**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 10−Q

(Mark One)

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

For the quarterly period ended: September 30, 2021

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

For the transition period from _____________ to _____________

Commission File Number: **001-32898**

**CBAK ENERGY TECHNOLOGY, INC.**
(Exact Name of Registrant as Specified in Its Charter)

| **Nevada** | **88-0442833** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**BAK Industrial Park, Meigui Street**
**Huayuankou Economic Zone**
**Dalian City, Liaoning Province,**
**People's Republic of China, 116450**
(Address of principal executive offices, Zip Code)

**(86)(411)-3918-5985**
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.001 par value | CBAT | Nasdaq Capital Market |

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☒ | Smaller reporting company ☒ |
| | Emerging growth company ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares outstanding of each of the issuer's classes of common stock, as of November 12, 2021 is as follows:

| Class of Securities | Shares Outstanding |
|---|---|
| Common Stock, $0.001 par value | 88,705,016 |

**CBAK ENERGY TECHNOLOGY, INC.**

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**ITEM 1. FINANCIAL STATEMENTS.**

**CBAK ENERGY TECHNOLOGY, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2021**

**CBAK Energy Technology, Inc. and Subsidiaries**
**Condensed consolidated balance sheets**
As of December 31, 2020 and September 30, 2021
(Unaudited)
(In US$ except for number of shares)

| | Note | *December 31, 2020* | *September 30, 2021* |
|---|---|---|---|
| **Assets** | | | |
| *Current assets* | | | |
| Cash and cash equivalents | | $ 11,681,750 | $ 1,993,531 |
| Pledged deposits | 2 | 8,989,748 | 15,552,996 |
| Trade accounts and bills receivable, net | 3 | 29,571,274 | 22,231,442 |
| Inventories | 4 | 5,252,845 | 9,249,455 |
| Prepayments and other receivables | 5 | 7,439,544 | 9,715,578 |
| Investment in sales-type lease, net | 11 | 235,245 | 838,649 |
| Total current assets | | 63,170,406 | 59,581,651 |
| | | | |
| Property, plant and equipment, net | 8 | 41,040,370 | 42,050,589 |
| Construction in progress | 9 | 30,193,309 | 49,246,115 |
| Non-marketable equity securities | 10 | - | 702,807 |
| Hitrans loan | 6 | - | 20,326,775 |
| Deposit paid for acquisition of a subsidiary | 6 | - | 8,349,118 |
| Operating lease right-of-use assets, net | | - | 1,981,422 |
| Prepaid land use right- non current | 11 | 7,500,780 | 7,465,426 |
| Intangible assets, net | 12 | 11,807 | 21,418 |
| Investment in sales-type lease, net | 11 | 850,407 | 980,731 |
| Total assets | | $ 142,767,079 | $ 190,706,052 |
| | | | |
| **Liabilities** | | | |
| *Current liabilities* | | | |
| Trade accounts and bills payable | 13 | $ 28,352,292 | $ 21,050,320 |
| Current maturities of long-term bank loans | 14 | 13,739,546 | - |
| Other short-term loans | 14 | 1,253,869 | 680,563 |
| Accrued expenses and other payables | 15 | 11,645,459 | 15,796,594 |
| Payables to former subsidiaries, net | 7 | 626,990 | 361,874 |
| Deferred government grants, current | 16 | 151,476 | 153,402 |
| Product warranty provisions | 17 | 155,888 | 124,670 |
| Operating lease liability, current | 11 | - | 753,404 |
| Warrants liability | 21 | 17,783,000 | 10,474,000 |
| Total current liabilities | | 73,708,520 | 49,394,827 |
| | | | |
| Deferred government grants, non-current | 16 | 7,304,832 | 8,833,848 |
| Operating lease liability | 11 | - | 801,266 |
| Product warranty provision | 17 | 1,835,717 | 1,873,626 |
| Long term tax payable | 18 | 7,511,182 | 7,606,677 |
| | | | |
| Total liabilities | | 90,360,251 | 68,510,244 |
| | | | |
| Commitments and contingencies | 23 | | |
| | | | |
| **Shareholders' equity** | | | |
| Common stock $0.001 par value; 500,000,000 authorized ; 79,310,249 issued and 79,166,043 outstanding as of December 31, 2020, 88,555,390 issued and 88,411,184 outstanding as of September 30, 2021 | | 79,310 | 88,555 |
| Donated shares | | 14,101,689 | 14,101,689 |
| Additional paid-in capital | | 225,278,113 | 241,232,244 |
| Statutory reserves | | 1,230,511 | 1,230,511 |
| Accumulated deficit | | (183,984,311) | (131,654,694) |
| Accumulated other comprehensive loss | | (239,609) | 1,240,354 |
| | | 56,465,703 | 126,238,659 |
| Less: Treasury shares | | (4,066,610) | (4,066,610) |
| Total shareholders' equities | | 52,399,093 | 122,172,049 |
| Non-controlling interests | | 7,735 | 23,759 |
| Total of equities | | 52,406,828 | 122,195,808 |
| | | | |
| Total liabilities and shareholders' equity | | $ 142,767,079 | $ 190,706,052 |

See accompanying notes to the condensed consolidated financial statements.

**CBAK Energy Technology, Inc. and Subsidiaries**
**Condensed consolidated statements of operations and comprehensive income (loss)**
**For the three and nine months ended September 30, 2020 and 2021**
(Unaudited)
(In US$ except for number of shares)

| | | *Three months ended September 30,* | | *Nine months ended September 30,* | |
|---|---|---|---|---|---|
| | Note | *2020* | 2021 | *2020* | 2021 |
| Net revenues | 25 | $ 10,620,656 | $ 9,562,190 | $ 22,146,177 | $ 24,867,393 |
| Cost of revenues | | (9,245,811) | (8,430,808) | (20,477,719) | (20,798,931) |
| Gross profit | | 1,374,845 | 1,131,382 | 1,668,458 | 4,068,462 |
| Operating expenses: | | | | | |
| Research and development expenses | | (446,162) | (1,815,756) | (1,130,316) | (3,344,817) |
| Sales and marketing expenses | | (157,485) | (510,386) | (351,963) | (1,262,999) |
| General and administrative expenses | | (741,785) | (2,158,183) | (2,614,349) | (5,823,560) |
| Recovery of (provision for) doubtful accounts | | 364,168 | 178,897 | (63,534) | 437,475 |
| Total operating expenses | | (981,264) | (4,305,428) | (4,160,162) | (9,993,901) |
| Operating profit (loss) | | 393,581 | (3,174,046) | (2,491,704) | (5,925,439) |
| Finance (expenses) income, net | | (357,739) | 129,340 | (1,171,030) | 174,442 |
| Other income, net | | 5,873 | 69,970 | 152,171 | 1,619,194 |
| Impairment of non-marketable equity securities | | - | (43) | - | (690,585) |
| Change in fair value of warrants | | - | 22,998,000 | - | 57,174,000 |
| Income (loss) before income tax | | 41,715 | 20,023,221 | (3,510,563) | 52,351,612 |
| Income tax expense | 18 | - | - | - | - |
| Net income (loss) | | 41,715 | 20,023,221 | (3,510,563) | 52,351,612 |
| Less: Net income (loss) attributable to non-controlling interests | | 2,532 | (3,487) | (2,386) | (21,995) |
| Net income (loss) attributable to shareholders of CBAK Energy Technology, Inc. | | $ 44,247 | $ 20,019,734 | $ (3,512,949) | $ 52,329,617 |
| | | | | | |
| Other comprehensive income (loss) | | | | | |
| Net loss | | 41,715 | 20,023,221 | (3,510,563) | 52,351,612 |
| – Foreign currency translation adjustment | | 846,695 | 243,258 | 574,526 | 1,473,992 |
| Comprehensive income (loss) | | 888,410 | 20,266,479 | (2,936,037) | 53,825,604 |
| Less: Comprehensive loss (income) attributable to non-controlling interests | | 3,465 | (3,404) | (630) | (16,024) |
| Comprehensive income (loss) attributable to CBAK Energy Technology, Inc. | | $ 891,875 | $ 20,263,075 | $ (2,936,667) | $ 53,809,580 |
| | | | | | |
| Income (Loss) per share | 20 | | | | |
| – Basic | | $ 0.00 | $ 0.23 | $ (0.06) | $ 0.60 |
| – Diluted | | $ 0.00 | $ 0.23 | $ (0.06) | $ 0.60 |
| | | | | | |
| Weighted average number of shares of common stock: | 20 | | | | |
| – Basic | | 64,909,894 | 88,419,998 | 59,569,498 | 87,043,490 |
| – Diluted | | 65,400,058 | 88,709,210 | 59,569,498 | 87,349,010 |

See accompanying notes to the condensed consolidated financial statements.

**CBAK Energy Technology, Inc. and Subsidiaries**
**Condensed consolidated statements of changes in shareholders' equity**
**For the three months ended September 30, 2020 and 2021**
(Unaudited)
(In US$ except for number of shares)

| | Common stock Issued | | | | | | | | Treasury shares | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Amount | Donated shares | Additional paid-in capital | Statutory reserves | Accumulated deficit | Accumulated other comprehensive loss | Non-controlling interests | Number of shares | Amount | Total shareholders' Equity |
| **Balance as of July 1, 2020** | **63,802,338** | **$63,803** | **$14,101,689** | **$185,487,657** | **$1,230,511** | **$(179,734,609)** | **$ (2,016,076)** | **$ 56,872** | **(144,206)** | **$(4,066,610)** | **$ 15,123,237** |
| Net income (loss) | - | - | - | | - | 44,247 | - | (2,532) | - | - | 41,715 |
| Share-based compensation for employee and director stock awards | - | - | - | 161,775 | - | - | - | | - | - | 161,775 |
| Common stock issued to employees and directors for stock awards | 1,491,558 | 1,491 | - | 863,509 | - | - | - | | - | - | 865,000 |
| Foreign currency translation adjustment | - | - | - | - | - | - | 847,628 | (933) | - | - | 846,695 |
| **Balance as of September 30, 2020** | **65,293,896** | **$65,294** | **$14,101,689** | **$186,512,941** | **$1,230,511** | **$(179,690,362)** | **$ (1,168,448)** | **$ 53,407** | **(144,206)** | **$(4,066,610)** | **$ 17,038,422** |
| **Balance as of July 1, 2021** | **88,538,723** | **$88,538** | **$14,101,689** | **$241,141,468** | **$1,230,511** | **$(151,674,428)** | **$ 997,013** | **$ 20,355** | **(144,206)** | **$(4,066,610)** | **$101,838,536** |
| Net income | - | - | - | | - | 20,019,734 | - | 3,487 | - | - | 20,023,221 |
| Share-based compensation for employee and director stock awards | - | - | - | 90,793 | - | - | - | | - | - | 90,793 |
| Common stock issued to employees and directors for stock awards | 16,667 | 17 | - | (17) | - | - | - | | - | - | - |
| Foreign currency translation adjustment | - | - | - | - | - | - | 243,341 | (83) | - | - | 243,258 |
| **Balance as of September 30, 2021** | **88,555,390** | **$88,555** | **$14,101,689** | **$241,232,244** | **$1,230,511** | **$(131,654,694)** | **$ 1,240,354** | **$ 23,759** | **(144,206)** | **$(4,066,610)** | **$122,195,808** |

**CBAK Energy Technology, Inc. and Subsidiaries**
**Condensed consolidated statements of changes in shareholders' equity**
**For the nine months ended September 30, 2020 and 2021**
(Unaudited)
(In US$ except for number of shares)

| | Common stock Issued | | | | | | | | Treasury shares | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Amount | Donated shares | Additional paid-in capital | Statutory reserves | Accumulated deficit | Accumulated other comprehensive loss | Non-controlling interests | Number of shares | Amount | Total shareholders' equity |
| **Balance as of January 1, 2020** | **53,220,902** | **$53,222** | **14,101,689** | **$180,208,610** | **$1,230,511** | **$(176,177,413)** | **$ (1,744,730)** | **$ 52,777** | **(144,206)** | **$(4,066,610)** | **$ 13,658,056** |
| Net income (loss) | - | - | - | | - | (3,512,949) | - | 2,386 | - | - | (3,510,563) |
| Share-based compensation for employee and director stock awards | - | - | - | 615,871 | - | - | - | - | - | - | 615,871 |
| Common stock issued to employees and directors for stock awards | 293,498 | 293 | - | (293) | - | - | - | - | - | - | - |
| Common stock issued to investors | 11,779,496 | 11,779 | - | 5,688,753 | - | - | - | - | - | | 5,700,532 |
| Foreign currency translation adjustment | - | - | - | - | - | - | 576,282 | (1,756) | - | - | 574,526 |
| **Balance as of September 30, 2020** | **65,293,896** | **$65,294** | **$14,101,689** | **$186,512,941** | **$1,230,511** | **$(179,690,362)** | **$ (1,168,448)** | **$ 53,407** | **(144,206)** | **$(4,066,610)** | **$ 17,038,422** |
| **Balance as of January 1, 2021** | 79,310,249 | $79,310 | $14,101,689 | $225,278,113 | $1,230,511 | $(183,984,311) | $ (239,609) | $ 7,735 | (144,206) | $(4,066,610) | $ 52,406,828 |
| Net income | - | - | - | | - | 52,329,617 | - | 21,995 | - | - | 52,351,612 |
| Share-based compensation for employee and director stock awards | - | - | - | 333,365 | - | - | - | - | - | - | 333,365 |
| Common stock issued to employees and directors for stock awards | 305,165 | 305 | - | (305) | - | - | - | - | - | - | - |
| Issuance of common stock and warrants | 8,939,976 | 8,940 | - | 15,621,071 | - | - | - | - | - | | 15,630,011 |
| Foreign currency translation adjustment | - | - | - | - | - | - | 1,479,963 | (5,971) | - | - | 1,473,992 |
| **Balance as of September 30, 2021** | **88,555,390** | **$88,555** | **$14,101,689** | **$241,232,244** | **$1,230,511** | **$(131,654,694)** | **$ 1,240,354** | **$ 23,759** | **(144,206)** | **$(4,066,610)** | **$122,195,808** |

See accompanying notes to the condensed consolidated financial statements.

**CBAK Energy Technology, Inc. and subsidiaries**
**Condensed consolidated statements of cash flows**
**For the nine months ended September 30, 2020 and 2021**
(Unaudited)
(In US$ except for number of shares)

| | Nine months ended September 30, 2020 | Nine months ended September 30, 2021 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net (loss) income | $ (3,510,563) | $ 52,351,612 |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 1,856,246 | 2,013,729 |
| Provision for doubtful debts | 63,534 | (437,475) |
| Write-down of inventories | 724,156 | 663,041 |
| Share-based compensation | 615,871 | 333,365 |
| Loss on disposal of property, plant and equipment | 21,035 | 9,613 |
| Change in fair value of warrant liability | - | (57,174,000) |
| Impairment charge - Investment | - | 690,585 |
| Amortization of operating lease right-of-use assets | - | 290,051 |
| Changes in operating assets and liabilities: | | |
| Trade accounts and bills receivable | (10,424,301) | 8,062,046 |
| Inventories | 4,388,522 | (4,578,372) |
| Prepayments and other receivables | 587,158 | (2,191,300) |
| Trade accounts and bills payable | 3,582,377 | (7,632,763) |
| Accrued expenses and other payables | (317,352) | 323,174 |
| Investment in sales-type lease | - | (717,138) |
| Operating lease liabilities | - | (715,150) |
| Trade receivable from and payables to former subsidiaries | 4,454,118 | (75,718) |
| Government grants | 2,858,858 | 1,545,189 |
| Net cash provided by (used in) operating activities | 4,899,659 | (7,239,511) |
| | | |
| **Cash flows from investing activities** | | |
| Deposit paid for acquisition of a subsidiary | - | (8,316,787) |
| Purchase of non-marketable equity securities | - | (1,390,670) |
| Hitrans Loan | - | (20,248,061) |
| Purchases of property, plant and equipment and construction in progress | (2,033,349) | (17,548,901) |
| Net cash used in investing activities | (2,033,349) | (47,504,419) |
| | | |
| **Cash flows from financing activities** | | |
| Repayment of bank borrowings | (155,951) | (13,860,346) |
| Borrowings from unrelated parties | 3,459,218 | - |
| Repayment of borrowings from unrelated parties | (5,660,539) | (399,715) |
| Repayment of borrowings from related parties | - | (185,985) |
| Borrowings from shareholders | 268,733 | - |
| Repayment of borrowings from shareholders | (240,687) | - |
| Proceeds from issuance of shares | - | 65,495,011 |
| Net cash (used in) provided by financing activities | (2,329,226) | 51,048,965 |
| **Effect of exchange rate changes on cash and cash equivalents and restricted cash** | 231,403 | 569,994 |
| **Net (decrease) increase in cash and cash equivalents and restricted cash** | 768,487 | (3,124,971) |
| **Cash and cash equivalents and restricted cash at the beginning of period** | **7,133,948** | **20,671,498** |
| **Cash and cash equivalents and restricted cash at the end of period** | **$ 7,902,435** | **$ 17,546,527** |
| | | |
| Supplemental non-cash investing and financing activities: | | |
| Transfer of construction in progress to property, plant and equipment | $ 8,224,147 | $ 3,556,965 |
| Non-cash payment for purchase of property, plant and equipment and construction in progress by new vehicles | $ - | $ 61,344 |
| | | |
| Issuance of common stock (note 1): | | |
| - offset repayment of promissory note | $ 1,415,000 | $ - |
| - offset payable to Shenzhen BAK (Sixth Debt) | $ 4,285,532 | $ - |
| | | |
| Cash paid during the period for: | | |
| Income taxes | $ - | $ - |
| Interest, net of amounts capitalized | $ 783,159 | $ 7,031 |

See accompanying notes to the condensed consolidated financial statements.

## 1. Principal Activities, Basis of Presentation and Organization

*Principal Activities*

CBAK Energy Technology, Inc. (formerly known as China BAK Battery, Inc.) ("CBAK" or the "Company") is a corporation formed in the State of Nevada on October 4, 1999 as Medina Copy, Inc. The Company changed its name to Medina Coffee, Inc. on October 6, 1999 and subsequently changed its name to China BAK Battery, Inc. on February 14, 2005. CBAK and its subsidiaries (hereinafter, collectively referred to as the "Company") are principally engaged in the manufacture, commercialization and distribution of a wide variety of standard and customized lithium ion (known as "Li-ion" or "Li-ion cell") high power rechargeable batteries. Prior to the disposal of BAK International Limited ("BAK International") and its subsidiaries (see below), the batteries produced by the Company were for use in cellular telephones, as well as various other portable electronic applications, including high-power handset telephones, laptop computers, power tools, digital cameras, video camcorders, MP3 players, electric bicycles, hybrid/electric vehicles, and general industrial applications. After the disposal of BAK International and its subsidiaries on June 30, 2014, the Company will focus on the manufacture, commercialization and distribution of high power lithium ion rechargeable batteries for use in cordless power tools, light electric vehicles, hybrid electric vehicles, electric cars, electric busses, uninterruptable power supplies and other high power applications.

The shares of the Company traded in the over-the-counter market through the Over-the-Counter Bulletin Board from 2005 until May 31, 2006, when the Company obtained approval to list its common stock on The NASDAQ Global Market, and trading commenced that same date under the symbol "CBAK".

On January 10, 2017, the Company filed Articles of Merger with the Secretary of State of Nevada to effectuate a merger between the Company and the Company's newly formed, wholly owned subsidiary, CBAK Merger Sub, Inc. (the "Merger Sub"). According to the Articles of Merger, effective January 16, 2017, the Merger Sub merged with and into the Company with the Company being the surviving entity (the "Merger"). As permitted by Chapter 92A.180 of Nevada Revised Statutes, the sole purpose of the Merger was to effect a change of the Company's name.

Effective November 30, 2018, the trading symbol for common stock of the Company was changed from CBAK to CBAT. Effective at the opening of business on June 21, 2019, the Company's common stock started trading on the Nasdaq Capital Market.

*Basis of Presentation and Organization*

On November 6, 2004, BAK International, a non-operating holding company that had substantially the same shareholders as Shenzhen BAK Battery Co., Ltd ("Shenzhen BAK"), entered into a share swap transaction with the shareholders of Shenzhen BAK for the purpose of the subsequent reverse acquisition of the Company. The share swap transaction between BAK International and the shareholders of Shenzhen BAK was accounted for as a reverse acquisition of Shenzhen BAK with no adjustment to the historical basis of the assets and liabilities of Shenzhen BAK.

On January 20, 2005, the Company completed a share swap transaction with the shareholders of BAK International. The share swap transaction, also referred to as the "reverse acquisition" of the Company, was consummated under Nevada law pursuant to the terms of a Securities Exchange Agreement entered by and among CBAK, BAK International and the shareholders of BAK International on January, 2005. The share swap transaction has been accounted for as a capital-raising transaction of the Company whereby the historical financial statements and operations of Shenzhen BAK are consolidated using historical carrying amounts.

**1. Principal Activities, Basis of Presentation and Organization (continued)**

*Basis of Presentation and Organization (continued)*

Also on January 20, 2005, immediately prior to consummating the share swap transaction, BAK International executed a private placement of its common stock with unrelated investors whereby it issued an aggregate of 1,720,087 shares of common stock for gross proceeds of $17,000,000. In conjunction with this financing, Mr. Xiangqian Li, the Chairman and Chief Executive Officer of the Company ("Mr. Li"), agreed to place 435,910 shares of the Company's common stock owned by him into an escrow account pursuant to an Escrow Agreement dated January 20, 2005 (the "Escrow Agreement"). Pursuant to the Escrow Agreement, 50% of the escrowed shares were to be released to the investors in the private placement if audited net income of the Company for the fiscal year ended September 30, 2005 was not at least $12,000,000, and the remaining 50% was to be released to investors in the private placement if audited net income of the Company for the fiscal year ended September 30, 2006 was not at least $27,000,000. If the audited net income of the Company for the fiscal years ended September 30, 2005 and 2006 reached the above-mentioned targets, the 435,910 shares would be released to Mr. Li in the amount of 50% upon reaching the 2005 target and the remaining 50% upon reaching the 2006 target.

Under accounting principles generally accepted in the United States of America ("US GAAP"), escrow agreements such as the one established by Mr. Li generally constitute compensation if, following attainment of a performance threshold, shares are returned to a company officer. The Company determined that without consideration of the compensation charge, the performance thresholds for the year ended September 30, 2005 would be achieved. However, after consideration of a related compensation charge, the Company determined that such thresholds would not have been achieved. The Company also determined that, even without consideration of a compensation charge, the performance thresholds for the year ended September 30, 2006 would not be achieved.

While the 217,955 escrow shares relating to the 2005 performance threshold were previously released to Mr. Li, Mr. Li executed a further undertaking on August 21, 2006 to return those shares to the escrow agent for the distribution to the relevant investors. However, such shares were not returned to the escrow agent, but, pursuant to a Delivery of Make Good Shares, Settlement and Release Agreement between the Company, BAK International and Mr. Li entered into on October 22, 2007 (the "Li Settlement Agreement"), such shares were ultimately delivered to the Company as described below. Because the Company failed to satisfy the performance threshold for the fiscal year ended September 30, 2006, the remaining 217,955 escrow shares relating to the fiscal year 2006 performance threshold were released to the relevant investors. As Mr. Li has not retained any of the shares placed into escrow, and as the investors party to the Escrow Agreement are only shareholders of the Company and do not have and are not expected to have any other relationship to the Company, the Company has not recorded a compensation charge for the years ended September 30, 2005 and 2006.

At the time the escrow shares relating to the 2006 performance threshold were transferred to the investors in fiscal year 2007, the Company should have recognized a credit to donated shares and a debit to additional paid-in capital, both of which are elements of shareholders' equity. This entry is not material because total ordinary shares issued and outstanding, total shareholders' equity and total assets do not change; nor is there any impact on income or earnings per share. Therefore, previously filed consolidated financial statements for the fiscal year ended September 30, 2007 will not be restated. This share transfer has been reflected in these financial statements by reclassifying the balances of certain items as of October 1, 2007. The balances of donated shares and additional paid-in capital as of October 1, 2007 were credited and debited by $7,955,358 respectively, as set out in the consolidated statements of changes in shareholders' equity.

In November 2007, Mr. Li delivered the 217,955 shares related to the 2005 performance threshold to BAK International pursuant to the Li Settlement Agreement; BAK International in turn delivered the shares to the Company. Such shares (other than those issued to investors pursuant to the 2008 Settlement Agreements, as described below) are now held by the Company. Upon receipt of these shares, the Company and BAK International released all claims and causes of action against Mr. Li regarding the shares, and Mr. Li released all claims and causes of action against the Company and BAK International regarding the shares. Under the terms of the Li Settlement Agreement, the Company commenced negotiations with the investors who participated in the Company's January 2005 private placement in order to achieve a complete settlement of BAK International's obligations (and the Company's obligations to the extent it has any) under the applicable agreements with such investors.

Beginning on March 13, 2008, the Company entered into settlement agreements (the "2008 Settlement Agreements") with certain investors in the January 2005 private placement. Since the other investors have never submitted any claims regarding this matter, the Company did not reach any settlement with them.

**1. Principal Activities, Basis of Presentation and Organization (continued)**

*Basis of Presentation and Organization (continued)*

Pursuant to the 2008 Settlement Agreements, the Company and the settling investors have agreed, without any admission of liability, to a settlement and mutual release from all claims relating to the January 2005 private placement, including all claims relating to the escrow shares related to the 2005 performance threshold that had been placed into escrow by Mr. Li, as well as all claims, including claims for liquidated damages relating to registration rights granted in connection with the January 2005 private placement. Under the 2008 Settlement Agreement, the Company has made settlement payments to each of the settling investors of the number of shares of the Company's common stock equivalent to 50% of the number of the escrow shares related to the 2005 performance threshold these investors had claimed; aggregate settlement payments as of June 30, 2015 amounted to 73,749 shares. Share payments to date have been made in reliance upon the exemptions from registration provided by Section 4(a)(2) and/or other applicable provisions of the Securities Act of 1933, as amended. In accordance with the 2008 Settlement Agreements, the Company filed a registration statement covering the resale of such shares which was declared effective by the SEC on June 26, 2008.

Pursuant to the Li Settlement Agreement, the 2008 Settlement Agreements and upon the release of the 217,955 escrow shares relating to the fiscal year 2006 performance threshold to the relevant investors, neither Mr. Li or the Company have any obligations to the investors who participated in the Company's January 2005 private placement relating to the escrow shares.

As of September 30, 2021, the Company had not received any claim from the other investors who have not been covered by the "2008 Settlement Agreements" in the January 2005 private placement.

As the Company has transferred the 217,955 shares related to the 2006 performance threshold to the relevant investors in fiscal year 2007 and the Company also have transferred 73,749 shares relating to the 2005 performance threshold to the investors who had entered the "2008 Settlement Agreements" with us in fiscal year 2008, pursuant to "Li Settlement Agreement" and "2008 Settlement Agreements", neither Mr. Li nor the Company had any remaining obligations to those related investors who participated in the Company's January 2005 private placement relating to the escrow shares.

On August 14, 2013, Dalian BAK Trading Co., Ltd was established as a wholly owned subsidiary of China BAK Asia Holding Limited ("BAK Asia") with a registered capital of $500,000. Pursuant to CBAK Trading's articles of association and relevant PRC regulations, BAK Asia was required to contribute the capital to CBAK Trading on or before August 14, 2015. On August 5, 2019, CBAK Trading's registered capital was increased to $5,000,000. Pursuant to CBAK Trading's amendment articles of association and relevant PRC regulations, BAK Asia was required to contribute the capital to CBAK Trading on or before August 1, 2033. Up to the date of this report, the Company has contributed $2,435,000 to CBAK Trading in cash.

On December 27, 2013, Dalian BAK Power Battery Co., Ltd was established as a wholly owned subsidiary of BAK Asia with a registered capital of $30,000,000. Pursuant to CBAK Power's articles of association and relevant PRC regulations, BAK Asia was required to contribute the capital to CBAK Power on or before December 27, 2015. On March 7, 2017, the name of Dalian BAK Power Battery Co., Ltd was changed to Dalian CBAK Power Battery Co., Ltd ("CBAK Power"). On July 10, 2018, CBAK Power's registered capital was increased to $50,000,000. On October 29, 2019, CBAK Power's registered capital was further increased to $60,000,000. Pursuant to CBAK Power's amendment articles of association and relevant PRC regulations, BAK Asia was required to contribute the capital to CBAK Power on or before December 31, 2021. Up to the date of this report, the Company has contributed $60,000,000 to CBAK Power through injection of a series of patents and cash.

On May 4, 2018, CBAK New Energy (Suzhou) Co., Ltd ("CBAK Suzhou") was established as a 90% owned subsidiary of CBAK Power with a registered capital of RMB10,000,000 (approximately $1.5 million). The remaining 10% equity interest was held by certain employees of CBAK Suzhou. Pursuant to CBAK Suzhou's articles of association, each shareholder is entitled to the right of the profit distribution or responsible for the loss according to its proportion to the capital contribution. Pursuant to CBAK Suzhou's articles of association and relevant PRC regulations, CBAK Power was required to contribute the capital to CBAK Suzhou on or before December 31, 2019. Up to the date of this report, the Company has contributed RMB9.0 million (approximately $1.3 million), and the other shareholders have contributed RMB1.0 million (approximately $0.1 million) to CBAK Suzhou through injection of a series of cash. The Company plan to dissolve CBAK Suzhou in 2021.

On November 21, 2019, Dalian CBAK Energy Technology Co., Ltd ("CBAK Energy") was established as a wholly owned subsidiary of BAK Asia with a registered capital of $50,000,000. Pursuant to CBAK Energy's articles of association and relevant PRC regulations, BAK Asia was required to contribute the capital to CBAK Energy on or before November 20, 2022. Up to the date of this report, the Company has contributed $23,519,972 to CBAK Energy. CBAK Energy will be focus on manufacture and sale of lithium batteries and lithium batteries' materials.

On July 14, 2020, the Company acquired BAK Asia Investments Limited ("BAK Investments"), a company incorporated under Hong Kong laws, from Mr. Xiangqian Li, the Company's former CEO, for a cash consideration of HK$1.00. BAK Asia Investments Limited is a holding company without any other business operations.

On July 31, 2020, BAK Investments formed a wholly owned subsidiary CBAK New Energy (Nanjing) Co., Ltd. ("CBAK Nanjing") in China with a registered capital of $100,000,000. Pursuant to CBAK Nanjing's articles of association and relevant PRC regulations, BAK Investments was required to contribute the capital to CBAK Nanjing on or before July 29, 2040. Up to the date of this report, the Company has contributed $55,289,915 to CBAK Nanjing.

**1. Principal Activities, Basis of Presentation and Organization (continued)**

*Basis of Presentation and Organization (continued)*

On August 6, 2020, Nanjing CBAK New Energy Technology Co., Ltd. (“Nanjing CBAK”) was established as a wholly owned subsidiary of CBAK Nanjing with a registered capital of RMB700,000,000 (approximately $107 million). Pursuant to Nanjing CBAK’s articles of association and relevant PRC regulations, CBAK Nanjing was required to contribute the capital to Nanjing CBAK on or before August 5, 2040. Up to the date of this report, the Company has contributed RMB334,036,155 (approximately $51.3 million) to Nanjing CBAK through injection of a series of cash and machines.

On November 9, 2020, Nanjing Daxin New Energy Automobile Industry Co., Ltd (“Nanjing Daxin”) was established as a wholly owned subsidiary of CBAK Nanjing with a register capital of RMB50,000,000 (approximately $7.6 million). Up to the date of this report, the Company has contributed RMB16,416,000 (approximately $2.54 million) to Nanjing Daxin. On January 18, 2021, Nanjing Daxin established a branch in Tianjin City.

On April 21, 2021, CBAK Power, along with Shenzhen BAK Power Battery Co., Ltd (BAK SZ), Shenzhen Asian Plastics Technology Co., Ltd (SZ Asian Plastics) and Xiaoxia Liu, entered into an investment agreement with Junxiu Li, Hunan Xintao New Energy Technology Partnership, Xingyu Zhu, and Jiangsu Saideli Pharmaceutical Machinery Manufacturing Co., Ltd for an investment in Hunan DJY Technology Co., Ltd (“DJY”). CBAK Power has paid $1.4 million (RMB9,000,000) to acquire 9.74% of the equity interests of DJY. CBAK Power has appointed one director to the Board of Directors of DJY. DJY is an unrelated third party of the Company engaging in researching and manufacturing of raw materials and equipment.

On August 4, 2021, Daxin New Energy Automobile Technology ( Jiangsu) Co., Ltd (“Jiangsu Daxin”) was established as a wholly owned subsidiary of Nanjing CBAK with a register capital of RMB 30,000,000 (approximately $4.7 million). Pursuant to Jiangsu Daxin’s articles of association and relevant PRC regulations, Nanjing Daxin was required to contribute the capital to Jiangsu Daxin on or before July 30, 2061. Up to the date of this report the Company has contributed nil to Jiangsu Daxin.

The Company’s condensed consolidated financial statements have been prepared under US GAAP.

These condensed consolidated financial statements are unaudited. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these condensed consolidated financial statements, which are of a normal and recurring nature, have been included. The results reported in the condensed consolidated financial statements for any interim periods are not necessarily indicative of the results that may be reported for the entire year. The following (a) condensed consolidated balance sheet as of December 31, 2020, which was derived from the Company’s audited financial statements, and (b) the unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with US GAAP have been condensed or omitted pursuant to those rules and regulations, though the Company believes that the disclosures made are adequate to make the information not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying footnotes of the Company for the year ended December 31, 2020 filed with the SEC on April 13, 2021.

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. This basis of accounting differs in certain material respects from that used for the preparation of the books of account of the Company’s principal subsidiaries, which are prepared in accordance with the accounting principles and the relevant financial regulations applicable to enterprises with limited liability established in the PRC or Hong Kong. The accompanying consolidated financial statements reflect necessary adjustments not recorded in the books of account of the Company’s subsidiaries to present them in conformity with US GAAP.

After the disposal of BAK International Limited and its subsidiaries, namely Shenzhen BAK, Shenzhen BAK Power Battery Co., Ltd (formerly BAK Battery (Shenzhen) Co., Ltd.) (“BAK Shenzhen”), BAK International (Tianjin) Ltd. (“BAK Tianjin”), Tianjin Chenhao Technological Development Limited (a subsidiary of BAK Tianjin established on May 8, 2014, “Tianjin Chenhao”), BAK Battery Canada Ltd. (“BAK Canada”), BAK Europe GmbH (“BAK Europe”) and BAK Telecom India Private Limited (“BAK India”), effective on June 30, 2014, and as of September 30, 2021, the Company’s subsidiaries consisted of: i) China BAK Asia Holdings Limited (“BAK Asia”), a wholly owned limited liability company incorporated in Hong Kong on July 9, 2013; ii) Dalian CBAK Trading Co., Ltd. (“CBAK Trading”), a wholly owned limited company established on August 14, 2013 in the PRC; iii) Dalian CBAK Power Battery Co., Ltd. (“CBAK Power”), a wholly owned limited liability company established on December 27, 2013 in the PRC; and iv) CBAK New Energy (Suzhou) Co., Ltd. (“CBAK Suzhou”), a 90% owned limited liability company established on May 4, 2018 in the PRC, (v) Dalian CBAK Energy Technology Co, Ltd (“CBAK Energy”), a wholly owned limited liability company established on November 21, 2019 in the PRC, (vi) BAK Asia Investments Limited (“BAK Investments”), a wholly owned limited liability company incorporated in Hong Kong acquired on July 14, 2020, (vii) CBAK New Energy (Nanjing) Co., Ltd. (“CBAK Nanjing”), a wholly owned limited liability company established on July 31, 2020 in the PRC and (viii) Nanjing CBAK New Energy Technology Co., Ltd, (“Nanjing CBAK”), a wholly owned limited liability company established on August 6, 2020 in the PRC; (ix) Nanjing Daxin New Energy Automobile Industry Co., Ltd (“Nanjing Daxin”), a wholly owned limited liability company established on November 9, 2020 in the PRC; (iix) Daxin New Energy Automobile Technology ( Jiangsu) Co., Ltd (“Jiangsu Daxin”), a wholly owned limited liability company established on August 4, 2021 in the PRC.

The Company continued its business and continued to generate revenues from sale of batteries via subcontracting the production to BAK Tianjin and BAK Shenzhen, former subsidiaries before the completion of construction and operation of its facility in Dalian. BAK Tianjin and BAK Shenzhen are now suppliers of the Company until September 2016 when BAK Tianjin ceased production, and the Company does not have any significant benefits or liability from the operating results of BAK Tianjin and BAK Shenzhen except the normal risk with any major supplier.

**1. Principal Activities, Basis of Presentation and Organization (continued)**

*Basis of Presentation and Organization (continued)*

As of the date of this report, Mr. Xiangqian Li is no longer a director of BAK International and BAK Tianjin. He remained as a director of Shenzhen BAK and BAK Shenzhen.

On and effective March 1, 2016, Mr. Xiangqian Li resigned as Chairman, director, Chief Executive Officer, President and Secretary of the Company. On the same date, the Board of Directors of the Company appointed Mr. Yunfei Li as Chairman, Chief Executive Officer, President and Secretary of the Company. On March 4, 2016, Mr. Xiangqian Li transferred 3,000,000 shares to Mr. Yunfei Li for a price of $2.4 per share. After the share transfer, Mr. Yunfei Li held 3,000,000 shares or 17.3% and Mr. Xiangqian Li held 760,557 shares at 4.4% of the Company's outstanding stock, respectively. As of September 30, 2021, Mr. Yunfei Li held 10,852,539 shares or 12.3% of the Company's outstanding stock, and Mr. Xiangqian Li held none of the Company's outstanding stock.

The Company had an accumulated deficit from recurring losses from operations and short-term debt obligations as of December 31, 2020 and September 30, 2021. As of December 31, 2020, the Company has a working capital deficiency of $10.5 million. These factors raise substantial doubts about the Company's ability to continue as a going concern.

In June and July 2015, the Company received advances of approximately $9.8 million from potential investors. On September 29, 2015, the Company entered into a Debt Conversion Agreement with these investors. Pursuant to the terms of the Debt Conversion Agreement, each of the creditors agreed to convert existing loan principal of $9,847,644 into an aggregate 4,376,731 shares of common stock of the Company ("the Shares") at a conversion price of $2.25 per share. Upon receipt of the Shares on October 16, 2015, the creditors released the Company from all claims, demands and other obligations relating to the debts. As such, no interest was recognized by the Company on the advances from investors pursuant to the supplemental agreements with investors and the Debt Conversion Agreement.

In June 2016, the Company received further advances in the aggregate of $2.9 million from Mr. Jiping Zhou and Mr. Dawei Li. These advances were unsecured, non-interest bearing and repayable on demand. On July 8, 2016, the Company received further advances of $2.6 million from Mr. Jiping Zhou. On July 28, 2018, the Company entered into securities purchase agreements with Mr. Jiping Zhou and Mr. Dawei Li to issue and sell an aggregate of 2,206,640 shares of common stock of the Company, at $2.5 per share, for an aggregate consideration of approximately $5.52 million. On August 17, 2016, the Company issued these shares to the investors.

On February 17, 2017, the Company signed investment agreements with eight investors (including Mr. Yunfei Li, the Company's CEO, and seven of the Company's existing shareholders) whereby the investors agreed to subscribe new shares of the Company totaling $10 million. Pursuant to the investment agreements, in January 2017, the 8 investors paid the Company a total of $2.06 million as down payments. Mr. Yunfei Li agrees to subscribe new shares of the Company totaled $1,120,000 and paid the earnest money of $225,784 in January 2017. On April 1, April 21, April 26 and May 10, 2017, the Company received $1,999,910, $3,499,888, $1,119,982 and $2,985,497 from the eight investors, respectively. On May 31, 2017, the Company entered into a securities purchase agreement with these investors, pursuant to which the Company agreed to issue an aggregate of 6,403,518 shares of common stock to these investors, at a purchase price of $1.50 per share, for an aggregate price of $9.6 million, among which 746,018 shares issued to Mr. Yunfei Li. On June 22, 2017, the Company issued the shares to the investors.

In 2019, according to the investment agreements and agreed by the investors, the Company returned partial earnest money of $966,579 (approximately RMB6.7 million) to these investors.

On January 7, 2019, each of Mr. Dawei Li and Mr. Yunfei Li entered into an agreement with CBAK Power and Tianjin New Energy whereby Tianjin New Energy assigned its rights to loans to CBAK Power of approximately $3.4 million (RMB23,980,950) and $1.7 million (RMB11,647,890) (totaled $5.0 million, the "First Debt") to Mr. Dawei Li and Mr. Yunfei Li, respectively.

On January 7, 2019, the Company entered into a cancellation agreement with Mr. Dawei Li and Mr. Yunfei Li. Pursuant to the terms of the cancellation agreement, Mr. Dawei Li and Mr. Yunfei Li agreed to cancel the First Debt in exchange for 3,431,373 and 1,666,667 shares of common stock of the Company, respectively, at an exchange price of $1.02 per share. Upon receipt of the shares, the creditors released the Company from any claims, demands and other obligations relating to the First Debt.

**1. Principal Activities, Basis of Presentation and Organization (continued)**

*Basis of Presentation and Organization (continued)*

On April 26, 2019, each of Mr. Jun Lang, Ms. Jing Shi and Asia EVK Energy Auto Limited ("Asia EVK") entered into an agreement with CBAK Power and Tianjin New Energy whereby Tianjin New Energy assigned its rights to loans to CBAK Power of approximately $0.3 million (RMB2,225,082), $0.1 million (RMB 912,204) and $5.3 million (RMB35,406,036) (collectively $5.7 million, the "Second Debt") to Mr. Jun Lang, Ms. Jing Shi and Asia EVK, respectively.

On April 26, 2019, the Company entered into a cancellation agreement with Mr. Jun Lang, Ms. Jing Shi and Asia EVK (the creditors). Pursuant to the terms of the cancellation agreement, the creditors agreed to cancel the Second Debt in exchange for 300,534, 123,208 and 4,782,163 shares of common stock of the Company, respectively, at an exchange price of $1.1 per share. Upon receipt of the shares, the creditors will release the Company from any claims, demands and other obligations relating to the Second Debt.

On June 28, 2019, each of Mr. Dawei Li and Mr. Yunfei Li entered into an agreement with CBAK Power to loans approximately $1.4 million (RMB10,000,000) and $2.6 million (RMB18,000,000) respectively to CBAK Power for a term of six months (collectively $4.0 million, the "Third Debt"). The loan was unsecured, non-interest bearing and repayable on demand.

On July 16, 2019, each of Asia EVK and Mr. Yunfei Li entered into an agreement with CBAK Power and Dalian Zhenghong Architectural Decoration and Installation Engineering Co. Ltd. (the Company's construction contractor) whereby Dalian Zhenghong Architectural Decoration and Installation Engineering Co. Ltd. assigned its rights to the unpaid construction fees owed by CBAK Power of approximately $2.8 million (RMB20,000,000) and $0.4 million (RMB2,813,810) (collectively $3.2 million, the "Fourth Debt") to Asia EVK and Mr. Yunfei Li, respectively.

On July 26, 2019, the Company entered into a cancellation agreement with Mr. Dawei Li, Mr. Yunfei Li and Asia EVK (the creditors). Pursuant to the terms of the cancellation agreement, Mr. Dawei Li, Mr. Yunfei Li and Asia EVK agreed to cancel the Third Debt and Fourth Debt in exchange for 1,384,717, 2,938,067 and 2,769,435 shares of common stock of the Company, respectively, at an exchange price of $1.05 per share. Upon receipt of the shares, the creditors released the Company from any claims, demands and other obligations relating to the Third Debt and Fourth Debt. The cancellation agreement contains customary representations and warranties of the creditors. The creditors do not have registration rights with respect to the shares.

On July 24, 2019, the Company entered into a securities purchase agreement (the "Purchase Agreement") with Atlas Sciences, LLC (the "Lender"), pursuant to which the Company issued a promissory note (the "Note 1") to the Lender. The Note has an original principal amount of $1,395,000, bears interest at a rate of 10% per annum and will mature 12 months after the issuance, unless earlier paid or redeemed in accordance with its terms. The Company received proceeds of $1,250,000 after an original issue discount of $125,000 and payment of Lender's expenses of $20,000.

On October 10, 2019, each of Mr. Shibin Mao, Ms. Lijuan Wang and Mr. Ping Shen entered into an agreement with CBAK Power and Zhengzhou BAK New Energy Vehicle Co., Ltd. (the Company's supplier of which Mr. Xiangqian Li, the former CEO, is a director of this company) whereby Zhengzhou BAK New Energy Vehicle Co., Ltd. assigned its rights to the unpaid inventories cost owed by CBAK Power of approximately $2.1 million (RMB15,000,000), $1.0 million (RMB7,380,000) and $1.0 million (RMB7,380,000) (collectively $4.2 million, the "Fifth Debt") to Mr. Shibin Mao, Ms. Lijuan Wang and Mr. Ping Shen, respectively.

On October 14, 2019, the Company entered into a cancellation agreement with Mr. Shangdong Liu, Mr. Shibin Mao, Ms. Lijuan Wang and Mr. Ping Shen (the creditors). Pursuant to the terms of the cancellation agreement, Mr. Shangdong Liu, Mr. Shibin Mao, Ms. Lijuan Wang and Mr. Ping Shen agreed to cancel and convert the Fifth Debt and the Unpaid Earnest Money of approximately $1 million (RMB6,720,000) in exchange for 528,053, 3,536,068, 2,267,798 and 2,267,798 shares of common stock of the Company, respectively, at an exchange price of $0.6 per share. Upon receipt of the shares, the creditors released the Company from any claims, demands and other obligations relating to the Fifth Debt and the Unpaid Earnest Money. The cancellation agreement contains customary representations and warranties of the creditors. The creditors do not have registration rights with respect to the shares.

**1. Principal Activities, Basis of Presentation and Organization (continued)**

*Basis of Presentation and Organization (continued)*

On December 30, 2019, the Company entered into a second securities purchase agreement with Atlas Sciences, LLC (the "Lender"), pursuant to which the Company issued a promissory note (the "Note II") to the Lender. The Note II has an original principal amount of $1,670,000, bears interest at a rate of 10% per annum and will mature 12 months after the issuance, unless earlier paid or redeemed in accordance with its terms. The Company received proceeds of $1,500,000 after an original issue discount of $150,000 and payment of Lender's expenses of $20,000.

On January 27, 2020, the Company entered into an exchange agreement (the "First Exchange Agreement") with Atlas Sciences, LLC (the "Lender"), pursuant to which the Company and the Lender agreed to (i) partition a new promissory note in the original principal amount equal to $100,000 (the "Partitioned Promissory Note) from the outstanding balance of certain promissory note that the Company issued to the Lender on July 24, 2019, which has an original principal amount of $1,395,000, and (ii) exchange the Partitioned Promissory Note for the issuance of 160,256 shares of the Company's common stock, par value $0.001 per share to the Lender.

On February 20, 2020, the Company entered into a second exchange agreement (the "Second Exchange Agreement") with Atlas Sciences, LLC (the "Lender"), pursuant to which the Company and the Lender agreed to (i) partition a new promissory note in the original principal amount equal to $100,000 (the "Partitioned Promissory Note") from the outstanding balance of certain promissory note that the Company issued to the Lender on July 24, 2019, which has an original principal amount of $1,395,000, and (ii) exchange the Partitioned Promissory Note for the issuance of 207,641 shares of the Company's common stock, par value $0.001 per share to the Lender.

On April 10, 2020, each of Mr. Yunfei Li, Mr. Ping Shen and Asia EVK entered into an agreement with CBAK Power and Shenzhen BAK, whereby Shenzhen BAK assigned its rights to the unpaid inventories cost (note 6) owed by CBAK Power of approximately $1.0 million (RMB7,000,000), $2.3 million (RMB16,000,000) and $1.0 million (RMB7,300,000) (collectively $4.3 million, the "Sixth Debt") to Mr. Yunfei Li, Mr. Ping Shen and Asia EVK, respectively.

On April 27, 2020, the Company entered into a cancellation agreement with Mr. Yunfei Li, Mr. Ping Shen and Asia EVK (the creditors). Pursuant to the terms of the cancellation agreement, Mr. Yunfei Li, Mr. Ping Shen and Asia EVK agreed to cancel the Sixth Debt in exchange for 2,062,619, 4,714,557 and 2,151,017 shares of common stock of the Company, respectively, at an exchange price of $0.48 per share. Upon receipt of the shares, the creditors released the Company from any claims, demands and other obligations relating to the Sixth Debt. The cancellation agreement contains customary representations and warranties of the creditors. The creditors do not have registration rights with respect to the shares.

On April 28, 2020, the Company entered into a third exchange agreement (the "Third Exchange Agreement") with Atlas Sciences, LLC (the "Lender"), pursuant to which the Company and the Lender agreed to (i) partition a new promissory note in the original principal amount equal to $100,000 (the "Partitioned Promissory Note") from the outstanding balance of certain promissory note that the Company issued to the Lender on July 24, 2019, which has an original principal amount of $1,395,000, and (ii) exchange the Partitioned Promissory Note for the issuance of 312,500 shares of the Company's common stock, par value $0.001 per share to the Lender.

On June 8, 2020, the Company entered into a fourth exchange agreement (the "Fourth Exchange Agreement") with Atlas Sciences, LLC (the "Lender"), pursuant to which the Company and the Lender agreed to (i) partition a new promissory note in the original principal amount equal to $100,000 (the "Partitioned Promissory Note") from the outstanding balance of certain promissory note that the Company issued to the Lender on July 24, 2019, which has an original principal amount of $1,395,000, and (ii) exchange the Partitioned Promissory Note for the issuance of 271,739 shares of the Company's common stock, par value $0.001 per share to the Lender.

On June 10, 2020, the Company entered into a Fifth exchange agreement (the "Fifth Exchange Agreement") with Atlas Sciences, LLC (the "Lender"), pursuant to which the Company and the Lender agreed to (i) partition a new promissory note in the original principal amount equal to $150,000 (the "Partitioned Promissory Note") from the outstanding balance of certain promissory note that the Company issued to the Lender on July 24, 2019, which has an original principal amount of $1,395,000, and (ii) exchange the Partitioned Promissory Note for the issuance of 407,609 shares of the Company's common stock, par value $0.001 per share to the Lender.

On July 6, 2020, the Company entered into a Sixth exchange agreement (the "Sixth Exchange Agreement") with Atlas Sciences, LLC (the "Lender"), pursuant to which the Company and the Lender agreed to (i) partition a new promissory note in the original principal amount equal to $250,000 (the "Partitioned Promissory Note") from the outstanding balance of certain promissory note that the Company issued to the Lender on July 24, 2019, which has an original principal amount of $1,395,000, and (ii) exchange the Partitioned Promissory Note for the issuance of 461,595 shares of the Company's common stock, par value $0.001 per share to the Lender.

On July 8, 2020, the Company entered into a First exchange agreement for Note II (the "First Exchange Agreement- Note II") with Atlas Sciences, LLC (the "Lender"), pursuant to which the Company and the Lender agreed to (i) partition a new promissory note in the original principal amount equal to $250,000 (the "Partitioned Promissory Note") from the outstanding balance of certain promissory note that the Company issued to the Lender on December 30, 2019, which has an original principal amount of $1,670,000, and (ii) exchange the Partitioned Promissory Note for the issuance of 453,161 shares of the Company's common stock, par value $0.001 per share to the Lender.

**1. Principal Activities, Basis of Presentation and Organization (continued)**

*Basis of Presentation and Organization (continued)*

On July 29, 2020, the Company entered into a Seventh exchange agreement (the "Seventh Exchange Agreement") with Atlas Sciences, LLC (the "Lender"), pursuant to which the Company and the Lender agreed to (i) partition a new promissory note in the original principal amount equal to $365,000 (the "Partitioned Promissory Note") from the outstanding balance of certain promissory note that the Company issued to the Lender on July 24, 2019, which has an original principal amount of $1,395,000, and (ii) exchange the Partitioned Promissory Note for the issuance of 576,802 shares of the Company's common stock, par value $0.001 per share to the Lender.

On October 12, 2020, the Company entered into an Amendment to Promissory Notes (the "Amendment") with Atlas Sciences, LLC (the Lender), pursuant to which the Lender has the right at any time until the outstanding balance of the Notes has been paid in full, at its election, to convert all or any portion of the outstanding balance of the Notes into shares of common stock of the Company. The conversion price for each conversion will be calculated pursuant to the following formula: 80% multiplied by the lowest closing price of the Company common stock during the ten (10) trading days immediately preceding the applicable conversion (the "Conversion Price"). Notwithstanding the foregoing, in no event will the Conversion Price be less than $1.00.

According to the Amendment, on October 13, 2020, the Company exchange $230,000 in principal and $141,275 coupon interest under the Note I and $775,000 principal under the Note II for the issuance of 229,750 and 479,579 shares of the Company's common stock, par value $0.001 per share to the Lender, respectively.

On October 20, 2020, the Company further exchange $645,000 in principal and $133,252 coupon interests under Note II for the issuance of 329,768 shares of the Company's common stock, par value $0.001 per share to the Lender. Up to the date of this report, the Company has fully repaid the principal and coupon interests of Note I and Note II.

On November 5, 2020, each of Tillicum Investment Company Limited, an unrelated party, entered into an agreement with CBAK Nanjing and Shenzhen ESTAR Industrial Company Limited, whereby Shenzhen ESTAR Industrial Company Limited assigned its rights to the unpaid equipment cost owed by CBAK Nanjing of approximately $11.17 million (RMB75,000,000) (the "Seventh Debt") to Tillicum Investment Company Limited.

On November 11, 2020, the Company entered into a cancellation agreement with Tillicum Investment Company Limited (the "creditor"). Pursuant to the terms of the cancellation agreement, Tillicum Investment Company Limited agreed to cancel the Seventh Debt in exchange for 3,192,291 shares of common stock of the Company, at an exchange price of $3.5 per share. Upon receipt of the shares, the creditor released the Company from any claims, demands and other obligations relating to the Seventh Debt. The cancellation agreement contains customary representations and warranties of the creditor. The creditor does not have registration rights with respect to the shares.

On December 8, 2020, the Company entered into a securities purchase agreement with certain institutional investors, pursuant to which the Company issued in a registered direct offering, an aggregate of 9,489,800 shares of common stock of the Company at a per share purchase price of $5.18, and warrants to purchase an aggregate of 3,795,920 shares of common stock of the Company at an exercise price of $6.46 per share exercisable for 36 months from the date of issuance, for gross proceeds of approximately $49.16 million, before deducting fees to the placement agent and other offering expenses of $3.81 million. In addition, the placement agent for this transaction also received warrants ("Placement Agent Warrants") for the purchase of up to 379,592 shares of the Company's common stock at an exercise price of $6.475 per share exercisable for 36 months after 6 months from the issuance.

On February 8, 2021, the Company entered into another securities purchase agreement with the same investors, pursuant to which the Company issued in a registered direct offering, an aggregate of 8,939,976 shares of common stock of the Company at a per share purchase price of $7.83. In addition, the Company issued to the investors (i) in a concurrent private placement, the Series A-1 warrants to purchase a total of 4,469,988 shares of common stock, at a per share exercise price of $7.67 and exercisable for 42 months from the date of issuance; (ii) in the registered direct offering, the Series B warrants to purchase a total of 4,469,988 shares of common stock, at a per share exercise price of $7.83 and exercisable for 90 days from the date of issuance; and (iii) in the registered direct offering, the Series A-2 warrants to purchase up to 2,234,992 shares of common stock, at a per share exercise price of $7.67 and exercisable for 45 months from the date of issuance. The Company received gross proceeds of approximately $70 million from the registered direct offering and the concurrent private placement, before deducting fees to the placement agent and other offering expenses of $5.0 million. In addition, the placement agent for this transaction also received warrants ("Placement Agent Warrants") for the purchase of up to 446,999 shares of the Company's common stock at an exercise price of $9.204 per share exercisable for 36 months after 6 months from the issuance.

On May 10, 2021, the Company entered into that Amendment No. 1 to the Series B Warrant (the "Series B Warrant Amendment") with each of the holders of the Company's outstanding Series B warrants. Pursuant to the Series B Warrant Amendment, the term of the Series B warrants was extended from May 11, 2021 to August 31, 2021.

As of September 30, 2021, the Company had nil bank loans and approximately $38.9 million of other current liabilities (excluding warrants derivative liability).

The Company is currently expanding its product lines and manufacturing capacity in its Dalian and Nanjing plant, which requires more funding to finance the expansion. The Company plans to raise additional funds through banks borrowing and equity financing in the future to meet its daily cash demands, if required.

However, there can be no assurance that the Company will be successful in obtaining further financing. The Company expects that it will be able to secure more potential orders from the new energy market, especially from the electric car market. The Company believes that with the booming future market demand in high power lithium ion products, it can continue as a going concern and return to profitability.

The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty related to the Company's ability to continue as a going concern.

**1. Principal Activities, Basis of Presentation and Organization (continued)**

*Revenue Recognition*

The Company recognizes revenues when its customer obtains control of promised goods or services, in an amount that reflects the consideration which it expects to receive in exchange for those goods. The Company recognizes revenues following the five step model prescribed under ASU No. 2014-09: (i) identify contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenues when (or as) we satisfy the performance obligation.

Revenues from product sales are recognized when the customer obtains control of the Company's product, which occurs at a point in time, typically upon delivery to the customer. The Company expenses incremental costs of obtaining a contract as and when incurred if the expected amortization period of the asset that it would have recognized is one year or less or the amount is immaterial.

Revenues from product sales are recorded net of reserves established for applicable discounts and allowances that are offered within contracts with the Company's customers.

Product revenue reserves, which are classified as a reduction in product revenues, are generally characterized in the categories: discounts and returns. These reserves are based on estimates of the amounts earned or to be claimed on the related sales and are classified as reductions of accounts receivable as the amount is payable to the Company's customer.

*Recently Adopted Accounting Standards*

In December 2019, the Financial Accounting Standards Board (the "FASB") issued ASU 2019-12, Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes, eliminates certain exceptions within ASC 740, Income Taxes, and clarifies certain aspects of the current guidance to promote consistent application among reporting entities. Upon adoption, the Company must apply certain aspects of this standard retrospectively for all periods presented while other aspects are applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The Company applied the new standard beginning January 1, 2021. The adoption of ASU 2019-12 did not have any impact on the Company's condensed consolidated financial statement presentation or disclosures.

In August 2020, the FASB issued ASU No. 2020-06 ("ASU 2020-06") "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)." ASU 2020-06 reduces the number of accounting models for convertible debt instruments by eliminating the cash conversion and beneficial conversion models. As a result, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost as long as no other features require bifurcation and recognition as derivatives. For contracts in an entity's own equity, the type of contracts primarily affected by this update are freestanding and embedded features that are accounted for as derivatives under the current guidance due to a failure to meet the settlement conditions of the derivative scope exception. This update simplifies the related settlement assessment by removing the requirements to (i) consider whether the contract would be settled in registered shares, (ii) consider whether collateral is required to be posted, and (iii) assess shareholder rights. ASU 2020-06 is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, and only if adopted as of the beginning of such fiscal year. The Company adopted ASU 2020-06 effective January 1, 2021. The adoption of ASU 2020-06 did not have any impact on the Company's condensed consolidated financial statement presentation or disclosures.

*Recently Issued Accounting Standards*

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. This guidance is is to be adopted on a modified retrospective basis. As a smaller reporting company, ASU 2016-13 will be effective for the Company for interim and annual reporting periods beginning after December 15, 2022.The Company is currently evaluating the impact that the standard will have on its consolidated financial statements and related disclosures.

In May 2021, the FASB issued ASU 2021-04, Earnings Per Share (Topic 260), Debt — Modifications and Extinguishments (Subtopic 470-50), Compensation — Stock Compensation (Topic 718), and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options ("ASU 2021-04"). ASU 2021-04 provides guidance as to how an issuer should account for a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option (i.e., a warrant) that remains classified after modification or exchange as an exchange of the original instrument for a new instrument. An issuer should measure the effect of a modification or exchange as the difference between the fair value of the modified or exchanged warrant and the fair value of that warrant immediately before modification or exchange and then apply a recognition model that comprises four categories of transactions and the corresponding accounting treatment for each category (equity issuance, debt origination, debt modification, and modifications unrelated to equity issuance and debt origination or modification). ASU 2021-04 is effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should apply the guidance provided in ASU 2021-04 prospectively to modifications or exchanges occurring on or after the effective date. Early adoption is permitted for all entities, including adoption in an interim period. If an entity elects to early adopt ASU 2021-04 in an interim period, the guidance should be applied as of the beginning of the fiscal year that includes that interim period. The adoption of ASU 2021-04 is not expected to have any impact on the Company's condensed consolidated financial statement presentation or disclosures.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's condensed consolidated financial statements upon adoption.

**2. Pledged deposits**

Pledged deposits as of December 31, 2020 and September 30, 2021 consisted of the following:

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| Pledged deposits with bank for: | | |
| Bills payable | $ 8,791,499 | $ 15,552,996 |
| Others* | 198,249 | - |
| | $ 8,989,748 | $ 15,552,996 |

In November 2019, CBAK Suzhou received notice from Court of Suzhou city that Suzhou Industrial Park Security Service Co., Ltd ("Suzhou Security") filed a lawsuit against CBAK Suzhou for the failure to pay pursuant to the terms of the sales contract. Suzhou Security sought a total amount of $21,672 (RMB139,713), including services expenses amount of $21,547 (RMB138,908) and interest of $125 (RMB805). Upon the request of Suzhou Security for property preservation, the Court of Suzhou froze CBAK Suzhou's bank deposits totaling $0.02 million (RMB150,000) for a period of one year. As of December 31, 2020, $5,062 (RMB33,048) was frozen by bank. CBAK Power settled the amount due in July 2021, and the frozen bank deposits were then released.

On March 20, 2020, CBAK Power received notice from Court of Nanpi County, Hebei Province that Cangzhou Huibang Engineering Manufacturing Co., Ltd ("Cangzhou Huibang") filed a lawsuit against CBAK Power for the failure to pay pursuant to the terms of the purchase contract. Cangzhou Huibang sought a total amount of $0.31 million (RMB2,029,594), including materials purchase cost of $0.3 million (RMB1,932,947), and interest of $14,804 (RMB96,647). As of December 31, 2020, the Company has accrued materials purchase cost of $0.3 million (RMB1,932,947). Upon the request of Cangzhou Huibang for property preservation, the Court of Nanpi ordered to freeze CBAK Power's bank deposits totaling $0.4 million (RMB2,650,000) for a period of two year to March 2, 2022. As of December 31, 2020, $18,518 (RMB120,898) was frozen by bank. In March 2021, CBAK Power had made full payment and bank deposit was released.

In February 2020, CBAK Power received notice from Court of Zhuanghe that Dongguan Shanshan Battery Material Co., Ltd ("Dongguan Shanshan") filed lawsuit against CBAK Power for the failure to pay pursuant to the terms of the purchase contract. Dongguan Shanshan sought a total amount of $0.7 million (RMB4,434,209). Upon the request of Dongguan Shanshan for property preservation, the Court of Zhuanghe ordered to freeze CBAK Power's bank deposits totaling $0.7 million (RMB4,434,209) for a period of one year to December 17, 2020. In July 2020, CBAK Power and Dongguan Shanshan have come to a settlement amount of $0.6 million (RMB3,635,192) and the bank deposit was then released. In October 2020, CBAK Power fail to pay according to the settlement, Dongguan Shanshan sought a total amount of $0.6 million (RMB3,635,192). Upon the request of Dongguan Shanshan for property preservation, the Court of Zhuanghe ordered to freeze CBAK Power's bank deposits totaling $0.6 million (RMB3,365,192) for a period of one year to October 21, 2021. As of December 31, 2020, $55,230 (RMB360,576) was frozen by bank. In late February 2021, CBAK Power and Dongguan Shanshan entered into a settlement agreement that CBAK would pay $260,393, $76,586, $76,586, $76,586, and $32,088 (RMB1,700,000, RMB500,000, RMB500,000, RMB500,000 and RMB209,487) by March 5, March 31, April 30, May 31 and June 30, 2021, respectively, and after the first payment of RMB 1,700,000 by March 5, 2021, Dongguan Shanshan would release all the enforcement measures against CBAK Power. CBAK Power had made full payment on time and the bank deposit was then release.

In June 2020, CBAK Power received notice from Court of Dalian Economic and Technology Development Zone that Nanjing Jinlong Chemical Co., Ltd. ("Nanjing Jinlong") filed a lawsuit against CBAK Power for the failure to pay pursuant to the terms of the purchase contract. Nanjing Jinlong sought a total amount of $125,443 (RMB822,000). Upon the request of Nanjing Jinlong for property preservation, the Court of Dalian Economic and Technology Development Zone ordered to freeze CBAK Power's bank deposits totaling $125,443 (RMB822,000) for a period of one year. As of December 31, 2020, $16 (RMB107) was frozen by bank and the Company had accrued the material purchase cost of $125,443 (RMB822,000). In April 2021, CBAK Power has mad full settlement to Nanjing Jinlong and the property preservation was then released.

**2. Pledged deposits (continued)**

In June 2020, CBAK Power received notice from Court of Dalian Economic and Technology Development Zone that Xi'an Anpu New Energy Technology Co. LTD ("Xi'an Anpu") filed a lawsuit against CBAK Power for the failure to pay pursuant to the terms of the equipment purchase contract. Xi'an Anpu sought a total amount of $129,270 (RMB843,954), including $117,636 (RMB768,000) for equipment cost and $11,634 (RMB75,954) for liquidated damages. Upon the request of Xi'an Anpu for property preservation, the Court of Dalian Economic and Technology Development Zone ordered to freeze CBAK Power's bank deposits $0.1 million (RMB843,954) for a period to May 11, 2021. As of December 31, 2020, $98,284 (RMB641,656) was frozen by bank. The property preservation was released on February 25, 2021 upon CBAK Power settlement.

In May 2020, CBAK Power received notice from Court of Wuqing District, Tianjin that Tianjin Changyuan Electric Material Co., Ltd ("Tianjin Changyuan") filed lawsuit against CBAK Power for failure to pay pursuant to the terms of the purchase contract. The plaintiff sought a total amount of $13,040 (RMB85,136), including material cost of $12,166 (RMB79,429) and interest of $874 (RMB5,707). In July, 2020, upon the request of the plaintiff for property preservation, the Court of Wuqing District, Tianjin ordered to freeze CBAK Power's bank deposits totaling $13,041 (RMB85,136) for a period of one year. As of December 31, 2020, $13,041 (RMB85,136) was frozen by bank. CBAK Power had made full payment in March, 2021 and the property preservation was then released.

In October 2020, CBAK Power received a notice from Court of Dalian Economic and Technology Development Zone that Jiuzhao New Energy Technology Co., Ltd. ("Jiuzhao") filed a lawsuit against CBAK Power for failure to pay pursuant to the terms of certain purchase contract. Jiuzhao sought a total amount of $0.9 million (RMB6.0 million), including material cost of $0.9 million (RMB5,870,267) and interest of $19,871 (RMB129,732). Upon the request of the plaintiff for property preservation, the Court of Dalian Economic and Technology Development Zone, Jiuzhao ordered to freeze CBAK Power's bank deposits totaling $0.9 million (RMB6.0 million) for a period to September 17, 2021. As of December 31, 2020, $5,874 (RMB38,346) was frozen by bank. CBAK Power has fully paid off the debts to Jiuzhao, and the frozen bank deposits were released in April 2021.

In October 2019, CBAK Power received notice from Court of Changshou District, Chongqing that Chongqing Zhongrun Chemistry Co., Ltd ("Chongqing Zhongrun") filed arbitration claims against the Company for failure to pay pursuant to the terms of the contract. The plaintiff sought a total amount of $0.4 million (RMB2,484,948), including material cost of $0.4 million (RMB2,397,660) and interest of $13,370 (RMB87,288). On October 31, 2019, CBAK Power and Chongqing Zhongrun reached an agreement that CBAK Power would pay the material cost by the end of December 31, 2019. In 2020, CBAK Power had paid $198,144 (RMB1,293,600). In August 2020, upon the request of Chongqing Zhongrun for property preservation, the Court of Changshou District ordered to freeze CBAK Power's bank deposits totaling $0.2 million (RMB1,249,836) for a period of one year to August 2021. As of December 31, 2020, the Company has accrued the remaining material purchase cost of $0.2 million (RMB1,104,007) and $2,224 (RMB14,521) was frozen by bank. The property preservation was released in March, 2021 upon CBAK Power settlement.

## 3. Trade Accounts and Bills Receivable, net

Trade accounts and bills receivable as of December 31, 2020 and September 30, 2021 consisted of the following:

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| Trade accounts receivable | $ 33,305,997 | $ 26,874,297 |
| Less: Allowance for doubtful accounts | (5,266,828) | (4,894,614) |
| | 28,039,169 | 21,979,683 |
| Bills receivable | 1,532,105 | 251,759 |
| | $ 29,571,274 | $ 22,231,442 |

Included in trade accounts and bills receivables are retention receivables of $1,896,068 and $1,897,891 as of December 31, 2020 and September 30, 2021. Retention receivables are interest-free and recoverable either at the end of the retention period of three to five years since the sales of the EV batteries or 200,000 km since the sales of the motor vehicles (whichever comes first).

An analysis of the allowance for doubtful accounts is as follows:

| | *September 30, 2020* | *September 30, 2021* |
|---|---|---|
| Balance at beginning of period | $ 4,650,686 | $ 5,266,828 |
| Provision for the period | 981,241 | - |
| Reversal - recoveries by cash | (917,707) | (437,475) |
| Charged to consolidated statements of operations and comprehensive (loss) income | 63,534 | (437,475) |
| Foreign exchange adjustment | 120,420 | 65,261 |
| Balance at end of period | $ 4,834,640 | $ 4,894,614 |

## 4. Inventories

Inventories as of December 31, 2020 and September 30, 2021 consisted of the following:

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| Raw materials | $ 757,857 | $ 2,820,938 |
| Work in progress | 2,338,342 | 3,597,165 |
| Finished goods | 2,156,646 | 2,831,352 |
| | $ 5,252,845 | $ 9,249,455 |

During the three months ended September 30, 2020 and 2021, write-downs of inventories to lower of cost or net realizable value of $267,117 and $324,984, respectively, were charged to cost of revenues.

During the nine months ended September 30, 2020 and 2021, write-downs of inventories to lower of cost or net realizable value of $724,156 and $663,041, respectively, were charged to cost of revenues.

## 5. Prepayments and Other Receivables

Prepayments and other receivables as of December 31, 2020 and September 30, 2021 consisted of the following:

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| Value added tax recoverable | $ 4,524,475 | $ 5,016,628 |
| Loan receivables * | 1,358,637 | - |
| Prepayments to suppliers | 424,311 | 2,831,442 |
| Deposits | 17,385 | 3,226 |
| Staff advances | 67,867 | 79,380 |
| Prepaid operating expenses | 529,401 | 766,274 |
| Others | 524,468 | 1,025,628 |
| | 7,446,544 | 9,722,578 |
| Less: Allowance for doubtful accounts | (7,000) | (7,000) |
| | $ 7,439,544 | $ 9,715,578 |

* Nanjing CBAK entered into a loan agreement with Shen Zhen Asian Plastics Technology Co., Ltd (SZ Asian Plastics), to loan SZ Asian Plastics a total amount of $1.4 million (RMB8,870,000) for a period of 6 months from December 1, 2020 to May 31, 2021. The loan was unsecured and bearing fixed interest at 6% per annum. The Company's shareholder Mr. Jiping Zhao, holding 2.39% equity interest in the Company, at the same time held 79.13% equity interests in SZ Asian Plastics. In March 2021, SZ Asian Plastics has fully repaid the loan principal.

## 6. Acquisition of a subsidiary and Hitrans Loan

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| Deposits paid for acquisition of a subsidiary | $ - | $ 8,349,118 |

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| Hitrans Loan | $ - | $ 20,326,775 |

On April 1, 2021, CBAK Power entered into a framework investment agreement with Hangzhou Juzhong Daxin Asset Management Co., Ltd.("Juzhong Daxin") for a potential acquisition of Zhejiang Hitrans Lithium Battery Technology Co., Ltd ("Hitrans", formerly known as Zhejinag MeiduHitrans Lithium Battery Technology Co., Ltd). Juzhong Daxin is the trustee of 85% of equity interests of Hitrans and has the voting right and right to dividend over the 85% of equity interests. Subject to definitive acquisition agreements to be entered into among the parties, including shareholders owning the 85% of equity interests of Hitrans, CBAK Power intends to acquire 85% of equity interests of Hitrans in cash in 2021. CBAK Power has paid $3.10 million (RMB20,000,000) to Juzhong Daxin as a security deposit in April 2021. Hitrans is an unrelated third party of the Company engaging in researching, manufacturing and trading of raw materials and is one of the major suppliers of the Company in fiscal 2020.

On July 20, 2021, CBAK Power entered into a framework agreement relating to CBAK Power's investment in Hitrans, pursuant to which CBAK Power will acquire 81.56% of the equity interests of Hitrans (the "Acquisition Agreement"). Under the Acquisition Agreement, CBAK Power will acquire 60% ownership of Hitrans from Zhejiang Meidu Graphene Technology Co., Ltd. ("Meidu Graphene") valued at RMB118 million ($18.30 million) and 21.56% ownership of Hitrans from Hitrans's management shareholders valued at approximately RMB40.74 million ($6.32 million). Two individuals among Hitrans management shareholders, including Hitrans's CEO, Mr. Haijun Wu ("Mr. Wu"), will keep 2.50% ownership of Hitrans and New Era Group Zhejiang New Energy Materials Co., Ltd. ("New Era") will continue to hold 15% ownership of Hitrans after the acquisition.

As of the date of the Acquisition Agreement, the 25% ownership of Hitrans held by Hitrans management shareholders was frozen as a result of a litigation arising from the default by Hitrans management shareholders on debts borrowed from Zhejiang Meidu Pawn Co., Ltd. ("Pawn Co.") whereby the 25% ownership of Hitrans was pledged as collateral. Mr. Junnan Ye ("Mr. Ye"), acting as an intermediary, will first acquire 22.5% ownership of Hitrans, free of any encumbrances, from Hitrans management shareholders. Pursuant to the Acquisition Agreement, within five days of CBAK Power's obtaining 21.56% ownership of Hitrans from Mr. Ye, CBAK Power will pay approximately RMB40.74 million ($6.32 million) in cash, which amount shall be used toward the repayment of debts due to Pawn Co. On July 23, 2021, CBAK Power paid RMB40.74 million (approximately $6.32 million) in cash to Mr. Ye.

In addition, as of the date of the Acquisition Agreement, Meidu Graphene's 60% ownership of Hitrans was frozen as a result of a litigation arising from Hitrans's failure to make payments to New Era in connection with the purchase of land use rights, plants, equipment, pollution discharge permit and other assets (the "Assets") under certain asset transfer agreements as well as Meidu Graphene's guarantee for Hitrans's payment obligations thereunder. As a part of the transaction, CBAK Power entered into a loan agreement with Hitrans to lend Hitrans approximately RMB131 million ($20.32 million) (the "Hitrans Loan") by remitting approximately RMB131 million ($20.32 million) into the account of Shaoxing Intermediate People's Court (the "Court") to remove the freeze on Meidu Graphene's 60% ownership of Hitrans. Moreover, Juzhong Daxin will return RMB15 million ($2.33 million) of the security deposit to CBAK Power before CBAK Power wires approximately RMB131 million ($20.32 million) to the Court and will retain RMB5 million ($0.78 million) as commission for facilitating the acquisition. As of September 30, 2021, Juzhong Daxin returned RMB7 million ($1.1 million) of the security deposit to CBAK Power.

CBAK Power shall pay all other fees due to Juzhong Daxin in accordance with the Letter of Intent. According to the Acquisition Agreement, Mr. Ye will first acquire 60% ownership of Hitrans, free of any encumbrances, from Meidu Graphene. Thereafter, CBAK Power will assign RMB118 million ($18.30 million) of the Hitrans Loan to Mr. Junnan Ye as consideration for the acquisition of 60% ownership of Hitrans from Mr. Ye (the "Assignment"). Hitrans shall repay RMB118 million ($18.27 million) to Mr. Ye in accordance with a separate loan repayment agreement (the "Loan Repayment Agreement") to be entered into among Mr. Ye, Hitrans, CBAK Power and Mr. Wu. Under the Loan Repayment Agreement, Hitrans shall repay Mr. Ye at least RMB70 million ($10.86 million) within two months of obtaining the title to the Assets from New Era and the remaining balance by December 31, 2021, with a fixed interest of RMB3.5 million ($0.54 million) which can be reduced by up to RMB1 million ($0.15 million) if the loan is settled before its due date. CBAK Power provides guarantee to Mr. Ye on Hitrans's repayment obligations under the Loan Repayment Agreement. Hitrans shall repay the remaining approximately RMB13 million ($2.02 million) of the Hitrans Loan to CBAK Power at an interest rate of 6% per annum, maturing in one year from the date of the Assignment. For the three and nine months ended September 30, 2021, the Company recorded interest income of $19,890.

As of the date of this report, the transfer of 81.56% ownership of Hitrans to CBAK Power has been registered with the local government and CBAK Power has paid approximately RMB40.74 million (approximately $6.32 million) in cash to Mr. Ye. In addition, CBAK Power has wired approximately RMB131 million (approximately $20.32 million) to the Court and Juzhong Daxin returned RMB7 million ($1.1 million) of the security deposit to CBAK Power.. CBAK Power expects to close the acquisition of 81.56% ownership of Hitrans upon the satisfaction of all closing conditions in the Acquisition Agreement, including that Hitrans obtains the title to all the assets.

## 7. Payables to Former Subsidiaries, net

Payable to former subsidiaries, net as of December 31, 2020 and September 30, 2021 consisted of the following:

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| BAK Tianjin | $ 29,852 | $ 7,970 |
| BAK Shenzhen | 597,138 | 353,904 |
| | $ 626,990 | $ 361,874 |

Balance as of December 31, 2020 and September 30, 2021 consisted of payables for purchase of inventories from BAK Tianjin and BAK Shenzhen. From time to time, to meet the needs of its customers, the Company purchased products from these former subsidiaries that it did not produce to meet the needs of its customers.

The above balance is unsecured and non-interest bearing and repayable on demand.

## 8. Property, Plant and Equipment, net

Property, plant and equipment as of December 31, 2020 and September 30, 2021 consisted of the following:

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| Buildings | $ 28,150,137 | $ 28,531,939 |
| Machinery and equipment | 32,753,952 | 33,979,680 |
| Office equipment | 258,458 | 467,293 |
| Motor vehicles | 197,790 | 330,801 |
| Leasehold improvements | - | 1,216,573 |
| | 61,360,337 | 64,526,286 |
| Impairment | (8,980,020) | (9,063,579) |
| Accumulated depreciation | (11,339,947) | (13,412,118) |
| Carrying amount | $ 41,040,370 | $ 42,050,589 |

During the three months ended September 30, 2020 and 2021, the Company incurred depreciation expense of $695,950 and $604,201, respectively

During the nine months ended September 30, 2020 and 2021, the Company incurred depreciation expense of $1,838,357 and $1,993,929, respectively

The Company has not yet obtained the property ownership certificates of the buildings in its Dalian manufacturing facilities with a carrying amount of $24,611,468 and $24,349,395 as of December 31, 2020 and September 30, 2021, respectively. The Company built its facilities on the land for which it had already obtained the related land use right. The Company has submitted applications to the Chinese government for the ownership certificates on the completed buildings located on these lands. However, the application process takes longer than the Company expected and it has not obtained the certificates as of the date of this report. However, since the Company has obtained the land use right in relation to the land, the management believe the Company has legal title to the buildings thereon albeit the lack of ownership certificates.

During the course of the Company's strategic review of its operations, the Company assessed the recoverability of the carrying value of the Company's property, plant and equipment. The impairment charge, if any, represented the excess of carrying amounts of the Company's property, plant and equipment over the estimated discounted cash flows expected to be generated by the Company's production facilities. The Company believes that there was no impairment during the three and nine months ended September 30, 2020 and 2021.

## 9. Construction in Progress

Construction in progress as of December 31, 2020 and September 30, 2021 consisted of the following:

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| Construction in progress | $ 27,070,916 | $ 45,917,555 |
| Prepayment for acquisition of property, plant and equipment | 3,122,393 | 3,328,560 |
| Carrying amount | $ 30,193,309 | $ 49,246,115 |

Construction in progress as of December 31, 2020 and September 30, 2021 was mainly comprised of capital expenditures for the construction of the facilities and production lines of CBAK Power and Nanjing CBAK.

For the three months ended September 30, 2020 and 2021, the Company capitalized interest of $315,177 and $19, respectively, to the cost of construction in progress.

For the nine months ended September 30, 2020 and 2021, the Company capitalized interest of $935,399 and $306,514, respectively, to the cost of construction in progress.

## 10. Non-marketable equity securities

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| Cost | $ - | $ 1,396,076 |
| Impairment | - | (693,269) |
| Carrying amount | $ - | $ 702,807 |

On April 21, 2021, CBAK Power, along with Shenzhen BAK Power Battery Co., Ltd (BAK Shenzhen), Shenzhen Asian Plastics Technology Co., Ltd (SZ Asian Plastics) and Xiaoxia Liu (collectively the “Investors”), entered into an investment agreement with Junxiu Li, Hunan Xintao New Energy Technology Partnership, Xingyu Zhu, and Jiangsu Saideli Pharmaceutical Machinery Manufacturing Co., Ltd for an investment in Hunan DJY Technology Co., Ltd ("DJY"), a privately held company. CBAK Power has paid $1.40 million (RMB9,000,000) to acquire 9.74% of the equity interests of DJY. CBAK Power along with other three new investors has appointed one director on behalf of the Investors to the Board of Directors of DJY. DJY is unrelated third party of the Company engaging in in research and development, production and sales of products and services to lithium battery positive cathode materials producers, including the raw materials, fine ceramics, equipment and industrial engineering.

Non-marketable equity securities are investments in privately held companies without readily determinable market value. The Company measures investments in non-marketable equity securities without a readily determinable fair value using a measurement alternative that measures these securities at the cost method minus impairment, if any, plus or minus changes resulting from observable price changes on a non-recurring basis. The fair value of non-marketable equity securities that have been remeasured due to impairment are classified within Level 3. The Company adjusts the carrying value of non-marketable equity securities which have been remeasured during the period and recognize resulting gains or losses as a component of other operating income (expense), net. The Company recognized an impairment loss of $43 and $690,585 on the non-marketable equity securities for the three and nine months ended September 30, 2021, respectively.

## 11. Lease

### (a) Right-of-use assets

Right-of-use assets as of September 30, 2021 consisted of the followings:

| | *Prepaid land lease payments* |
|---|---|
| Balance as of January 1, 2021 | $ 7,500,780 |
| Amortization charge for the period | (130,211) |
| Foreign exchange adjustment | 94,857 |
| Balance as of September 30, 2021 | $ 7,465,426 |

Lump sum payments were made upfront to acquire the leased land from the owners with lease period for 50 years up to August 9, 2064, and no ongoing payments will be made under the terms of these land leases.

**11. Lease (continued)**

**(b) Company as Lessor**

The Company derives a portion of its revenue from leasing arrangements of these vehicles to end users. Such arrangements provide for monthly payments covering the vehicles sales and interest. These arrangements meet the criteria to be accounted for as sales-type leases. Accordingly, vehicle sale net of cost is recorded as other income and recognized upon delivery of the vehicle and its acceptance by the end user. Upon the recognition of such revenue, an asset is established for the investment in sales-type leases. Interests are recognized monthly over the lease term. The components of the net investment in sales-type leases as of December 31, 2020 and September 30, 2021 are as follows:

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| Total future minimum lease payments receivable | $ 1,210,305 | $ 1,950,163 |
| Less: unearned income, representing interest | (124,653) | (130,783) |
| Present value of minimum lease payments receivables | 1,085,652 | 1,819,380 |
| Less: Current portion | (235,245) | (838,649) |
| Non-current portion | $ 850,407 | $ 980,731 |

Vehicle sale net of cost recognized in other income (expense) from vehicle leasing was $(6) and $(91,999) for the three and nine months ended September 30, 2021, respectively.

Interest income from vehicle leasing was $25,674 and $96,702 for the three and nine months ended September 30, 2021, respectively

The future minimum lease payments receivable for sales type leases are as follows:

| *12 months ending September 30,* | *Total Minimum Lease Payments to be Received* | *Amortization of Unearned Income* | *Net Investment in Sales Type Leases* |
|---|---|---|---|
| 2022 | $ 919,238 | $ 80,589 | $ 838,649 |
| 2023 | 678,840 | 42,903 | 635,937 |
| 2024 | 352,085 | 7,291 | 344,794 |
| 2025 | - | - | - |
| 2026 | - | - | - |
| Thereafter | - | - | - |
| | $ 1,950,163 | $ 130,783 | $ 1,819,380 |

**(c) Operating lease**

On January 14, 2021, Nanjing Daxin entered into a lease agreement for manufacturing, warehouse and office space in Tianjing with a three year term, commencing on March 1, 2021 and expiring on February 29, 2024. The monthly rental payment is approximately $11,346 (RMB73,143) per month.

On April 6, 2021, Nanjing CBAK entered into a lease agreement for warehouse space in Nanjing with a three year term, commencing on April 15, 2021 and expiring on April 14, 2024. The monthly rental payment is approximately $15,162 (RMB97,743) per month.

On June 1, 2021, Nanjing Daxin entered into a lease agreement for manufacturing, warehouse and office space in Wuxi with a three year term, commencing on June 1, 2021 and expiring on May 31, 2024. The monthly rental payment is approximately $36,933 (RMB238,095) per month for the first year and approximately $43,089 (RMB277,778) per month from the second year.

The following is a schedule, by years, of maturities of lease liabilities as of September 30, 2021:

| | *Operating leases* |
|---|---|
| 12 months ending September 30, | |
| 2022 | $ 835,158 |
| 2023 | 835,158 |
| 2024 | - |
| 2025 | - |
| Thereafter | - |
| Total undiscounted cash flows | 1,670,316 |
| Less: imputed interest | (115,646) |
| Present value of lease liabilities | $ 1,554,670 |

**11. Lease (continued)**

**(c) Operating lease (continued)**

Lease term and discount rate

| | *September 30, 2021* |
|---|---|
| Weighted-average remaining lease term - years | 2.69 |
| Weighted-average discount rate (%) | 6.175% |

Operating lease expenses for the three and nine months ended September 30, 2020 and 2021 for the capitation agreement was as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2020** | **2021** | **2020** | **2021** |
| Operating lease cost – straight line | - | 175,932 | - | 290,051 |
| Total lease expense | - | 175,932 | $ - | $ 290,051 |

**12. Intangible Assets, net**

Intangible assets as of December 31, 2020 and September 30, 2021 consisted of the followings:

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| Computer software at cost | $ 32,686 | $ 44,634 |
| Accumulated amortization | (20,879) | (23,216) |
| | $ 11,807 | $ 21,418 |

Amortization expenses were $870 and $1,613 for the three months ended September 30, 2020 and 2021and $3,452 and $4,195 for the nine months ended September 30, 2020 and 2021, respectively.

**13. Trade Accounts and Bills Payable**

Trade accounts and bills payable as of December 31, 2020 and September 30, 2021 consisted of the followings:

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| Trade accounts payable | $ 19,560,793 | $ 5,396,496 |
| Bills payable | | |
| - Bank acceptance bills (Note 14) | 8,791,499 | 15,653,824 |
| | $ 28,352,292 | $ 21,050,320 |

All the bills payable are of trading nature and will mature within six months to one year from the issue date.

The bank acceptance bills were pledged by:

(i) the Company's bank deposits (Note 2);

(ii) $100,828 of the Company's bills receivable as of September 30, 2021 (Note 3).

**14. Loans**

*Bank loans:*

Bank borrowings as of December 31, 2020 and September 30, 2021 consisted of the followings

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| Current maturities of long-term bank loans | $ 13,739,546 | $ - |

On June 4, 2018, the Company obtained banking facilities from China Everbright Bank Dalian Branch with a maximum amount of RMB200 million (approximately $30.63 million) bearing interest at 130% of benchmark rate of the People's Bank of China ("PBOC") for three-year long-term loans with the term from June 12, 2018 to June 10, 2021, at current rate 6.175% per annum. The facilities were secured by the Company's land use rights, buildings, machinery and equipment. According to the original repayment schedule, the loans are repayable in six installments of RMB0.8 million ($0.12 million) on December 10, 2018, RMB24.3 million ($3.72 million) on June 10, 2019, RMB0.8 million ($0.12 million) on December 10, 2019, RMB74.7 million ($11.44 million) on June 10, 2020, RMB0.8 million ($0.12 million) on December 10, 2020 and RMB66.3 million ($10.16 million) on June 10, 2021. The Company repaid the bank loan of RMB0.8 million ($0.12 million), RMB24.3 million ($3.72 million) and RMB0.8 million ($0.12 million) in December 2018, June 2019 and December 2019, respectively.

**14. Loans (continued)**

On June 28, 2020, the Company entered into a supplemental agreement with China Everbright Bank Dalian Branch to change the repayment schedule. According to the modification agreement, the remaining RMB141.8 million (approximately $21.72 million) loans are repayable in eight instalments consisting of RMB1.09 million ($0.17 million) on June 10, 2020, RMB1 million ($0.15 million) on December 10, 2020, RMB2 million ($0.31 million) on January 10, 2021, RMB2 million ($0.31 million) on February 10, 2021, RMB2 million ($0.31 million) on March 10, 2021, RMB2 million ($0.31 million) on April 10, 2021, RMB2 million ($0.31 million) on May 10, 2021, and RMB129.7 million ($19.9 million) on June 10, 2021, respectively. As of June 30, 2021, the Company repaid all the bank loan.

*Bank loans: (continued)*

On October 15, 2019, the Company borrowed a total of RMB28 million (approximately $4.12 million) in the form of bills payable from China Everbright Bank Dalian Branch for a term until October 15, 2020, which was secured by the Company's cash totaled RMB28 million (approximately $4.12 million). The Company discounted the bills payable of even date to China Everbright Bank at a rate of 3.3%. The Company repaid the bills on October 15, 2020.

In December 2019, the Company obtained banking facilities from China Everbright Bank Dalian Friendship Branch totaled RMB39.9 million (approximately $6.1 million) for a term until November 6, 2020, bearing interest at 5.655% per annum. The facility was secured by 100% equity in CBAK Power held by BAK Asia and buildings of Hubei BAK Real Estate Co., Ltd., which Mr. Yunfei Li ("Mr. Li"), the Company's CEO holding 15% equity interest. Under the facilities, the Company repaid the bank loan of RMB39.9 million (approximately $6.1 million) in December 2020.

In October to December 2020, the Company borrowed a series of acceptance bills from China Merchants Bank totaled RMB13.5 million (approximately $2.07 million) for various terms through April to June 2021, which was secured by the Company's cash totaled RMB13.5 million (approximately $2.07 million). The Company repaid the bills through April to June 2021.

The Company borrowed a series of acceptance bills from Agricultural Bank of China totaled RMB31.0 million (approximately $4.8 million) for various terms to October 2021 to March 2022, which was secured by the Company's cash totaled RMB31.0 million (approximately $4.81 million) (Note 2).

The Company borrowed a series of acceptance bills from China Zheshang Bank Co. Ltd Shenyang Branch totaled RMB39.9 million (approximately $6.19 million) for various terms to October 2021 to March 2022, which was secured by the Company's cash totaled RMB39.2 million (approximately $6.09 million) (Note 2) and the Company's bills receivable totaled RMB0.7 million (approximately $0.1 million) (Note 3).

On April 19, 2021, the Company obtained five-year acceptance bills facilities from Bank of Ningbo Co., Ltd with a maximum amount of RMB84.4 million (approximately $13.1 million). Any amount drawn under the facilities requires security in the form of cash or bank acceptance bills receivable of at least the same amount. Under the facilities, as of September 30, 2021, the Company borrowed a total of RMB30 million (approximately $4.7 million) from Bank of Ningbo Co., Ltd in the form of bills payable for a various term expiring from October 2021 to February 2022, which was secured by the Company's cash totaled RMB30 million (approximately $4.66 million) (Note 2).

The facilities were also secured by the Company's assets with the following carrying amounts:

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| Pledged deposits (note 2) | $ 8,791,499 | $ 15,552,996 |
| Bills receivable (note 3) | - | 100,828 |
| Right-of-use assets (note 11) | 7,500,780 | - |
| Buildings | 16,721,178 | - |
| Machinery and equipment | 4,926,886 | - |
| | $ 37,940,343 | $ 15,653,824 |

During the three months ended September 30, 2020 and 2021, interest of $402,268 and $19, respectively, was incurred on the Company's bank borrowings.

During the nine months ended September 30, 2020 and 2021, interest of $1,190,629 and $306,514, respectively, was incurred on the Company's bank borrowings.

**14. Loans (continued)**

*Other Short-term Loans*

Other short-term loans as of December 31, 2020 and September 30, 2021 consisted of the following:

| | *Note* | *December 31, 2020* | *September 30, 2021* |
|---|---|---|---|
| Advance from related parties | | | |
| – Mr. Xiangqian Li, the Company's Former CEO | (a) | 100,000 | 100,000 |
| – Mr. Yunfei Li | (b) | 278,739 | 95,574 |
| – Shareholders | (c) | 92,446 | 93,622 |
| | | 471,185 | 289,196 |
| Advances from unrelated third party | | | |
| – Mr. Wenwu Yu | (d) | 16,823 | 17,037 |
| – Mr. Longqian Peng | (d) | 689,275 | 296,770 |
| – Suzhou Zhengyuanwei Needle Ce Co., Ltd | (e) | 76,586 | 77,560 |
| | | 782,684 | 391,367 |
| | | $ 1,253,869 | $ 680,563 |

(a) Advances from Mr. Xiangqian Li, the Company's former CEO, was unsecured, non-interest bearing and repayable on demand.

(b) Advances from Mr. Yunfei Li, the Company's CEO, was unsecured, non-interest bearing and repayable on demand.

(c) The earnest money paid by certain shareholders in relation to share purchase (note 1) were unsecured, non-interest bearing and repayable on demand.

In 2019, according to the investment agreements and agreed by the investors, the Company returned earnest money of $949,317 (approximately RMB6.7 million) to these investors.

**14. Loans (continued)**

*Other Short-term Loans (continued)*

On October 14, 2019, the Company entered into a cancellation agreement with Mr. Shangdong Liu, Mr. Shibin Mao, Ms. Lijuan Wang and Mr. Ping Shen (the creditors). Pursuant to the terms of the cancellation agreement, Mr. Shangdong Liu, Mr. Shibin Mao, Ms. Lijuan Wang and Mr. Ping Shen agreed to cancel and convert the Fifth Debt (note 1) and the Unpaid Earnest Money in exchange for 528,053, 3,536,068, 2,267,798 and 2,267,798 shares of common stock of the Company, respectively, at an exchange price of $0.6 per share. Upon receipt of the shares, the creditors will release the Company from any claims, demands and other obligations relating to the Fifth Debt and the Unpaid Earnest Money.

As of September 30, 2021, earnest money of $93,622 remained outstanding.

(d) Advances from unrelated third parties were unsecured, non-interest bearing and repayable on demand.

(e) In 2019, the Company entered into a short term loan agreement with Suzhou Zhengyuanwei Needle Ce Co., Ltd, an unrelated party to loan RMB0.6 million (approximately $0.1 million), bearing annual interest rate of 12%. As of September 30, 2021, loan amount of RMB0.5 million ($77,560) remained outstanding.

During the three months ended September 30, 2020 and 2021, interest of $137,000 and $2,370 were incurred on the Company's borrowings from unrelated parties, respectively.

During the nine months ended September 30, 2020 and 2021, interest of $427,769 and $7,031 were incurred on the Company's borrowings from unrelated parties, respectively.

**15. Accrued Expenses and Other Payables**

Accrued expenses and other payables as of December 31, 2020 and September 30, 2021 consisted of the following:

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| Construction costs payable (note 1) | $ 273,279 | $ 2,644,405 |
| Equipment purchase payable | 5,431,132 | 6,824,049 |
| Liquidated damages (note a) | 1,210,119 | 1,210,119 |
| Accrued staff costs | 2,083,660 | 1,572,028 |
| Customer deposits | 394,536 | 466,829 |
| Deferred revenue | - | 784,000 |
| Other payables and accruals | 2,252,733 | 2,295,164 |
| | $ 11,645,459 | $ 15,796,594 |

(a) On August 15, 2006, the SEC declared effective a post-effective amendment that the Company had filed on August 4, 2006, terminating the effectiveness of a resale registration statement on Form SB-2 that had been filed pursuant to a registration rights agreement with certain shareholders to register the resale of shares held by those shareholders. The Company subsequently filed Form S-1 for these shareholders. On December 8, 2006, the Company filed its Annual Report on Form 10-K for the year ended September 30, 2006 (the "2006 Form 10-K"). After the filing of the 2006 Form 10-K, the Company's previously filed registration statement on Form S-1 was no longer available for resale by the selling shareholders whose shares were included in such Form S-1. Under the registration rights agreement, those selling shareholders became eligible for liquidated damages from the Company relating to the above two events totaling approximately $1,051,000. As of December 31, 2020 and September 30, 2021, no liquidated damages relating to both events have been paid.

## 15. Accrued Expenses and Other Payables (continued)

On November 9, 2007, the Company completed a private placement for the gross proceeds to the Company of $13,650,000 by selling 3,500,000 shares of common stock at the price of $3.90 per share. Roth Capital Partners, LLC acted as the Company's exclusive financial advisor and placement agent in connection with the private placement and received a cash fee of $819,000. The Company may have become liable for liquidated damages to certain shareholders whose shares were included in a resale registration statement on Form S-3 that the Company filed pursuant to a registration rights agreement that the Company entered into with such shareholders in November 2007. Under the registration rights agreement, among other things, if a registration statement filed pursuant thereto was not declared effective by the SEC by the 100th calendar day after the closing of the Company's private placement on November 9, 2007, or the "Effectiveness Deadline", then the Company would be liable to pay partial liquidated damages to each such investor of (a) 1.5% of the aggregate purchase price paid by such investor for the shares it purchased on the one month anniversary of the Effectiveness Deadline; (b) an additional 1.5% of the aggregate purchase price paid by such investor every thirtieth day thereafter (pro rated for periods totaling less than thirty days) until the earliest of the effectiveness of the registration statement, the ten-month anniversary of the Effectiveness Deadline and the time that the Company is no longer required to keep such resale registration statement effective because either such shareholders have sold all of their shares or such shareholders may sell their shares pursuant to Rule 144 without volume limitations; and (c) 0.5% of the aggregate purchase price paid by such investor for the shares it purchased in the Company's November 2007 private placement on each of the following dates: the ten-month anniversary of the Effectiveness Deadline and every thirtieth day thereafter (prorated for periods totaling less than thirty days), until the earlier of the effectiveness of the registration statement and the time that the Company no longer is required to keep such resale registration statement effective because either such shareholders have sold all of their shares or such shareholders may sell their shares pursuant to Rule 144 without volume limitations. Such liquidated damages would bear interest at the rate of 1% per month (prorated for partial months) until paid in full.

On December 21, 2007, pursuant to the registration rights agreement, the Company filed a registration statement on Form S-3, which was declared effective by the SEC on May 7, 2008. As a result, the Company estimated liquidated damages amounting to $561,174 for the November 2007 registration rights agreement. As of December 31, 2020 and September 30, 2021, the Company had settled the liquidated damages with all the investors and the remaining provision of approximately $159,000 was included in other payables and accruals.

## 16. Deferred Government Grants

Deferred government grants as of December 31, 2020 and September 30, 2021 consist of the following:

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| Total government grants | $ 7,456,308 | $ 8,987,250 |
| Less: Current portion | (151,476) | (153,402) |
| Non-current portion | $ 7,304,832 | $ 8,833,848 |

In September 2013, the Management Committee of Dalian Economic Zone Management Committee (the "Management Committee") provided a subsidy of RMB150 million to finance the costs incurred in moving the Company facilities to Dalian, including the loss of sales while the new facilities were being constructed. For the year ended September 30, 2015, the Company recognized $23,103,427 as income after offset of the related removal expenditures of $1,004,027. No such income or offset was recognized in the three and nine months ended September 30, 2020 and 2021.

On October 17, 2014, the Company received a subsidy of RMB46,150,000 pursuant to an agreement with the Management Committee dated July 2, 2013 for costs of land use rights and to be used to construct the new manufacturing site in Dalian. Part of the facilities had been completed and was operated in July 2015 and the Company has initiated amortization on a straight-line basis over the estimated useful lives of the depreciable facilities constructed thereon.

On June 23, 2020, BAK Asia, the Company wholly-owned Hong Kong subsidiary, entered into a framework investment agreement with Jiangsu Gaochun Economic Development Zone Development Group Company ("Gaochun EDZ"), pursuant to which the Company intended to develop certain lithium battery projects that aim to have a production capacity of 8Gwh. Gaochun EDZ agreed to provide various support to facilitate the development and operation of the projects. As of the date of this report, the Company received RMB30 million (approximately $4.7 million) subsidy from Gaochun EDZ. The Company will recognize the government subsidies as income or offsets them against the related expenditures when there are no present or future obligations for the subsidized projects.

The Company offset government grants of $35,713 and $38,207 for the three months ended September 30, 2020 and 2021 and $106,020 and $114,606 for the nine months ended September 30, 2020 and 2021, respectively, against depreciation expenses of the Dalian facilities.

## 17. Product Warranty Provision

The Company maintains a policy of providing after sales support for certain of its new EV and LEV battery products introduced since October 1, 2015 by way of a warranty program. The limited cover covers a period of six to twelve months for battery cells, a period of twelve to twenty seven months for battery modules for light electric vehicles (LEV) such as electric bicycles, and a period of three years to eight years (or 120,000 or 200,000 km if reached sooner) for battery modules for electric vehicles (EV). The Company accrues an estimate of its exposure to warranty claims based on both current and historical product sales data and warranty costs incurred. The Company assesses the adequacy of its recorded warranty liability at least annually and adjusts the amounts as necessary.

## 18. Income Taxes, Deferred Tax Assets and Deferred Tax Liabilities

*(a) Income taxes in the condensed consolidated statements of comprehensive loss (income)*

The Company's provision for income taxes expenses consisted of:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | *2020* | *2021* | *2020* | *2021* |
| PRC income tax: | | | | |
| Current | $ - | $ - | $ - | $ - |
| Deferred | - | - | - | - |
| | $ - | $ - | $ - | $ - |

**United States Tax**

CBAK is a Nevada corporation that is subject to U.S. corporate income tax on its taxable income at a rate of up to 21% for taxable years beginning after December 31, 2017 and U.S. corporate income tax on its taxable income of up to 35% for prior tax years. The U.S. Tax Reform signed into law on December 22, 2017 significantly modified the U.S. Internal Revenue Code by, among other things, reducing the statutory U.S. federal corporate income tax rate from 35% to 21% for taxable years beginning after December 31, 2017; limiting and/or eliminating many business deductions; migrating the U.S. to a territorial tax system with a one-time transition tax on a mandatory deemed repatriation of previously deferred foreign earnings of certain foreign subsidiaries; subject to certain limitations, generally eliminating U.S. corporate income tax on dividends from foreign subsidiaries; and providing for new taxes on certain foreign earnings. Taxpayers may elect to pay the one-time transition tax over eight years, or in a single lump sum.

**18. Income Taxes, Deferred Tax Assets and Deferred Tax Liabilities (continued)**

*(a) Income taxes in the condensed consolidated statements of comprehensive loss (income) (continued)*

The U.S. Tax Reform also includes provisions for a new tax on GILTI effective for tax years of foreign corporations beginning after December 31, 2017. The GILTI provisions impose a tax on foreign income in excess of a deemed return on tangible assets of controlled foreign corporations ("CFCs"), subject to the possible use of foreign tax credits and a deduction equal to 50 percent to offset the income tax liability, subject to some limitations.

The Company's management is still evaluating the effect of the U.S. Tax Reform on CBAK. Management may update its judgment of that effect based on its continuing evaluation and on future regulations or guidance issued by the U.S. Department of the Treasury, and specific actions the Company may take in the future.

To the extent that portions of CBAK's U.S. taxable income, such as Subpart F income or GILTI, are determined to be from sources outside of the U.S., subject to certain limitations, Sohu.com Inc. may be able to claim foreign tax credits to offset its U.S. income tax liabilities. If dividends that CBAK receives from its subsidiaries are determined to be from sources outside of the U.S., subject to certain limitations, CBAK will generally not be required to pay U.S. corporate income tax on those dividends. Any liabilities for U.S. corporate income tax will be accrued in the Company's consolidated statements of comprehensive income and estimated tax payments will be made when required by U.S. law.

No provision for income taxes in the United States or elsewhere has been made as CBAK had no taxable income for the three and nine months ended September 30, 2020 and 2021.

**Hong Kong Tax**

The Company's subsidiaries in Hong Kong are subject to Hong Kong profits tax rate of 16.5% and did not have any assessable profits arising in or derived from Hong Kong for the three and nine months ended September 30, 2019 and 2020 and accordingly no provision for Hong Kong profits tax was made in these periods.

**PRC Tax**

The Company's subsidiaries in China are subject to enterprise income tax at 25% for the three months and nine months ended September 30, 2020 and 2021.

A reconciliation of the provision for income taxes determined at the statutory income tax rate to the Company's income taxes is as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | *2020* | *2021* | *2020* | *2021* |
| Income (Loss) before income taxes | $ 41,715 | $ 20,023,221 | $ (3,510,563) | $ 52,351,612 |
| United States federal corporate income tax rate | 21% | 21% | 21% | 21% |
| Income tax (credit) expenses computed at United States statutory corporate income tax rate | 8,760 | 4,204,877 | (737,218) | 10,993,839 |
| Reconciling items: | | | | |
| Rate differential for PRC earnings | 15,480 | (104,422) | (79,959) | (132,095) |
| Non-deductible expenses (non-taxable income) | 38,529 | (4,764,089) | 187,432 | (11,993,447) |
| Share based payments | 33,973 | 19,067 | 129,333 | 70,007 |
| Valuation allowance on deferred tax assets | (96,742) | 644,567 | 500,412 | 1,061,696 |
| Income tax expenses | $ - | $ - | $ - | $ - |

## 18. Income Taxes, Deferred Tax Assets and Deferred Tax Liabilities (continued)

*(a) Deferred tax assets and deferred tax liabilities*

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2020 and September 30, 2021 are presented below:

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| **Deferred tax assets** | | |
| Trade accounts receivable | $ 1,354,762 | $ 1,248,059 |
| Inventories | 575,575 | 646,198 |
| Property, plant and equipment | 1,271,986 | 1,130,024 |
| Impairment on non-marketable equity securities | - | 173,317 |
| Provision for product warranty | 497,901 | 499,574 |
| Net operating loss carried forward | 31,060,254 | 32,125,002 |
| Valuation allowance | (34,760,478) | (35,822,174) |
| Deferred tax assets, non-current | $ - | $ - |
| | | |
| **Deferred tax liabilities, non-current** | $ - | $ - |

As of December 31, 2020 and September 30, 2021, the Company's U.S. entity had net operating loss carry forwards of $103,580,741, of which $102,293 available to reduce future taxable income which will expire in various years through 2035 and $103,478,448 available to offset capital gains recognized in the succeeding 5 tax years and the Company's PRC subsidiaries had net operating loss carry forwards of $37,536,687 and $45,154,800, respectively, which will expire in various years through 2023 to 2029. Management believes it is more likely than not that the Company will not realize these potential tax benefits as these operations will not generate any operating profits in the foreseeable future. As a result, a valuation allowance was provided against the full amount of the potential tax benefits.

According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or its withholding agent. The statute of limitations extends to five years under special circumstances, which are not clearly defined. In the case of a related party transaction, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion.

The impact of an uncertain income tax positions on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes.

The significant uncertain tax position arose from the subsidies granted by the local government for the Company's PRC subsidiary, which may be modified or challenged by the central government or the tax authority. A reconciliation of January 1, 2021 through September 30, 2021 amount of unrecognized tax benefits excluding interest and penalties ("Gross UTB") is as follows:

| | Gross UTB | Surcharge | Net UTB |
|---|---|---|---|
| Balance as of January 1, 2021 | $ 7,511,182 | $ - | $ 7,511,182 |
| Increase in unrecognized tax benefits taken in current period | 95,495 | - | 95,495 |
| Balance as of September 30, 2021 | $ 7,606,677 | $ - | $ 7,606,677 |

As of December 31, 2020 and September 30, 2021, the Company had not accrued any interest and penalties related to unrecognized tax benefits.

**19. Share-based Compensation**

*Restricted Shares*

Restricted shares granted on June 30, 2015

On June 12, 2015, the Board of Director approved the CBAK Energy Technology, Inc. 2015 Equity Incentive Plan (the "2015 Plan") for Employees, Directors and Consultants of the Company and its Affiliates. The maximum aggregate number of Shares that may be issued under the Plan is ten million (10,000,000) Shares.

On June 30, 2015, pursuant to the 2015 Plan, the Compensation Committee of the Company's Board of Directors granted an aggregate of 690,000 restricted shares of the Company's common stock, par value $0.001, to certain employees, officers and directors of the Company with a fair value of $3.24 per share on June 30, 2015. In accordance with the vesting schedule of the grant, the restricted shares will vest in twelve equal quarterly installments on the last day of each fiscal quarter beginning on June 30, 2015 (i.e. last vesting period: quarter ended March 31, 2018). The Company recognizes the share-based compensation expenses on a graded-vesting method.

All the restricted shares granted in respect of the restricted shares granted on June 30, 2015 has been vested on March 31, 2018.

As of September 30, 2021, there was no unrecognized stock-based compensation associated with the above restricted shares. As of September 30, 2021, 1,667 vested shares were to be issued.

Restricted shares granted on April 19, 2016

On April 19, 2016, pursuant to the Company's 2015 Equity Incentive Plan, the Compensation Committee granted an aggregate of 500,000 restricted shares of the Company's common stock to certain employees, officers and directors of the Company, of which 220,000 restricted shares were granted to the Company's executive officers and directors. There are three types of vesting schedules. First, if the number of restricted shares granted is below 3,000, the shares will vest annually in 2 equal installments over a two year period with the first vesting on June 30, 2017. Second, if the number of restricted shares granted is larger than or equal to 3,000 and below 10,000, the shares will vest annually in 3 equal installments over a three year period with the first vesting on June 30, 2017. Third, if the number of restricted shares granted is above or equal to 10,000, the shares will vest semi-annually in 6 equal installments over a three year period with the first vesting on December 31, 2016. The fair value of these restricted shares was $2.68 per share on April 19, 2016. The Company recognizes the share-based compensation expenses over the vesting period (or the requisite service period) on a graded-vesting method.

All the restricted shares granted in respect of the restricted shares granted on April 19, 2016 had been vested on June 30, 2019.

As of September 30, 2021, there was no unrecognized stock-based compensation associated with the above restricted shares and 4,167 vested shares were to be issued.

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

*Restricted Shares (continued)*

Restricted shares granted on August 23, 2019

On August 23, 2019, pursuant to the Company's 2015 Equity Incentive Plan, the Compensation Committee granted an aggregate of 1,887,000 restricted share units of the Company's common stock to certain employees, officers and directors of the Company, of which 710,000 restricted share units were granted to the Company's executive officers and directors. There are two types of vesting schedules, (i) the share units will vest semi-annually in 6 equal installments over a three year period with the first vesting on September 30, 2019; (ii) the share units will vest annual in 3 equal installments over a three year period with the first vesting on March 31, 2021. The fair value of these restricted shares was $0.9 per share on August 23, 2019. The Company recognizes the share-based compensation expenses over the vesting period (or the requisite service period) on a graded-vesting method.

The Company recorded non-cash share-based compensation expense of $161,775 and $615,871 for the three and nine months ended September 30, 2020, respectively, in respect of the restricted shares granted on August 23, 2019.

The Company recorded non-cash share-based compensation expense of $54,845 and $202,880 for the three and nine months ended September 30, 2021, respectively, in respect of the restricted shares granted on August 23, 2020.

As of September 30, 2021, non-vested restricted share units granted on August 23, 2019 are as follows:

| | |
|---|---|
| Non-vested share units as of January 1, 2021 | 855,504 |
| Granted | - |
| Vested | (565,663) |
| Forfeited | (12,668) |
| Non-vested share units as of September 30, 2021 | 277,173 |

As of September 30, 2021, there was unrecognized stock-based compensation $104,307 associated with the above restricted share units. As of September 30, 2021, 277,165 vested shares were to be issued.

Restricted shares granted on October 23, 2020

On October 23, 2020, pursuant to the Company's 2015 Equity Incentive Plan, the Compensation Committee granted an aggregate of 100,000 restricted share units of the Company's common stock to an employee of the Company. In accordance with the vesting schedule of the grant, the restricted shares will vest semi-annually in 6 equal installments over a three year period with the first vesting on October 30, 2020. The fair value of these restricted shares was $3 per share on October 23, 2020. The Company recognizes the share-based compensation expenses over the vesting period (or the requisite service period) on a graded-vesting method.

The Company recorded non-cash share-based compensation expense of $35,948 and $130,485 for three and nine months ended September 30, 2021, respectively, in respect of the restricted shares granted on October 23, 2020.

As of September 30, 2021, non-vested restricted share units granted on October 23, 2020 are as follows:

| | |
|---|---|
| Non-vested shares as of January 1, 2021 | 83,333 |
| Vested | (16,667) |
| Forfeited | - |
| Non-vested shares as of September 30, 2021 | 66,666 |

As of September 30, 2021, there was unrecognized stock-based compensation of $77,324 associated with the above restricted shares. As of September 30, 2021, nil vested shares were to be issued.

As the Company itself is an investment holding company which is not expected to generate operating profits to realize the tax benefits arising from its net operating loss carried forward, no income tax benefits were recognized for such stock-based compensation cost under the stock option plan for the three and nine months ended September 30, 2021.

## 20. Income (Loss) Per Share

The following is the calculation of income (loss) per share:

| | *Three months ended September 30,* | | *Nine months ended September 30,* | |
|---|---|---|---|---|
| | *2020* | *2021* | *2020* | *2021* |
| Net income (loss) | $ 41,715 | $ 20,023,221 | $ (3,510,563) | $ 52,351,612 |
| Less: Net loss (income) attributable to non-controlling interests | 2,532 | (3,487) | (2,386) | (21,995) |
| Net (loss) income attributable to shareholders of CBAK Energy Technology, Inc. | 44,247 | 20,019,734 | (3,512,949) | 52,329,617 |
| | | | | |
| Weighted average shares outstanding – basic (note) | 64,909,894 | 88,419,998 | 59,569,498 | 87,043,490 |
| Dilutive unvested restricted stock | 490,164 | 289,212 | - | 305,520 |
| Weighted average shares outstanding – diluted | 65,400,058 | 88,709,210 | 59,569,498 | 87,349,010 |
| | | | | |
| Income (loss) per share of common stock | | | | |
| Basic | $ 0.00 | $ 0.23 | $ (0.06) | $ 0.60 |
| Diluted | $ 0.00 | $ 0.23 | $ (0.06) | $ 0.60 |

Note: Including 284,332 vested restricted shares granted pursuant to the 2015 Plan that were not yet issued for the three and nine months ended September 30, 2020; and 282,999 vested restricted shares granted pursuant to the 2015 Plan that were not yet issued for the three and nine months ended September 30, 2021.

For the three and nine months ended September 30, 2021, 9,092,499 shares purchasable under warrants were excluded from EPS calculation, as their effects were anti-dilutive.

## 21. Warrants

On December 8, 2020, the Company entered in a securities purchase agreement with certain institutional investors, pursuant to which the Company issued in a registered direct offering, an aggregate of 9,489,800 shares of its common stock at a price of $5.18 per share, for aggregate gross proceeds to the Company of approximately $49 million, before deducting fees to the placement agent and other estimated offering expenses payable by the Company. As part of the transaction, the institutional investors also received warrants (“Investor Warrants”) for the purchase of up to 3,795,920 shares of the Company’s common stock at an exercise price of $6.46 per share exercisable for 36 months from the date of issuance. In addition, the placement agent for this transaction also received warrants (“Placement Agent Warrants”) for the purchase of up to 379,592 shares of the Company’s common stock at an exercise price of $6.475 per share exercisable for 36 months after 6 months from the issuance.

On February 8, 2021, the Company entered into another securities purchase agreement with the same investors, pursuant to which the Company issued in a registered direct offering, an aggregate of 8,939,976 shares of common stock of the Company at a per share purchase price of $7.83. In addition, the Company issued to the investors (i) in a concurrent private placement, the Series A-1 warrants to purchase a total of 4,469,988 shares of common stock, at a per share exercise price of $7.67 and exercisable for 42 months from the date of issuance; (ii) in the registered direct offering, the Series B warrants to purchase a total of 4,469,988 shares of common stock, at a per share exercise price of $7.83 and exercisable for 90 days from the date of issuance; and (iii) in the registered direct offering, the Series A-2 warrants to purchase up to 2,234,992 shares of common stock, at a per share exercise price of $7.67 and exercisable for 45 months from the date of issuance. The Company received gross proceeds of approximately $70 million from the registered direct offering and the concurrent private placement, before deducting fees to the placement agent and other estimated offering expenses of $5.0 million payable by the Company. In addition, the placement agent for this transaction also received warrants (“Placement Agent Warrants”) for the purchase of up to 446,999 shares of the Company’s common stock at an exercise price of $9.204 per share exercisable for 36 months after 6 months from the issuance.

On May 10, 2021, the Company entered into that Amendment No. 1 to the Series B Warrant (the “Series B Warrant Amendment”) with each of the holders of the Company’s outstanding Series B warrants. Pursuant to the Series B Warrant Amendment, the term of the Series B warrants was extended from May 11, 2021 to August 31, 2021.

**21. Warrants (continued)**

The Company has performed a thorough reassessment of the terms of its warrants with reference to the provisions of ASC Topic 815-40-15-7I, regarding its exposure to changes in currency exchange rates. This reassessment has led to the management's conclusion that the Company's warrants issued to the investors should not be considered indexed to the Company's own stock because the warrants are denominated in U.S. dollar, which is different from the Company's functional currency, Renminbi. Warrants are remeasured at fair value with changes in fair value recorded in earnings in each reporting period.

There was a total of 9,092,499 warrants issued and outstanding as of September 30, 2021.

The fair value of the outstanding warrants was calculated using Binomial Model based on backward induction with the following assumptions:

Warrants issued in the 2020 Financing

| *Warrants holder* | *Investor Warrants* | *Placement Agent Warrants* |
|---|---|---|
| *Appraisal Date (Inception Date)* | *December 10, 2020* | *December 10, 2020* |
| Market price per share (USD/share) | $ 5.36 | $ 5.36 |
| Exercise price (USD/price) | 6.46 | 6.475 |
| Risk free rate | 0.2% | 0.2% |
| Dividend yield | 0.0% | 0.0% |
| Expected term/ Contractual life (years) | 3.0 years | 3.5 years |
| Expected volatility | 211.5% | 211.5% |
| *Appraisal Date* | *December 31, 2020* | *December 31, 2020* |
| Market price per share (USD/share) | $ 5.06 | $ 5.06 |
| Exercise price (USD/price) | 6.46 | 6.475 |
| Risk free rate | 0.2% | 0.2% |
| Dividend yield | 0.0% | 0.0% |
| Expected term/ Contractual life (years) | 2.9 years | 3.4 years |
| Expected volatility | 187.6% | 187.6% |
| *Appraisal Date* | *September 30, 2021* | *September 30, 2021* |
| Market price per share (USD/share) | $ 2.33 | $ 2.33 |
| Exercise price (USD/price) | 6.46 | 6.475 |
| Risk free rate | 0.3% | 0.4% |
| Dividend yield | 0.0% | 0.0% |
| Expected term/ Contractual life (years) | 2.2 years | 2.7 years |
| Expected volatility | 133.5% | 127.4% |

Warrants issued in the 2021 Financing

| *Warrants holder* | *Investor Warrants* | | | *Placement Agent Warrants* |
|---|---|---|---|---|
| *Appraisal Date (Inception Date)* | *Series A1 February 10, 2021* | *Series A2 February 10, 2021* | *Series B February 10, 2021* | *February 10, 2021* |
| Market price per share (USD/share) | $ 7.36 | $ 7.36 | $ 7.36 | $ 7.36 |
| Exercise price (USD/price) | 7.67 | 7.67 | 7.83 | 9.204 |
| Risk free rate | 0.2% | 0.3% | 0.0% | 0.2% |
| Dividend yield | 0.0% | 0.0% | 0.0% | 0.0% |
| Expected term/ Contractual life (years) | 3.5 years | 3.8 years | 0.3 years | 3.5 years |
| Expected volatility | 121.8% | 119.5% | 214.5% | 121.8% |

**21. Warrants (continued)**

Warrants issued in the 2021 Financing (continued)

| *Warrants holder* | *Investor Warrants* | *Placement Agent Warrants* |
|---|---|---|
| *Appraisal Date* | *Series A1 September 30, 2021* | *September 30, 2021* |
| Market price per share (USD/share) | 2.33 | 2.33 |
| Exercise price (USD/price) | 7.67 | 9.204 |
| Risk free rate | 0.5% | 0.5% |
| Dividend yield | 0.0% | 0.0% |
| Expected term/ Contractual life (years) | 2.9 years | 2.9 years |
| Expected volatility | 126.9% | 126.9% |

The following is a reconciliation of the beginning and ending balances of warrants liability measured at fair value on a recurring basis using Level 3 inputs:

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| Balance at the beginning of period | $ - | $ 17,783,000 |
| Warrants issued to institution investors | 17,980,000 | 47,519,000 |
| Warrants issued to placement agent | 1,875,000 | 2,346,000 |
| Warrants redeemed | - | - |
| Fair value change of warrants included in earnings | (2,072,000) | (57,174,000) |
| | $ 17,783,000 | $ 10,474,000 |

The following is a summary of the warrant activity:

| | *Number of Warrants* | *Average Exercise Price* | *Weighted Average Remaining Contractual Term in Years* |
|---|---|---|---|
| Outstanding at January 1, 2021 | 4,175,512 | $ 6.46 | 3.0 |
| Exercisable at January 1, 2021 | 3,795,920 | $ 6.46 | 2.9 |
| Granted | 11,621,967 | 7.79 | 2.3 |
| Exercised / surrendered | - | - | |
| Expired | 6,704,980 | 7.78 | - |
| Outstanding at September 30, 2021 | 9,092,499 | 7.19 | 2.58 |
| Exercisable at September 30, 2021 | 9,092,499 | 7.19 | 2.58 |

**22. Fair Value of Financial Instruments**

ASC Topic 820, Fair Value Measurement and Disclosures, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This topic also establishes a fair value hierarchy, which requires classification based on observable and unobservable inputs when measuring fair value. Certain current assets and current liabilities are financial instruments. Management believes their carrying amounts are a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization and, if applicable, their current interest rates are equivalent to interest rates currently available. The three levels of valuation hierarchy are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The carrying amounts of financial assets and liabilities, such as cash and cash equivalents, pledged deposits, trade accounts and bills receivable and payable, other receivables, balances with former subsidiaries, other short-term loans, short-term and long-term bank loans and other payables approximate their fair values because of the short maturity of these instruments or the rate of interest of these instruments approximate the market rate of interest.

## 23. Commitments and Contingencies

*(i) Capital Commitments*

As of December 31, 2020 and September 30, 2021, the Company had the following contracted capital commitments:

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| For construction of buildings | $ 2,465,092 | $ 638,162 |
| For purchases of equipment | 10,308,416 | 8,415,341 |
| Capital injection | 228,115,914 | 140,386,490 |
| | $ 240,889,422 | $ 149,439,993 |

*(ii) Litigation*

During its normal course of business, the Company may become involved in various lawsuits and legal proceedings. However, litigation is subject to inherent uncertainties, and an adverse result may arise from time to time will affect its operation. Other than the legal proceeding set forth below, the Company is currently not aware of any such legal proceedings or claims that the Company believe will have an adverse effect on the Company's operation, financial condition or operating results.

On July 7, 2016, Shenzhen Huijie Purification System Engineering Co., Ltd ("Shenzhen Huijie"), one of the Company's contractors, filed a lawsuit against CBAK Power in the Peoples' Court of Zhuanghe City, Dalian, (the "Court of Zhuanghe") for the failure to pay pursuant to the terms of the contract and entrusting part of the project of the contract to a third party without their prior consent. The plaintiff sought a total amount of $1,241,648 (RMB8,430,792), including construction costs of $0.9 million (RMB6.1 million, which the Company already accrued for at June 30, 2016), interest of $29,812 (RMB0.2 million) and compensation of $0.3 million (RMB1.9 million). On September 7, 2016, upon the request of Shenzhen Huijie for property preservation, the Court of Zhuanghe froze CBAK Power's bank deposits totaling $1,210,799 (RMB8,430,792) for a period of one year. On September 1, 2017, upon the request of Shenzhen Huijie, the Court of Zhuanghe froze the bank deposits for another one year until August 31, 2018. The Court further froze the bank deposits for another one year until August 27, 2019 upon the request of Shenzhen Huijie on August 27, 2018. On August 27, 2019, the Court froze the bank deposits for another year until August 27, 2020, upon the request of Shenzhen Huijie. On June 28, 2020, the Court of Dalian entered the final judgement as described below and the frozen bank deposit was released in July 2020.

**23. Commitments and Contingencies (continued)**

*(ii) Litigation (continued)*

On June 30, 2017, according to the trial of first instance, the Court of Zhuanghe ruled that CBAK Power should pay the remaining contract amount of RMB6,135,860 (approximately $0.9 million) claimed by Shenzhen Huijie as well as other expenses incurred including deferred interest, discounted charge on bills payable, litigation fee and property preservation fee totaled $0.1 million. The Company has accrued for these amounts as of December 31, 2017. On July 24, 2017, CBAK Power filed an appellate petition to the Intermediate Peoples' Court of Dalian ("Court of Dalian)" to appeal the adjudication dated on June 30, 2017. On November 17, 2017, the Court of Dalian rescinded the original judgement and remanded the case to the Court of Zhuanghe for retrial. The Court of Zhuanghe conducted a retrial and requested an appraisal to be performed by a third-party appraisal institution on the construction cost incurred and completed by Shenzhen Huijie on the subject project. On November 8, 2018, the Company received from the Court of Zhuanghe the construction-cost-appraisal report which determined that the construction cost incurred and completed by Shenzhen Huijie for the subject project to be $1,344,605 (RMB9,129,868). On May 20, 2019, the Court of Zhuanghe entered a judgment that Shenzhen Huijie should pay back to CBAK Power $261,316 (RMB1,774,337) (the amount CBAK Power paid in excess of the construction cost appraised by the appraisal institution) and the interest incurred since April 2, 2019. Shenzhen Huijie filed an appellate petition to the Court of Dalian. On June 28, 2020, the Court of Dalian entered the final judgment that Shenzhen Huijie should pay back to CBAK Power $245,530 (RMB1,667,146) (the amount CBAK Power paid in excess of the construction cost appraised by the appraisal institution) and the interest incurred since April 2, 2019, and reimburse the litigation fees totaling $30,826 (RMB209,312) that CBAK Power has paid. As of September 30, 2021, CBAK Power have not received the final judgement amount totaled $0.3 million (RMB 1,876,458) from Shenzhen Huijie. Shenzhen Huijie filed an appellate petition to High Peoples' Court of Liaoning ("Court of Liaoning") to appeal the adjudication dated on June 28, 2020. In April 2021, the Court of Liaoning rescinded the original judgement and remanded the case to the Court of Dalian for retrial. Upon receiving the notice from the Court of Liaoning, CBAK Power has accrued the construction cost of $0.9 million (RMB6,135,860) as of September 30, 2021.

In May 2017, CBAK Power filed a lawsuit in the Court of Zhuanghe against Pingxiang Anyuan Tourism Bus Manufacturing Co., Ltd., ("Anyuan Bus") one of CBAK Power's customers, for failure to pay pursuant to the terms of the sales contract. CBAK Power sought a total amount of RMB18,279,858 ($2,692,173), including goods amount of RMB17,428,000 ($2,566,716) and interest of RMB851,858 ($125,458). On December 19, 2017, the Court of Zhuanghe determined that Anyuan Bus should pay the goods amount of RMB17,428,000 ($2,566,716) and the interest until the goods amount was paid off, and a litigation fee of RMB131,480 ($19,364). Anyuan Bus did not appeal and as a result, the judgment is currently in the enforcement phase. On June 29, 2018, the Company filed application petition with the Court of Zhuanghe for enforcement of the judgement against all of Anyuan Bus's shareholders, including Jiangxi Zhixin Automobile Co., Ltd, Anyuan Bus Manufacturing Co., Ltd, Anyuan Coal Group Co., Ltd, Qian Ronghua, Qian Bo and Li Junfu. On October 22, 2018, the Court of Zhuanghe issued a judgment supporting the Company's petition that all the Anyuan Bus's shareholders should be liable to pay the Company the debt as confirmed under the trial. On November 9, 2018, all the shareholders of Anyuan Bus appealed against the judgment after receiving the notice from the Court. On March 29, 2019, the Company received judgment from the Court of Zhuanghe that all these six shareholders cannot be added as judgment debtors. On April 11, 2019, the Company filed appellate petition to the Intermediate Peoples' Court of Dalian challenging the judgment from the Court of Zhuanghe. On October 9, 2019, the Intermediate Peoples' Court of Dalian dismissed the appeal by the Company and affirmed the original judgment. As of December 31, 2020 and September 30, 2021, the Company had made a full provision against the receivable from Anyuan Bus of RMB 17,428,000 ($2,703,424).

## 23. Commitments and Contingencies (continued)

*(ii) Litigation (continued)*

In December 2020, CBAK Power received notice from Court of Dalian Economic and Technology Development Zone that Shenzhen Haoneng Technology Co., Ltd. (“Haoneng”) filed a lawsuit against CBAK Power for failure to pay pursuant to the terms of the equipment purchase contract. Haoneng sought a total amount of $266,182 (RMB1,737,797), including equipment purchase cost of $267,428 (RMB1,724,000) and interest amount of $2,106 (RMB13,797). In August 2021, CBAK Power and Haoneng reached an agreement that CBAK Power would pay Haoneng $54,292 (RMB350,000) by end of each month starting from August 2021 and balance of $50,259 (RMB324,000) by end of December 2021 and Haoneng will waive the interest of CBAK Power follow the payment schedule as per the agreement. As of September 30, 2021, CBAK Power has accrued unpaid equipment purchase cost of $158,843 (RMB 1,024,000). In October, CBAK Power has further repaid $54,292 (RMB350,000) to Haoneng according to the payment schedule.

In December 2020, CBAK Power received notice from Court of Dalian Economic and Technology Development Zone that Haoneng filed another lawsuit against CBAK Power for failure to pay pursuant to the terms of the purchase contract. Haoneng sought a total amount of $1.57million (RMB10,257,030), including equipment cost of $1.4 million (RMB9,072,000) and interest amount of $0.17 million (RMB1,185,030). In August 2021, CBAK Power and Haoneng reached an agreement that the term of the purchase contract will be extended to December 31, 2023 under which CBAK Power and its related parties shall execute the purchase of equipment in an amount not lower than RMB 15,120,000 from Haoneng, or CBAK Power has to pay 15% of the amount equal to RMB 15,120,000 less purchased amount from Haoneng. Haoneng withdrew the lawsuit against CBAK Power after the agreement is signed. As of September 30, 2021, the equipment was not received by CBAK Power, CBAK Power has included the equipment cost of $1.4 million (RMB9,072,000) under capital commitments.

## 24. Concentrations and Credit Risk

*(a) Concentrations*

The Company had the following customers that individually comprised 10% or more of net revenue for the three months ended September 30, 2020 and 2021 as follows:

| | Three months ended September 30, | | | |
|---|---|---|---|---|
| | *2020* | | *2021* | |
| Sales of finished goods and raw materials | | | | |
| Customer A | $ 1,588,192 | 14.95% | $ * | * |
| Customer C | 1,278,893 | 12.04% | 3,103,626 | 32.46% |
| Customer D | * | * | 1,081,071 | 11.31% |
| Zhengzhou BAK Battery Co., Ltd (note a) | 4,269,312 | 40.20% | * | * |
| Zhengzhou BAK New Energy Technology Co., Ltd (note d) | 1,896,207 | 17.85% | * | * |

* Comprised less than 10% of net revenue for the respective period.

The Company had the following customers that individually comprised 10% or more of net revenue for the nine months ended September 30, 2020 and 2021 as follows:

| | Nine months ended September 30, | | | |
|---|---|---|---|---|
| | *2020* | | *2021* | |
| Sales of finished goods and raw materials | | | | |
| Customer A | $ 5,793,828 | 26.16% | $ 2,583,245 | 10.39% |
| Customer B | * | * | 2,777,456 | 11.17% |
| Customer C | 2,908,728 | 13.13% | 4,693,308 | 18.87% |
| Customer D | * | * | 3,360,174 | 13.51% |
| Customer E | 3,787,585 | 17.10% | * | * |
| Zhengzhou BAK Battery Co., Ltd (note a) | 4,269,312 | 19.28% | * | * |

* Comprised less than 10% of net revenue for the respective period.

The Company had the following customers that individually comprised 10% or more of accounts receivable (net) as of December 31, 2020 and September 30, 2021 as follows:

| | *December 31, 2020* | | *September 30, 2021* | |
|---|---|---|---|---|
| Customer A | $ 3,148,737 | 11.23% | $ 2,845,127 | 12.94% |
| Customer C | * | * | 3,538,038 | 16.10% |
| Zhengzhou BAK Battery Co., Ltd (note a) | 15,258,164 | 54.42% | 4,562,413 | 20.76% |

* Comprised less than 10% of account receivable (net) for the respective period.

**24. Concentrations and Credit Risk (continued)**

*(a) Concentrations (continued)*

The Company had the following suppliers that individually comprised 10% or more of net purchase for the three months ended September 30, 2020 and 2021 as follows:

| | *Three months ended September 30,* | | | |
|---|---|---|---|---|
| | *2020* | | *2021* | |
| Supplier A | $ * | * | $ 810,963 | 13.29% |
| Supplier B | 4,329,602 | 72.65% | 704,401 | 11.54% |

The Company had the following suppliers that individually comprised 10% or more of net purchase for the nine months ended September 30, 2020 and 2021 as follows:

| | *Nine months ended September 30,* | | | |
|---|---|---|---|---|
| | *2020* | | *2021* | |
| Supplier B | 4,329,602 | 36.47% | * | * |
| Shenzhen BAK (note b) | 3,841,680 | 32.35% | * | * |

* Comprised less than 10% of net purchase for the respective period.

The Company had the following suppliers that individually comprised 10% or more of accounts payable as of December 31, 2020 and September 30, 2021 as follows:

| | *December 31, 2020* | | *September 30, 2021* | |
|---|---|---|---|---|
| Supplier B | $ 9,272,478 | 47.40% | $ * | * |
| Supplier C | 2,017,814 | 10.32% | 970,564 | 17.99% |
| Supplier D | * | * | 709,952 | 13.16% |

Apart from the above, for the three and nine months ended September 30, 2020 and 2021, the Company recorded the following transactions:

| | *Three months ended September 30,* | | *Nine months ended September 30,* | |
|---|---|---|---|---|
| | *2020* | *2021* | *2020* | *2021* |
| Purchase of inventories from | | | | |
| Zhengzhou BAK Battery Co., Ltd (note a) | - | 477,185 | - | 1,736,494 |
| | | | | |
| Sales of finished goods and raw materials to | | | | |
| BAK Shenzhen (note b) | - | - | | 18,402 |
| Zhengzhou BAK Electronics Co., Ltd (note c) | - | 746 | - | 413,099 |
| Zhengzhou BAK Battery Co., Ltd (note a) | - | 6,982 | | 148,564 |

Apart from the above, the Company recorded the following as of December 31, 2020 and September 30, 2021:

| | *December 31, 2020* | *September 30, 2021* |
|---|---|---|
| Trade accounts and bills receivables, net | | |
| Zhengzhou BAK Electronics Co., Ltd (note c) | $ - | 422,080 |
| Zhengzhou BAK New Energy Technology Co., Ltd (note d) | 1,759,050 | 840,675 |

Notes:

a Mr. Xiangqian Li, the Company's former CEO, is a director of Zhengzhou BAK Battery Co., Ltd.

b Mr. Xiangqian Li is a director of BAK Shenzhen and Shenzhen BAK.

c BAK Shenzhen has 95% equity interests in Zhengzhou BAK Electronics Co., Ltd. Up to the date of this report, Zhengzhou BAK Electronics Co., Ltd. repaid $27,839 to the Company.

d Mr. Xiangqian Li, is a director of Zhengzhou BAK New Energy Technology Co., Ltd. Up to the date of this report, Zhengzhou BAK New Energy Technology Co., Ltd repaid $219,943 to the Company.

**24. Concentrations and Credit Risk (continued)**

*(b) Credit Risk*

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents and pledged deposits. As of December 31, 2020 and September 30, 2021, substantially all of the Company's cash and cash equivalents were held by major financial institutions located in the PRC, which management believes are of high credit quality.

For the credit risk related to trade accounts receivable, the Company performs ongoing credit evaluations of its customers and, if necessary, maintains reserves for potential credit losses. Historically, such losses have been within management's expectations.

**25. Segment Information**

The Company used to engage in one business segment, the manufacture, commercialization and distribution of a wide variety of standard and customized lithium ion rechargeable batteries for use in a wide array of applications. The Company manufactured five types of Li-ion rechargeable batteries: aluminum-case cell, battery pack, cylindrical cell, lithium polymer cell and high-power lithium battery cell. The Company's products are sold to packing plants operated by third parties primarily for use in mobile phones and other electronic devices.

After the disposal of BAK International and its subsidiaries (see Note 1), the Company focused on producing high-power lithium battery cells. Net revenues for the three and nine months ended September 30, 2020 and 2021 were as follows:

***Net revenues by product:***

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | *2020* | *2021* | *2020* | *2021* |
| High power lithium batteries used in: | | | | |
| Electric vehicles | $ 407,802 | $ 6 | $ 741,657 | $ 101,378 |
| Light electric vehicles | 22,859 | 227,333 | 26,203 | 335,896 |
| Uninterruptable supplies | 5,920,683 | 9,335,146 | 17,109,005 | 23,911,865 |
| | 6,351,344 | 9,562,485 | 17,876,865 | 24,349,139 |
| Raw materials used in lithium batteries | 4,269,312 | (295) | 4,269,312 | 518,254 |
| Total | $ 10,620,656 | $ 9,562,190 | $ 22,146,177 | $ 24,867,393 |

***Net revenues by geographic area:***

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | *2020* | *2021* | *2020* | *2021* |
| Mainland China | $ 10,007,044 | $ 8,302,259 | $ 21,243,763 | $ 21,304,496 |
| Europe | 506,606 | 1,042,996 | 770,406 | 3,322,534 |
| Others | 107,006 | 216,935 | 132,008 | 240,363 |
| Total | $ 10,620,656 | $ 9,562,190 | $ 22,146,177 | $ 24,867,393 |

Substantially all of the Company's long-lived assets are located in the PRC.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

*The following management's discussion and analysis should be read in conjunction with our financial statements and the notes thereto and the other financial information appearing elsewhere in this report. Our financial statements are prepared in U.S. dollars and in accordance with U.S. GAAP.*

**Special Note Regarding Forward Looking Statements**

Statements contained in this report include "forward-looking statements" within the meaning of such term in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We use words such as "believe," "expect," "anticipate," "project," "target," "plan," "optimistic," "intend," "aim," "will" or similar expressions which are intended to identify forward-looking statements. Such statements include, among others, those concerning market and industry segment growth and demand and acceptance of new and existing products; any projections of sales, earnings, revenue, margins or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements regarding future economic conditions or performance; as well as all assumptions, expectations, predictions, intentions or beliefs about future events. You are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, including those identified in Item 1A, "Risk Factors" described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, as well as assumptions, which, if they were to ever materialize or prove incorrect, could cause the results of the Company to differ materially from those expressed or implied by such forward-looking statements.

Readers are urged to carefully review and consider the various disclosures made by us in this report and our other filings with the SEC. These reports attempt to advise interested parties of the risks and factors that may affect our business, financial condition and results of operations and prospects. The forward-looking statements made in this report speak only as of the date hereof and we disclaim any obligation, except as required by law, to provide updates, revisions or amendments to any forward-looking statements to reflect changes in our expectations or future events.

**Use of Terms**

Except as otherwise indicated by the context and for the purposes of this report only, references in this report to:

- "Company", "we", "us" and "our" are to the combined business of CBAK Energy Technology, Inc., a Nevada corporation, and its consolidated subsidiaries;
- "BAK Asia" are to our Hong Kong subsidiary, China BAK Asia Holdings Limited;
- "CBAK Trading" are to our PRC subsidiary, Dalian CBAK Trading Co., Ltd.;
- "CBAK Power" are to our PRC subsidiary, Dalian CBAK Power Battery Co., Ltd;
- "CBAK Suzhou" are to our PRC subsidiary, CBAK New Energy (Suzhou) Co., Ltd;
- "CBAK Energy" are to our PRC subsidiary, Dalian CBAK Energy Technology Co., Ltd.
- "BAK Investments" are to our Hong Kong subsidiary, BAK Asia Investments Limited;
- "CBAK Nanjing" are to our PRC subsidiary, CBAK New Energy (Nanjing) Co., Ltd;
- "Nanjing CBAK" are to our PRC subsidiary, Nanjing CBAK New Energy Technology Co., Ltd.
- "Nanjing Daxin" are to our PRC subsidiary, Nanjing Daxin New Energy Automobile Industry Co., Ltd.
- "Jiangsu Daxin" are to our PRC subsidiary, Daxin New Energy Automobile Technology (Jiangsu) Co., Ltd.
- "China" and "PRC" are to the People's Republic of China;
- "RMB" are to Renminbi, the legal currency of China;
- "U.S. dollar", "$" and "US$" are to the legal currency of the United States;
- "SEC" are to the United States Securities and Exchange Commission;
- "Securities Act" are to the Securities Act of 1933, as amended; and
- "Exchange Act" are to the Securities Exchange Act of 1934, as amended.

**Overview**

We are a manufacturer of new energy high power lithium batteries that are mainly used in light electric vehicles, electric vehicles, electric tools, energy storage (such as uninterruptible power supply (UPS) applications) and other high-power applications. Our primary product offering consists of new energy high power lithium batteries, but we are also seeking to expand into the production and sale of light electric vehicles.

We acquired most of our operating assets, including customers, employees, patents and technologies from our former subsidiary BAK International (Tianjin) Ltd. ("BAK Tianjin"). We acquired these assets in exchange for a reduction in accounts receivable from our former subsidiaries that were disposed of in June 2014.

As of September 30, 2021, we report financial and operational information in one segment: high-power lithium battery cells production.

We currently conduct our business through seven wholly-owned operating subsidiaries in China. We own these operating subsidiaries through BAK Asia and BAK Investments, which are investment holding companies formed under the laws of Hong Kong.

As disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed on April 13, 2021 and other reports filed with the SEC, we have been expanding our manufacturing capabilities through construction of new production lines in Nanjing and Dalian, China. To maintain our competitive position, we are also developing the model 32140 large-sized cylindrical "tabless" battery and the special 26650 lithium battery designed for application in ultra-low temperature. In addition, we have been developing our light electric vehicle business via our PRC subsidiary, Nanjing Daxin. On January 18, 2021, Nanjing Daxin established a branch in Tianjin City for the production of light electric vehicles. On August 4, 2021, Nanjing Daxin established a wholly owned subsidiary, Daxin New Energy Automobile Technology (Jiangsu) Co., Ltd., or Jiangsu Daxin, to focus on light electric vehicle technology.

Due to the growing environmental pollution problem, the Chinese government has been providing support to the development of new energy facilities and vehicles for several years. It is expected that we will be able to secure more potential orders from the new energy market. We believe that with the booming market demand in high power lithium-iron products, we can continue as a going concern and return to profitability sustainedly.

***Recent Financing Activities***

On February 8, 2021, we entered into a securities purchase agreement with certain investors, pursuant to which we issued in a registered direct offering, an aggregate of 8,939,976 shares of common stock of the Company at a per share purchase price of $7.83. In addition, we issued to the investors (i) in a concurrent private placement, the Series A-1 warrants to purchase a total of 4,469,988 shares of common stock, at a per share exercise price of $7.67 and exercisable for 42 months from the date of issuance; (ii) in the registered direct offering, the Series B warrants to purchase a total of 4,469,988 shares of common stock, at a per share exercise price of $7.83 and exercisable for 90 days from the date of issuance; and (iii) in the registered direct offering, the Series A-2 warrants to purchase up to 2,234,992 shares of common stock, at a per share exercise price of $7.67 and exercisable for 45 months from the date of issuance. We received gross proceeds of approximately $70 million from the registered direct offering and the concurrent private placement, before deducting fees to the placement agent and other estimated offering expenses payable by the Company. We completed another registered direct offering with the same investors in December 2020. See the "Liquidity and Capital Resources" section below for more details.

On May 10, 2021, we entered into that Amendment No. 1 to the Series B Warrant (the "Series B Warrant Amendment") with each of the holders of the Company's outstanding Series B warrants. Pursuant to the Series B Warrant Amendment, the term of the Series B warrants was extended from May 11, 2021 to August 31, 2021. As of September 30, 2021, Series B warrants, together with Series A-2 warrants, all expired.

***Recent Business Developments***

*Hitrans Acquisition*

On April 1, 2021, CBAK Power entered into a framework investment agreement (the "Letter of Intent") with Hangzhou Juzhong Daxin Asset Management Co., Ltd. ("Juzhong Daxin") for a potential acquisition of Zhejiang Hitrans Lithium Battery Technology Co., Ltd ("Hitrans," formerly known as Zhejiang Meidu Hitrans Lithium Battery Technology Co., Ltd). Juzhong Daxin was the trustee of 85% of equity interests of Hitrans and had the voting right and right to dividend over the 85% of equity interests. Subject to definitive acquisition agreements to be entered into among the parties, including shareholders owning the 85% equity interests of Hitrans, CBAK Power intended to acquire 85% of equity interests of Hitrans in cash in 2021, and CBAK Power paid $3.10 million (RMB20,000,000) to Juzhong Daxin as a security deposit in connection with the Letter of Intent. Hitrans is an unrelated third party of the Company engaging in researching, manufacturing and sale of battery raw materials and is one of the major suppliers of the Company in fiscal 2020.

On July 20, 2021, CBAK Power entered into that certain framework agreement relating to CBAK Power's investment in Hitrans, pursuant to which CBAK Power will acquire 81.56% of the equity interests of Hitrans (the "Acquisition Agreement"). Under the Acquisition Agreement, CBAK Power will acquire 60% ownership of Hitrans from Zhejiang Meidu Graphene Technology Co., Ltd. ("Meidu Graphene") valued at RMB118 million ($18.27 million) and 21.56% ownership of Hitrans from Hitrans's management shareholders valued at approximately RMB40.74 million ($6.31 million). Two individuals among Hitrans management shareholders, including Hitrans's CEO, Mr. Haijun Wu ("Mr. Wu"), will keep 2.50% ownership of Hitrans and New Era Group Zhejiang New Energy Materials Co., Ltd. ("New Era") will continue to hold 15% ownership of Hitrans after the acquisition.

As of the date of the Acquisition Agreement, the 25% ownership of Hitrans held by Hitrans management shareholders was frozen as a result of a lawsuit arising from the default by Hitrans management shareholders on debts borrowed from Zhejiang Meidu Pawn Co., Ltd. ("Pawn Co.") whereby the 25% ownership of Hitrans was pledged as collateral. Pursuant to the Acquisition Agreement, Mr. Junnan Ye ("Mr. Ye"), acting as an intermediary, shall first acquire 22.5% ownership of Hitrans, free of any encumbrances, from Hitrans management shareholders. Within five days of CBAK Power's obtaining 21.56% ownership of Hitrans from Mr. Ye, CBAK Power shall pay approximately RMB40.74 million ($6.31 million) in cash, which amount shall be used toward the repayment of debts due to Pawn Co. On July 23, 2021, CBAK Power paid RMB40.74 million (approximately $6.31 million) in cash to Mr. Ye.

In addition, as of the date of the Acquisition Agreement, Meidu Graphene's 60% ownership of Hitrans was frozen as a result of a court proceeding arising from Hitrans's failure to make payments to New Era in connection with the purchase of land use rights, plants, equipment, pollution discharge permit and other assets (the "Assets") under certain asset transfer agreements as well as Meidu Graphene's guarantee for Hitrans's payment obligations thereunder. As a part of the transaction, CBAK Power entered into a loan agreement with Hitrans to lend Hitrans approximately RMB131 million ($20.28 million) (the "Hitrans Loan") by remitting approximately RMB131 million ($20.28 million) into the account of Shaoxing Intermediate People's Court (the "Court") to remove the freeze on Meidu Graphene's 60% ownership of Hitrans. Pursuant to the Acquisition Agreement, Juzhong Daxin shall return RMB15 million ($2.32 million) of the security deposit to CBAK Power before CBAK Power wires approximately RMB131 million ($20.28 million) to the Court and will retain RMB5 million ($0.77 million) as commission for facilitating the acquisition. As of the date of this report, Juzhong Daxin returned RMB7 million ($1.1 million) of the security deposit to CBAK Power.

CBAK Power shall pay all other fees due to Juzhong Daxin in accordance with the Letter of Intent. According to the Acquisition Agreement, Mr. Ye will first acquire 60% ownership of Hitrans, free of any encumbrances, from Meidu Graphene. Thereafter, CBAK Power will assign RMB118 million ($18.27 million) of the Hitrans Loan to Mr. Junnan Ye as consideration for the acquisition of 60% ownership of Hitrans from Mr. Ye (the "Assignment"). Hitrans shall repay RMB118 million ($18.27 million) to Mr. Ye in accordance with a separate loan repayment agreement (the "Loan Repayment Agreement") to be entered into among Mr. Ye, Hitrans, CBAK Power and Mr. Haijun Wu, the CEO of Hitrans. Under the Loan Repayment Agreement, Hitrans shall repay Mr. Ye at least RMB70 million ($10.84 million) within two months of obtaining the title to the Assets from New Era and the remaining balance by December 31, 2021, with a fixed interest of RMB3.5 million ($0.54 million) which can be reduced by up to RMB1 million ($0.15 million) if the loan is repaid before its due date. CBAK Power provides guarantee to Mr. Ye on Hitrans's repayment obligations under the Loan Repayment Agreement. Hitrans shall repay the remaining approximately RMB13 million ($2.01 million) of the Hitrans Loan to CBAK Power at an interest rate of 6% per annum, maturing in one year from the date of the Assignment.

We disclosed the terms of the Acquisition Agreement in a current report on Form 8-K filed on July 26, 2021. As of the date of this report, the transfer of 81.56% ownership of Hitrans to CBAK Power has been registered with the local government and CBAK Power has paid approximately RMB40.74 million (approximately $6.31 million) in cash to Mr. Ye. In addition, CBAK Power has wired approximately RMB131 million (approximately $20.28 million) to the Court and Juzhong Daxin returned RMB7 million ($1.1 million) of the security deposit to CBAK Power. We expect to close the acquisition of 81.56% ownership of Hitrans upon the satisfaction of all closing conditions in the Acquisition Agreement, including that Hitrans obtains the title to all the assets.

**Financial Performance Highlights for the Quarter Ended September 30, 2021**

The following are some financial highlights for the quarter ended September 30, 2021:

- ***Net revenues:*** Net revenues decreased by $1.1 million, or 10.0%, to $9.6 million for the three months ended September 30, 2021, from $10.6 million for the same period in 2020. However, net revenues from sales of high power lithium batteries increased by 51% for the three months ended September 30, 2021 as compared to the same period of 2020.

- ***Gross profit:*** Gross profit was $1.1 million, representing a decrease of $0.3 million, for the three months ended September 30, 2021, from gross profit of $1.4 million for the same period in 2020.

- ***Operating profit (loss):*** Operating loss was $3.2 million for the three months ended September 30, 2021, reflecting an increase of $3.6 million in loss from an operating profit of $0.4 million for the same period in 2020.

- ***Net profit (loss):*** Net profit was $20.0 million for the three months ended September 30, 2021, compared to a net profit of $41,715 for the same period in 2020, reflecting an increase of $20.0 million, or 47,437%.

- ***Fully diluted income per share:*** Fully diluted income per share was $0.23 for the three months ended September 30, 2021, as compared to fully diluted loss per share of $0.0007 for the same period in 2020.

**Financial Statement Presentation**

***Net revenues.*** The Company recognizes revenues when its customer obtains control of promised goods or services, in an amount that reflects the consideration which it expects to receive in exchange for those goods. The Company recognizes revenues following the five step model prescribed under ASU No. 2014-09: (i) identify contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenues when (or as) we satisfy the performance obligation.

Revenues from product sales are recognized when the customer obtains control of our product, which occurs at a point in time, typically upon delivery to the customer. We expense incremental costs of obtaining a contract as and when incurred if the expected amortization period of the asset that it would have recognized is one year or less or the amount is immaterial.

Revenues from product sales are recorded net of reserves established for applicable discounts and allowances that are offered within contracts with our customers.

Product revenue reserves, which are classified as a reduction in product revenues, are generally characterized in the categories: discounts and returns. These reserves are based on estimates of the amounts earned or to be claimed on the related sales and are classified as reductions of accounts receivable as the amount is payable to the Company's customer.

***Cost of revenues.*** Cost of revenues consists primarily of material costs, employee remuneration for staff engaged in production activity, share-based compensation, depreciation and related expenses that are directly attributable to the production of products. Cost of revenues also includes write-downs of inventory to lower of cost and net realizable value.

***Research and development expenses.*** Research and development expenses primarily consist of remuneration for R&D staff, share-based compensation, depreciation and maintenance expenses relating to R&D equipment, and R&D material costs.

***Sales and marketing expenses.*** Sales and marketing expenses consist primarily of remuneration for staff involved in selling and marketing efforts, including staff engaged in the packaging of goods for shipment, advertising cost, depreciation, share-based compensation, travel and entertainment expenses and product warranty expense. We do not pay slotting fees to retail companies for displaying our products, engage in cooperative advertising programs, participate in buy-down programs or similar arrangements.

***General and administrative expenses.*** General and administrative expenses consist primarily of employee remuneration, share-based compensation, professional fees, insurance, benefits, general office expenses, depreciation, liquidated damage charges and bad debt expenses.

***Finance expense, net.*** Finance costs consist primarily of interest income and interest on bank loans, net of capitalized interest.

***Impairment of non-marketable equity securities.*** Non-marketable equity securities are investments in privately held companies without readily determinable market value. We measure investments in non-marketable equity securities without a readily determinable fair value using a measurement alternative that measures these securities at the cost method minus impairment, if any, plus or minus changes resulting from observable price changes on a non-recurring basis.

***Change in fair value of warrants liability.*** We issued warrants in the financings we consummated in December 2020 and February 2021, respectively. These warrants should be accounted for as derivative liabilities, as the warrants are denominated in a currency (U.S. dollar) other than our functional currency.

***Income tax expenses.*** Our subsidiaries in PRC are subject to income tax at a rate of 25%. Our Hong Kong subsidiary BAK Asia and BAK Investments are subject to a profits tax at a rate of 16.5%. However, because we did not have any assessable income derived from or arising in Hong Kong, PRC, our Hong Kong subsidiaries had not paid any such tax.

**Results of Operations**

**Comparison of Three Months Ended September 30, 2020 and 2021**

The following tables set forth key components of our results of operations for the periods indicated.

(All amounts, other than percentages, in thousands of U.S. dollars)

| | Three Months ended September 30, | | Change | |
|---|---|---|---|---|
| | 2020 | 2021 | $ | % |
| Net revenues | $ 10,620 | $ 9,562 | (1,058) | (10) |
| Cost of revenues | (9,246) | (8,430) | 816 | (9) |
| Gross profit | 1,374 | 1,132 | (242) | (18) |
| Operating expenses: | | | | |
| Research and development expenses | 446 | 1,816 | 1,370 | 307 |
| Sales and marketing expenses | 158 | 510 | 352 | 223 |
| General and administrative expenses | 741 | 2,159 | 1,418 | 191 |
| Recovery of doubtful accounts | (364) | (178) | 186 | (51) |
| Total operating expenses | 981 | 4,307 | 3,326 | 339 |
| Operating profit (loss) | 393 | (3,175) | (3,568) | (908) |
| Finance expenses, net | (358) | 129 | 487 | (136) |
| Other income, net | 6 | 70 | 64 | 1067 |
| Impairment of non-marketable equity securities | - | 1 | 1 | - |
| Change in fair value of warrants | - | 22,998 | 22,998 | - |
| Income before income tax | 41 | 20,023 | 19,982 | 48,737 |
| Income tax expenses | - | - | - | - |
| Net income | 41 | 20,023 | 19,982 | 48,737 |
| Less: Net income (loss) attributable to non-controlling interests | 3 | (4) | (7) | (233) |
| Net income attributable to shareholders of CBAK Energy Technology, Inc. | $ 44 | $ 20,019 | 19,975 | 45,398 |

***Net revenues***. Net revenues were $9.6 million for the three months ended September 30, 2021, as compared to $10.6 million for the same period in 2020, representing a decrease of $1.06 million, or 10.0%.

The following table sets forth the breakdown of our net revenues by end-product applications derived from high-power lithium batteries.

(All amounts in thousands of U.S. dollars other than percentages)

| | *Three months ended September 30,* | | *Change* | |
|---|---|---|---|---|
| | *2020* | *2021* | *$* | *%* |
| High power lithium batteries used in: | | | | |
| Electric vehicles | $ 408 | $ 1 | (408) | (100) |
| Light electric vehicles | 23 | 227 | 204 | 887 |
| Uninterruptable supplies | 5,920 | 9,336 | 3,416 | 58 |
| | $ 6,351 | $ 9,563 | 3,212 | 51 |
| Raw materials used in lithium batteries | 4,269 | (1) | (4,270) | (100) |
| Total | $ 10,620 | $ 9,562 | (1,058) | (10) |

Net revenues from sales of batteries for electric vehicles were $6 for the three months ended September 30, 2021 as compared to $0.4 million in the same period of 2020, representing a decrease of $0.4 million, or 100%.

Net revenues from sales of batteries for light electric vehicles was $0.2 million for the three months ended September 30, 2021, as compared to $22,859 in the same period of 2020, marking an increase of $0.2 million, or 887%. We will continue to penetrate the market for batteries used in light electric vehicles.

Net revenues from sales of batteries for uninterruptable power supplies was $9.3 million for the three months ended September 30, 2021, as compared with $5.9 million in the same period in 2020, representing an increase of $3.4 million, or 58%. We maintain our focus on this market, and sale of batteries for uninterruptable power supplies continue to grow fast.

Overall, net revenues from sales of high power lithium batteries totaled $9.6 million for the three months ended September 30, 2021, representing a year-over-year growth of 51% compared to the same period of 2020. The new production line installation in the Dalian plant had a temporarily adverse impact on its existing production during the three months ended September 30, 2021.

Net revenues from sales of raw materials used in lithium batteries were nil for the three months ended September 30, 2021, as compared with $4.3 million in the same period in 2020, representing a decrease of $4.3million. The Company did not make new battery raw material trades in this quarter and had a minor adjustment in revenues from previous raw material trades.

***Cost of revenues.*** Cost of revenues was $8.4 million for the three months ended September 30, 2021, as compared with $9.2 million in the same period in 2020. Cost of revenues includes write-down of obsolete inventories which was $0.3 million for both three months ended September 30, 2021 and 2020, respectively. We write down the inventory value whenever there is an indication that it is impaired. However, further write-down may be necessary if market conditions continue to deteriorate.

***Gross profit.*** Gross profit for the three months ended September 30, 2021 was $1.1 million, or 12% of net revenues, as compared to $1.4 million, or 13% of net revenues for the same period in 2020. The inflation of the price of raw materials resulted in an increase of costs. As a result, we recorded a lower gross profit margin for the three months ended September 30, 2021 as compared with the same period in 2020.

***Research and development expenses***. Research and development expenses increased to $1.8 million for the three months ended September 30, 2021, as compared to $0.4 million for the same period in 2020, an increase of $1.4 million, or 307%. The increase was primarily resulted from the increase in R&D employees' salaries and social insurance expenses by approximately $0.6 million. R&D employees' salaries and social insurance expenses increased due to a growing number of R&D employees at Nanjing CBAK and Nanjing Daxin as well as the expiration of the Chinese government's COVID-19 relief policy that alleviated corporations' social insurance burdens. We also incurred design and development expenses relating to light electric vehicles of $0.4 million and nil for the three months ended September 30, 2021 and 2020, respectively. In addition, we incurred expenses for materials used in battery research and development of $0.4 million and $29,357 for the three months ended September 30, 2021 and 2020, respectively, as a result of our efforts to research and develop upgraded battery products with lower costs and better performance.

***Sales and marketing expenses.*** Sales and marketing expenses increased to $0.5 million for the three months ended September 30, 2021, as compared to approximately $0.2 million for the same period in 2020, an increase of approximately $0.3 million, or 223%. As a percentage of revenues, sales and marketing expenses were 5.3% and 1.5% of net revenues for the three months ended September 30, 2021 and 2020, respectively. The increase was resulted from an increase of salaries, social insurance and staff welfare expenses for sales and marketing employees by approximately $0.2 million. Sales and marketing employees' social insurance expenses increased in part due to the expiration of the Chinese government's COVID-19 relief policy that alleviated corporations' social insurance burdens. Moreover, in light of our good revenue performance, we increased sales and marketing employees' salaries and welfare.

***General and administrative expenses***. General and administrative expenses increased to $2.2 million for the three months ended September 30, 2021, as compared to approximately $0.7 million for the same period in 2020, an increase of approximately $1.5 million, or 191%. The increase was primarily a result of the significant increase in administrative employees' salaries and social insurance expenses by approximately $0.6 million. Administrative employees' social insurance expenses increased due to a growing number of employees at Nanjing CBAK and Nanjing Daxin as well as the expiration of the Chinese government's COVID-19 relief policy that alleviated corporations' social insurance burdens. In addition, our rental expenses increased by approximately $0.2 million, as Nanjing CBAK and Nanjing Daxin rented warehouse and staff dormitory.

***Recovery of doubtful accounts.*** Recovery of doubtful accounts was $0.2 million for the three months ended September 30, 2021, as compared to a recovery of doubtful accounts of $0.4 million for the same period in 2020. We determine the allowance based on historical write-off experience, customer specific facts and economic conditions. We have recovered $0.2 million of cash from customers in the three months ended September 30, 2021.

***Operating profit (loss)***. As a result of the above, our operating loss totaled $3.2 million for the three months ended September 30, 2021, as compared to an operating profit of $0.4 million for the same period in 2020, representing a decrease in operating profit of $3.6 million.

***Finance income (expenses), net.*** Finance income, net was $0.1 million for the three months ended September 30, 2021, as compared to finance expenses of $0.4 million for the same period in 2020, representing an increase in income of $0.5 million, or 136% as a result of lower loan balances in 2021 and more interest income generated from vehicle leasing.

***Other income, net.*** Other income was $69,970 for the three months ended September 30, 2021, as compared to other income of $5,873 for the same period 2020.

***Changes in fair value of warrants liability.*** We issued warrants in the financings we consummated in December 2020 and February 2021, respectively. We determined that these warrants should be accounted for as derivative liabilities, as the warrants are dominated in a currency (U.S. dollar) other than our functional currency. The change in fair value of warrants liability is mainly due to the share price decline.

***Income tax.*** Income tax was nil for the three months ended September 30, 2021 and 2020, respectively.

***Net income.*** As a result of the foregoing, we had a net income of $20.0 million for the three months ended September 30, 2021, compared to a net income of $41,715 for the same period in 2020.

**<u>Comparison of Nine Months Ended September 30, 2020 and 2021</u>**

The following tables set forth key components of our results of operations for the periods indicated.

(All amounts, other than percentages, in thousands of U.S. dollars)

| | Nine Months ended September 30, | | Change | |
|---|---|---|---|---|
| | 2020 | 2021 | $ | % |
| Net revenues | $ 22,146 | $ 24,867 | 2,721 | 12 |
| Cost of revenues | (20,478) | (20,798) | (320) | 2 |
| Gross profit | 1,668 | 4,069 | 2,401 | 144 |
| Operating expenses: | | | | |
| Research and development expenses | 1,130 | 3,345 | 2,215 | 196 |
| Sales and marketing expenses | 352 | 1,263 | 911 | 259 |
| General and administrative expenses | 2,614 | 5,824 | 3,210 | 123 |
| Provision for (recovery of) doubtful accounts | 64 | (437) | (501) | (783) |
| Total operating expenses | 4,160 | 9,995 | 5,835 | 140 |
| Operating loss | (2,492) | (5,926) | (3,434) | (138) |
| Finance (expenses) income, net | (1,171) | 174 | 1,345 | 115 |
| Other income, net | 152 | 1,619 | 1,467 | 965 |
| Impairment of non-marketable equity securities | - | (690) | (690) | - |
| Change in fair value of warrants | - | 57,174 | 57,174 | - |
| (Loss) income before income tax | (3,511) | 52,351 | 55,862 | 1591 |
| Income tax expenses | - | - | - | - |
| Net (loss) income | (3,511) | 52,351 | 55,862 | 1591 |
| Less: Net loss attributable to non-controlling interests | (2) | (22) | (20) | (1000) |
| Net (loss) income attributable to shareholders of CBAK Energy Technology, Inc. | (3,513) | 52,329 | 55,842 | 1590 |

***Net revenues***. Net revenues were $24.9 million for the nine months ended September 30, 2021, as compared to $22.1 million for the same period in 2020, representing an increase of $2.7 million, or 12%.

The following table sets forth the breakdown of our net revenues by end-product applications derived from high-power lithium batteries.

(All amounts in thousands of U.S. dollars other than percentages)

| | Nine months ended September 30, | | Change | |
|---|---|---|---|---|
| | 2020 | 2021 | $ | % |
| High power lithium batteries used in: | | | | |
| Electric vehicles | $ 742 | $ 101 | (641) | (86) |
| Light electric vehicles | 26 | 336 | 310 | 1192 |
| Uninterruptable supplies | 17,109 | 23,912 | 6,803 | 40 |
| | 17,877 | 24,349 | 6,472 | 36 |
| Raw materials used in lithium batteries | 4,269 | 518 | (3,751) | (88) |
| Total | $ 22,146 | $ 24,867 | 2,721 | 12 |

Net revenues from sales of batteries for electric vehicles was $0.1 million for the nine months ended September 30, 2021 as compared to $0.7 million in the same period of 2020, representing a decrease of $0.6 million, or 86%.

Net revenues from sales of batteries for light electric vehicles was $0.3 million for the nine months ended September 30, 2021, as compared to $26,203 in the same period of 2020, marking an increase of $0.3 million, or 1,192%. We will continue to penetrate the market for batteries used in light electric vehicles.

Net revenues from sales of batteries for uninterruptable power supplies was $23.9 million in the nine months ended September 30, 2021, as compared with $17.1 million in the same period in 2020, representing an increase of $6.8 million, or 40%. We maintain our focus on this market, and sales of batteries for uninterruptable power supplies continue to grow fast.

Net revenues from sales of raw materials used in lithium batteries were $0.5 million for the nine months ended September 30, 2021, as compared with $4.2 million in the same period in 2020, representing a decrease of $3.8 million, or 88%.

***Cost of revenues.*** Cost of revenues increased to $20.8 million for the nine months ended September 30, 2021, as compared to $20.5 million for the same period in 2020, an increase of $0.3 million, or 2%. Cost of revenues included write-down of obsolete inventories which were $0.7 million for both nine months ended September 30, 2021 and 2020. We write down the inventory value whenever there is an indication that it is impaired. However, further write-down may be necessary if market conditions continue to deteriorate.

***Gross profit.*** Gross profit for the nine months ended September 30, 2021 was $4.1 million, or 16% of net revenues as compared to $1.7 million, or 8% of net revenues, for the same period in 2020, representing an increase in gross profit of $2.4 million. Gross profit margin improved due to productivity increase, cost control and upgrades to production lines.

***Research and development expenses***. Research and development expenses increased to approximately $3.3 million for the nine months ended September 30, 2021, as compared to approximately $1.1 million for the same period in 2020, an increase of $2.2 million, or 196%. The increase was primarily resulted from an increase in R&D employees' salaries and social insurance expenses by approximately $1.1 million. R&D employees' social insurance expenses increased due to a growing number of employees at Nanjing CBAK and Nanjing Daxin as well as the expiration of Chinese government's COVID-19 relief policy that alleviated corporations' social insurance burdens. We also incurred design and development expenses relating to light electric vehicles of $0.6 million and nil for the nine months ended September 30, 2021 and 2020, respectively. In addition, we incurred expenses for materials used in battery research and development of $0.4 million and $29,357 for the nine months ended September 30, 2021 and 2020, respectively, as a result of the Company's efforts to research and develop upgraded battery products with lower costs and better performance.

***Sales and marketing expenses***. Sales and marketing expenses were $1.3 million for the nine months ended September 30, 2021, as compared to $0.4 million for the same period in 2020, an increase of $0.9 million, or 259%. As a percentage of revenues, sales and marketing expenses were 5.1% and 1.6% of revenues for the nine months ended September 30, 2021 and 2020, respectively. The increase mainly resulted from an increase in salaries, social insurance and staff welfare expenses for sales and marketing employees by approximately $0.4 million. Sales and marketing employees' social insurance expenses increased in part due to the expiration of the Chinese government's COVID-19 relief policy that alleviated corporations' social insurance burdens. Moreover, given the growth in revenue, we increased sales and marketing employees' salaries and welfare. In addition, we attended several exhibitions to increase our brand awareness and incurred exhibition expenses of approximately $0.2 million and $18,879 for the nine months ended September 30, 2021 and 2020, respectively.

***General and administrative expenses***. General and administrative expenses increased to $5.8 million for the nine months ended September 30, 2021, as compared to $2.6 million for the same period in 2020, representing an increase of $3.2 million, or 123%. The increase was primarily resulted from the significant increase in administrative employees' salaries and social insurance expenses by approximately $1.6 million. Administrative employees' social insurance expenses increased due to a growing number of employees at Nanjing CBAK and Nanjing Daxin as well as the expiration of the Chinese government's COVID-19 relief policy that alleviated corporations' social insurance burdens. In addition, our rental expenses increased by approximately $0.3 million, as Nanjing CBAK and Nanjing Daxin rented warehouse and staff dormitory. Moreover, our expenses increased by $0.8 million due to the numbers of shareholder meetings held, an increased number of issuance of shares and increase of consultancy and recruitment expenses in the nine months ended September 30, 2021, as compared to the same period in 2020.

***Provision for(recovery of) doubtful accounts.*** Recovery of doubtful accounts was $437,475 for the nine months ended September 30, 2021, as compared to provision for doubtful accounts, $63,534, for the same period in 2020. We determine the allowance based on historical write-off experience, customer specific facts and economic conditions.

***Operating loss***. As a result of the above, our operating loss totaled $5.9 million for the nine months ended September 30, 2021, as compared to $2.5 million for the same period in 2020, representing an increase of $3.4 million in loss, or 138%.

***Finance income (expenses), net.*** Finance income, net increased to $0.2 million for the nine months ended September 30, 2021, as compared to finance expenses approximately $1.2 million for the same period last year, representing an increase of $1.3 million in finance income, or 115% as a result of lower loan balances in 2021 and more interest income generated from vehicle leasing.

***Other income.*** Other income was $1,619,194 for the nine months ended September 30, 2021, as compared to approximately $152,171 for the same period 2020. The increase was primarily resulted from debts relief from materials and equipment suppliers.

***Impairment of non-marketable equity securities.*** In April 2021, we invested RMB9 million (approximately $1.4 million) to acquire approximately 9.7% of the equity interests of DJY. We assessed the carrying value of non-marketable equity securities during the nine months ended September 30, 2021 and recognized an impairment of non-marketable equity securities of $690,585.

***Changes in fair value of warrants liability.*** We issued warrants in the financing we consummated in December 2020 and February 2021. We determined that these warrants should be accounted for as derivative liabilities, as the warrants are dominated in a currency (U.S. dollar) other than our functional currency. The change in fair value of warrants liability is mainly due to the share price decline.

***Income tax.*** Income tax was nil and nil for the nine months ended September 30, 2021 and 2020, respectively.

***Net (loss) income.*** As a result of the foregoing, we had a net income of $52.4million for the nine months ended September 30, 2021, compared to a net loss of $3.5 million for the same period in 2020.

**Liquidity and Capital Resources**

We have financed our liquidity requirements from long-term and short-term bank loans, other short-term loans and bills payable under bank credit agreements, advances from our related and unrelated parties, and issuance of capital stock and other securities to investors.

We generated a net income of $52.4 million for the nine months ended September 30, 2021. As of September 30, 2021, we had cash and cash equivalents and restricted cash of $17.5 million. Our total current assets were $59.6 million and our total current liabilities were $49.4 million, resulting in a net working capital of $10.2 million.

We had an accumulated deficit from recurring losses from operations and short-term debt obligations as of December 31, 2020 and September 30, 2021. As of December 31, 2020, we had a working capital deficiency of $10.5 million. These factors raise substantial doubts about our ability to continue as a going concern. The report from our independent registered public accounting firm for the year ended December 31, 2020 included an explanatory paragraph in respect of the substantial doubt of our ability to continue as a going concern. We are currently expanding our product lines and manufacturing capacity and developing the new business of producing light electric vehicles in our Dalian and Nanjing plants, which requires more funding to finance the expansion. We plan to renew our bank borrowings upon maturity and raise additional funds through bank borrowings and equity financing to meet our daily cash demands. However, there can be no assurance that we will be successful in obtaining such financing.

These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*Lending from Financial Institutions*

On June 4, 2018, we obtained banking facilities from China Everbright Bank Dalian Branch with a maximum amount of RMB200 million (approximately $30.63 million), bearing interest at 130% of benchmark rate of the People's Bank of China ("PBOC") for three-year long-term loans with the term of June 12, 2018 to June 10, 2021, which is currently 6.175% per annum. Under the facilities, we borrowed RMB126.0 million ($18.1 million), RMB23.3 million ($3.3 million), RMB9.0 million ($1.3 million) and RMB9.5 million ($1.4 million) on June 12, June 20, September 20, and October 19, 2018, respectively. The loans are repayable in six installments of RMB0.8 million ($0.12 million) on December 10, 2018, RMB24.3 million ($3.50 million) on June 10, 2019, RMB0.8 million ($0.12 million) on December 10, 2019, RMB74.7 million ($10.7 million) on June 10, 2020, RMB0.8 million ($0.12 million) on December 10, 2020 and RMB66.3 million ($9.6 million) on June 10, 2021. We repaid the bank loan of RMB0.8 million ($0.12 million), RMB24.3 million ($3.72 million) and RMB0.8 million ($0.12 million) in December 2018, June 2019 and December 2019, respectively.

On June 28, 2020, we entered into a supplemental agreement with China Everbright Bank Dalian Branch to change the repayment schedule. According to the supplemental agreement, the remaining RMB141.8 million (approximately $21.72 million) loans are repayable in eight instalments consisting of RMB1.09 million ($0.17 million) on June 10, 2020, RMB1 million ($0.15 million) on December 10, 2020, RMB2 million ($0.31 million) on January 10, 2021, RMB2 million ($0.31 million) on February 10, 2021, RMB2 million ($0.31 million) on March 10, 2021, RMB2 million ($0.31 million) on April 10, 2021, RMB2 million ($0.31 million) on May 10, 2021, and RMB129.7 million ($19.9 million) on June 10, 2021, respectively. As of June 30, 2021, we repaid all the bank loans.

From October to December 2020, we borrowed a series of acceptance bills from China Merchants Bank totaling RMB13.5 million (approximately $2.07 million) for various terms through April to June 2021, which were secured by our cash totaling RMB13.5 million (approximately $2.07 million). We repaid the bills from April to June 2021.

We borrowed a series of acceptance bills from Agricultural Bank of China totaled RMB31.0 million (approximately $4.8 million) for various terms expiring from October 2021 to March 2022, which was secured by the Company's cash totaled RMB31.0 million (approximately $4.81 million).

We borrowed a series of acceptance bills from China Zheshang Bank Co. Ltd Shenyang Branch totaled RMB39.9 million (approximately $6.19 million) for various terms expiring from October 2021 to March 2022, which was secured by the Company's cash totaled RMB39.2 million (approximately $6.09 million) and the Company's bills receivable totaled RMB0.7 million (approximately $0.1 million).

On April 19, 2021, we obtained five-year acceptance bills facilities from Bank of Ningbo Co., Ltd with a maximum amount of RMB84.4 million (approximately $13.1 million). Any amount drawn under the facilities requires security in the form of cash or bank acceptance bills receivable of at least the same amount. Under the facilities, as of September 30, 2021, the Company borrowed a total of RMB30 million (approximately $4.7 million) from Bank of Ningbo Co., Ltd in the form of bills payable for various terms expiring from October 2021 to February 2022, which was secured by the Company's cash totaled RMB30 million (approximately $4.66 million).

As of September 30, 2021, we had un-utilized committed banking facilities of $8.4 million.

*Equity and Debt Financings from Investors*

We have also obtained funds through private placements, registered direct offerings and other equity and debt financings.

On December 8, 2020, we entered into a securities purchase agreement with certain institutional investors, pursuant to which we issued in a registered direct offering, an aggregate of 9,489,800 shares of common stock of the Company at a per share purchase price of $5.18, and warrants to purchase an aggregate of 3,795,920 shares of common stock of the Company at an exercise price of $6.46 per share exercisable for 36 months from the date of issuance, for gross proceeds of approximately $49.16 million, before deducting fees to the placement agent and other estimated offering expenses payable by the Company.

On February 8, 2021, we entered into another securities purchase agreement with the same investors, pursuant to which we issued in a registered direct offering, an aggregate of 8,939,976 shares of common stock of the Company at a per share purchase price of $7.83. In addition, we issued to the investors (i) in a concurrent private placement, the Series A-1 warrants to purchase a total of 4,469,988 shares of common stock, at a per share exercise price of $7.67 and exercisable for 42 months from the date of issuance; (ii) in the registered direct offering, the Series B warrants to purchase a total of 4,469,988 shares of common stock, at a per share exercise price of $7.83 and exercisable for 90 days from the date of issuance; and (iii) in the registered direct offering, the Series A-2 warrants to purchase up to 2,234,992 shares of common stock, at a per share exercise price of $7.67 and exercisable for 45 months from the date of issuance. We received gross proceeds of approximately $70 million from the registered direct offering and the concurrent private placement, before deducting fees to the placement agent and other estimated offering expenses payable by the Company.

On May 10, 2021, we entered into that Amendment No. 1 to the Series B Warrant (the “Series B Warrant Amendment”) with each of the holders of the Company’s outstanding Series B warrants. Pursuant to the Series B Warrant Amendment, the term of the Series B warrants was extended from May 11, 2021 to August 31, 2021. As of September 30, 2021, all of the Series B warrants and Series A-2 warrants had expired.

We currently are expanding our product lines and manufacturing capacity and developing the new business of producing light electric vehicles in our Dalian and Nanjing plants, which requires additional funding to finance the expansion. We may also require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. We may renew our bank loans upon maturity, if required, and plan to raise additional funds through bank borrowings and equity or debt financing in the future to meet our daily cash demands, if required. However, there can be no assurance that we will be successful in obtaining such financing. If our existing cash and bank borrowing are insufficient to meet our requirements, we may seek to sell equity securities, debt securities or borrow from other lending institutions. We can make no assurance that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of equity securities, including convertible debt securities, would dilute the interests of our current shareholders. The incurrence of debt would divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders. If we are unable to obtain additional equity or debt financing as required, our business operations and prospects may suffer.

The accompanying condensed consolidated financial statements have been prepared assuming we will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty related to our ability to continue as a going concern.

The following table sets forth a summary of our cash flows for the periods indicated:

(All amounts in thousands of U.S. dollars)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2020 | 2021 |
| Net cash provided by (used in) operating activities | $ 4,899 | $ (7,240) |
| Net cash used in investing activities | (2,033) | (47,504) |
| Net cash (used in) provided by financing activities | (2,329) | 51,049 |
| Effect of exchange rate changes on cash and cash equivalents | 231 | 570 |
| Net increase (decrease) in cash and cash equivalents and restricted cash | 768 | (3,125) |
| Cash and cash equivalents and restricted cash at the beginning of period | 7,134 | 20,671 |
| Cash and cash equivalents and restricted cash at the end of period | $ 7,902 | $ 17,546 |

***Operating Activities***

Net cash used in operating activities was $7.2 million in the nine months ended September 30, 2021, as compared to net cash provided by operating activities of $4.9 million in the same period in 2020. The net cash used in operating activities in the nine months ended September 30, 2021 was mainly attributable to an increase of $4.6 million in inventories, an increase of $2.2 million in prepayments and other receivables and a decrease of $7.6 million in trade accounts and bills payable partially offset by our net loss of $1.5 million (before loss on disposal of property, plant and equipment, non-cash depreciation and amortization, recovery of doubtful debts, write-down of inventories, share-based compensation, change in fair value of warrant liability and impairment of non-marketable equity securities), an increase of $8.1 million in trade accounts and bills and $1.5 million of government grants received.

Net cash provided by operating activities was $4.9 million in the nine months ended September 30, 2020 was mainly attributable to a decrease of $4.4 million in inventories, an increase of $3.6 million in trade accounts and bills payables, an increase of $4.5 million of trade payables to former subsidiaries, and proceed of government grants of $2.9 million partially offset by our net loss (excluding non-cash depreciation and amortization, provision for doubtful debts, write-down of inventories and share-based compensation) of $0.3 million and an increase of $10.4 million increase in trade accounts and bills receivable.

***Investing Activities***

Net cash used in investing activities was $47.5 million for the nine months ended September 30, 2021, as compared to $2.0 million in the same period of 2020. The net cash used in investing activities in 2021 mainly consisted of deposit paid for acquisition of a majority-owned subsidiary of $8.3 million, purchase of non-marketable equity securities of $1.4 million and purchase of property, plant and equipment and construction in progress of $17.5 million and loan to Hitrans of $20.2 million.

Net cash used in investing activities was $2.0 million for the nine months ended September 30, 2020 mainly included purchase of property, plant and equipment and construction in progress.

***Financing Activities***

Net cash provided by financing activities was $51.0 million in the nine months ended September 30, 2021, compared to net cash used in financing activities of $2.3 million during the same period in 2020. The net cash provided by financing activities in the nine months ended September 30, 2021 mainly comprised proceeds of $65.5 million from issuance of shares, partially offset by repayment of bank borrowings of $13.9 million, repayment of borrowings from unrelated and related parties of $0.4 million and $0.2 million, respectively.

Net cash used in financing activities was $2.3 million in the nine months ended September 30, 2020 was mainly attributable to repayment of borrowings of $5.6 million to Jilin Province Trust Co. Ltd. and $0.2 million to banks, partially offset by borrowing of $3.5 million from Jilin Province Trust Co. Ltd. under a renewed credit facility and borrowings of $0.3 million from our shareholders.

As of September 30, 2021, the principal amounts outstanding under our credit facilities and lines of credit were as follows:

(All amounts in thousands of U.S. dollars)

| | *Maximum amount available* | *Amount borrowed* |
|---|---|---|
| **Other lines of credit:** | | |
| Bank of Ningbo Co., Ltd | $ 13,068 | $ 4,645 |
| Agricultural Bank of China | 4,802 | 4,802 |
| China Zheshang Bank Co., Ltd | 6,178 | 6,178 |
| Total | $ 24,048 | $ 15,625 |

***Capital Expenditures***

We incurred capital expenditures of $2.0 million and $17.5 million in the nine months ended September 30, 2020 and 2021, respectively. Our capital expenditures were used to construct and upgrade our manufacturing facilities in Dalian and Nanjing.

We estimate that our total capital expenditures for the year ending December 31, 2021 will reach approximately $20.0 million. Such funds are primarily used to expand new automatic manufacturing lines of battery as well as light electric vehicle production lines.

***Contractual Obligations and Commercial Commitments***

The following table sets forth our contractual obligations and commercial commitments as of September 30, 2021:

(All amounts in thousands of U.S. dollars)

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1 - 3 years | 3 - 5 years | More than 5 years |
| Contractual Obligations | | | | | |
| Bills payable | $ 15,654 | $ 15,654 | $ - | $ - | $ - |
| Payable to former subsidiaries | 362 | 362 | - | - | - |
| Other short-term loans | 681 | 681 | - | - | - |
| Capital injection to CBAK Trading | 2,565 | 2,565 | - | - | - |
| Capital injection to CBAK Energy | 26,480 | 26,480 | - | - | - |
| Capital injection to CBAK Nanjing | 44,710 | 44,710 | - | - | - |
| Capital injection to Nanjing CBAK | 56,768 | 56,768 | - | - | - |
| Capital injection to Nanjing Daxin | 5,209 | 5,209 | | | |
| Capital injection to Juzhong Daxin | 4,654 | 4,654 | | | |
| Capital commitments for construction of buildings | 638 | 638 | - | - | - |
| Capital commitments for purchase of equipment | 8,415 | 8,415 | - | - | - |
| Operating lease obligations | 1,670 | 835 | 835 | - | - |
| Total | $ 167,806 | $ 166,971 | $ 835 | - | $ - |

Other than the contractual obligations and commercial commitments set forth above, we did not have any other long-term debt obligations, operating lease obligations, capital commitments, purchase obligations or other long-term liabilities as of September 30, 2021.

**Off-Balance Sheet Transactions**

We have not entered into any transactions, agreements or other contractual arrangements to which an entity unconsolidated with us is a party and under which we have (i) any obligation under a guarantee, (ii) any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity, (iii) any obligation under derivative instruments that are indexed to our shares and classified as shareholders' equity in our consolidated balance sheets, or (iv) any obligation arising out of a variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

**Critical Accounting Policies**

Our condensed consolidated financial information has been prepared in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect (1) the reported amounts of our assets and liabilities, (2) the disclosure of our contingent assets and liabilities at the end of each fiscal period and (3) the reported amounts of revenues and expenses during each fiscal period. We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and reasonable assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

There were no material changes to the critical accounting policies previously disclosed in our audited consolidated financial statements for the year ended December 31, 2020 included in the Annual Report on Form 10-K filed on April 13, 2021.

**Changes in Accounting Standards**

Please refer to note 1 to our condensed consolidated financial statements, "Principal Activities, Basis of Presentation and Organization – Recently Issued Accounting Standards," for a discussion of relevant pronouncements.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not applicable.

**ITEM 4. CONTROLS AND PROCEDURES.**

**Evaluation of Disclosure Controls and Procedures**

As required by Rule 13a-15 under the Exchange Act, our management has carried out an evaluation, with the participation and under the supervision of our Chief Executive Officer and Interim Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2021. Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Interim Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating and implementing possible controls and procedures.

Management conducted its evaluation of disclosure controls and procedures under the supervision of our Chief Executive Officer and our Interim Chief Financial Officer. Based upon, and as of the date of this evaluation, our Chief Executive Officer and Interim Chief Financial Officer concluded that our disclosure controls and procedures were ineffective as of September 30, 2021.

As we disclosed in our Annual Report on Form 10-K filed with the SEC on April 13, 2021, during our assessment of the effectiveness of internal control over financial reporting as of December 31, 2020, management identified the following material weakness in our internal control over financial reporting:

- We did not have appropriate policies and procedures in place to evaluate the proper accounting and disclosures of key documents and agreements.
- We do not have sufficient and skilled accounting personnel with an appropriate level of technical accounting knowledge and experience in the application of accounting principles generally accepted in the United States commensurate with our financial reporting requirements.

In order to cure the foregoing material weaknesses, we plan to make necessary changes by providing training to our financial team and our other relevant personnel on the U.S. GAAP accounting guidelines applicable to our financial reporting requirements. We are also in the process of hiring a permanent chief financial officer with significant U.S. GAAP and SEC reporting experience.

We intend to complete the remediation of the material weaknesses discussed above as soon as practicable but we can give no assurance that we will be able to do so. Designing and implementing an effective disclosure controls and procedures is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to devote significant resources to maintain a financial reporting system that adequately satisfies our reporting obligations. The remedial measures that we have taken and intend to take may not fully address the material weakness that we have identified, and material weaknesses in our disclosure controls and procedures may be identified in the future. Should we discover such conditions, we intend to remediate them as soon as practicable. We are committed to taking appropriate steps for remediation, as needed.

**Changes in Internal Control over Financial Reporting**

Except for the matters described above, there were no changes in our internal controls over financial reporting during the quarter ended September 30, 2021 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.

The information set forth in Note 23 "Commitments and Contingencies—(ii) Litigation" to our consolidated financial statements in Part I, Item 1 of this Form 10-Q is incorporated by reference herein.

### ITEM 1A. RISK FACTORS.

There are no material changes from the risk factors previously disclosed in Item 1A "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Other than as previously disclosed in current reports on Form 8-K, there were no unregistered sales of equity securities or repurchase of common stock during the period covered by this report.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

### ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

### ITEM 5. OTHER INFORMATION.

None.

### ITEM 6. EXHIBITS.

The following exhibits are filed as part of this report or incorporated by reference:

| Exhibit No. | Description |
|---|---|
| 31.1 | Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certifications of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certifications of Principal Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certifications of Principal Financial Officer furnished 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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (the cover page XBRL tags are embedded within the iXBRL document). |

**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.

Date: November 15, 2021

**CBAK ENERGY TECHNOLOGY, INC.**

By: /s/ Yunfei Li
Yunfei Li
Chief Executive Officer

By: /s/ Xiangyu Pei
Xiangyu Pei
Interim Chief Financial Officer

**EXHIBIT 31.1**

**CERTIFICATIONS**

I, Yunfei Li, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CBAK Energy Technology, 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. I am 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: November 15, 2021

/s/ Yunfei Li
Yunfei Li
Chief Executive Officer
*(Principal Executive Officer)*

**EXHIBIT 31.2**

**CERTIFICATIONS**

I, Xiangyu Pei, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CBAK Energy Technology, 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. I am 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: November 15, 2021

/s/ Xiangyu Pei

Xiangyu Pei
Interim Chief Financial Officer
*(Principal Financial and Accounting Officer)*

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350**
**AS ADOPTED PURSUANT TO SECTION 906**
**OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Yunfei Li, the Chief Executive Officer of CBAK ENERGY TECHNOLOGY, INC. (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2021 (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

IN WITNESS WHEREOF, the undersigned has executed this statement this 15th day of November, 2021.

/s/ Yunfei Li
Yunfei Li
Chief Executive Officer
*(Principal Executive Officer)*

A signed original of this written statement required by Section 906 has been provided to CBAK Energy Technology, Inc. and will be retained by CBAK Energy Technology, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The forgoing certification is being furnished to the Securities and Exchange Commission pursuant to § 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350**
**AS ADOPTED PURSUANT TO SECTION 906**
**OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Xiangyu Pei, the Interim Chief Financial Officer of CBAK ENERGY TECHNOLOGY, INC. (the “Company”), DOES HEREBY CERTIFY that:

1. The Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2021 (the “Report”), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

IN WITNESS WHEREOF, the undersigned has executed this statement this 15th day of November, 2021.

/s/ Xiangyu Pei
Xiangyu Pei
Interim Chief Financial Officer
*(Principal Financial and Accounting Officer)*

A signed original of this written statement required by Section 906 has been provided to CBAK Energy Technology, Inc. and will be retained by CBAK Energy Technology, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The forgoing certification is being furnished to the Securities and Exchange Commission pursuant to § 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.