount of the creditor's rights.

IN WITNESS WHEREOF, Party A and Party B make and enter into this Contract upon unanimity through consultation.

Part 1

Chapter 1 Type, Maximum Amount and Period of the Principal Creditor's Rights Guaranteed

Article 1. The Main Contract of this Contract is selected as follows:

The Maximum Financing Contract of SZ03 (R.Z.) 20160015 made and entered into by and between Party B and the Debtor of the Main Contract; the contract and the specific business contract thereunder shall constitute the Main Contract of this Contract;

_____ / _____ continuously made and entered into by and between Party B and the Debtor of the Main Contract during the period of Principal Creditor's Rights specified in Article 3 herein shall constitute the Main Contract of this Contract.

Article 2. The maximum amount of the creditor's rights guaranteed hereunder is: Currency RMB, amount (in words) Thirty Million Yuan Only (The amount of a foreign currency transaction shall be converted according to the selling price of foreign exchange listed by Party B on the date when the transaction occurs.).

Article 3. The period of the principal credit's right guaranteed hereunder shall be from June 1, 2016 to June 1, 2017.

Chapter 2 Dispute Settlement

Article 4. Any and all disputes arising from the execution of this Contract between Party A and Party B shall be settled through consultation; where consultation fails, both parties agree to settle the dispute according to the following method:

To bring a case to the local people's court at the domicile of Party B;

To apply _____ / _____ Arbitration Committee for arbitration.

Article 5. If the method selected above for dispute settlement is different from the method for dispute settlement under the Main Contract, the method for dispute settlement selected under the Main Contract shall be applied.

Chapter 3 Miscellaneous

Article 6. Other provisions agreed by both parties.

Article 7. This Contract shall be provided for Party A holding one original, Party B holding two originals and the Debtor holding one original, which shall be equally authentic.

Part 2

Chapter 1 Type, Maximum Amount and Period of the Principal Creditor's Rights Guaranteed

Article 8. The business type of the Principal Creditor's Rights secured by Party A shall be the same as that agreed in the Main Contract.

Article 9. The term "maximum amount of creditor's rights" referred to in Article 2 herein means the balance of the principal of the maximum Principal Creditor's Rights, specified as follows:

9.1. The amount of all the outstanding principals used by the Debtor of the Main Contract at any time (for example, if the business under the Main Contract is a business of letter of credit, bank acceptance bill, letter of guarantee or letter of guarantee for the release of goods, this amount shall be the accrued but unpaid business balance) shall not exceed the limit specified in the preceding paragraph. However, the Debtor of the Main Contract may apply for recycling the principals paid to the extent of this limit.

9.2. The maximum amount of creditor's rights shall be the maximum amount of the principals of the Principal Creditor's Rights. If the principal does not exceed this limit, Party A is willing to bear guarantee liability for all the accounts payable arising therefrom and within the scope specified in Article 11, including interest, default interest and expenses.

Article 10. Provisions agreed in Article 3 herein shall have the following meanings:

10.1. If the business specified in the Main Contract is a loan business, the date of release of each loan shall not be later than the expiry date of this period.

10.2. If the business specified in the Main Contract is a business of acceptance of bill/discount/ opening of L/C/ opening of letter of guarantee (or letter of guarantee for the release of goods), the date of draft of acceptance of bill/discount/ opening of L/C/ opening of letter of guarantee (or letter of guarantee for the release of goods) shall not be later than the expiry date of this period.

10.3. The expiry date of each creditor's right shall be subject to the date agreed in the specific business contract and shall not be affected by the expiration of this period.

Chapter 2 Scope of Suretyship Guaranty

Article 11. The scope of suretyship guaranty of Party A includes the principal, interest, default interest and compound interest of the creditor's right under the Main Contract, penalty, damages, appraisal cost, evaluation cost, auction cost, legal cost, arbitration fee, notarization fee and attorney fee, and other expenses of Party B for realizing the claims.

Article 12. All expenses except principal within the scope specified in the preceding paragraph shall be included in the scope of guarantee liability bearable by Party A but shall not be included in the maximum amount of creditor's rights guaranteed hereunder.

Chapter 3 Determination and Suretyship Modes of the Creditor's Rights Guaranteed

Article 13. The creditor's rights guaranteed under this Contract shall be determined under any one of the following circumstances:

13.1. The period of the Principal Creditor's Rights specified in Article 3 of this Contract expires;

13.2. The Creditor under the Main Contract announces acceleration of all debts under the Main Contract by law or according to relevant stipulations of the Main Contract; or

13.3. Other circumstances for determining the creditor's rights guaranteed by law.

Article 14. When a creditor's right guaranteed under this Contract is determined, the following shall become effective:

14.1. When the creditor's rights guaranteed under this Contract are determined, the outstanding creditor's rights under the Main Contract shall be included in the scope of the creditor's rights guaranteed no matter whether the performance period of the creditor's rights has expired or not or there is any other additional condition.

14.2. When the creditor's rights guaranteed under this Contract are determined, all funds other than the principals specified in Article 11 of this Contract shall be included in the scope of the creditor's rights guaranteed no matter whether the funds have been occurred or not.

Article 15. Suretyship of joint and several liability is adopted as the method of guarantee by Party A. From the date when the creditor's rights guaranteed under this Contract are determined to the date of full repayment of the creditor's rights guaranteed, if the Debtor of the Main Contract fails to perform the obligation of repayment of debts, Party B shall have the right to directly claim Party A for compensation and Party A shall repay Party B relevant debts immediately.

Article 16. If, besides the guaranty method agreed in this Contract, there is any other guarantee (including but not limited to the guarantee that the Debtor of the Main Contract provides Party B), Party B shall have the right to firstly exercise the rights under this Contract and request Party A to bear joint and several suretyship liability. Party A's suretyship liability for Party B shall not be affected by any other guarantee. Meanwhile, Party A's suretyship liability may not be premised at Party B's filing of any right claim against any other guarantor or Party B's execution of lawsuit / arbitration / enforcement. In the event that Party B waives or changes for any reason the property security provided by the Debtor of the Main Contractor, or changes the security sequence, resulting in loss or reduction of its priority to gain compensation under the property security mentioned above, Party A agrees that Party A's suretyship liability hereunder may not be exempted or reduced.

Article 17. If Party A provides guarantee for part creditor's rights under the Main Contract, any compensation for the creditor's rights under the Main Contract shall not reduce or exempt Party A's guarantee liability. Party A shall also bear guarantee liability for the outstanding amount under the Main Contract to the extent of the amount guaranteed by Party A.

Article 18. If the Debtor under the Main Contract makes prepayment or changes the interest rate through consultation with Party B, Party A shall continue to bear guarantee liability for Party B's creditor's rights after change.

Chapter 4 Period of Suretyship

Article 19. The period of suretyship that Party A bears suretyship liability shall be two years from the date determined according to the following method:

19.1. If the expiry date of the performance period of a debt is earlier than or equals to the date of determination of the creditor's rights guaranteed, the period of suretyship that Party A bears suretyship liability for the debt shall be from the date of determination of the creditor's rights guaranteed;

19.2. If the expiry date of the performance period of a debt is later than the date of determination of the creditor's right guaranteed, the period of suretyship that Party A bears suretyship liability for the debt shall be from the expiry date of the performance period of this debt.

Article 20. The term "expiry date of the performance period of a debt" indicated in the preceding paragraph includes the expiry date of the debt when the Debtor of the Main Contract repays the debt by installments, and also includes the expiry date of acceleration announced by the Creditor according to the stipulations of the Main Contract.

Article 21. If the business under the Main Contract is a business of letter of credit, bank acceptance bill, letter of guarantee or letter of guarantee for the release of goods, the date of advancement shall be deemed as the expiry date of the performance period of the debt.

Chapter 5 Party A's Rights and Obligations

Article 22. Party A is aware of and agrees all terms and conditions of the Main Contract. Party A is willing to provide suretyship for the Debtor of the Main Contract and perform the obligation of repayment on behalf according to the stipulations of this Contract.

Article 23. During the execution period of this Contract, Party A shall, according to Party B's requirements, faithfully provide the certifications of his personal career, incomes, expenditures, liabilities, guarantees and economic disputes with others.

Article 24. Party A ensures that the personal information and others' relevant information (including the personal basic information, business information and other relevant information of Party A and others that Party B cannot obtain from public channels) provided for Party B are genuine, accurate, effective and complete, and Party A has obtained others' consent.

Article 25. In case of change of Party A's personal or family economic incomes, personal identity relations or legal status, or in case of Party A's involvement in litigation, arbitration or other events likely to affect Party A's guarantee ability during the execution period of this Contract, Party A shall notify Party B in writing within three days.

Article 26. In case of change of Party A's name, domicile and contact method during the execution period of this Contract, Party A shall notify Party B in writing within seven days.

Article 27. Party A ensures not to provide a third party with any other form of guarantee exceeding his guarantee ability during the valid period of this Contract.

Article 28. When Party B and the Debtor of the Main Contract concludes and signs a specific business contract (or agreement), Party A may not be notified.

Article 29. If the loan under the Main Contract is used for borrowing or repaying, Party A is willing to bear suretyship liability.

Chapter 6 Party B's Rights and Obligations

Article 30. Party B has the right to ask Party A to provide materials reflecting Party A's credit situations at any time.

Article 31. If Party A does not perform his liability under this Contract, Party B shall have the right to deduct principal, interest, default interest, compound interest and other debts directly from Party A's any account opened with any banking institution of Huaxia Bank Co., Ltd. (except that deduction cannot be made in accordance with laws and regulations). If Party B makes deduction from a fixed deposit account of Party A, interest shall be calculated according to the provisions for early withdrawal in the *Regulations on Management of Savings*; after repayment of the loan principal and interest, the remaining balance shall be refunded to Party A. Loss of interest arising therefrom shall be borne by Party A, and the difference after deduction shall be repaid by Party A. If the currency of deduction is different from the currency under this Contract, translation shall be made according to the list price announced by Party B on the date of deduction.

Article 32. Party B has the obligation of keeping confidential the information provided by Party A. Party B has the right to reserve for internal use the information provided by Party A within the time limit prescribed by laws, regulations, regulatory provisions and competent authorities (Party B has the right to destroy the information when this time limit expires); Party B has the right to provide the information provided by Party A for credit institutions or provide Party A's information according to laws and regulations, and compulsory orders of judicial authorities; Party B has the right to disclose the information provided by Party A to Party B's agent for the purpose of execution of this Contract, and obtain commitment to confidentiality from the agent.

Chapter 7 Liability for Breach of Contract

Article 33. When this Contract becomes effective, Party A and Party B shall perform the obligations specified in this Contract. Any party which fails to wholly or partly perform its obligations specified herein shall undertake relevant liability for breach of contract and make compensation for losses caused to the other party.

Chapter 8 Effectiveness of Contract

Article 34. This Contract shall enter into force as of the date of signature of both parties.

Article 35. The validity of this Contract shall be independent of the Main Contract and may not be affected by the invalidity of the Main Contract. If the Main Contract is confirmed as invalid, Party A shall assume joint and several suretyship liability for the debts arising from the Debtor's return of property or compensation for losses.

Chapter 9 Transfer, Change and Cancellation of Contract

Article 36. Party A or Party B shall not change or cancel this Contract without permission after the effectiveness of this Contract.

Article 37. Party B may transfer the Principal Creditor's Rights to a third person within the valid period of this Contract without obtaining Party A's consent, but Party B shall notify Party A, and Party A shall continue to bear joint and several suretyship liability within the original scope of suretyship.

Article 38. If the type of the Principal Creditor's Rights hereunder is L/C advanced payment, as acknowledged by Party A, when the L/C issuing applicant and Party B agree to change the L/C and the amount under the L/C after change (including but not limited to interest, penalty, compensation and other relevant expenses) does not exceed the maximum amount of creditor's rights guaranteed hereunder. Regardless of the change of the L/C amount and other clauses, the aforesaid change shall be deemed as having been agreed by Party A in advance. Meanwhile, this Guarantee Contract shall remain effective and Party A shall continue to bear joint and several suretyship liability.

Chapter 10 Supplementary Provisions

Article 39. If Party A does not notify Party B in writing of the change of Party A's name, domicile or contact way during the valid period of this Contract, Party B's all documents sent to Party A according to the information given in this Contract shall be deemed as having been served.

Article 40. If selection is made in under this Contract, this clause shall apply if is ticked in but shall not apply if is given in .

Article 41. This Contract shall be provided for Party A holding one original, Party B holding two originals and the Debtor holding one original, which shall be equally authentic.

Article 42. Annex(es) to this Contract shall be deemed as an integral part of this Contract and have the same equal legal force as this Contract.

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Party A

(Or Authorized Agent): (Signature)
June 30, 2016

Party B:
Huaxia Bank Co., Ltd. Great China Sub-branch (Seal)
Legal Representative:
(Or Authorized Agent): (Signature)
June 30, 2016

Personal Maximum Guarantee Contract
(2014)

Huaxia Bank Co., Ltd.

Personal Maximum Guarantee Contract

No.: SZ03 (G.B.) 20160015-14

Party A (Guarantor): Pan Dangyu

Domiciles: Room 2402, Unit 3, Bldg. 3, Phase II, Dongfang Qinyuan, 12th Zone, Longgang Central City, Longgang District, Shenzhen

Home Tel.: 0755-89686802

Zip Code: 518000

Work Unit: Springpower Technology (Shenzhen) Co., Ltd.

Company Tel.: 0755-89686802

Mobile: 13923469509

Party B (Creditor): Huaxia Bank Co., Ltd. Shenzhen Great China Sub-branch

Domicile: East of First Floor, Great China International Exchange Square, Futian District, Shenzhen

Zip Code: 518000

Legal Representative / Main Principal: Xia Feng

Tel.: 0755-23997085

Fax: 0755-23997090

In accordance with the Guarantee Law of the People's Republic of China and other relevant laws and regulations, whereas Party B will have many creditor's rights continuously with the Debtor Springpower Technology (Shenzhen) Co., Ltd. (hereinafter referred to as "the Debtor of the Main Contract) on the basis of the Main Contract during the period agreed herein, and Party A is willing to provide Party B with suretyship guaranty for the aforesaid creditor's rights (hereinafter referred to as "the Principal Creditor's Rights") to the extent of the total amount of the creditor's rights,

IN WITNESS WHEREOF, Party A and Party B make and enter into this Contract upon unanimity through consultation.

Part 1

Chapter 1 Type, Maximum Amount and Period of the Principal Creditor's Rights Guaranteed

Article 1. The Main Contract of this Contract is selected as follows:

The Maximum Financing Contract of SZ03 (R.Z.) 20160015 made and entered into by and between Party B and the Debtor of the Main Contract; the contract and the specific business contract thereunder shall constitute the Main Contract of this Contract;

_____ / _____ continuously made and entered into by and between Party B and the Debtor of the Main Contract during the period of Principal Creditor's Rights specified in Article 3 herein shall constitute the Main Contract of this Contract.

Article 2. The maximum amount of the creditor's rights guaranteed hereunder is: Currency RMB, amount (in words) Thirty Million Yuan Only (The amount of a foreign currency transaction shall be converted according to the selling price of foreign exchange listed by Party B on the date when the transaction occurs.).

Article 3. The period of the principal credit's right guaranteed hereunder shall be from June 1, 2016 to June 1, 2017.

Chapter 2 Dispute Settlement

Article 4. Any and all disputes arising from the execution of this Contract between Party A and Party B shall be settled through consultation; where consultation fails, both parties agree to settle the dispute according to the following method:

To bring a case to the local people's court at the domicile of Party B;

To apply _____ / _____ Arbitration Committee for arbitration.

Article 5. If the method selected above for dispute settlement is different from the method for dispute settlement under the Main Contract, the method for dispute settlement selected under the Main Contract shall be applied.

Chapter 3 Miscellaneous

Article 6. Other provisions agreed by both parties.

Article 7. This Contract shall be provided for Party A holding one original, Party B holding two originals and the Debtor holding one original, which shall be equally authentic.

Part 2

Chapter 1 Type, Maximum Amount and Period of the Principal Creditor's Rights Guaranteed

Article 8. The business type of the Principal Creditor's Rights secured by Party A shall be the same as that agreed in the Main Contract.

Article 9. The term "maximum amount of creditor's rights" referred to in Article 2 herein means the balance of the principal of the maximum Principal Creditor's Rights, specified as follows:

9.1. The amount of all the outstanding principals used by the Debtor of the Main Contract at any time (for example, if the business under the Main Contract is a business of letter of credit, bank acceptance bill, letter of guarantee or letter of guarantee for the release of goods, this amount shall be the accrued but unpaid business balance) shall not exceed the limit specified in the preceding paragraph. However, the Debtor of the Main Contract may apply for recycling the principals paid to the extent of this limit;

9.2. The maximum amount of creditor's rights shall be the maximum amount of the principals of the Principal Creditor's Rights. If the principal does not exceed this limit, Party A is willing to bear guarantee liability for all the accounts payable arising therefrom and within the scope specified in Article 11, including interest, default interest and expenses.

Article 10. Provisions agreed in Article 3 herein shall have the following meanings:

10.1. If the business specified in the Main Contract is a loan business, the date of release of each loan shall not be later than the expiry date of this period.

10.2. If the business specified in the Main Contract is a business of acceptance of bill/discount/ opening of L/C/ opening of letter of guarantee (or letter of guarantee for the release of goods), the date of draft of acceptance of bill/discount/ opening of L/C/ opening of letter of guarantee (or letter of guarantee for the release of goods) shall not be later than the expiry date of this period;

10.3. The expiry date of each creditor's right shall be subject to the date agreed in the specific business contract and shall not be affected by the expiration of this period.

Chapter 2 Scope of Suretyship Guaranty

Article 11. The scope of suretyship guaranty of Party A includes the principal, interest, default interest and compound interest of the creditor's right under the Main Contract, penalty, damages, appraisal cost, evaluation cost, auction cost, legal cost, arbitration fee, notarization fee and attorney fee, and other expenses of Party B for realizing the claims.

Article 12. All expenses except principal within the scope specified in the preceding paragraph shall be included in the scope of guarantee liability bearable by Party A but shall not be included in the maximum amount of creditor's rights guaranteed hereunder.

Chapter 3 Determination and Suretyship Modes of the Creditor's Rights Guaranteed

Article 13. The creditor's rights guaranteed under this Contract shall be determined under any one of the following circumstances:

13.1. The period of the Principal Creditor's Rights specified in Article 3 of this Contract expires;

13.2. The Creditor under the Main Contract announces acceleration of all debts under the Main Contract by law or according to relevant stipulations of the Main Contract; or

13.3. Other circumstances for determining the creditor's rights guaranteed by law.

Article 14. When a creditor's right guaranteed under this Contract is determined, the following shall become effective:

14.1. When the creditor's rights guaranteed under this Contract are determined, the outstanding creditor's rights under the Main Contract shall be included in the scope of the creditor's rights guaranteed no matter whether the performance period of the creditor's rights has expired or not or there is any other additional condition.

14.2. When the creditor's rights guaranteed under this Contract are determined, all funds other than the principals specified in Article 11 of this Contract shall be included in the scope of the creditor's rights guaranteed no matter whether the funds have been occurred or not;

Article 15. Suretyship of joint and several liability is adopted as the method of guarantee by Party A. From the date when the creditor's rights guaranteed under this Contract are determined to the date of full repayment of the creditor's rights guaranteed, if the Debtor of the Main Contract fails to perform the obligation of repayment of debts, Party B shall have the right to directly claim Party A for compensation and Party A shall repay Party B relevant debts immediately.

Article 16 If, besides the guaranty method agreed in this Contract, there is any other guarantee (including but not limited to the guarantee that the Debtor of the Main Contract provides Party B), Party B shall have the right to firstly exercise the rights under this Contract and request Party A to bear joint and several suretyship liability. Party A's suretyship liability for Party B shall not be affected by any other guarantee. Meanwhile, Party A's suretyship liability may not be premised at Party B's filing of any right claim against any other guarantor or Party B's execution of lawsuit / arbitration / enforcement. In the event that Party B waives or changes for any reason the property security provided by the Debtor of the Main Contractor, or changes the security sequence, resulting in loss or reduction of its priority to gain compensation under the property security mentioned above, Party A agrees that Party A's suretyship liability hereunder may not be exempted or reduced.

Article 17. If Party A provides guarantee for part creditor's rights under the Main Contract, any compensation for the creditor's rights under the Main Contract shall not reduce or exempt Party A's guarantee liability. Party A shall also bear guarantee liability for the outstanding amount under the Main Contract to the extent of the amount guaranteed by Party A.

Article 18. If the Debtor under the Main Contract makes prepayment or changes the interest rate through consultation with Party B, Party A shall continue to bear guarantee liability for Party B's creditor's rights after change.

Chapter 4 Period of Suretyship

Article 19. The period of suretyship that Party A bears suretyship liability shall be two years from the date determined according to the following method:

19.1 . If the expiry date of the performance period of a debt is earlier than or equals to the date of determination of the creditor's rights guaranteed, the period of suretyship that Party A bears suretyship liability for the debt shall be from the date of determination of the creditor's rights guaranteed;

19.2 . If the expiry date of the performance period of a debt is later than the date of determination of the creditor's right guaranteed, the period of suretyship that Party A bears suretyship liability for the debt shall be from the expiry date of the performance period of this debt.

Article 20. The term "expiry date of the performance period of a debt" indicated in the preceding paragraph includes the expiry date of the debt when the Debtor of the Main Contract repays the debt by installments, and also includes the expiry date of acceleration announced by the Creditor according to the stipulations of the Main Contract.

Article 21. If the business under the Main Contract is a business of letter of credit, bank acceptance bill, letter of guarantee or letter of guarantee for the release of goods, the date of advancement shall be deemed as the expiry date of the performance period of the debt.

Chapter 5 Party A's Rights and Obligations

Article 22. Party A is aware of and agrees all terms and conditions of the Main Contract. Party A is willing to provide suretyship for the Debtor of the Main Contract and perform the obligation of repayment on behalf according to the stipulations of this Contract.

Article 23. During the execution period of this Contract, Party A shall, according to Party B's requirements, faithfully provide the certifications of his personal career, incomes, expenditures, liabilities, guarantees and economic disputes with others.

Article 24. Party A ensures that the personal information and others' relevant information (including the personal basic information, business information and other relevant information of Party A and others that Party B cannot obtain from public channels) provided for Party B are genuine, accurate, effective and complete, and Party A has obtained others' consent.

Article 25. In case of change of Party A's personal or family economic incomes, personal identity relations or legal status, or in case of Party A's involvement in litigation, arbitration or other events likely to affect Party A's guarantee ability during the execution period of this Contract, Party A shall notify Party B in writing within three days.

Article 26. In case of change of Party A's name, domicile and contact method during the execution period of this Contract, Party A shall notify Party B in writing within seven days.

Article 27. Party A ensures not to provide a third party with any other form of guarantee exceeding his guarantee ability during the valid period of this Contract.

Article 28. When Party B and the Debtor of the Main Contract concludes and signs a specific business contract (or agreement), Party A may not be notified.

Article 29. If the loan under the Main Contract is used for borrowing or repaying, Party A is willing to bear suretyship liability.

Chapter 6 Party B's Rights and Obligations

Article 30. Party B has the right to ask Party A to provide materials reflecting Party A's credit situations at any time.

Article 31. If Party A does not perform his liability under this Contract, Party B shall have the right to deduct principal, interest, default interest, compound interest and other debts directly from Party A's any account opened with any banking institution of Huaxia Bank Co., Ltd. (except that deduction cannot be made in accordance with laws and regulations). If Party B makes deduction from a fixed deposit account of Party A, interest shall be calculated according to the provisions for early withdrawal in the Regulations on Management of Savings; after repayment of the loan principal and interest, the remaining balance shall be refunded to Party A. Loss of interest arising therefrom shall be borne by Party A, and the difference after deduction shall be repaid by Party A. If the currency of deduction is different from the currency under this Contract, translation shall be made according to the list price announced by Party B on the date of deduction.

Article 32. Party B has the obligation of keeping confidential the information provided by Party A. Party B has the right to reserve for internal use the information provided by Party A within the time limit prescribed by laws, regulations, regulatory provisions and competent authorities (Party B has the right to destroy the information when this time limit expires); Party B has the right to provide the information provided by Party A for credit institutions or provide Party A's information according to laws and regulations, and compulsory orders of judicial authorities; Party B has the right to disclose the information provided by Party A to Party B's agent for the purpose of execution of this Contract, and obtain commitment to confidentiality from the agent.

Chapter 7 Liability for Breach of Contract

Article 33. When this Contract becomes effective, Party A and Party B shall perform the obligations specified in this Contract. Any party which fails to wholly or partly perform its obligations specified herein shall undertake relevant liability for breach of contract and make compensation for losses caused to the other party.

Chapter 8 Effectiveness of Contract

Article 34. This Contract shall enter into force as of the date of signature of both parties.

Article 35. The validity of this Contract shall be independent of the Main Contract and may not be affected by the invalidity of the Main Contract. If the Main Contract is confirmed as invalid, Party A shall assume joint and several suretyship liability for the debts arising from the Debtor's return of property or compensation for losses.

Chapter 9 Transfer, Change and Cancellation of Contract

Article 36. Party A or Party B shall not change or cancel this Contract without permission after the effectiveness of this Contract.

Article 37. Party B may transfer the Principal Creditor's Rights to a third person within the valid period of this Contract without obtaining Party A's consent, but Party B shall notify Party A, and Party A shall continue to bear joint and several suretyship liability within the original scope of suretyship.

Article 38. If the type of the Principal Creditor's Rights hereunder is L/C advanced payment, as acknowledged by Party A, when the L/C issuing applicant and Party B agree to change the L/C and the amount under the L/C after change (including but not limited to interest, penalty, compensation and other relevant expenses) does not exceed the maximum amount of creditor's rights guaranteed hereunder. Regardless of the change of the L/C amount and other clauses, the aforesaid change shall be deemed as having been agreed by Party A in advance. Meanwhile, this Guarantee Contract shall remain effective and Party A shall continue to bear joint and several suretyship liability.

Chapter 10 Supplementary Provisions

Article 39. If Party A does not notify Party B in writing of the change of Party A's name, domicile or contact way during the valid period of this Contract, Party B's all documents sent to Party A according to the information given in this Contract shall be deemed as having been served.

Article 40. If selection is made in under this Contract, this clause shall apply if is ticked in but shall not apply if is given in .

Article 41. This Contract shall be provided for Party A holding one original, Party B holding two originals and the Debtor holding one original, which shall be equally authentic.

Article 42. Annex(es) to this Contract shall be deemed as an integral part of this Contract and have the same equal legal force as this Contract.

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Party A

(Or Authorized Agent): (Signature)

June 30, 2016

Party B:

Huaxia Bank Co., Ltd. Great China Sub-branch (Seal)

Legal Representative:

(Or Authorized Agent): (Signature)

June 30, 2016

Maximum Guarantee Contract

Huaxia Bank Co., Ltd.

Maximum Guarantee Contract

No.: SZ03 (G.B.) 20160015-13

Party A (Guarantor): Icon Energy System (Shenzhen) Co., Ltd.

Domicile: Block A,4/F, Jinmeiwei Industrial Park, Guanlan Hi-tech Industrial Park, Shangkeng Community, Guanlan Town, Baoan District, Shenzhen

Zip Code: 51800

Legal Representative: Pan Dangyu

Tel.: 0755-89686802

Fax: 0755-89686802

Basic Account Opening Bank: Bank of China Shenzhen Branch

Account No.: 764057938939

Party B: Huaxia Bank Co., Ltd. Shenzhen Great China Sub-branch

Domicile: East of First Floor, Great China International Exchange Square, Futian District, Shenzhen

Zip Code: 518000

Legal Representative / Main Principal: Xia Feng

Tel.: 0755-23997085

Fax: 0755-23997090

In accordance with the Guarantee Law of the People's Republic of China and other relevant laws and regulations, whereas Party B will have many creditor's rights continuously with the Debtor Springpower Technology (Shenzhen) Co., Ltd. (hereinafter referred to as "the Debtor of the Main Contract) on the basis of the Main Contract during the period agreed herein, and Party A is willing to provide Party B with suretyship guaranty for the aforesaid creditor's rights (hereinafter referred to as "the Principal Creditor's Rights") to the extent of the total amount of the creditor's rights,

IN WITNESS WHEREOF, Party A and Party B make and enter into this Contract upon unanimity through consultation.

Article 1 Type, Maximum Amount and Period of the Principal Creditor's Rights Guaranteed

1.1. The Main Contract of this Contract is selected as follows:

The Maximum Financing Contract of SZ03 (R.Z.) 20160015 made and entered into by and between Party B and the Debtor of the Main Contract; the contract and the specific business contract thereunder shall constitute the Main Contract of this Contract;

____/____/____ continuously made and entered into by and between Party B and the Debtor of the Main Contract during the period of Principal Creditor's Rights specified in Article 1.4 herein shall constitute the Main Contract of this Contract.

Party A agrees to provide guarantee for the existing creditor's rights between the Debtor and Party B prior to effectiveness of the maximum guarantee. In other words, Party A agrees to transfer the creditor's rights under the ____ of No. ____ to the scope of the creditor's rights guaranteed under this Contract.

1.2. The business type of the Principal Creditor's Rights secured by Party A shall be the same as that agreed in the Main Contract.

1.3. The maximum amount of the creditor's rights guaranteed hereunder is: Currency RMB, amount (in words) Thirty Million Yuan Only (The amount of a foreign currency transaction shall be converted according to the selling price of foreign exchange listed by Party B on the date when the transaction occurs.).

The term "maximum amount of creditor's rights" means the balance of the financing limit of the maximum principal creditor's rights (hereinafter referred to as "the Financed Balance", specifically as follows:

1.3.1. The amount of the outstanding Financed Balance used by the Debtor of the Main Contract at any time shall not exceed the limit specified in the preceding paragraph. However, the Debtor of the Main Contract may apply for recycling the financing limit paid to the extend of this limit;

1.3.2. The maximum amount of creditor's rights shall be the maximum amount of the principals of the Principal Creditor's Rights. If the principal does not exceed this limit, Party A is willing to bear guarantee liability for all the accounts payable arising therefrom and within the scope specified in Article 2, including interest, default interest and expenses.

1.4. The period of the principal credit's right guaranteed hereunder shall be from June 1, 2016 to June 1, 2017. The stipulations of this article have the following meanings:

1.4.1. If the business specified in the Main Contract is a loan business, the date of release of each loan shall not be later than the expiry date of this period;

1.4.2. If the business specified in the Main Contract is a business of acceptance of bill/discount/ opening of L/C/ opening of letter of guarantee (or letter of guarantee for the release of goods), the date of draft of acceptance of bill/discount/ opening of L/C/ opening of letter of guarantee (or letter of guarantee for the release of goods) shall not be later than the expiry date of this period;

1.4.3. The expiry date of each creditor's right shall be subject to the date agreed in the specific business contract and shall not be affected by the expiration of this period.

Article 2 Scope of Suretyship Guaranty

2.1. The scope of suretyship guaranty of Party A includes the principal, interest, overdue interest, default interest and compound interest of the Principal Creditor's Rights, penalty, damages, exchange loss (loss arising from change of exchange rate), and appraisal cost, evaluation cost, auction cost, legal cost, arbitration fee, notarization fee and attorney fee, and other reasonable expenses of Party B for realizing creditor's rights, and other expenses payable by the Debtor of the Main Contract.

2.2. All expenses except principal within the scope specified in the preceding paragraph shall be included in the scope of guarantee liability bearable by Party A but shall not be included in the maximum amount of creditor's rights guaranteed hereunder.

Article 3 Determination and Suretyship Modes of the Creditor's Rights Guaranteed

3.1. The creditor's rights guaranteed under this Contract shall be determined under any one of the following circumstances:

3.1.1. the period of the creditor's right specified in Article 1.4 of this Contract expires;

3.1.2. it is impossible to occur a new creditor's right;

3.1.3. the Debtor of the Main Contract and Party A are announced bankruptcy or cancelled;

3.1.4. the Creditor under the Main Contract announces acceleration of all or part of debts under the Main Contract by law or according to relevant stipulations of the Main Contract; or

3.1.5. other circumstances for determining the creditor's rights guaranteed by law.

3.2. When a creditor's right guaranteed under this Contract is determined, the following shall become effective:

3.2.1. When the creditor's right guaranteed under this Contract is determined, the outstanding creditor's right under the Main Contract shall be included in the scope of the creditor's right guaranteed no matter whether the performance period of the creditor's right has expired or not or there is any other additional condition;

3.2.2. When the creditor's right guaranteed under this Contract is determined, all funds other than principals specified in Article 2 of this Contract shall be included in the scope of the creditor's right guaranteed no matter whether the funds have been occurred or not.

3.3. Suretyship of joint and several liability is adopted as the method of guarantee by Party A. From the date when the creditor's rights guaranteed under this Contract are determined to the date of full repayment of the creditor's rights guaranteed, if the Debtor of the Main Contract fails to perform the obligation of repayment of debts, Party B shall have the right to directly claim Party A for compensation and Party A shall repay Party B relevant debts immediately.

3.4. If, besides the guaranty method agreed in this Contract, there is any other guarantee (including but not limited to the guarantee that the Debtor of the Main Contract provides Party B), Party B shall have the right to firstly exercise the rights under this Contract and request Party A to bear joint and several suretyship liability. Party A's suretyship liability for Party B shall not be affected by any other guarantee. Party A shall not be exempted or reduced from the liability of suretyship guaranty by an excuse of other guarantees. Meanwhile, Party A's suretyship liability may not be premised at Party B's filing of any right claim against any other guarantor or Party B's execution of lawsuit / arbitration / enforcement. In the event that Party B waives or changes for any reason the other security provided by the Debtor of the Main Contractor, or changes the security sequence, resulting in loss or reduction of its priority to gain compensation under other security mentioned above, Party A agrees that Party A's suretyship liability hereunder may not be exempted or reduced.

3.5. If Party A provides guarantee for part creditor's rights under the Main Contract, any compensation for the principal creditor's rights shall not reduce or exempt Party A's guarantee liability. Party A shall also bear guarantee liability for the outstanding amount under the Main Contract to the extent of the amount guaranteed by Party A.

Article 4 Period of Suretyship

4.1. The period of suretyship that Party A bears suretyship liability shall be two years from the date determined according to the following method:

4.1.1. If the expiry date of the performance period of a debt is earlier than or equals to the date of determination of the creditor's rights guaranteed, the period of suretyship that Party A bears suretyship liability for the debt shall be from the date of determination of the creditor's rights guaranteed;

4.1.2. If the expiry date of the performance period of a debt is later than the date of determination of the creditor's right guaranteed, the period of suretyship that Party A bears suretyship liability for the debt shall be from the expiry date of the performance period of this debt.

4.2. The term "expiry date of the performance period of a debt" indicated in the preceding paragraph includes the expiry date of the debt when the Debtor of the Main Contract repays the debt by installments and also includes the expiry date of acceleration announced by the Creditor according to the stipulations of the Main Contract.

4.3. If the business under the Main Contract is a business of letter of credit, bank acceptance bill, letter of guarantee or letter of guarantee for the release of goods, the date of advancement shall be deemed as the expiry date of the performance period of the debt.

Article 5 Party A's Representations and Warranties

Party A hereby makes the following representations and warranties to Party B:

5.1. Party A is a legal entity duly established and validly existing, has the qualifications for guarantors prescribed by law and the ability of repayment on behalf of others. Party A is willing to bear and perform suretyship liability to the extent of the assets Party A possesses or has the right to dispose.

5.2. For the purpose of signature of this Contract, Party A has obtained approval from competent authorities prescribed by law and stipulated in the company's articles of association, including the superior competent department of Party A or the board of directors, shareholders' meeting or shareholders' general meeting of Party A's company, and has obtained all necessary authorizations.

5.3. The signature and execution of this Contract by Party A does not violate the stipulations or provisions binding upon Party A and Party A's assets, nor violate any guarantee agreement and other agreement between Party A and another party, as well as any other documents, agreements and commitments binding upon Party A.

5.4. If Party A is a listed company or a branch controlled by a listed company, Party A warrants performing the obligation of information disclosure of the guaranty items timely in accordance with the Securities Law, the Share Listing Rules of Stock Exchange, and the requirements of other relevant laws, rules and regulations.

5.5. All documents and materials that Party A provides Party B shall be genuine, accurate, legitimate and effective.

5.6. Party A is aware of and agrees all terms and conditions of the Main Contract and understands the operating conditions and financial status of the Debtor of the Main Contract, the actual purpose of the financed capital and the trade background of financing. Party A acknowledges the genuine and legitimacy of the Main Contract and is willing to provide suretyship for the Debtor of the Main Contract. Party A warrants that Party A shall perform joint and several obligation of repayment pursuant to this Contract.

5.7. Where the Main Contract under this Contract is a Bank Acceptance Agreement, Party A shall ensure that any and all note and non-note dispute between the Debtor of the Main Contract and the bearer, endorser or other parties of the acceptance bill will not affect Party A to bear suretyship liability for Party B according to the stipulations of this Contract.

5.8. If the principal creditor's rights guaranteed under this Contract are the international trade financing that Party B provides the Debtor of the Main Contract, Party A shall accept and recognize relevant international common practice of the related business.

5.9. Party A shall not to provide a third party with any other form of guarantee exceeding his guarantee ability during the valid period of this Contract.

Article 6 Party A's Rights and Obligations

6.1. During the valid period of this Contract, Party A shall perform suretyship liability hereunder unconditionally within five working days after receiving Party B's notice under any one of the following circumstances:

6.1.1. The performance period of a debt under the principal creditor's rights expires and Party B is not paid;

6.1.2. A debt under the Main Contract is due in advanced in accordance with laws or the Main Contract, and Party B is not paid;

- 6.1.3. Party A or the Debtor of the Main Contract is filed reorganization or bankruptcy, suspends its business for rectification, is announced closed or is announced dissolved (cancelled);
- 6.1.4. Party A has any other event which has endangered or damaged or may endanger or damage Party B's rights and interests; or
- 6.1.5. Other circumstances that Party A shall perform suretyship liability as prescribed by laws and regulations or stipulated by the Main Contract or this Contract.
- 6.2. Party A shall continue to perform suretyship liability under this Contract without obtaining Party A's consent under any one of the following circumstances:
- 6.2.1. Party B and the Debtor of the Main Contract reach an agreement on change of the Main Contract and such change does not increase the Debtor's debts;
- 6.2.2. Under international and domestic trade financing, Party B and the Debtor of the Main Contract changes the L/C or letter of guarantee in connection with the Main Contract, and such change does not increase the Debtor's obligation of payment under the L/C or letter of guarantee; or
- 6.2.3. Party B transfers the principal creditor's rights.
- 6.3. During the valid period of this Contract, Party A shall, according to Party B's requirements, provide balance sheet, statement of incomes, statement of cash flows and other financial statements, and accept Party B's inspection and supervision on Party A's production and operation activities and financial status.
- 6.4. Party A shall notify Party B in written form and implement all suretyship liabilities under this Contract thirty days prior to the following changes during the valid period of this Contract, including but not limited to contracting, lease, custody, reorganization of assets, reconstruction of debts, transformation of equity system, joint operation, business combination (or merger), division, paid transfer of property, joint investment (or cooperation), reduce of registered capital, or filing for winding-up, filing for dissolution (or cancellation), filing for reorganization, mediation and bankruptcy, or change of self system or legal status.
- 6.5. During the valid period of this Contract, Party A shall notify Party B in written form thirty days prior to the following changes when it is announced winding-up, is announced closed, is announced dissolved (cancelled), is filed reorganization or bankruptcy, or changes self system and legal status, or has any other change which is enough to endanger Party A's normal operation and lose the guarantee ability.
- 6.6. If Party A changes Party A's address, name or legal representative, Party A shall notify Party B in written form within seven days after such change.
- 6.7. If the loan under the Main Contract is used for borrowing or repaying, Party A is willing to bear suretyship liability.
- 6.8. Party A shall sign in timely various notices posted or served by other means by Party B.
- 6.9. In case of any one of the following circumstances occurring to the purchaser's financing under a L/C, an import L/C and import bill advance/ import refinance businesses, Party A shall have the obligation of incontestable guaranty of suretyship. Party A shall not, for any payment obligation under the letter of credit specified by the judicial authority or the administrative authority, issue stop payment order or restraining order, or take measures to seal, detain and freeze relevant property of the letter of credit or take other similar measures to present exemption or defense:
- 6.9.1. The person designated or authorized by Party B has favorably paid according to Party B's order;
-

6.9.2. Party B or the person designated or authorized by Party B has favorably issued a due payment confirmation for the loan under the domestic letter of credit or has favorably accepted the documents under the import letter of credit;

6.9.3. The confirming bank of the L/C has favorably performed the obligation of payment;

6.9.4. The negotiation bank of the L/C has favorably made negotiation.

6.10. Under shipping guarantee, endorsement of bill of lading and authorized withdrawal, Party A shall not present exemption or defense because the Debtor of the Main Contract refuses payment of the relevant L/C.

Article 7 Party B's Rights and Obligations

7.1. Party B is entitled to demand Party A at any time to provide the financial reports, financial statements or other data reflecting Party A's operation conditions and credit status.

7.2. If Party A does not perform its liability hereunder according to the stipulations of this Contract, Party B shall have the right to deduct Party A's accounts payable directly from an account opened by Party A with any banking institution of Huaxia Bank and Party B shall notify Party A timely. If the account currency is different from the currency of the principal creditor's rights when Party B makes deduction from Party A's account, translation shall be made according to the foreign exchange rate issued by Party B on the date of deduction. Should RMB be translated into a foreign currency, translation shall be made according to the selling price of the foreign currency; should a foreign currency be translated into RMB, translation shall be made according to the buying price of the foreign currency.

7.3. When Party B and the Debtor of the Main Contract concludes and signs a specific business contract (or agreement), Party A may not be notified.

Article 8 Liability for Breach of Contract

When this Contract becomes effective, Party A and Party B shall perform the obligations specified in this Contract. Any party which fails to wholly or partly perform its obligations specified herein or violates its representations, warranties and commitments made hereunder shall undertake relevant liabilities for breach of contract and make compensation for losses caused to the other party.

Article 9 Effectiveness of Contract

9.1. This Contract shall enter into force as of the date of signature of both parties.

9.2. The validity of this Contract shall be independent of the Main Contract and may not be affected by the invalidity of the Main Contract. If the Main Contract is confirmed as invalid, Party A shall assume joint and several suretyship liability for the debts arising from the Debtor's return of property or compensation for losses.

Article 10 Transfer, Change and Cancellation of Contract

10.1. Party A or Party B shall not change or cancel this Contract without permission after the effectiveness of this Contract.

10.2. Party B may transfer the Principal Creditor's Rights to a third person within the valid period of this Contract without obtaining Party A's consent, and Party A shall continue to bear joint and several suretyship liability within the original scope of suretyship.

10.3. Without Party B's written consent, Party A shall not transfer all or part of its rights or obligations under this Contract.

Article 11 Confidentiality

Party A or Party B shall bear the obligation of confidentiality for the other party's business secret, contractual clauses and other information related to interest acquired during the signature and execution processes of this Contract, but shall not disclose the aforesaid information to a third party without the other party's consent, except otherwise prescribed by laws, regulations and regulatory policies.

Article 12 Governing Laws and Dispute Settlement

12.1. This Contract applies to the laws of the People's Republic of China.

12.2. Any and all disputes arising from the execution of this Contract between Party A and Party B shall be settled through consultation; where consultation fails, both parties agree to settle the dispute according to the following method:

To bring a case to the local people's court at the domicile of Party B;

To apply _____ / _____ Arbitration Committee for arbitration.

12.3. If the method selected above for dispute settlement is different from the method for dispute settlement under the Main Contract, the method for dispute settlement under the Main Contract shall prevail.

Article 13 Notice and Service

During the valid period of this Contract, if Party A changes its information first given in this Contract without notifying Party B in written form, including name of Party A's legal person, legal representative, domicile and telephone number, all documents that Party B sends to Party A according to Party A's information given in this Contract shall be deemed as having been served.

Article 14 Supplementary Provisions

14.1. Party A authorizes Party B to, in accordance with relevant laws and regulations, or other regulatory documents or requirements of financial regulators, provide the relevant information of the Contract and other relevant information for the credit information basic database of the People's Bank of China or other credit database established by law for the qualified institutions or individuals to search and use. Party A also authorizes Party B to, for the purpose of the conclusion and performance of the Contract, search Party B's relevant information through the credit information basic database of the People's Bank of China or other credit database established by law.

14.2. Other provisions agreed by both parties:

14.3. If selection is made in under this Contract, this clause shall apply if is ticked in but shall not apply if is given in .

14.4. This Contract shall be provided for Party A holding one original, Party B holding two originals and the Debtor holding one original, which shall be equally authentic.

14.5. Annexes of this Contract shall be deemed as an integral part of this Contract and have the same equal legal force as this Contract.

14.6. Party B has taken reasonable measures to remind Party A to pay attention to the clauses of exempting or restricting Party B's responsibilities and, according to Party A's requirements, has given full explanation of relevant clauses. Party A and Party B have no objection to the understanding of the contents of all clauses of this Contract.

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Party A: (Seal)

Icon Energy System (Shenzhen) Co., Ltd. (Seal)

Legal Representative:

(Or Authorized Agent): (Signature)

June 30, 2016

Party B: (Seal)

Huaxia Bank Co., Ltd. Shenzhen Great China Sub-branch (Seal)

Legal Representative / Main Principal:

(Or Authorized Agent) (Signature or Seal)

June 30, 2016

Maximum Guarantee Contract

Huaxia Bank Co., Ltd.

Maximum Guarantee Contract

No.: SZ03 (G.B.) 20160015-12

Party A (Guarantor): Huizhou Highpower Technology Co., Ltd.

Domicile: Xihu, Industry Zone, Maantown, Huicheng District, Huizhou

Zip Code: 516000

Legal Representative: Pan Dangyu

Tel.: 0752-5807997

Fax: 0752-5807997

Basic Account Opening Bank: Bank of China Huizhou Branch

Account No.: 663958438624

Party B: Huaxia Bank Co., Ltd. Shenzhen Great China Sub-branch

Domicile: East of First Floor, Great China International Exchange Square, Futian District, Shenzhen

Zip Code: 518000

Legal Representative / Main Principal: Xia Feng

Tel.: 0755-23997085

Fax: 0755-23997090

In accordance with the Guarantee Law of the People's Republic of China and other relevant laws and regulations, whereas Party B will have many creditor's rights continuously with the Debtor Springpower Technology (Shenzhen) Co., Ltd. (hereinafter referred to as "the Debtor of the Main Contract) on the basis of the Main Contract during the period agreed herein, and Party A is willing to provide Party B with suretyship guaranty for the aforesaid creditor's rights (hereinafter referred to as "the Principal Creditor's Rights") to the extent of the total amount of the creditor's rights,

IN WITNESS WHEREOF, Party A and Party B make and enter into this Contract upon unanimity through consultation.

Article 1 Type, Maximum Amount and Period of the Principal Creditor's Rights Guaranteed

1.1. The Main Contract of this Contract is selected as follows:

The Maximum Financing Contract of SZ03 (R.Z.) 20160015 made and entered into by and between Party B and the Debtor of the Main Contract; the contract and the specific business contract thereunder shall constitute the Main Contract of this Contract;

_____ / _____ continuously made and entered into by and between Party B and the Debtor of the Main Contract during the period of Principal Creditor's Rights specified in Article 1.4 herein shall constitute the Main Contract of this Contract.

Party A agrees to provide guarantee for the existing creditor's rights between the Debtor and Party B prior to effectiveness of the maximum guarantee. In other words, Party A agrees to transfer the creditor's rights under the ___/___ of No. ___/___ to the scope of the creditor's rights guaranteed under this Contract.

1.2. The business type of the Principal Creditor's Rights secured by Party A shall be the same as that agreed in the Main Contract.

1.3. The maximum amount of the creditor's rights guaranteed hereunder is: Currency RMB, amount (in words) Thirty Million Yuan Only (The amount of a foreign currency transaction shall be converted according to the selling price of foreign exchange listed by Party B on the date when the transaction occurs.).

The term "maximum amount of creditor's rights" means the balance of the financing limit of the maximum principal creditor's rights (hereinafter referred to as "the Financed Balance", specifically as follows:

1.3.1. The amount of the outstanding Financed Balance used by the Debtor of the Main Contract at any time shall not exceed the limit specified in the preceding paragraph. However, the Debtor of the Main Contract may apply for recycling the financing limit paid to the extend of this limit;

1.3.2. The maximum amount of creditor's rights shall be the maximum amount of the principals of the Principal Creditor's Rights. If the principal does not exceed this limit, Party A is willing to bear guarantee liability for all the accounts payable arising therefrom and within the scope specified in Article 2, including interest, default interest and expenses.

1.4. The period of the principal credit's right guaranteed hereunder shall be from June 1, 2016 to June 1, 2017. The stipulations of this article have the following meanings:

1.4.1. If the business specified in the Main Contract is a loan business, the date of release of each loan shall not be later than the expiry date of this period;

1.4.2. If the business specified in the Main Contract is a business of acceptance of bill/discount/ opening of L/C/ opening of letter of guarantee (or letter of guarantee for the release of goods), the date of draft of acceptance of bill/discount/ opening of L/C/ opening of letter of guarantee (or letter of guarantee for the release of goods) shall not be later than the expiry date of this period;

1.4.3. The expiry date of each creditor's right shall be subject to the date agreed in the specific business contract and shall not be affected by the expiration of this period.

Article 2 Scope of Suretyship Guaranty

2.1. The scope of suretyship guaranty of Party A includes the principal, interest, overdue interest, default interest and compound interest of the Principal Creditor's Rights, penalty, damages, exchange loss (loss arising from change of exchange rate), and appraisal cost, evaluation cost, auction cost, legal cost, arbitration fee, notarization fee and attorney fee, and other reasonable expenses of Party B for realizing creditor's rights, and other expenses payable by the Debtor of the Main Contract.

2.2. All expenses except principal within the scope specified in the preceding paragraph shall be included in the scope of guarantee liability bearable by Party A but shall not be included in the maximum amount of creditor's rights guaranteed hereunder.

Article 3 Determination and Suretyship Modes of the Creditor's Rights Guaranteed

3.1. The creditor's rights guaranteed under this Contract shall be determined under any one of the following circumstances:

3.1.1. The period of the creditor's right specified in Article 1.4 of this Contract expires;

3.1.2. It is impossible to occur a new creditor's right;

3.1.3. The Debtor of the Main Contract and Party A are announced bankruptcy or cancelled;

3.1.4. The Creditor under the Main Contract announces acceleration of all or part of debts under the Main Contract by law or according to relevant stipulations of the Main Contract; or

3.1.5. Other circumstances for determining the creditor's rights guaranteed by law.

3.2. When a creditor's right guaranteed under this Contract is determined, the following shall become effective:

3.2.1. When the creditor's right guaranteed under this Contract is determined, the outstanding creditor's right under the Main Contract shall be included in the scope of the creditor's right guaranteed no matter whether the performance period of the creditor's right has expired or not or there is any other additional condition;

3.2.2. When the creditor's right guaranteed under this Contract is determined, all funds other than principals specified in Article 2 of this Contract shall be included in the scope of the creditor's right guaranteed no matter whether the funds have been occurred or not.

3.3. Suretyship of joint and several liability is adopted as the method of guarantee by Party A. From the date when the creditor's rights guaranteed under this Contract are determined to the date of full repayment of the creditor's rights guaranteed, if the Debtor of the Main Contract fails to perform the obligation of repayment of debts, Party B shall have the right to directly claim Party A for compensation and Party A shall repay Party B relevant debts immediately.

3.4. If, besides the guaranty method agreed in this Contract, there is any other guarantee (including but not limited to the guarantee that the Debtor of the Main Contract provides Party B), Party B shall have the right to firstly exercise the rights under this Contract and request Party A to bear joint and several suretyship liability. Party A's suretyship liability for Party B shall not be affected by any other guarantee. Party A shall not be exempted or reduced from the liability of suretyship guaranty by an excuse of other guarantees. Meanwhile, Party A's suretyship liability may not be premised at Party B's filing of any right claim against any other guarantor or Party B's execution of lawsuit / arbitration / enforcement. In the event that Party B waives or changes for any reason the other security provided by the Debtor of the Main Contractor, or changes the security sequence, resulting in loss or reduction of its priority to gain compensation under other security mentioned above, Party A agrees that Party A's suretyship liability hereunder may not be exempted or reduced.

3.5. If Party A provides guarantee for part creditor's rights under the Main Contract, any compensation for the principal creditor's rights shall not reduce or exempt Party A's guarantee liability. Party A shall also bear guarantee liability for the outstanding amount under the Main Contract to the extent of the amount guaranteed by Party A.

Article 4 Period of Suretyship

4.1. The period of suretyship that Party A bears suretyship liability shall be two years from the date determined according to the following method:

4.1.1. If the expiry date of the performance period of a debt is earlier than or equals to the date of determination of the creditor's rights guaranteed, the period of suretyship that Party A bears suretyship liability for the debt shall be from the date of determination of the creditor's rights guaranteed;

4.1.2. If the expiry date of the performance period of a debt is later than the date of determination of the creditor's right guaranteed, the period of suretyship that Party A bears suretyship liability for the debt shall be from the expiry date of the performance period of this debt.

4.2. The term "expiry date of the performance period of a debt" indicated in the preceding paragraph includes the expiry date of the debt when the Debtor of the Main Contract repays the debt by installments and also includes the expiry date of acceleration announced by the Creditor according to the stipulations of the Main Contract.

4.3. If the business under the Main Contract is a business of letter of credit, bank acceptance bill, letter of guarantee or letter of guarantee for the release of goods, the date of advancement shall be deemed as the expiry date of the performance period of the debt.

Article 5 Party A's Representations and Warranties

Party A hereby makes the following representations and warranties to Party B:

5.1. Party A is a legal entity duly established and validly existing, has the qualifications for guarantors prescribed by law and the ability of repayment on behalf of others. Party A is willing to bear and perform suretyship liability to the extent of the assets Party A possesses or has the right to dispose.

5.2. For the purpose of signature of this Contract, Party A has obtained approval from competent authorities prescribed by law and stipulated in the company's articles of association, including the superior competent department of Party A or the board of directors, shareholders' meeting or shareholders' general meeting of Party A's company, and has obtained all necessary authorizations.

5.3. The signature and execution of this Contract by Party A does not violate the stipulations or provisions binding upon Party A and Party A's assets, nor violate any guarantee agreement and other agreement between Party A and another party, as well as any other documents, agreements and commitments binding upon Party A.

5.4. If Party A is a listed company or a branch controlled by a listed company, Party A warrants performing the obligation of information disclosure of the guaranty items timely in accordance with the Securities Law, the Share Listing Rules of Stock Exchange, and the requirements of other relevant laws, rules and regulations.

5.5. All documents and materials that Party A provides Party B shall be genuine, accurate, legitimate and effective.

5.6. Party A is aware of and agrees all terms and conditions of the Main Contract and understands the operating conditions and financial status of the Debtor of the Main Contract, the actual purpose of the financed capital and the trade background of financing. Party A acknowledges the genuine and legitimacy of the Main Contract and is willing to provide suretyship for the Debtor of the Main Contract. Party A warrants that Party A shall perform joint and several obligation of repayment pursuant to this Contract.

5.7. Where the Main Contract under this Contract is a Bank Acceptance Agreement, Party A shall ensure that any and all note and non-note dispute between the Debtor of the Main Contract and the bearer, endorser or other parties of the acceptance bill will not affect Party A to bear suretyship liability for Party B according to the stipulations of this Contract.

5.8. If the principal creditor's rights guaranteed under this Contract are the international trade financing that Party B provides the Debtor of the Main Contract, Party A shall accept and recognize relevant international common practice of the related business.

5.9. Party A shall not to provide a third party with any other form of guarantee exceeding his guarantee ability during the valid period of this Contract.

Article 6 Party A's Rights and Obligations

6.1. During the valid period of this Contract, Party A shall perform suretyship liability hereunder unconditionally within five working days after receiving Party B's notice under any one of the following circumstances:

6.1.1. The performance period of a debt under the principal creditor's rights expires and Party B is not paid;

6.1.2. A debt under the Main Contract is due in advanced in accordance with laws or the Main Contract, and Party B is not paid;

- 6.1.3. Party A or the Debtor of the Main Contract is filed reorganization or bankruptcy, suspends its business for rectification, is announced closed or is announced dissolved (cancelled);
- 6.1.4. Party A has any other event which has endangered or damaged or may endanger or damage Party B's rights and interests; or
- 6.1.5. Other circumstances that Party A shall perform suretyship liability as prescribed by laws and regulations or stipulated by the Main Contract or this Contract.
- 6.2. Party A shall continue to perform suretyship liability under this Contract without obtaining Party A's consent under any one of the following circumstances:
- 6.2.1. Party B and the Debtor of the Main Contract reach an agreement on change of the Main Contract and such change does not increase the Debtor's debts;
- 6.2.2. Under international and domestic trade financing, Party B and the Debtor of the Main Contract changes the L/C or letter of guarantee in connection with the Main Contract, and such change does not increase the Debtor's obligation of payment under the L/C or letter of guarantee; or
- 6.2.3. Party B transfers the principal creditor's rights.
- 6.3. During the valid period of this Contract, Party A shall, according to Party B's requirements, provide balance sheet, statement of incomes, statement of cash flows and other financial statements, and accept Party B's inspection and supervision on Party A's production and operation activities and financial status.
- 6.4. Party A shall notify Party B in written form and implement all suretyship liabilities under this Contract thirty days prior to the following changes during the valid period of this Contract, including but not limited to contracting, lease, custody, reorganization of assets, reconstruction of debts, transformation of equity system, joint operation, business combination (or merger), division, paid transfer of property, joint investment (or cooperation), reduce of registered capital, or filing for winding-up, filing for dissolution (or cancellation), filing for reorganization, mediation and bankruptcy, or change of self system or legal status.
- 6.5. During the valid period of this Contract, Party A shall notify Party B in written form thirty days prior to the following changes when it is announced winding-up, is announced closed, is announced dissolved (cancelled), is filed reorganization or bankruptcy, or changes self system and legal status, or has any other change which is enough to endanger Party A's normal operation and lose the guarantee ability.
- 6.6. If Party A changes Party A's address, name or legal representative, Party A shall notify Party B in written form within seven days after such change.
- 6.7. If the loan under the Main Contract is used for borrowing or repaying, Party A is willing to bear suretyship liability.
- 6.8. Party A shall sign in timely various notices posted or served by other means by Party B.
- 6.9. In case of any one of the following circumstances occurring to the purchaser's financing under a L/C, an import L/C and import bill advance/ import refinance businesses, Party A shall have the obligation of incontestable guaranty of suretyship. Party A shall not, for any payment obligation under the letter of credit specified by the judicial authority or the administrative authority, issue stop payment order or restraining order, or take measures to seal, detain and freeze relevant property of the letter of credit or take other similar measures to present exemption or defense:
- 6.9.1. The person designated or authorized by Party B has favorably paid according to Party B's order;
-

6.9.2. Party B or the person designated or authorized by Party B has favorably issued a due payment confirmation for the loan under the domestic letter of credit or has favorably accepted the documents under the import letter of credit;

6.9.3. The confirming bank of the L/C has favorably performed the obligation of payment;

6.9.4. The negotiation bank of the L/C has favorably made negotiation.

6.10. Under shipping guarantee, endorsement of bill of lading and authorized withdrawal, Party A shall not present exemption or defense because the Debtor of the Main Contract refuses payment of the relevant L/C.

Article 7 Party B's Rights and Obligations

7.1. Party B is entitled to demand Party A at any time to provide the financial reports, financial statements or other data reflecting Party A's operation conditions and credit status.

7.2. If Party A does not perform its liability hereunder according to the stipulations of this Contract, Party B shall have the right to deduct Party A's accounts payable directly from an account opened by Party A with any banking institution of Huaxia Bank and Party B shall notify Party A timely. If the account currency is different from the currency of the principal creditor's rights when Party B makes deduction from Party A's account, translation shall be made according to the foreign exchange rate issued by Party B on the date of deduction. Should RMB be translated into a foreign currency, translation shall be made according to the selling price of the foreign currency; should a foreign currency be translated into RMB, translation shall be made according to the buying price of the foreign currency.

7.3. When Party B and the Debtor of the Main Contract concludes and signs a specific business contract (or agreement), Party A may not be notified.

Article 8 Liability for Breach of Contract

When this Contract becomes effective, Party A and Party B shall perform the obligations specified in this Contract. Any party which fails to wholly or partly perform its obligations specified herein or violates its representations, warranties and commitments made hereunder shall undertake relevant liabilities for breach of contract and make compensation for losses caused to the other party.

Article 9 Effectiveness of Contract

9.1. This Contract shall enter into force as of the date of signature of both parties.

9.2. The validity of this Contract shall be independent of the Main Contract and may not be affected by the invalidity of the Main Contract. If the Main Contract is confirmed as invalid, Party A shall assume joint and several suretyship liability for the debts arising from the Debtor's return of property or compensation for losses.

Article 10 Transfer, Change and Cancellation of Contract

10.1. Party A or Party B shall not change or cancel this Contract without permission after the effectiveness of this Contract.

10.2. Party B may transfer the Principal Creditor's Rights to a third person within the valid period of this Contract without obtaining Party A's consent, and Party A shall continue to bear joint and several suretyship liability within the original scope of suretyship.

10.3. Without Party B's written consent, Party A shall not transfer all or part of its rights or obligations under this Contract.

Article 11 Confidentiality

Party A or Party B shall bear the obligation of confidentiality for the other party's business secret, contractual clauses and other information related to interest acquired during the signature and execution processes of this Contract, but shall not disclose the aforesaid information to a third party without the other party's consent, except otherwise prescribed by laws, regulations and regulatory policies.

Article 12 Governing Laws and Dispute Settlement

12.1. This Contract applies to the laws of the People's Republic of China.

12.2. Any and all disputes arising from the execution of this Contract between Party A and Party B shall be settled through consultation; where consultation fails, both parties agree to settle the dispute according to the following method:

To bring a case to the local people's court at the domicile of Party B;

To apply _____ / _____ Arbitration Committee for arbitration.

12.3. If the method selected above for dispute settlement is different from the method for dispute settlement under the Main Contract, the method for dispute settlement under the Main Contract shall prevail.

Article 13 Notice and Service

During the valid period of this Contract, if Party A changes its information first given in this Contract without notifying Party B in written form, including name of Party A's legal person, legal representative, domicile and telephone number, all documents that Party B sends to Party A according to Party A's information given in this Contract shall be deemed as having been served.

Article 14 Supplementary Provisions

14.1. Party A authorizes Party B to, in accordance with relevant laws and regulations, or other regulatory documents or requirements of financial regulators, provide the relevant information of the Contract and other relevant information for the credit information basic database of the People's Bank of China or other credit database established by law for the qualified institutions or individuals to search and use. Party A also authorizes Party B to, for the purpose of the conclusion and performance of the Contract, search Party B's relevant information through the credit information basic database of the People's Bank of China or other credit database established by law.

14.2. Other provisions agreed by both parties:

14.3. If selection is made in under this Contract, this clause shall apply if is ticked in but shall not apply if is given in .

14.4. This Contract shall be provided for Party A holding one original, Party B holding two originals and the Debtor holding one original, which shall be equally authentic.

14.5. Annexes of this Contract shall be deemed as an integral part of this Contract and have the same equal legal force as this Contract.

14.6. Party B has take reasonable measures to remind Party A to pay attention to the clauses of exempting or restricting Party B's responsibilities and, according to Party A's requirements, has given full explanation of relevant clauses. Party A and Party B have no objection to the understanding of the contents of all clauses of this Contract.

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Party A: (Seal)

Huizhou Highpower Technology Co., Ltd. (Seal)

Legal Representative:

(Or Authorized Agent): (Signature)

June 30, 2016

Party B: (Seal)

Huaxia Bank Co., Ltd. Shenzhen Great China Sub-branch (Seal)

Legal Representative / Main Principal:

(Or Authorized Agent) (Signature or Seal)

June 30, 2016

Maximum Guarantee Contract

Huaxia Bank Co., Ltd.

Maximum Guarantee Contract

No.: SZ03 (G.B.) 20160015-11

Party A (Guarantor): Shenzhen Highpower Technology Co., Ltd.

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

Zip Code: 51800

Legal Representative: Pan Dangyu

Tel.: 0755-89686802

Fax: 0755-89666819

Basic Account Opening Bank: Bank of China Shenzhen Branch

Account No.: 764057938815

Party B: Huaxia Bank Co., Ltd. Shenzhen Great China Sub-branch

Domicile: East of First Floor, Great China International Exchange Square, Futian District, Shenzhen

Zip Code: 518000

Legal Representative / Main Principal: Xia Feng

Tel.: 0755-23997085

Fax: 0755-23997090

In accordance with the *Guarantee Law of the People's Republic of China* and other relevant laws and regulations, whereas Party B will have many creditor's rights continuously with the Debtor Springpower Technology (Shenzhen) Co., Ltd. (hereinafter referred to as "the Debtor of the Main Contract) on the basis of the Main Contract during the period agreed herein, and Party A is willing to provide Party B with suretyship guaranty for the aforesaid creditor's rights (hereinafter referred to as "the Principal Creditor's Rights") to the extent of the total amount of the creditor's rights, IN WITNESS WHEREOF, Party A and Party B make and enter into this Contract upon unanimity through consultation.

Article 1 Type, Maximum Amount and Period of the Principal Creditor's Rights Guaranteed

1.1 The Main Contract of this Contract is selected as follows:

√) √ The Maximum Financing Contract of SZ03 (R.Z.) 20160015 made and entered into by and between Party B and the Debtor of the Main Contract; the contract and the specific business contract thereunder shall constitute the Main Contract of this Contract;

×) × / continuously made and entered into by and between Party B and the Debtor of the Main Contract during the period of Principal Creditor's Rights specified in Article 1.4 herein shall constitute the Main Contract of this Contract.

×) × Party A agrees to provide guarantee for the existing creditor's rights between the Debtor and Party B prior to effectiveness of the maximum guarantee. In other words, Party A agrees to transfer the creditor's rights under the / of No. / to the scope of the creditor's rights guaranteed under this Contract.

1.2 The business type of the Principal Creditor's Rights secured by Party A shall be the same as that agreed in the Main Contract.

1.3 The maximum amount of the creditor's rights guaranteed hereunder is: Currency RMB, amount (in words) Thirty Million Yuan Only (The amount of a foreign currency transaction shall be converted according to the selling price of foreign exchange listed by Party B on the date when the transaction occurs.).

The term "maximum amount of creditor's rights" means the balance of the financing limit of the maximum principal creditor's rights (hereinafter referred to as "the Financed Balance", specifically as follows:

1.3.1 The amount of the outstanding Financed Balance used by the Debtor of the Main Contract at any time shall not exceed the limit specified in the preceding paragraph. However, the Debtor of the Main Contract may apply for recycling the financing limit paid to the extend of this limit;

1.3.2 The maximum amount of creditor's rights shall be the maximum amount of the principals of the Principal Creditor's Rights. If the principal does not exceed this limit, Party A is willing to bear guarantee liability for all the accounts payable arising therefrom and within the scope specified in Article 2, including interest, default interest and expenses.

1.4 The period of the principal credit's right guaranteed hereunder shall be from June 1, 2016 to June 1, 2017. The stipulations of this article have the following meanings:

1.4.1 If the business specified in the Main Contract is a loan business, the date of release of each loan shall not be later than the expiry date of this period;

1.4.2 If the business specified in the Main Contract is a business of acceptance of bill/discount/ opening of L/C/ opening of letter of guarantee (or letter of guarantee for the release of goods), the date of draft of acceptance of bill/discount/ opening of L/C/ opening of letter of guarantee (or letter of guarantee for the release of goods) shall not be later than the expiry date of this period;

1.4.3 The expiry date of each creditor's right shall be subject to the date agreed in the specific business contract and shall not be affected by the expiration of this period.

Article 2 Scope of Suretyship Guaranty

2.1 The scope of suretyship guaranty of Party A includes the principal, interest, overdue interest, default interest and compound interest of the Principal Creditor's Rights, penalty, damages, exchange loss (loss arising from change of exchange rate), and appraisal cost, evaluation cost, auction cost, legal cost, arbitration fee, notarization fee and attorney fee, and other reasonable expenses of Party B for realizing creditor's rights, and other expenses payable by the Debtor of the Main Contract.

2.2 All expenses except principal within the scope specified in the preceding paragraph shall be included in the scope of guarantee liability bearable by Party A but shall not be included in the maximum amount of creditor's rights guaranteed hereunder.

Article 3 Determination and Suretyship Modes of the Creditor's Rights Guaranteed

3.1 The creditor's rights guaranteed under this Contract shall be determined under any one of the following circumstances:

3.1.1 the period of the creditor's right specified in Article 1.4 of this Contract expires;

3.1.2 it is impossible to occur a new creditor's right;

3.1.3 the Debtor of the Main Contract and Party A are announced bankruptcy or cancelled;

3.1.4 the Creditor under the Main Contract announces acceleration of all or part of debts under the Main Contract by law or according to relevant stipulations of the Main Contract; or

3.1.5 other circumstances for determining the creditor's rights guaranteed by law.

3.2 When a creditor's right guaranteed under this Contract is determined, the following shall become effective:

3.2.1 When the creditor's right guaranteed under this Contract is determined, the outstanding creditor's right under the Main Contract shall be included in the scope of the creditor's right guaranteed no matter whether the performance period of the creditor's right has expired or not or there is any other additional condition;

3.2.2 When the creditor's right guaranteed under this Contract is determined, all funds other than principals specified in Article 2 of this Contract shall be included in the scope of the creditor's right guaranteed no matter whether the funds have been occurred or not.

3.3 Suretyship of joint and several liability is adopted as the method of guarantee by Party A. From the date when the creditor's rights guaranteed under this Contract are determined to the date of full repayment of the creditor's rights guaranteed, if the Debtor of the Main Contract fails to perform the obligation of repayment of debts, Party B shall have the right to directly claim Party A for compensation and Party A shall repay Party B relevant debts immediately.

3.4 If, besides the guaranty method agreed in this Contract, there is any other guarantee (including but not limited to the guarantee that the Debtor of the Main Contract provides Party B), Party B shall have the right to firstly exercise the rights under this Contract and request Party A to bear joint and several suretyship liability. Party A's suretyship liability for Party B shall not be affected by any other guarantee. Party A shall not be exempted or reduced from the liability of suretyship guaranty by an excuse of other guarantees. Meanwhile, Party A's suretyship liability may not be premised at Party B's filing of any right claim against any other guarantor or Party B's execution of lawsuit / arbitration / enforcement. In the event that Party B waives or changes for any reason the other security provided by the Debtor of the Main Contractor, or changes the security sequence, resulting in loss or reduction of its priority to gain compensation under other security mentioned above, Party A agrees that Party A's suretyship liability hereunder may not be exempted or reduced.

3.5 If Party A provides guarantee for part creditor's rights under the Main Contract, any compensation for the principal creditor's rights shall not reduce or exempt Party A's guarantee liability. Party A shall also bear guarantee liability for the outstanding amount under the Main Contract to the extent of the amount guaranteed by Party A.

Article 4 Period of Suretyship

4.1 The period of suretyship that Party A bears suretyship liability shall be two years from the date determined according to the following method:

4.1.1 If the expiry date of the performance period of a debt is earlier than or equals to the date of determination of the creditor's rights guaranteed, the period of suretyship that Party A bears suretyship liability for the debt shall be from the date of determination of the creditor's rights guaranteed;

4.1.2 If the expiry date of the performance period of a debt is later than the date of determination of the creditor's right guaranteed, the period of suretyship that Party A bears suretyship liability for the debt shall be from the expiry date of the performance period of this debt.

4.2 The term "expiry date of the performance period of a debt" indicated in the preceding paragraph includes the expiry date of the debt when the Debtor of the Main Contract repays the debt by installments and also includes the expiry date of acceleration announced by the Creditor according to the stipulations of the Main Contract.

4.3 If the business under the Main Contract is a business of letter of credit, bank acceptance bill, letter of guarantee or letter of guarantee for the release of goods, the date of advancement shall be deemed as the expiry date of the performance period of the debt.

Article 5 Party A's Representations and Warranties

Party A hereby makes the following representations and warranties to Party B:

5.1 Party A is a legal entity duly established and validly existing, has the qualifications for guarantors prescribed by law and the ability of repayment on behalf of others. Party A is willing to bear and perform suretyship liability to the extent of the assets Party A possesses or has the right to dispose.

5.2 For the purpose of signature of this Contract, Party A has obtained approval from competent authorities prescribed by law and stipulated in the company's articles of association, including the superior competent department of Party A or the board of directors, shareholders' meeting or shareholders' general meeting of Party A's company, and has obtained all necessary authorizations.

5.3 The signature and execution of this Contract by Party A does not violate the stipulations or provisions binding upon Party A and Party A's assets, nor violate any guarantee agreement and other agreement between Party A and another party, as well as any other documents, agreements and commitments binding upon Party A.

5.4 If Party A is a listed company or a branch controlled by a listed company, Party A warrants performing the obligation of information disclosure of the guaranty items timely in accordance with the *Securities Law*, the *Share Listing Rules of Stock Exchange*, and the requirements of other relevant laws, rules and regulations.

5.5 All documents and materials that Party A provides Party B shall be genuine, accurate, legitimate and effective.

5.6 Party A is aware of and agrees all terms and conditions of the Main Contract and understands the operating conditions and financial status of the Debtor of the Main Contract, the actual purpose of the financed capital and the trade background of financing. Party A acknowledges the genuine and legitimacy of the Main Contract and is willing to provide suretyship for the Debtor of the Main Contract. Party A warrants that Party A shall perform joint and several obligation of repayment pursuant to this Contract.

5.7 Where the Main Contract under this Contract is a *Bank Acceptance Agreement*, Party A shall ensure that any and all note and non-note dispute between the Debtor of the Main Contract and the bearer, endorser or other parties of the acceptance bill will not affect Party A to bear suretyship liability for Party B according to the stipulations of this Contract.

5.8 If the principal creditor's rights guaranteed under this Contract are the international trade financing that Party B provides the Debtor of the Main Contract, Party A shall accept and recognize relevant international common practice of the related business.

5.9 Party A shall not to provide a third party with any other form of guarantee exceeding his guarantee ability during the valid period of this Contract.

Article 6 Party A's Rights and Obligations

6.1 During the valid period of this Contract, Party A shall perform suretyship liability hereunder unconditionally within five working days after receiving Party B's notice under any one of the following circumstances:

6.1.1 the performance period of a debt under the principal creditor's rights expires and Party B is not paid;

6.1.2 a debt under the Main Contract is due in advanced in accordance with laws or the Main Contract, and Party B is not paid;

6.1.3 Party A or the Debtor of the Main Contract is filed reorganization or bankruptcy, suspends its business for rectification, is announced closed or is announced dissolved (cancelled);

6.1.4 Party A has any other event which has endangered or damaged or may endanger or damage Party B's rights and interests; or

6.1.5 Other circumstances that Party A shall perform suretyship liability as prescribed by laws and regulations or stipulated by the Main Contract or this Contract.

6.2 Party A shall continue to perform suretyship liability under this Contract without obtaining Party A's consent under any one of the following circumstances:

6.2.1 Party B and the Debtor of the Main Contract reach an agreement on change of the Main Contract and such change does not increase the Debtor's debts;

6.2.2 Under international and domestic trade financing, Party B and the Debtor of the Main Contract changes the L/C or letter of guarantee in connection with the Main Contract, and such change does not increase the Debtor's obligation of payment under the L/C or letter of guarantee; or

6.2.3 Party B transfers the principal creditor's rights.

6.3 During the valid period of this Contract, Party A shall, according to Party B's requirements, provide balance sheet, statement of incomes, statement of cash flows and other financial statements, and accept Party B's inspection and supervision on Party A's production and operation activities and financial status.

6.4 Party A shall notify Party B in written form and implement all suretyship liabilities under this Contract thirty days prior to the following changes during the valid period of this Contract, including but not limited to contracting, lease, custody, reorganization of assets, reconstruction of debts, transformation of equity system, joint operation, business combination (or merger), division, paid transfer of property, joint investment (or cooperation), reduce of registered capital, or filing for winding-up, filing for dissolution (or cancellation), filing for reorganization, mediation and bankruptcy, or change of self system or legal status.

6.5 During the valid period of this Contract, Party A shall notify Party B in written form thirty days prior to the following changes when it is announced winding-up, is announced closed, is announced dissolved (cancelled), is filed reorganization or bankruptcy, or changes self system and legal status, or has any other change which is enough to endanger Party A's normal operation and lose the guarantee ability.

6.6 If Party A changes Party A's address, name or legal representative, Party A shall notify Party B in written form within seven days after such change.

6.7 If the loan under the Main Contract is used for borrowing or repaying, Party A is willing to bear suretyship liability.

6.8 Party A shall sign in timely various notices posted or served by other means by Party B.

6.9 In case of any one of the following circumstances occurring to the purchaser's financing under a L/C, an import L/C and import bill advance/ import refinance businesses, Party A shall have the obligation of incontestable guaranty of suretyship. Party A shall not, for any payment obligation under the letter of credit specified by the judicial authority or the administrative authority, issue stop payment order or restraining order, or take measures to seal, detain and freeze relevant property of the letter of credit or take other similar measures to present exemption or defense:

6.9.1 the person designated or authorized by Party B has favorably paid according to Party B's order;

6.9.2 Party B or the person designated or authorized by Party B has favorably issued a due payment confirmation for the loan under the domestic letter of credit or has favorably accepted the documents under the import letter of credit;

6.9.3 the confirming bank of the L/C has favorably performed the obligation of payment;

6.9.4 the negotiation bank of the L/C has favorably made negotiation.

6.10 Under shipping guarantee, endorsement of bill of lading and authorized withdrawal, Party A shall not present exemption or defense because the Debtor of the Main Contract refuses payment of the relevant L/C.

Article 7 Party B's Rights and Obligations

7.1 Party B is entitled to demand Party A at any time to provide the financial reports, financial statements or other data reflecting Party A's operation conditions and credit status.

7.2 If Party A does not perform its liability hereunder according to the stipulations of this Contract, Party B shall have the right to deduct Party A's accounts payable directly from an account opened by Party A with any banking institution of Huaxia Bank and Party B shall notify Party A timely. If the account currency is different from the currency of the principal creditor's rights when Party B makes deduction from Party A's account, translation shall be made according to the foreign exchange rate issued by Party B on the date of deduction. Should RMB be translated into a foreign currency, translation shall be made according to the selling price of the foreign currency; should a foreign currency be translated into RMB, translation shall be made according to the buying price of the foreign currency.

7.3 When Party B and the Debtor of the Main Contract concludes and signs a specific business contract (or agreement), Party A may not be notified.

Article 8 Liability for Breach of Contract

When this Contract becomes effective, Party A and Party B shall perform the obligations specified in this Contract. Any party which fails to wholly or partly perform its obligations specified herein or violates its representations, warranties and commitments made hereunder shall undertake relevant liabilities for breach of contract and make compensation for losses caused to the other party.

Article 9 Effectiveness of Contract

9.1 This Contract shall enter into force as of the date of signature of both parties.

9.2 The validity of this Contract shall be independent of the Main Contract and may not be affected by the invalidity of the Main Contract. If the Main Contract is confirmed as invalid, Party A shall assume joint and several suretyship liability for the debts arising from the Debtor's return of property or compensation for losses.

Article 10 Transfer, Change and Cancellation of Contract

10.1 Party A or Party B shall not change or cancel this Contract without permission after the effectiveness of this Contract.

10.2 Party B may transfer the Principal Creditor's Rights to a third person within the valid period of this Contract without obtaining Party A's consent, and Party A shall continue to bear joint and several suretyship liability within the original scope of suretyship.

10.3 Without Party B's written consent, Party A shall not transfer all or part of its rights or obligations under this Contract.

Article 11 Confidentiality

Party A or Party B shall bear the obligation of confidentiality for the other party's business secret, contractual clauses and other information related to interest acquired during the signature and execution processes of this Contract, but shall not disclose the aforesaid information to a third party without the other party's consent, except otherwise prescribed by laws, regulations and regulatory policies.

Article 12 Governing Laws and Dispute Settlement

12.1 This Contract applies to the laws of the People's Republic of China.

12.2 Any and all disputes arising from the execution of this Contract between Party A and Party B shall be settled through consultation; where consultation fails, both parties agree to settle the dispute according to the following method:

) To bring a case to the local people's court at the domicile of Party B;

) To apply Arbitration Committee for arbitration.

12.3 If the method selected above for dispute settlement is different from the method for dispute settlement under the Main Contract, the method for dispute settlement under the Main Contract shall prevail.

Article 13 Notice and Service

During the valid period of this Contract, if Party A changes its information first given in this Contract without notifying Party B in written form, including name of Party A's legal person, legal representative, domicile and telephone number, all documents that Party B sends to Party A according to Party A's information given in this Contract shall be deemed as having been served.

Article 14 Supplementary Provisions

14.1 Party A authorizes Party B to, in accordance with relevant laws and regulations, or other regulatory documents or requirements of financial regulators, provide the relevant information of the Contract and other relevant information for the credit information basic database of the People's Bank of China or other credit database established by law for the qualified institutions or individuals to search and use. Party A also authorizes Party B to, for the purpose of the conclusion and performance of the Contract, search Party B's relevant information through the credit information basic database of the People's Bank of China or other credit database established by law.

14.2 Other provisions agreed by both parties:

14.3 If selection is made in under this Contract, this clause shall apply if is ticked in but shall not apply if is given in .

14.4 This Contract shall be provided for Party A holding one original, Party B holding two originals and the Debtor holding one original, which shall be equally authentic.

14.5 Annexes of this Contract shall be deemed as an integral part of this Contract and have the same equal legal force as this Contract.

14.6 Party B has take reasonable measures to remind Party A to pay attention to the clauses of exempting or restricting Party B's responsibilities and, according to Party A's requirements, has given full explanation of relevant clauses. Party A and Party B have no objection to the understanding of the contents of all clauses of this Contract.

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Party A: (Seal)

Shenzhen Highpower Technology Co., Ltd. (Seal)

Legal Representative:

(Or Authorized Agent): (Signature)

June 30, 2016

Party B: (Seal)

Huaxia Bank Co., Ltd. Shenzhen Great China Sub-branch (Seal)

Legal Representative / Main Principal:

(Or Authorized Agent) (Signature or Seal)

June 30, 2016

**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 15, 2016

/s/ Dang Yu Pan

By: Dang Yu Pan

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

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

I, Sunny Pan, certify that:

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

Date: August 15, 2016

/s/ Sunny Pan

Sunny Pan

Interim Chief Financial Officer
(Principal Financial Officer)

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

In connection with the quarterly report of Highpower International, Inc. (the "Company") on Form 10-Q for the quarter ending June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

/s/ Dang Yu Pan

Dang Yu Pan
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)
August 15, 2016

/s/ Sunny Pan

Sunny Pan
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)
August 15, 2016
