

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, 2023

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**

(State or other jurisdiction of  
incorporation or organization)

**88-0442833**

(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)

(Former name, former address and former fiscal year, if changed since last report)

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

Non-accelerated filer

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 8, 2023 is as follows:

Class of Securities	Shares Outstanding
Common Stock, \$0.001 par value	89,487,190



**CBAK ENERGY TECHNOLOGY, INC.**

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**PART I**  
**FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

**FINANCIAL STATEMENTS**  
**CBAK ENERGY TECHNOLOGY, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED**  
**September 30, 2022 AND 2023**

**CBAK ENERGY TECHNOLOGY, INC.**  
**AND SUBSIDIARIES**

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**CBAK Energy Technology, Inc. and Subsidiaries**  
**Condensed consolidated Balance Sheets**  
**As of December 31, 2022 and September 30, 2023**  
**(Unaudited)**

(In US\$ except for number of shares)

	<u>Note</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2023</u>
			(Unaudited)
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents		\$ 6,519,212	\$ 3,176,249
Pledged deposits	2	30,836,864	42,511,872
Trade and bills receivable, net	3	27,413,575	45,564,242
Inventories	4	49,446,291	37,451,597
Prepayments and other receivable	5	5,915,080	7,266,257
Receivables from former subsidiary, net	17	5,518,052	323,973
Income tax recoverable		57,934	-
Total current assets		<u>125,707,008</u>	<u>136,294,190</u>
Property, plant and equipment, net	6	90,004,527	93,587,460
Construction in progress	7	9,954,202	35,605,326
Long-term investments, net	8	945,237	897,635
Prepaid land use rights	9	12,361,163	11,503,787
Intangible assets, net	10	1,309,058	936,062
Deposit paid for acquisition of long-term investments	13	-	3,669,851
Operating lease right-of-use assets, net		1,264,560	949,192
Deferred tax assets, net		2,486,979	3,397,566
Total assets		<u>\$ 244,032,734</u>	<u>\$ 286,841,069</u>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade and bills payable	14	\$ 67,491,435	\$ 88,176,563
Short-term bank borrowings	15	14,907,875	33,190,571
Other short-term loans	15	689,096	338,581
Accrued expenses and other payables	16	25,605,661	38,481,174
Payables to former subsidiaries, net	17	358,067	389,250
Deferred government grants, current	18	1,299,715	366,171
Product warranty provisions	19	26,215	23,285
Warrants liability	26	136,000	-
Operating lease liability, current	9	575,496	366,391
Finance lease liability, current	9	844,297	-
Total current liabilities		<u>111,933,857</u>	<u>161,331,986</u>
Deferred government grants, non-current	18	5,577,020	5,022,216
Product warranty provisions	19	450,613	471,384
Operating lease liability, non-current	9	607,222	462,323
Accrued expenses and other payables, non-current	16	1,085,525	-
Total liabilities		<u>119,654,237</u>	<u>167,287,909</u>
<b>Commitments and contingencies</b>	27		
<b>Shareholders' equity</b>			
Common stock \$0.001 par value; 500,000,000 authorized; 89,135,064 issued and 88,990,858 outstanding as of December 31, 2022 and 89,611,396 issued and 89,467,190 outstanding as of September 30, 2023		89,135	89,611
Donated shares		14,101,689	14,101,689
Additional paid-in capital		246,240,998	247,200,355
Statutory reserves		1,230,511	1,230,511
Accumulated deficit		(131,946,705)	(129,627,258)
Accumulated other comprehensive loss		(8,153,644)	(14,330,746)
		<u>121,561,984</u>	<u>118,664,162</u>
Less: Treasury shares		(4,066,610)	(4,066,610)
Total shareholders' equity		<u>117,495,374</u>	<u>114,597,552</u>
Non-controlling interests		6,883,123	4,955,608
Total equity		<u>124,378,497</u>	<u>119,553,160</u>
Total liabilities and shareholder's equity		<u>\$ 244,032,734</u>	<u>\$ 286,841,069</u>

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, 2022 and 2023**  
(Unaudited)  
(In US\$ except for number of shares)

	Note	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>September 30,</i>		<i>September 30,</i>	
		<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Net revenues	29	\$ 57,721,692	\$ 63,441,109	\$ 194,267,650	\$ 148,258,680
Cost of revenues		(54,261,244)	(51,192,531)	(179,955,540)	(129,219,716)
Gross profit		<u>3,460,448</u>	<u>12,248,578</u>	<u>14,312,110</u>	<u>19,038,964</u>
Operating expenses:					
Research and development expenses		(2,385,591)	(2,577,714)	(7,998,181)	(8,013,760)
Sales and marketing expenses		(834,501)	(1,116,377)	(2,361,839)	(2,800,969)
General and administrative expenses		(1,866,055)	(3,240,770)	(6,556,944)	(9,302,798)
Recovery of (provision for) doubtful accounts		142,966	(24,623)	(68,651)	(286,283)
Total operating expenses		<u>(4,943,181)</u>	<u>(6,959,484)</u>	<u>(16,985,615)</u>	<u>(20,403,810)</u>
Operating (loss) income		(1,482,733)	5,289,094	(2,673,505)	(1,364,846)
Finance income (expenses), net		687,345	(447,031)	71,869	(189,248)
Other (expenses) income, net		(991,352)	601,654	(1,165,094)	1,022,907
Change in fair value of warrants		936,000	15,000	4,699,000	136,000
Income (loss) before income tax		(850,740)	5,458,717	932,270	(395,187)
Income tax credit (expenses)	20	2,012	305,431	(84,230)	1,015,626
Net (loss) income		(848,728)	5,764,148	848,040	620,439
Less: Net loss attributable to non-controlling interest		848,438	570,644	401,313	1,699,008
Net (loss) income attributable to CBAK Energy Technology, Inc.		<u>\$ (290)</u>	<u>\$ 6,334,792</u>	<u>\$ 1,249,353</u>	<u>\$ 2,319,447</u>
Net (loss) income		(848,728)	5,764,148	848,040	620,439
Other comprehensive loss					
– Foreign currency translation adjustment		(8,925,745)	(515,279)	(15,620,472)	(6,405,609)
Comprehensive (loss) income		(9,774,473)	5,248,869	(14,772,432)	(5,785,170)
Less: Comprehensive loss attributable to non-controlling interest		1,632,419	553,874	1,150,285	1,927,515
Comprehensive (loss) income attributable to CBAK Energy Technology, Inc.		<u>\$ (8,142,054)</u>	<u>\$ 5,802,743</u>	<u>\$ (13,622,147)</u>	<u>\$ (3,857,655)</u>
Income (loss) per share	25				
– Basic		\$ (0.00)*	\$ 0.07	\$ 0.01	\$ 0.03
– Diluted		\$ (0.00)*	\$ 0.07	\$ 0.01	\$ 0.03
Weighted average number of shares of common stock:	25				
– Basic		88,996,692	89,473,026	88,900,977	89,171,988
– Diluted		<u>88,996,692</u>	<u>89,904,319</u>	<u>88,923,265</u>	<u>89,582,401</u>

\* Less than \$0.01 per share

See accompanying notes to the condensed consolidated financial statements.

**CBAK Energy Technology, Inc. and Subsidiaries**  
**Condensed consolidated statements of changes in shareholders' equity (deficit)**  
**For the three months ended September 30, 2022 and 2023**  
(Unaudited)  
(In US\$ except for number of shares)

	<u>Common stock issued</u>		<u>Donated shares</u>	<u>Additional paid-in capital</u>		<u>Statutory reserves</u>	<u>Accumulated deficit</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Non-controlling interest</u>	<u>Treasury shares</u>		<u>Total shareholders' equity (deficit)</u>
	<u>Number Of shares</u>	<u>Amount</u>		<u>paid-in capital</u>	<u>Statutory reserves</u>					<u>Number of shares</u>	<u>Amount</u>	
<b>Balance as of July 1, 2022</b>	89,135,064	\$ 89,135	\$ 14,101,689	\$ 241,991,981	\$ 1,230,511	\$(121,248,616)	\$ (4,240,719)	\$ 8,075,148	(144,206)	\$ (4,066,610)	\$ 135,932,519	
Net loss	-	-	-	-	-	(290)	-	(848,438)	-	-	(848,728)	
Share-based compensation for employee and director stock awards	-	-	-	11,247	-	-	-	-	-	-	11,247	
Capital injection	-	-	-	1,050,060	-	-	-	383,127	-	-	1,433,187	
Foreign currency translation adjustment	-	-	-	-	-	-	(8,141,764)	(783,981)	-	-	(8,925,745)	
<b>Balance as of September 30, 2022</b>	<u>89,135,064</u>	<u>\$ 89,135</u>	<u>\$ 14,101,689</u>	<u>\$ 243,053,288</u>	<u>\$ 1,230,511</u>	<u>\$(121,248,906)</u>	<u>\$ (12,382,483)</u>	<u>\$ 6,825,856</u>	<u>(144,206)</u>	<u>\$ (4,066,610)</u>	<u>\$ 127,602,480</u>	
<b>Balance as of July 1, 2023</b>	89,151,731	\$ 89,151	\$ 14,101,689	\$ 247,070,345	\$ 1,230,511	\$(135,962,050)	\$ (13,798,697)	\$ 5,509,482	(144,206)	\$ (4,066,610)	\$ 114,173,821	
Net income (loss)	-	-	-	-	-	6,334,792	-	(570,644)	-	-	5,764,148	
Share-based compensation for employee and director stock awards	-	-	-	130,470	-	-	-	-	-	-	130,470	
Common stock issued to employees and directors for stock awards	459,665	460	-	(460)	-	-	-	-	-	-	-	
Foreign currency translation adjustment	-	-	-	-	-	-	(532,049)	16,770	-	-	(515,279)	
<b>Balance as of September 30, 2023</b>	<u>89,611,396</u>	<u>\$ 89,611</u>	<u>\$ 14,101,689</u>	<u>\$ 247,200,355</u>	<u>\$ 1,230,511</u>	<u>\$(129,627,258)</u>	<u>\$ (14,330,746)</u>	<u>\$ 4,955,608</u>	<u>(144,206)</u>	<u>\$ (4,066,610)</u>	<u>\$ 119,553,160</u>	

See accompanying notes to the condensed consolidated financial statements.

**CBAK Energy Technology, Inc. and Subsidiaries**  
**Condensed consolidated statements of changes in shareholders' equity (deficit)**  
**For the nine months ended September 30, 2022 and 2023**  
(Unaudited)  
(In US\$ except for number of shares)

	<u>Common stock issued</u>		<u>Donated shares</u>	<u>Additional paid-in capital</u>	<u>Statutory reserves</u>	<u>Accumulated deficit</u>	<u>Accumulated other comprehensive Income (loss)</u>	<u>Non-Controlling interest</u>	<u>Treasury shares</u>		<u>Total shareholders' equity (deficit)</u>
	<u>Number of shares</u>	<u>Amount</u>							<u>Number of shares</u>	<u>Amount</u>	
<b>Balance as of January 1, 2022</b>	<b>88,849,222</b>	<b>\$ 88,849</b>	<b>\$ 14,101,689</b>	<b>\$ 241,946,362</b>	<b>\$ 1,230,511</b>	<b>\$(122,498,259)</b>	<b>\$ 2,489,017</b>	<b>\$ 7,593,014</b>	<b>(144,206)</b>	<b>\$ (4,066,610)</b>	<b>\$ 140,884,573</b>
Net income (loss)	-	-	-	-	-	1,249,353	-	(401,313)	-	-	848,040
Share-based compensation for employee and director stock awards	-	-	-	57,152	-	-	-	-	-	-	57,152
Common stock issued to employees and directors for stock awards	285,842	286	-	(286)	-	-	-	-	-	-	-
Capital injection	-	-	-	1,050,060	-	-	-	383,127	-	-	1,433,187
Foreign currency translation adjustment	-	-	-	-	-	-	(14,871,500)	(748,972)	-	-	(15,620,472)
<b>Balance as of September 30, 2022</b>	<b>89,135,064</b>	<b>\$ 89,135</b>	<b>\$ 14,101,689</b>	<b>\$ 243,053,288</b>	<b>\$ 1,230,511</b>	<b>\$(121,248,906)</b>	<b>\$ (12,382,483)</b>	<b>\$ 6,825,856</b>	<b>(144,206)</b>	<b>\$ (4,066,610)</b>	<b>\$ 127,602,480</b>
<b>Balance as of January 1, 2023</b>	<b>89,135,064</b>	<b>\$ 89,135</b>	<b>\$ 14,101,689</b>	<b>\$ 246,240,998</b>	<b>\$ 1,230,511</b>	<b>\$(131,946,705)</b>	<b>\$ (8,153,644)</b>	<b>\$ 6,883,123</b>	<b>(144,206)</b>	<b>\$ (4,066,610)</b>	<b>\$ 124,378,497</b>
Net income (loss)	-	-	-	-	-	2,319,447	-	(1,699,008)	-	-	620,439
Share-based compensation for employee and director stock awards	-	-	-	959,833	-	-	-	-	-	-	959,833
Common stock issued to employees and directors for stock awards	476,332	476	-	(476)	-	-	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	(6,177,102)	(228,507)	-	-	(6,405,609)
<b>Balance as of September 30, 2023</b>	<b>89,611,396</b>	<b>\$ 89,611</b>	<b>\$ 14,101,689</b>	<b>\$ 247,200,355</b>	<b>\$ 1,230,511</b>	<b>\$(129,627,258)</b>	<b>\$ (14,330,746)</b>	<b>\$ 4,955,608</b>	<b>(144,206)</b>	<b>\$ (4,066,610)</b>	<b>\$ 119,553,160</b>

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, 2022 and 2023**  
(Unaudited)  
(In US\$)

	<i>Nine months ended</i>	
	<i>September 30,</i>	
	<u>2022</u>	<u>2023</u>
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ 848,040	\$ 620,439
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	5,726,020	6,168,060
Provision for doubtful accounts and bad debts written off	68,651	397,481
Amortization of operating lease	437,502	397,481
Write-down of inventories	1,177,891	2,074,233
Share-based compensation	57,152	959,833
Changes in fair value of warrants liability	(4,699,000)	(136,000)
Loss on disposal of property, plant and equipment	2,705,233	-
Changes in operating assets and liabilities:		
Trade and bills receivable	24,379,828	(20,463,675)
Inventories	(29,001,132)	7,766,141
Prepayments and other receivable	6,752,833	(1,823,889)
Investment in sales-type lease	347,903	-
Trade and bills payable	13,099,248	24,935,040
Accrued expenses and other payables and product warranty provisions	(303,703)	(3,760,511)
Operating lease liabilities	(310,756)	(430,127)
Trade receivable from and payables to former subsidiaries	(4,659,713)	5,102,972
Income tax recoverable	(15,215)	134,258
Deferred tax assets	84,230	(1,072,434)
Net cash provided by operating activities	<u>16,695,012</u>	<u>20,744,957</u>
<b>Cash flows from investing activities</b>		
Deposit paid for acquisition of long-term investment	-	(3,799,522)
Purchases of property, plant and equipment and construction in progress	(9,761,089)	(24,937,832)
Proceeds on disposal of property, plant and equipment	140,831	-
Investment in equity method investment	(303,122)	-
Net cash used in investing activities	<u>(9,923,380)</u>	<u>(28,737,354)</u>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	11,981,490	36,355,590
Repayment of bank borrowings	(1,515,611)	(16,649,590)
Repayment of borrowings from Mr. Ye Junnan	(3,789,027)	-
Borrowings from a shareholder	-	199,942
Repayment of borrowings from a shareholder	-	(259,960)
Borrowings from a related party	1,515,611	-
Capital injection from non-controlling interests	1,433,187	-
Borrowings from unrelated parties	1,515,611	-
Repayment of borrowings from a unrelated party	-	(279,231)
Proceeds from finance lease	1,515,611	-
Principal payments of finance leases	(256,138)	(841,729)
Net cash provided by financing activities	<u>12,400,734</u>	<u>18,525,022</u>
<b>Effect of exchange rate changes on cash and cash equivalents and restricted cash</b>	<u>(3,890,380)</u>	<u>(2,200,580)</u>
<b>Net increase in cash and cash equivalents and restricted cash</b>	<u>15,281,986</u>	<u>8,332,045</u>
<b>Cash and cash equivalents and restricted cash at the beginning of period</b>	<u>26,354,624</u>	<u>37,356,076</u>
<b>Cash and cash equivalents and restricted cash at the end of period</b>	<u>\$ 41,636,610</u>	<u>\$ 45,688,121</u>
Supplemental non-cash investing and financing activities:		
Transfer of construction in progress to property, plant and equipment	<u>\$ 22,287,410</u>	<u>\$ 15,174,632</u>
Lease liabilities arising from obtaining right-of-use assets	<u>\$ 213,677</u>	<u>\$ 93,074</u>
Cash paid during the year for:		
Income taxes	<u>\$ 60,666</u>	<u>\$ -</u>
Interest, net of amounts capitalized	<u>\$ 476,298</u>	<u>\$ 124,780</u>

See accompanying notes to the condensed consolidated financial statements.



**CBAK Energy Technology, Inc. and subsidiaries**  
**Notes to the condensed consolidated financial statements**  
**For the three and nine months ended September 30, 2022 and 2023**  
(Unaudited)  
(In US\$ except for number of shares)

**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 20, 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.

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.

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(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, 2023, 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 March 7, 2017, the name of Dalian BAK Trading Co., Ltd was changed to Dalian CBAK Trading Co., Ltd ("CBAK Trading"). 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. The Company has paid in full 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. CBAK Suzhou is dormant as of the date of this report. On April 14, 2023, CBAK Power and Nanjing BFD entered into shares transfer agreement to transfer the 90% shares of CBAK Suzhou owned by CBAK Power to Nanjing BFD, no gain or loss was incurred for the transfer.

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, the Company has extended the paid up time to January 31, 2054. Up to the date of this report, the Company has contributed \$23,519,880 to CBAK Energy.

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 \$55,489,915 to CBAK Nanjing.

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 \$104.5 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 RMB352,538,138 (approximately \$52.6 million) to Nanjing CBAK.

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 \$7.5 million). On March 6, 2023, Nanjing Daxin changed its name to Nanjing BFD Energy Technology Co., Ltd (“Nanjing BFD”). The Company has paid in full to Naning BFD through injection of a series of cash.

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 RMB30,000,000 (approximately \$4.5 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 RMB16.6 million (approximately to \$2.4 million) to Jiangsu Daxin.

On July 20, 2021, CBAK Power entered into a framework agreement relating to CBAK Power’s investment in Zhejiang Hitrans Lithium Battery Technology Co., Ltd (“Hitrans”, formerly known as Zhejiang Meidu Hitrans Lithium Battery Technology Co., Ltd), pursuant to which CBAK Power agreed to acquire 81.56% of registered equity interests (representing 75.57% of paid-up capital) of Hitrans (the “Acquisition”). The Acquisition was completed on November 26, 2021 (Note 11). After the completion of the Acquisition, Hitrans became a 81.56% registered equity interests (representing 75.57% of paid up capital) owned subsidiary of the Company.

On July 8, 2022, Hitrans held its second shareholder meeting (“the shareholder meeting”) in 2022 to pass a resolution to increase the registered capital of Hitrans from RMB40 million to RMB44 million (approximately \$6.4 million) and to accept an investment of RMB22 million (approximately \$3.2 million) from Shaoxing Haiji Enterprise Management & Consulting Partnership (“Shaoxing Haiji”) and an investment of RMB18 million (approximately \$2.6 million) from Mr. Haijun Wu (collectively “management shareholder”). Under the resolution, 10% of the investment injection (RMB4 million or \$0.6 million) contributed towards Hitrans’s registered capital and the remaining 90% (RMB36 million or \$5.2 million) treated as additional paid-in capital contribution of Hitrans. 25% of the investments from the management shareholder were required to be in place before August 15, 2022, 25% of the investments were required to be in place before December 31, 2022 and the 50% balance (RMB20 million) were required to be received June 30, 2024. As of September 30, 2023, RMB10 million (approximately \$1.5 million), representing the 25% of the investments were received.

On December 8, 2022, CBAK Power entered into equity interest transfer agreements with five individuals to disposal in aggregate 6.82% of Hitrans equity interests for a total consideration of RMB30,000,000 (approximately \$4.3 million). The transaction was completed on December 30, 2022. As of the report date, CBAK Power's equity interests in Hitrans was 67.33% (representing 70.21% of paid up capital).

On March 10, 2023, CBAK Power entered into an agreement with Nanjing BFD to transfer the 67.33% equity interests CBAK Power holds in Hitrans to Nanjing BFD. As of the date of this report, the Company suspended the execution of this agreement. CBAK Power continues holding 67.33% equity interests in Hitrans.

On July 6, 2018, Guangdong Meidu Hitrans Resources Recycling Technology Co., Ltd. ("Guangdong Hitrans") was established as a 80% owned subsidiary of Hitrans with a registered capital of RMB10 million (approximately \$1.6 6.9 million). The remaining 20% registered equity interest was held by Shenzhen Baijun Technology Co., Ltd. Pursuant to Guangdong Hitrans'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 Guangdong Hitrans's articles of association and relevant PRC regulations, Hitrans was required to contribute the capital to Guangdong Hitrans on or before December 30, 2038. Up to the date of this report, Hitrans has contributed RMB1.72 million (approximately \$0.3 million), and the other shareholder has contributed RMB0.25 million (approximately \$0.04 million) to Guangdong Hitrans through injection of a series of cash. Guangdong Hitrans was established under the laws of the People's Republic of China as a limited liability company on July 6, 2018 with a registered capital RMB10 million (approximately \$1.5 million). Guangdong Hitrans is based in Dongguan, Guangdong Province, and is principally engaged in the business of resource recycling, waste processing, and R&D, manufacturing and sales of battery materials. Guangdong Hitrans is dormant as of the date of this report.

On October 9, 2021, Shaoxing Haisheng International Trading Co., Ltd. ("Haisheng") was established as a wholly owned subsidiary of Hitrans with a register capital of RMB5 million (approximately \$0.8 million). Pursuant to Haisheng's articles of association and relevant PRC regulations, Hitrans was required to contribute the capital to Haisheng on or before May 31, 2025. Up to the date of this report, Hitrans has contributed RMB3.5 million (approximately \$0.5 million) to Haisheng.

On July 25, 2023, CBAK New Energy (Shangqiu) Co., Ltd ("CBAK Shangqiu") was established as a wholly owned subsidiary of CBAK Power with a registered capital of RMB50 million (approximately \$6.9 million). Pursuant to CBAK Shangqiu's articles of association and relevant PRC regulations, CBAK Power was required to contribute the capital to Shangqiu on or before July 24, 2043. Up to the date of this report, CBAK Power has contributed RMB1.2 million (\$0.2 million) to Shangqiu.

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

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 and its 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 condensed 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.

The interim condensed consolidated financial information as of September 30, 2023 and for the three and nine months ended September 30, 2022 and 2023 have been prepared without audit, pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures, which are normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The interim condensed consolidated financial information should be read in conjunction with the Financial Statements and the notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, previously filed with the SEC on April 14, 2023.

In the opinion of management, all adjustments (which include all significant normal and recurring adjustments) necessary to present a fair statement of the Company's interim condensed consolidated financial position as of September 30, 2023, its interim condensed consolidated results of operations and cash flows for the three and nine months ended September 30, 2022 and 2023, as applicable, have been made. The interim results of operations are not necessarily indicative of the operating results for the full fiscal year or any future periods.

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, 2023, 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 liability 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; 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; (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; (x) Daxin New Energy Automobile Technology (Jiangsu) Co., Ltd ("Jiangsu Daxin"), a wholly owned limited liability company established on August 4, 2021 in the PRC; (xi) Zhejiang Hitrans Lithium Battery Technology Co., Ltd ("Hitrans"), a 67.33% registered equity interests (representing 70.21% of paid-up capital) owned limited liability company established on December 16, 2015 in the PRC; (xii) Guangdong Meidu Hitrans Resources Recycling Technology Co., Ltd., a 65.25% owned limited liability company established on July 6, 2018 in the PRC and (xiii) Shaoxing Haisheng International Trading Co., Ltd. ("Haisheng"), a 67.33% registered equity interests (representing 70.21% of paid-up capital) owned limited liability company established on October 9, 2021 in the PRC.

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 estimated offering expenses of \$3.81 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 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.

As of August 31, 2021, the Company had not received any notices from the investors to exercise Series B warrants. As of the date of this report, Series B warrants, along with Series A-2 warrants, had both expired.

As of September 30, 2023, the Company had \$33.2 million bank loans and approximately \$128.1 million of other current liabilities.

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

#### *COVID-19*

The Company business has been and may continue to be adversely affected by the COVID-19 pandemic or other health epidemics and outbreaks. The Company’s manufacturing facilities in Dalian, Nanjing and Shaoxing were not producing at full capacity when restrictive measures were in force during 2022, which negatively affected the Company operational and financial results. China began to modify its zero-COVID policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022.

The extent of the impact of the COVID-19 pandemic that will continue to have on the Company’s business is highly uncertain and difficult to predict and quantify, as the actions that the Company, other businesses and governments may take to contain the spread of COVID-19 continue to evolve. Because of the significant uncertainties surrounding the COVID-19 pandemic, the extent of the future business interruption and the related financial impact cannot be reasonably estimated at this time.

The severity of the impact of the COVID-19 pandemic on the Company’s business will continue to depend on a number of factors, including, but not limited to, the duration and severity of the pandemic, the new variants of COVID-19, the efficacy and distribution of COVID-19 vaccines and the extent and severity of the impact on the global supply chain and the Company’s customers, service providers and suppliers, all of which are uncertain and cannot be reasonably predicted at this time. As of the date of issuance of the Company’s condensed consolidated financial statements, the extent to which the COVID-19 pandemic may in the future materially impact the Company’s financial condition, liquidity or results of operations is uncertain. The Company is monitoring and assessing the evolving situation closely and evaluating its potential exposure.

#### *Going Concern*

The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has accumulated deficit from recurring net losses incurred for the prior years and significant short-term debt obligations maturing in less than one year as of September 30, 2023. These conditions raise substantial doubt about the Company ability to continue as a going concern. The Company’s plan for continuing as a going concern included improving its profitability, and obtaining additional debt financing, loans from existing directors and shareholders for additional funding to meet its operating needs. There can be no assurance that the Company will be successful in the plans described above or in attracting equity or alternative financing on acceptable terms, or if at all. These condensed consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

#### *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.

#### Contract liability

The Company’s contract liabilities consist of deferred revenue associated with batteries development and deposits received from customers allocated to the performance obligations that are unsatisfied. Changes in contract liability balances were not materially impacted by business acquisition, change in estimate of transaction price or any other factors during any of the years presented. The table below presents the activity of the deferred batteries development and sales of batteries revenue during the nine months ended September 30, 2022 and 2023, respectively:

	<i>September 30</i>	
	<u>2022</u>	<u>2023</u>
Balance at beginning of the year	\$ 784,000	\$ 1,869,525
Development fees collected/ deposits received	-	-
Development and sales of batteries revenue recognized	-	(1,067,281)
Foreign exchange adjustment	-	(18,244)
Balance at end of period	<u>\$ 784,000</u>	<u>\$ 784,000</u>

#### *Recently Adopted Accounting Standards*

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326) (“ASU 2016-13”), 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. ASU 2016-13 replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. ASU 2016-13 is to be adopted on a modified retrospective basis. In March 2022, the FASB issued ASU 2022-02, Topic 326. The ASU eliminates the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, and enhances the disclosure requirements for modifications of loans to borrowers experiencing financial difficulty. Additionally, the ASU requires disclosure of gross writeoffs of receivables by year of origination for receivables within the scope of Subtopic 326-20, Financial Instruments - Credit Losses - Measured at Amortized Cost. This ASU is effective for periods beginning after December 15, 2022. The Company applied the new standard beginning January 1, 2023 using the modified retrospective method. This adoption did not have material impact on the Company’s condensed consolidated financial statements.

#### *Recently Issued But Not Yet Adopted Accounting Pronouncements*

In January 2017, the FASB issued ASU No. 2017-04, Intangibles – Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment (“ASU 2017-04”). ASU 2017-04 eliminates Step 2 of the two-step goodwill impairment test, under which a goodwill impairment loss was measured by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. ASU 2017-04 requires only a one-step quantitative impairment test, whereby a goodwill impairment loss is measured as the excess of a reporting unit’s carrying amount over its fair value (not to exceed the total goodwill allocated to that reporting unit). Adoption of the ASUs is on a modified retrospective basis. As a smaller reporting company, the standard 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 adoption of ASU 2017-04 will have on its condensed consolidated financial statement presentation or disclosures.



In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires the recognition and measurement of contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, Revenue from Contracts with Customers. This creates an exception to the general recognition and measurement principles in ASC 805. As a smaller reporting company, ASU 2021-08 will be effective for the Company for interim and annual reporting periods beginning after December 15, 2023, with early adoption permitted. The amendments in this ASU should be applied prospectively to business combinations occurring on or after the effective date of the amendments. The Company does not anticipate that the adoption of this guidance will have a material impact on the condensed consolidated financial statements.

In March 2023, the FASB issued ASU 2023-01, Lease (Topic 842): Common Control Arrangements, which clarifies the accounting for leasehold improvements associated with leases between entities under common control (hereinafter referred to as common control lease). ASU 2023-01 requires entities to amortize leasehold improvements associated with common control lease over the useful life to the common control group (regardless of the lease term) as long as the lessee controls the use of the underlying asset through a lease, and to account for any remaining leasehold improvements as a transfer between entities under common control through an adjustment to equity when the lessee no longer controls the underlying asset. This ASU will be effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been made available for issuance. An entity may apply ASU 2023-01 either prospectively or retrospectively. The Company is currently evaluating the impact that the adoption of ASU 2023-01 will have on the condensed consolidated financial statement presentations and disclosures.

In March 2023, the FASB issued ASU No. 2023-02, Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method, that is intended to improve the accounting and disclosures for investments in tax credit structures. This ASU allows reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for all entities in any interim period. The Company does not anticipate that the adoption of ASU 2023-02 to have material impact on the condensed consolidated financial statement presentation or disclosures.

In October 2023, the FASB issued Accounting Standards Update No. 2023-06 to clarify or improve disclosure and presentation requirements of a variety of topics, which will allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the requirements, and align the requirements in the FASB accounting standard codification with the SEC's regulations. The Company is currently evaluating the provisions of the amendments and the impact on its condensed consolidated financial statement presentations and 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 consolidated financial statements upon adoption.

## **2. Pledged deposits**

Pledged deposits as of December 31, 2022 and September 30, 2023 consisted pledged deposits with banks for bills payable (note 14).

### 3. Trade and Bills Receivable, net

Trade and bills receivable as of December 31, 2022 and September 30, 2023:

	<i>December 31,</i> <u>2022</u>	<i>September 30,</i> <u>2023</u>
Trade receivable	\$ 23,422,733	\$ 42,289,311
Less: Allowance for credit losses	(2,274,513)	(2,394,017)
	<u>21,148,220</u>	<u>39,895,294</u>
Bills receivable	6,265,355	5,668,948
	<u>\$ 27,413,575</u>	<u>\$ 45,564,242</u>

Included in trade and bills receivables are retention receivables of \$1,066,146 and \$594,621 as of December 31, 2022 and September 30, 2023. 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 credit losses are as follows:

Balance as at December 31, 2022	\$ 2,274,513
Adoption of ASC Topic 326	-
Balance as at January 1, 2023	2,274,513
Current period provision, net	267,389
Reversal – recoveries by cash	(25,070)
Foreign exchange adjustment	(122,815)
Balance as at September 30, 2023	<u>\$ 2,394,017</u>

### 4. Inventories

Inventories as of December 31, 2022 and September 30, 2023 consisted of the following:

	<i>December 31,</i> <u>2022</u>	<i>September 30,</i> <u>2023</u>
Raw materials	\$ 7,101,426	\$ 5,104,850
Work in progress	17,274,033	11,737,994
Finished goods	25,070,832	20,608,753
	<u>\$ 49,446,291</u>	<u>\$ 37,451,597</u>

During the three months ended September 30, 2022 and 2023, write-downs of obsolete inventories to lower of cost or net realizable value of \$278,603 and \$499,300, respectively, were charged to cost of revenues.

During the nine months ended September 30, 2022 and 2023, write-downs of obsolete inventories to lower of cost or net realizable value of \$1,177,891 and \$2,074,233, respectively, were charged to cost of revenues.

### 5. Prepayments and Other Receivable

Prepayments and other receivable as of December 31, 2022 and September 30, 2023 consisted of the following:

	<i>December 31,</i> <u>2022</u>	<i>September 30,</i> <u>2023</u>
Value added tax recoverable	\$ 4,234,082	\$ 5,752,383
Prepayments to suppliers	220,671	265,990
Deposits	43,914	120,669
Staff advances	51,826	162,694
Prepaid operating expenses	706,190	604,191
Receivables from sales of vehicles	371,105	77,520
Others	294,292	319,575
	<u>5,922,080</u>	<u>7,303,022</u>
Less: Allowance for credit losses	(7,000)	(36,765)
	<u>\$ 5,915,080</u>	<u>\$ 7,266,257</u>

An analysis of the allowance for credit losses are as follows:

Balance as at December 31, 2022	\$ 7,000
Adoption of ASC Topic 326	-
Balance as at January 1, 2023	<u>7,000</u>
Current period provision, net	30,817
Foreign exchange adjustment	(1,052)
Balance as at September 30, 2023	<u><u>\$ 36,765</u></u>

## 6. Property, Plant and Equipment, net

Property, plant and equipment as of December 31, 2022 and September 30, 2023 consisted of the following:

	<i>December 31, 2022</i>	<i>September 30, 2023</i>
Buildings	\$ 47,086,680	\$ 44,992,788
Leasehold Improvements	5,156,705	6,005,380
Machinery and equipment	71,665,842	85,049,964
Office equipment	1,545,026	1,880,504
Motor vehicles	507,882	570,649
	<u>125,962,135</u>	<u>138,499,285</u>
Impairment	(13,025,161)	(12,368,063)
Accumulated depreciation	(22,932,447)	(32,543,762)
Carrying amount	<u><u>\$ 90,004,527</u></u>	<u><u>\$ 93,587,460</u></u>

During the three months ended September 30, 2022 and 2023, the Company incurred depreciation expense of \$2,397,857 and \$1,872,455, respectively.

During the nine months ended September 30, 2022 and 2023, the Company incurred depreciation expense of \$6,718,591 and \$6,740,160, respectively.

The Company has not yet obtained the property ownership certificates of the buildings in its Dalian manufacturing facilities with a carrying amount of \$7,360,242 as of December 31, 2022. 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. The Company has obtained the remaining property ownership certificates on July 6, 2023.

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, 2022 and 2023.

## 7. Construction in Progress

Construction in progress as of December 31, 2022 and September 30, 2023 consisted of the following:

	<i>December 31,</i> <i>2022</i>	<i>September 30,</i> <i>2023</i>
Construction in progress	\$ 7,828,975	\$ 23,331,167
Prepayment for acquisition of property, plant and equipment	2,125,227	12,274,159
Carrying amount	<u>\$ 9,954,202</u>	<u>\$ 35,605,326</u>

Construction in progress as of December 31, 2022 and September 30, 2023 mainly comprised capital expenditures for the construction of the facilities and production lines of CBAK Power, Nanjing CBAK and Hitrans.

For the three months ended September 30, 2022 and 2023, the Company capitalized interest of nil and \$191,917, respectively, to the cost of construction in progress.

For the nine months ended September 30, 2022 and 2023, the Company capitalized interest of nil and \$586,198, respectively, to the cost of construction in progress.

## 8. Long-term investments, net

Long-term investments as of December 31, 2022 and September 30, 2023 consisted of the following:

	<i>December 31,</i> <i>2022</i>	<i>September 30,</i> <i>2023</i>
Investments in equity method investees	\$ 289,473	\$ 274,895
Investments in non-marketable equity	655,764	622,740
	<u>\$ 945,237</u>	<u>\$ 897,635</u>

### Investments in equity method investees

Balance as at January 1, 2022	\$ -
Investments made	297,336
Income from investment	-
Foreign exchange adjustment	(7,863)
Balance as of December 31, 2022	289,473
Foreign exchange adjustment	(14,578)
Balance as of September 30, 2023	<u>\$ 274,895</u>

In August 2022, Nanjing CBAK, along with two unrelated third parties of the Company, Guangxi Guiwu Recycle Resources Company Limited (“Guangxi Guiwu”) and Mr. Weidong Xu, an unrelated third party entered into an investment agreement to jointly set up a new company - Guangxi Guiwu CBAK New Energy Technology Co., Ltd (“Guangxi Guiwu CBAK”) in which each party holding 20%, 60% and 20% equity interests and voting rights, respectively. Guangxi Guiwu engages in the business of recycling power batteries. The Company applies the equity method of accounting to account for the equity investments in common stock, over which it has significant influence but does not own a majority equity interest or otherwise control. Pursuant to the Company’s articles of association and relevant PRC regulations, each party was required to contribute the capital on or before December 31, 2023. As of September 30, 2023 and current, Nanjing CBAK, Guanxi Guiwu and Mr. Weidong Xu had contributed capital of \$0.3 million (RMB2 million), \$0.9 million (RMB6 million) and \$0.3 million (RMB2 million), respectively.

Guangxi Guiwu CBAK commenced operations in 2023. For the period ended September 30, 2023, no income from the above investment was recorded.

## Investments in non-marketable equity

	December 31, 2022	September 30, 2023
Cost	\$ 1,302,630	\$ 1,237,028
Impairment	(646,866)	(614,288)
Carrying amount	<u>\$ 655,764</u>	<u>\$ 622,740</u>

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 \$1.34 million (RMB9,000,000) to acquire 9.74% of the equity interests of DJY. CBAK Power along with other three new investors have 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 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.

On April 2023, DJY board declared dividend of \$0.8 million (approximately RMB6 million). The dividend were distributed in May 2023 and based on the paid up capital of each shareholders, the dividend income shared by CBAK Power was nil and \$84K (approximately RMB0.6 million) which was included in other income (expense) for the three and nine months ended September 30, 2023, respectively. No dividend was declared in 2022.

On November 28, 2022, Nanjing CBAK along with Shenzhen Education for Industry Investment Co., Ltd. and Wenyuan Liu, an individual investor, set up Nanjing CBAK Education For Industry Technology Co., Ltd (“CBAK Education”) with a registered capital of RMB5 million (approximately \$0.7 million), in which each party holding 10%, 60% and 30% equity interests of CBAK Education, respectively. The investment is for training skillful workforce for Nanjing CBAK. CBAK Education commenced its operation in 2023, nil capital contribution was made by Nanjing CBAK as of the report date.

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 nil impairment loss for the three and nine months period ended September 30, 2022 and 2023.

## 9. Lease

### (a) Prepaid land use rights

	<i>Prepaid land lease payments</i>
Balance as of January 1, 2022	\$ 13,797,230
Amortization charge for the year	(338,706)
Foreign exchange adjustment	(1,097,361)
Balance as of December 31, 2022	12,361,163
Amortization charge for the period	(236,173)
Foreign exchange adjustment	(621,203)
Balance as of September 30, 2023	<u>\$ 11,503,787</u>

In August 2014 and November 2021, the Group acquired land use rights to build a factory of the Company in Dalian, PRC and Zhejiang, PRC.

Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 36 to 50 years, and no ongoing payments will be made under the terms of these land leases.

Amortization expenses of the prepaid land use rights were \$83,066 and \$71,636 for the three months ended September 30, 2022 and 2023 and \$258,973 and \$236,173 for the nine months ended September 30, 2022 and 2023, respectively.

No impairment loss was made to the carrying amounts of the prepaid land use right for the three and nine months ended September 30, 2022 and 2023.

(b) Operating lease

On April, 2018, Hitrans entered into a lease agreement for staff quarters spaces in Zhejiang with a five year term, commencing on May 1, 2018 and expiring on April 30, 2023. The monthly rental payment is approximately RMB18,000 (\$2,687) per month. In 2018, lump sum payments were made to landlord for the rental of staff quarter spaces and no ongoing payments will be made under the terms of these leases.

On January 14, 2021, Nanjing Daxin entered into a lease agreement for manufacturing, warehouse and office space in Tianjin with a three year term, commencing on March 1, 2021 and expiring on February 29, 2024. The monthly rental payment is approximately RMB73,143 (\$10,918) per month. On February 28, 2022, Nanjing Daxin early terminated the lease after one-year non-cancellable period.

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 RMB97,743 (\$14,590) 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 RMB238,095 (\$35,540) per month for the first year and approximately RMB277,778 (\$41,463) per month from the second year. In May, 2022, Nanjing Daxin early terminated the lease after one-year non-cancellable period.

On June 1, 2021, Hitrans entered into a lease agreement with liquid gas supplier for a five year term for supplying liquid nitrogen and oxygen, commencing on July 1, 2021. The monthly rental payment is approximately RMB5,310 (\$793) per month.

On December 9, 2021, Hitrans entered into a lease agreement for extra staff quarters spaces in Zhejiang with a three year term, commencing on December 10, 2021 and expiring on December 9, 2024. The monthly rental payment is approximately RMB9,905 (\$1,478) per month for the first year, RMB10,103 (\$1,508) and RMB10,305 (\$1,538) per month from the second year and third year, respectively.

On March 1, 2022, Hitrans entered into a lease agreement for extra staff quarters spaces in Zhejiang with a five year term, commencing on March 1, 2022 and expiring on February 28, 2027. The monthly rental payment is approximately RMB15,840 (\$2,364) per month for the first year, with 2% increase per year.

On August 1, 2022, Hitrans entered into a lease agreement for warehouse spaces in Zhejiang with a one and half years term, commencing on August 1, 2022 and expiring on January 31, 2024. The monthly rental payment is RMB60,394 (\$8,792) per month.

On October 20, 2022, CBAK Power entered into a lease agreement for staff quarters spaces in Dalian with a five year term, commencing on October 20, 2022 and expiring on October 19, 2025. The monthly rental payment is RMB61,905 (\$9,012) per month.

On December 20, 2022, Hitrans entered into a lease agreement for extra staff quarters spaces in Zhejiang with a five year term commencing on December 20, 2022 and expiring on December 19, 2027. The monthly rental payment is RMB52,000 (\$7,570) per month for the first year, with 2% increase per year.

On December 30, 2022, Hitrans entered into a lease agreement with liquid gas supplier for a five year term for supplying liquid nitrogen and oxygen to December 29, 2027. The monthly rental payment is approximately RMB7,265 (\$1,058) per month.

On April 20, 2023, Hitrans entered into another lease agreement for extra staff quarters spaces in Zhejiang with a three year term commencing on May 1, 2023 and expiring on April 30, 2026. The monthly rental payment is RMB28,000 (\$3,860) per month.

Operating lease expenses for the three and nine months ended September 30, 2022 and 2023 for the capitation agreement was as follows:

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Operating lease cost – straight line	<u>\$ 78,845</u>	<u>\$ 110,057</u>	<u>\$ 437,502</u>	<u>\$ 375,804</u>

(c) Company as lessee - Finance lease

	<i>December 31, 2022</i>	<i>September 30, 2023</i>
Property, plant and equipment, at cost	\$ 1,890,396	\$ -
Accumulated depreciation	(251,626)	-
Impairment	(662,006)	-
Property, plant and equipment, net under finance lease	<u>976,764</u>	<u>-</u>
Finance lease liabilities, current	844,297	-
Finance lease liabilities, non-current	-	-
Total finance lease liabilities	<u>\$ 844,297</u>	<u>\$ -</u>

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Finance lease cost:				
Depreciation of assets	31,343	13,389	31,343	102,999
Interest of lease liabilities	6,235	1,511	6,235	11,622
Total lease expense	<u>\$ 37,578</u>	<u>\$ 14,900</u>	<u>\$ 37,578</u>	<u>\$ 114,621</u>

The following is a schedule, by years, of maturities of lease liabilities as of September 30, 2023 were as follows:

	<i>Operating leases</i>	<i>Finance leases</i>
Remainder of 2023	\$ 187,092	\$ -
2024	285,441	-
2025	262,243	-
2026	137,479	-
2027	11,983	-
Thereafter	-	-
Total undiscounted cash flows	<u>884,238</u>	<u>-</u>
Less: imputed interest	(55,524)	-
Present value of lease liabilities	<u>\$ 828,714</u>	<u>\$ -</u>

Lease term and discount rate:

	<u>December 31, 2022</u>	<u>September 30, 2023</u>
<b>Weighted-average remaining lease term</b>		
Land use rights	37.9	37.2
Operating lease	3.39	3.15
Finance lease	0.5	-
<b>Weighted-average discount rate</b>		
Land use rights	Nil	Nil
Operating lease	4.94%	4.75%
Finance lease	1.40%	-%

Supplemental cash flow information related to leases where the Company was the lessee for the three and nine months ended September 30, 2022 and 2023 was as follows:

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Operating cash outflows from operating assets	<u>\$ 53,345</u>	<u>\$ 92,457</u>	<u>\$ 268,740</u>	<u>\$ 483,932</u>

#### 10. Intangible Assets, net

Intangible assets as of December 31, 2022 and September 30, 2023 consisted of the followings:

	<u>December 31, 2022</u>	<u>September 30, 2023</u>
Computer software at cost	\$ 104,211	\$ 136,305
Sewage discharge permit*	1,762,129	1,673,386
	1,866,340	1,809,691
Accumulated amortization	(557,282)	(873,629)
	<u>\$ 1,309,058</u>	<u>\$ 936,062</u>

Amortization expenses were \$121,035 and \$133,450 for the three months ended September 30, 2022 and 2023, respectively.

Amortization expenses were \$397,114 and \$374,110 for the nine months ended September 30, 2022 and 2023, respectively.

Total future amortization expenses for finite-lived intangible assets as of September 30, 2023 were estimated as follows:

Remainder of 2023	\$ 115,587
2024	460,325
2025	308,341
2026	9,472
2027	8,034
Thereafter	34,303
Total	<u>\$ 936,062</u>



## 11. Acquisition of subsidiaries

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 Hitrans. Juzhong Daxin is the trustee of 85% of registered equity interests (representing 78.95% of paid-up capital) of Hitrans and has the voting right over the 85% of registered 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 registered equity interests (or representing 75.57% of paid-up capital) of Hitrans (the “Acquisition Agreement”). Under the Acquisition Agreement, CBAK Power will acquire 60% of registered equity interests (representing 54.39% of paid-up capital) of Hitrans from Zhejiang Meidu Graphene Technology Co., Ltd. (“Meidu Graphene”) valued at RMB118 million (\$18.30 million) and 21.56% of registered equity interests (representing 21.18% of paid-up capital) 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% registered equity interests (representing 2.46% of paid-up capital) of Hitrans and New Era Group Zhejiang New Energy Materials Co., Ltd. (“New Era”) will continue to hold 15% registered equity interests (representing 21.05% of paid-up capital) of Hitrans after the acquisition.

As of the date of the Acquisition Agreement, the 25% registered equity interests (representing 24.56% of paid-up capital) 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% registered equity interests (representing 24.56% of paid-up capital) of Hitrans was pledged as collateral. Mr. Junnan Ye (“Mr. Ye”), acting as an intermediary, will first acquire 22.5% registered equity interests (representing 22.11% of paid-up capital) 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% registered equity interests (representing 21.18% of paid-up capital) 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% registered equity interests (representing 54.39% of paid-up capital) 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 (\$20.6 million) (the “Hitrans Loan”) by remitting approximately RMB131 million (\$20.6 million) into the account of Shaoxing Intermediate People’s Court (the “Court”) to remove the freeze on Meidu Graphene’s 60% registered equity interests (representing 54.39% of paid-up capital) of Hitrans. Moreover, Juzhong Daxin will return RMB10 million (\$1.6 million) of the security deposit to CBAK Power before CBAK Power wires approximately RMB131 million (\$20.6 million) to the Court. Juzhong Daxin retained RMB5 million (\$0.78 million) as commission for facilitating the acquisition and RMB5 million (\$0.78 million) recognized as compensation expense to another potential buyer. On July 27, 2021, Juzhong Daxin returned RMB7 million (\$1.1 million) of the security deposit to CBAK Power. The remaining had not yet been repaid by Juzhong Daxin in full up to the date of this report (Note 16). The Company is still negotiating with Juzhong Daxin, as Juzhong Daxin believes that according to the Security Acquisition Framework Agreement entered into between CBAK Power and Juzhong Daxin, CBAK Power should pay RMB3 million (\$0.5 million) as risk premium for facilitating the acquisition. CBAK Power believes it is not reasonable to pay any of the risk premium in accordance with the terms of the agreement and Juzhong Daxin should return RMB3 million (\$0.5 million) to CBAK Power. CBAK Power has taken legal action for the outstanding balance. Juzhong Daxin had repaid RMB1.5 million (\$0.3 million) up to the report date. The Company assessed the recoverability of the balance due from Juzhong Daxin and considered the recoverability is low and written off the whole amount due from Juzhong Daxin as of December 31, 2022.

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% registered equity interests (representing 54.39% of paid-up capital) 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% registered equity interests (representing 54.39% of paid-up capital) 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") entered into among Mr. Ye, Hitrans, CBAK Power and Mr. Wu in July 2021. 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 RMB 48 million (\$7.41 million) 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. As of December 31, 2021, Hitrans has repaid RMB93 million (\$14.6 million) and interest incurred was RMB0.9 million (\$0.1 million) recorded as finance cost for the year ended December 31, 2021. As of January 29, 2022, Hitrans has repaid all the loan principals of RMB118 million (\$18.3 million) and interests of RMB3.5 million (\$0.54 million) to Mr. Ye (Note 14).

The transfer of 81.56% registered equity interests (representing 75.57% of paid-up capital) of Zhejiang Hitrans to CBAK Power has been registered with the local government and CBAK Power had paid approximately RMB40.74 million (approximately \$6.32 million) in cash to Mr. Ye. In addition, CBAK Power had wired approximately RMB131 million (approximately \$20.6 million) to the Court and Juzhong Daxin returned RMB7 million (\$1.1 million) of the security deposit to CBAK Power. The Acquisition was completed on November 26, 2021.

Upon the closing of the Acquisition, CBAK Power became the largest shareholder of Hitrans holding 81.56% of the Company's registered equity interests (representing 75.57% of paid-up capital of the Company). As required by applicable Chinese laws, CBAK Power and Management Shareholders are obliged to make capital contributions of RMB11.1 million (\$1.7 million) and RMB0.4 million (\$0.06 million), respectively, for the unpaid portion of Hitrans's registered capital in accordance with the articles of association of Hitrans.

The Company completed the valuations necessary to assess the fair values of the tangible and intangible assets acquired and liabilities assumed, resulting from which the amount of goodwill was determined and recognized as of the respective acquisition date. The following table summarizes the estimated aggregate fair values of the assets acquired and liabilities assumed as of the closing date, November 26, 2021.

Cash and bank	\$ 7,323,654
Debts product	3,144
Trade and bills receivable, net	37,759,688
Inventories	13,616,922
Prepayments and other receivables	1,384,029
Income tax recoverable	47,138
Amount due from trustee	11,788,931
Property, plant and equipment, net	21,190,890
Construction in progress	2,502,757
Intangible assets, net	1,957,187
Prepaid land use rights, non- current	6,276,898
Leased assets, net	48,394
Deferred tax assets	1,715,998
Short term bank loan	(8,802,402)
Other short term loans – CBAK Power	(20,597,522)
Trade accounts and bills payable	(38,044,776)
Accrued expenses and other payables	(7,439,338)
Deferred government grants	(290,794)
Land appreciation tax	(464,162)
Deferred tax liabilities	(333,824)
	<u>29,642,812</u>
<i>Less: Waiver of dividend payable</i>	1,250,181
<b>Total net assets acquired</b>	<b>30,892,993</b>
Non-controlling interest (24.43%)	(7,547,158)
Goodwill	1,606,518
<b>Total identifiable net assets</b>	<b>\$ 24,952,353</b>

The components of the consideration transferred to effect the Acquisition are as follows:

	<u>RMB</u>	<u>USD</u>
Cash consideration for 60% registered equity interest (representing 54.39% of paid-up capital) of Hitrans from Meidu Graphene	118,000,000	18,547,918
Cash consideration for 21.56% registered equity interest (representing 21.18% of paid-up capital) of Hitrans from Hitrans management	40,744,376	6,404,435
<b>Total Purchase Consideration</b>	<u>158,744,376</u>	<u>24,952,353</u>

The transaction resulted in a purchase price allocation of \$1,606,518 to goodwill, representing the financial, strategic and operational value of the transaction to the Company. Goodwill is attributed to the premium that the Company paid to obtain the value of the business of Hitrans and the synergies expected from the combined operations of Hitrans and the Company, the assembled workforce and their knowledge and experience in provision of raw materials used in manufacturing of lithium batteries. The total amount of the goodwill acquired is not deductible for tax purposes.

The Company performed Goodwill impairment test at the reporting unit level on an annual basis and between annual tests when an event occurs or circumstances change indicating the asset might be impaired. Goodwill was fully impaired as of December 31, 2022. No impairment loss of Goodwill of the reporting unit of Hitrans was recognized for the three and nine months ended September 30, 2022.

## 12. Goodwill

Balance as of January 1, 2022	\$ 1,645,232
Impairment of goodwill	(1,556,078)
Foreign exchange adjustment	(89,154)
Balance as of December 31, 2022 and September 30, 2023	<u>\$ -</u>

The Company performed goodwill impairment test at the reporting unit level on an annual basis and between annual tests when an event occurs or circumstances change indicating the asset might be impaired. As of December 31, 2022, the Company performed testing on reporting unit of NCM precursor and cathode materials products (“Hitrans Reporting unit”)

The Company first assessed qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. For those reporting units where it is determined that it is more likely than not that their fair values are less than the units’ carrying amounts, the Company will perform the first step of a two-step quantitative goodwill impairment test. After performing the assessment, if the carrying amounts of the reporting units are higher than their fair values, the Company will perform the second step of the two-step quantitative goodwill impairment test.

In 2022 and 2021, the Company performed qualitative assessments for Hitrans reporting unit. Based on the requirements of ASC 350-20-35-3C through ASC 350-20-35-3G, the Company evaluated all relevant factors, weighed all factors in their totality. For the year ended December 31, 2022, as the financial performance of Hitrans reporting unit was below original expectations, fair value of this reporting unit was indicated to be lower than its carrying value. For this reporting unit, where it was determined that it was more likely than not that its fair value was less than the units’ carrying amount after performing the qualitative assessment, as a result, the Company performed the two-step quantitative goodwill impairment test for these two reporting units.

For the two-step goodwill impairment test, the Company estimated the fair value with either income approach or asset approach for specific reporting unit components. With the income approach, the Company estimates the fair value of the reporting units using discounted cash flows. Forecasts of future cash flows are based on the best estimate of future net sales and operating expenses, based primarily on expected expansion, pricing, market share, and general economic conditions. Certain estimates of discounted cash flows involve businesses with limited financial history and developing revenue models. Changes in these forecasts could significantly change the amount of impairment recorded, if any. Asset based approach is used in evaluating the fair value of some specific components which is deemed as the most prudent approach due to the unpredictability of future cash flows.

The result of step one impairment test for the Hitrans reporting unit failed, with its determined fair value lower than the book value. The Company performed step two impairment test, applying the income approach, resulting an impairment loss of goodwill of \$1,556,078 for the year ended December 31, 2022. The impairment loss of goodwill was primarily attributable to the impairment related to Hitrans reporting unit as the financial performance of the reporting unit of Hitrans continued to fall below the Company's original expectations.

### 13. Deposit paid for acquisition of long-term investments

Deposit paid for acquisition of long-term investments as of December 31, 2022 and September 30, 2023 consisted of the following:

	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2023</u>
Investments in non-marketable equity	\$ -	\$ 1,704,350
Investments in equity method investees	-	1,965,501
	<u>-</u>	<u>3,669,851</u>

On September 27, 2023, Nanjing CBAK New Energy Technology Co., Ltd. ("Nanjing CBAK") entered into an Equity Transfer Agreement (the "Equity Transfer Agreement") with Shenzhen BAK Battery Co., Ltd. ("SZ BAK"), under which SZ BAK shall sell a five percent (5%) equity interest in Shenzhen BAK Power Battery Co., Ltd. ("BAK SZ") to Nanjing CBAK for a purchase price of RMB260 million (approximately \$35.7 million) (the "Target Equity"). Pursuant to the terms of the Equity Transfer Agreement, Nanjing CBAK will pay the Target Equity in three (3) installments as follows: (i) RMB40 million (approximately \$5.5 million) due prior to December 31, 2023; (ii) RMB90 million (approximately \$12.4 million) due prior to September 30, 2024, and (iii) the remaining Target Equity balance of RMB130 million (approximately \$17.8 million) due following SZ BAK's successful transfer to Nanjing CBAK of the five percent (5%) equity interest in BAK SZ. Upon Nanjing CBAK having paid RMB130 million of the Target Equity, the parties shall work together to complete the registration of equity change with the local governmental authorities. The Company has contributed RMB12.4 million (approximately \$1.7 million) as of September 30, 2023. Up to the date of this report, Nanjing CBAK has paid RMB22.4 million (approximately \$3.1 million) to SZ BAK.

SZ BAK and BAK SZ were the Company's former subsidiary up to June 30, 2014. Mr. Xiangqian Li, the Company's former CEO, is the director of SZ BAK and BAK SZ.

The Company will measure the investments in BAK SZ as 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 upon the completion. The fair value of non-marketable equity securities that have been remeasured due to impairment are classified within Level 3.

On September 27, 2023, Zhejiang Hitrans Lithium Technology Co., Ltd. (“Hitrans”), entered into an Equity Transfer Contract (the “Equity Transfer Contract”) with Mr. Shengyang Xu, pursuant to which Hitrans will initially acquire a 26% equity interest in Zhejiang Shengyang Renewable Resources Technology Co., Ltd. (“Zhejiang Shengyang”) from Mr. Xu, an individual who currently holds 97% of Zhejiang Shengyang, for a price of RMB28.6 million (approximately \$3.9 million) (the “Initial Acquisition”). Hitrans shall pay the Initial Acquisition price in two (2) installments as follows: (i) 50% of the price due within five business days following the execution of the Equity Transfer Contract and satisfaction of other conditions precedent set forth in the same; and (ii) the remaining 50% of the price due within five business days following Mr. Xu successful transfer to Hitrans of the 26% equity interest in Zhejiang Shengyang. Within fifteen business days after Hitrans has paid 50% of the price, or RMB14.3 million, the parties shall complete the registration of equity change with the local governmental authorities. Zhejiang Shengyang is a material suppliers of Hitrans since June 2020. On November 6, 2023, Hitrans completed the registration of 26% equity interest of Zhejiang Shengyang.

And within three months following the Initial Acquisition, Mr. Xu shall transfer an additional 44% equity interest in Zhejiang Shengyang to Hitrans at the same price per share as that of the Initial Acquisition (the “Follow-on Acquisition”). The parties shall enter into another agreement to detail the terms of the Follow-on Acquisition. Neither Mr. Xu, nor Zhejiang Shengyang, is related to the Company.

The Company will apply the equity method of accounting to account for the equity investments in Zhejiang Shengyang upon the completion of the Initial Acquisition, over which it has significant influence but does not own a majority equity interest or otherwise control.

#### 14. Trade and Bills Payable

Trade and bills payable as of December 31, 2022 and September 30, 2023 consisted of the followings:

	<i>December 31,</i> <i>2022</i>	<i>September 30,</i> <i>2023</i>
Trade payable	\$ 32,516,445	\$ 39,593,805
Bills payable		
– Bank acceptance bills	34,974,990	48,376,587
– Letter of credit	-	206,171
	<u>\$ 67,491,435</u>	<u>\$ 88,176,563</u>

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

The bank acceptance bills were pledged by:

- (i) the Company’s bank deposits (Note 2);
- (ii) \$3.4 million and \$5.3 million of the Company’s bills receivable as of December 31, 2022 and September 30, 2023, respectively (Note 3).
- (iii) the Company’s prepaid land use rights (note 9)

#### 15. Loans

##### Bank loans:

Bank borrowings as of December 31, 2022 and September 30, 2023 consisted of the followings:

	<i>December 31,</i> <i>2022</i>	<i>September 30,</i> <i>2023</i>
Short-term bank borrowings	\$ 14,907,875	\$ 33,190,571

On November 16, 2021, the Company obtained banking facilities from Shaoxing Branch of Bank of Communications Co., Ltd with a maximum amount of RMB120.1 million (approximately \$16.6 million) with the term from November 18, 2021 to November 18, 2026. The facility was secured by the Company's land use rights and buildings. Under the facility, the Company has borrowed RMB59.0 million (approximately \$8.5 million) as of December 31, 2022.

In January 2023, the Company renewed the banking facilities with Shaoxing Branch of Bank of Communications Co., Ltd with a maximum amount of RMB160.0 million (approximately \$22.1 million) with the term from January 2023 to December 2027. The facility was secured by the Company's land use rights and buildings. Under the facility, the Company has borrowed RMB148.5 million (approximately \$20.4 million) as of September 30, 2023, bearing interest at 3.65% per annum expiring through February to May 2024.

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 \$11.6 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 December 31, 2021, the Company borrowed a total of RMB10 million (approximately \$1.4 million) from Bank of Ningbo Co., Ltd in the form of bills payable for a various term expiring from January to February 2022, which was secured by the Company's cash totaling RMB10 million (approximately \$1.4 million). The Company repaid the bills in January to February 2022.

On March 21, 2022, the Company renewed the above acceptance bills facilities from Bank of Ningbo Co., Ltd with a maximum amount of RMB71.6 million (\$9.9 million) with other terms remain the same. Under the facilities, as of December 31, 2022 and September 30, 2023, the Company borrowed a total of RMB15.9 million (approximately \$2.3 million) and RMB43.4 million (approximately \$6.0 million), respectively, in the form of bills payable for various terms expiring from October 2023 to February 2024, which was secured by the Company's cash totaling RMB15.9 million (approximately \$2.3 million) and RMB43.4 million (approximately \$6.0 million) (Note 2), respectively.

On January 17, 2022, the Company obtained a one-year term facility from Agricultural Bank of China with a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest at 105% of benchmark rate of the People's Bank of China ("PBOC") for short-term loans, which is 3.85% per annum. The facility was guaranteed by the Company's CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan and secured by an unrelated third party, Jiangsu Credits Financing Guarantee Co., Ltd. The Company borrowed RMB10 million (approximately \$1.4 million) on January 20, 2022 for a term until January 16, 2023. The Company repaid RMB10 million (approximately \$1.4 million) early on January 5, 2023. On January 6, 2023, the Company borrowed a one-year term loan of RMB10 million (approximately \$1.4 million) for a period of one year to January 4, 2024, bearing interest at 120% of benchmark rate of the PBOC for short-term loans, which is 3.85% per annum, while other terms and guarantee remain the same.

On February 9, 2022, the Company obtained a one-year term facility from Jiangsu Gaochun Rural Commercial Bank with a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest at 124% of benchmark rate of the People's Bank of China ("PBOC") for short-term loans, which is 4.94% per annum. The facility was guaranteed by the Company's CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan. The Company borrowed RMB10 million (approximately \$1.4 million) on February 17, 2022 for a term until January 28, 2023. The Company repaid RMB10 million (approximately \$1.4 million) on January 16, 2023. On January 17, 2023, the Company borrowed a one-year loan of RMB10 million (approximately \$1.4 million) bearing interest at 129% of benchmark rate of PBOC for short-term loans, which is 4.70% per annum for a term until January 13, 2024.

On March 8, 2022, the Company obtained a one-year term facility from China Zheshang Bank Co., Ltd. Shangyu Branch with a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest at 5.5% per annum. The facility was guaranteed by 100% equity in CBAK Power held by BAK Asia and the Company's CEO, Mr. Yunfei Li. The Company borrowed RMB10 million (approximately \$1.4 million) on the same date. On May 17, 2022, the Company repaid the loan principal and related loan interests early.

On April 28, 2022, the Company obtained a three-year term facility from Industrial and Commercial Bank of China Nanjing Gaochun branch, with a maximum amount of RMB12 million (approximately \$1.7 million) with the term from April 21, 2022 to April 21, 2025. The facility was guaranteed by the Company's CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan. Under the facility, the Company borrowed RMB10 million (approximately \$1.5 million) on April 29, 2022, bearing interest at 3.95% per annum for a term until April 29, 2023. The Company repaid RMB10 million (approximately \$1.4 million) on April 19, 2023. On April 20, 2023, the Company borrowed another one-year loan of RMB10 million (approximately \$1.4 million) bearing interest at 102.5% of benchmark rate of PBOC for short-term loans, which is 3.90% per annum for a term until April 19, 2024.

On June 22, 2022, the Company obtained another one-year term facility from China Zheshang Bank Co., Ltd. Shangyu Branch with a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest at 4.5% per annum. The facility was guaranteed by 100% equity in CBAK Power held by BAK Asia and the Company's CEO, Mr. Yunfei Li. The Company borrowed RMB10 million (approximately \$1.4 million) on the same date for a term until June 21, 2023. On November 10, 2022, the Company repaid the loan principal and the related loan interests early.

On September 25, 2022, the Company entered into another one-year term facility with Jiangsu Gaochun Rural Commercial Bank with a maximum amount of RMB9 million (approximately \$1.3 million) bearing interest rate at 4.81% per annum. The facility was guaranteed by 100% equity in CBAK Nanjing held by BAK Investment and the Company's CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan. The Company borrowed RMB9 million (approximately \$1.3 million) on September 27, 2022 for a term until September 24, 2023. The Company repaid the loan on September 24, 2023.

The Company entered into another one-year term facility with Jiangsu Gaochun Rural Commercial Bank with a maximum amount of RMB9 million (approximately \$1.2 million) bearing interest rate at 4.6% per annum for a period from September 24, 2023 to August 31, 2024. The facility was guaranteed by 100% equity in CBAK Nanjing held by BAK Investment and the Company's CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan. The Company borrowed RMB9 million (approximately \$1.2 million) on September 27, 2023 for a term until September August 31, 2024.

On November 8, 2022, the Company entered into a short-term loan agreement with China CITIC Bank Shaoxing Branch to August 9, 2023 with a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest rate at 4.35% per annum. The Company borrowed RMB10 million (approximately \$1.4 million) on the same date. The Company has repaid RMB5 million (approximately \$0.7 million), RMB0.2 million (approximately \$0.1 million) and RMB4.8 million (approximately \$0.7 million) on November 16, 2022, December 27, 2022 and August 9, 2023, respectively. The Company entered into another short-term loan agreement with China CITIC Bank Shaoxing Branch for a one-year short-term loan agreement with a maximum amount of RMB0.2 million (approximately \$0.1 million) for December 27, 2022 to December 27, 2023, bearing interest rate at 4.20% per annum. The Company entered into another loan agreement with China CITIC Bank Shaoxing Branch for a short-term loan of RMB4.8 million (approximately \$0.7 million) from August 10, 2023 to May 2, 2024, bearing interest rate at 4.3% per annum.

On December 9, 2022, the Company obtained a RMB5 million (approximately \$0.7 million) letter of credit from China CITIC Bank for a period to October 30, 2024 for settlement of Hitrans purchase. The Company utilized RMB1.5 million (approximately \$0.2 million) letter of credit at an interest rate of 2.7% for a period of one year to January 5, 2024.

On January 7, 2023, the Company obtained a two-year term facility from Postal Savings Bank of China, Nanjing Gaochun Branch with a maximum amount of RMB10 million (approximately \$1.4 million) for a period from January 7, 2023 to January 6, 2025. The facility was guaranteed by the Company's CEO, Mr. Yunfei Li, Mr. Yunfei Li's wife Ms. Qinghui Yuan and CBAK New Energy (Nanjing) Co., Ltd. The Company borrowed RMB5 million (approximately \$0.7 million) on January 12, 2023 for a term of one year until January 11, 2024, bearing interest at 3.65% per annum. The Company repaid the above early on June 15, 2023. On June 27, 2023, the Company entered into another loan agreement for one year from June 27, 2023 to June 26, 2024 under the two-year term facility for a maximum loan amount of RMB10 million (approximately \$1.4 million) bearing interest rate at 3.85% per annum. The Company borrowed RMB10 million (approximately \$1.4 million) on the same date. The loan was guaranteed by the Company's CEO, Mr. Yunfei Li, Mr. Yunfei Li's wife Ms. Qinghui Yuan and CBAK New Energy (Nanjing) Co., Ltd.

On March 29, 2023, the Company and Bank of China Limited entered into a short-term loan agreement for one year from March 29, 2023 to March 28, 2024 for a maximum loan amount to RMB5 million (approximately \$0.7 million) bearing interest rate at 3.65% per annum. The Company borrowed RMB5 million (approximately \$0.7 million) on the same date. The loan was secured by the Company's buildings in Dalian.

On April 19, 2023, the Company and Bank of Nanjing Gaochun Branch entered into a short-term loan agreement for one year from April 10, 2023 to April 9, 2024 for RMB10 million (approximately \$1.4 million) bearing interest rate at 3.7% per annum. The Company borrowed RMB10 million (approximately \$1.4 million) on April 23, 2023. The loan was guaranteed by the Company's CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan.

On June 9, 2023, the Company and China Zheshang Bank Co., Ltd Shangyu Branch entered into a short-term loan agreement for one year from June 9, 2023 to June 7, 2024 for a maximum loan amount to RMB4 million (approximately \$0.6 million) bearing interest rate at 4.55% per annum. The Company borrowed RMB4 million (approximately \$0.6 million) on the same date.

On July 31, 2023, the Company obtained a three-year term facility from Bank of China Gaochun Branch, with a maximum amount of RMB10 million (approximately \$1.4 million) with the term from July 31, 2023 to July 30, 2026. The facility was guaranteed by the Company's CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan. Under the facility, the Company borrowed RMB10 million (approximately \$1.4 million) on July 31, 2023, bearing interest rate at 3.95% per annum.

On August 3, 2023, the Company and Bank of China entered into a short term loan agreement for one year from August 3, 2023 to August 2, 2024 for a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest rate at 3.55% per annum. The Company borrowed RMB10 million (approximately \$1.4 million) on the same date. The loan was secured by the Company's buildings in Dalian.

The Company borrowed a series of acceptance bills from Agricultural Bank of China totaling RMB5.3 million (approximately \$0.7 million) for various terms expiring in October 2023 to December 2023, which was secured by the Company's cash totaling RMB5.3 million (approximately \$0.7 million) (Note 2).

The Company borrowed a series of acceptance bills from China Zheshang Bank Co. Ltd Shenyang Branch totaling RMB83.5 million (approximately \$11.5 million) for various terms through January to March 2024, which was secured by the Company's cash totaling RMB83.5 million (approximately \$11.5 million) (Note 2).

The Company borrowed a series of acceptance bills from China Zheshang Bank Co. Ltd Shangyu Branch totaling RMB83.0 million (approximately \$11.4 million) for various terms through January to March 2024, which was secured by the Company's cash totaling RMB51.8 million (approximately \$7.1 million) (Note 2) and the Company's bills receivable totaling RMB28.2 million (approximately \$3.9 million) (Note 3).

The Company borrowed a series of acceptance bills from Shaoxing Branch of Bank of Communications Co., Ltd totaling RMB7.0 million (approximately \$0.9 million) for various terms ending through October 2023, which was secured by the Company's cash totaling RMB3.5 million (approximately \$0.5 million) (Note 2) and the Company's land use rights and buildings in Zhejiang.

The Company borrowed a series of acceptance bills from China Merchants Bank Dalian Branch totaling RMB25.8 million (approximately \$3.5 million) for various terms through October to December 2023, which was secured by the Company's cash totaling RMB25.8 million (approximately \$3.5 million) (Note 2).



The Company borrowed a series of acceptance bills from Bank of China Limited totaling RMB35.2 million (approximately \$4.8 million) for various terms through September to December 2023, which was secured by the Company's cash totaling RMB35.2 million (approximately \$4.8 million) (Note 2).

The Company borrowed a series of acceptance bills from Jiangsu Gaochun Rural Commercial Bank totaling RMB24.8 million (approximately \$3.4 million) for various terms through March 2024, which was secured by the Company's cash totaling RMB24.8 million (approximately \$3.4 million) (Note 2).

The Company borrowed a series of acceptance bills from China CITIC Bank totaling RMB44.1 million (approximately \$6.1 million) for various terms through October 2023 to March 2024, which was secured by the Company's cash totaling RMB35.8 million (approximately \$4.9 million) (Note 2) and the Company's bills receivable totaling RMB8.5 million (approximately \$1.2 million) (Note 3).

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

	<i>December 31,</i> <i>2022</i>	<i>September 30,</i> <i>2023</i>
Pledged deposits (note 2)	\$ 30,836,864	\$ 42,511,872
Bills receivables (note 3)	3,383,130	5,270,949
Right-of-use assets (note 9)	5,598,716	5,197,787
Buildings	4,419,749	5,812,573
	<u>\$ 44,238,459</u>	<u>\$ 58,793,181</u>

As of September 30, 2023, the Company had unutilized committed banking facilities totaled \$8.2 million.

During the three months ended September 30, 2022 and 2023, interest of \$183,291 and \$231,575 were incurred on the Company's bank borrowings, respectively.

During the nine months ended September 30, 2022 and 2023, interest of \$469,402 and \$631,933 were incurred on the Company's bank borrowings, respectively.

Other short-term loans:

Other short-term loans as of December 31, 2022 and September 30, 2023 consisted of the following:

	<i>Note</i>	<i>December 31,</i> <i>2022</i>	<i>September 30,</i> <i>2023</i>
Advance from related parties			
– Mr. Xiangqian Li, the Company's Former CEO	(a)	\$ 100,000	\$ 100,000
– Mr. Yunfei Li	(b)	223,927	161,503
		<u>323,927</u>	<u>261,503</u>
Advances from unrelated third party			
– Mr. Wenwu Yu	(c)	15,896	1,351
– Ms. Longqian Peng	(c)	276,905	7,003
– Suzhou Zhengyuanwei Needle Ce Co., Ltd	(d)	72,368	68,724
		<u>365,169</u>	<u>77,078</u>
		<u>\$ 689,096</u>	<u>\$ 338,581</u>

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

(d) 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, 2023, loan amount of RMB0.5 million (\$0.1 million) remained outstanding.

During the three months ended September 30, 2022 and 2023, interest of \$2,238 and \$2,118 were incurred on the Company's borrowings from unrelated parties, respectively.

During the nine months ended September 30, 2022 and 2023, interest of \$6,896 and \$6,475 were incurred on the Company's borrowings from unrelated parties, respectively.

## 16. Accrued Expenses and Other Payables

Accrued expenses and other payables as of December 31, 2022 and September 30, 2023 consisted of the following:

	<i>December 31,</i> <u>2022</u>	<i>September 30,</i> <u>2023</u>
Construction costs payable	\$ 2,143,730	\$ 13,490,984
Equipment purchase payable	9,710,187	14,504,928
Liquidated damages*	1,210,119	1,210,119
Accrued staff costs	2,961,781	2,846,453
Customer deposits	4,845,382	1,714,784
Deferred revenue (note 1)	1,869,525	784,000
Accrued operating expenses	1,755,170	1,842,209
Dividend payable to non-controlling interest (note 17)	1,290,942	1,225,929
Value-added tax and other tax payables	721,709	668,126
Other payables	182,641	193,642
	<u>26,691,186</u>	<u>38,481,174</u>
Less: non-current portion		
Deferred revenue	1,085,525	-
	<u>\$ 25,605,661</u>	<u>\$ 38,481,174</u>

\* 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, 2022 and September 30, 2023, no liquidated damages relating to both events have been paid.

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, 2022 and September 30, 2023, 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.

## 17. Balances and Transactions With Related Parties

The principal related parties with which the Company had transactions during the years presented are as follows:

Name of Entity or Individual	Relationship with the Company
New Era Group Zhejiang New Energy Materials Co., Ltd.	Shareholder of company's subsidiary
Zhengzhou BAK Battery Co., Ltd	Note a
Shenzhen BAK Battery Co., Ltd ("SZ BAK")	Former subsidiary and refer to Note b
Shenzhen BAK Power Battery Co., Ltd ("BAK SZ")	Former subsidiary and refer to Note b
Zhejiang Shengyang Renewable Resources Technology Co., Ltd.	Note c

- (a) Mr. Xiangqian Li, the Company's former CEO, is a director of Zhengzhou BAK Battery Co., Ltd. Zhengzhou BAK Battery Co., Ltd is a wholly owned subsidiary of BAK SZ.
- (b) Mr. Xiangqian Li, the Company's former CEO, is a director of Shenzhen BAK Battery Co., Ltd and Shenzhen BAK Power Battery Co., Ltd. On September 27, 2023, Nanjing CBAK New Energy Technology Co., Ltd. ("Nanjing CBAK") entered into an Equity Transfer Agreement (the "Equity Transfer Agreement") with Shenzhen BAK Battery Co., Ltd. ("SZ BAK"), under which SZ BAK shall sell a five percent (5%) equity interest in Shenzhen BAK Power Battery Co., Ltd. ("BAK SZ") to Nanjing CBAK for a purchase price of RMB260 million (approximately \$35.7 million) (note 13).
- (c) On September 27, 2023, Hitrans entered into an Equity Transfer Contract (the "Equity Transfer Contract") with Mr. Shengyang Xu, pursuant to which Hitrans will initially acquire a 26% equity interest in Zhejiang Shengyang Renewable Resources Technology Co., Ltd. ("Zhejiang Shengyang") from Mr. Xu, an individual who currently holds 97% of Zhejiang Shengyang, for a price of RMB28.6 million (approximately \$3.9 million) (the "Initial Acquisition"). Neither Mr. Xu, nor Zhejiang Shengyang is related to the Company.

### Related party transactions:

The Company entered into the following significant related party transactions:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>
Purchase of batteries from Zhengzhou BAK Battery Co., Ltd	\$ 10,624,282	\$ 7,554,266	\$ 25,743,966	\$ 11,057,190
Purchase of materials from Zhejiang Shengyang Renewable Resources Technology Co., Ltd	\$ 5,449,408	\$ 3,778,670	\$ 14,459,067	\$ 9,008,190
Sales of cathode raw materials to Zhengzhou BAK Battery Co., Ltd	\$ 5,454,367	\$ 5,822,065	\$ 52,064,148	\$ 22,815,451
Sales of cathode raw materials to Shenzhen BAK Power Battery Co., Ltd	\$ 3,540,494	\$ -	\$ 8,269,441	\$ -

### Related party balances:

Apart from the above, the Company recorded the following significant related party balances as of December 31, 2022 and September 30, 2023:

#### Receivables from former subsidiary, net

	<i>December 31,</i>	<i>September 30,</i>
	<i>2022</i>	<i>2023</i>
Receivables from Shenzhen BAK Power Battery Co., Ltd	\$ 5,518,052	\$ 323,973
Less: Allowance for credit losses	-	-
	<u>\$ 5,518,052</u>	<u>\$ 323,973</u>

Balance as of December 31, 2022 and September 30, 2023 consisted of receivable for sales of cathode materials to Shenzhen BAK Power Battery Co., Ltd.

Other balances due from/ (to) related parties

	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2023</u>
Trade receivable, net – Zhengzhou BAK Battery Co., Ltd. (i)	\$ 9,156,383	\$ 15,051,787
Bills receivable – Issued by Zhengzhou BAK Battery Co., Ltd. (ii)	\$ 2,941,683	\$ 1,818,029
Trade payable, net – Zhengzhou BAK Battery Co., Ltd (iii)	\$ 5,629,343	\$ 5,405,548
Trade payable, net – Zhejiang Shengyang Renewable Resources Technology Co., Ltd	\$ 3,201,814	\$ 3,679,081
Deposit paid for acquisition of long-term investments - Shenzhen BAK Power Battery Co., Ltd. (note 13)	\$ -	\$ 1,704,350
Dividend payable to non-controlling interest of Hitrans (note 16)	\$ 1,290,942	\$ 1,225,929

(i) Representing trade receivable from sales of cathode raw materials to Zhengzhou BAK Battery Co., Ltd. Up to the date of this report, Zhengzhou BAK Battery Co., Ltd. repaid \$2.5 million to the Company.

(ii) Representing bills receivable issued by Zhengzhou BAK Battery Co., Ltd. The Company endorsed the bills receivable as of December 31, 2022 to suppliers for settling trade payable subsequent to December 31, 2022. Bills receivable as of September 30, 2023 were pledged to bank as security for issuance of bills payable (note 14).

(iii) Representing trade payable on purchase of batteries from Zhengzhou BAK Battery Co., Ltd.

Payables to former subsidiaries

Payables to former subsidiaries as of December 31, 2022 and September 30, 2023 consisted of the following:

	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2023</u>
Payables to Shenzhen BAK Power Battery Co., Ltd	\$ (358,067)	\$ (389,250)

Balance as of December 31, 2022 and September 30, 2023 consisted of payables for purchase of inventories from Shenzhen BAK Power Battery Co., Ltd.

**18. Deferred Government Grants**

Deferred government grants as of December 31, 2022 and September 30, 2023 consist of the following:

	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2023</u>
Total government grants	\$ 6,876,735	\$ 5,388,387
Less: Current portion	(1,299,715)	(366,171)
Non-current portion	\$ 5,577,020	\$ 5,022,216

Government grants that are received in advance are deferred and recognized in the consolidated statements of operations over the period necessary to match them with the costs that they are intended to compensate. Government grants in relation to the achievement of stages of research and development projects are recognized in the consolidated statements of operations when amounts have been received and all attached conditions have been met. Non-refundable grants received without any further obligations or conditions attached are recognized immediately in the consolidated statements of operations.

On October 17, 2014, the Company received a subsidy of RMB46,150,000 (approximately \$6.9 million) 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. From 2020 to the report date, the Company received RMB10 million (approximately \$1.6 million) to finance the costs incurred for moving; RMB20 million (approximately \$3.2 million) to finance the costs incurred in construction works; and RMB17.1 million (approximately \$2.7 million) to finance equipment purchases from Gaochun EDZ in Nanjing. 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.

For the year ended December 31, 2021, the Company recognized RMB10 million (\$1.6 million) as other income after moving of the Company facilities to Nanjing. Remaining subsidy of RMB37.1 million (approximately \$5.9 million) was granted to facilities the construction works and equipment in Nanjing. The construction works have been completed in November 2021 and the production line was fully operated in January 2022. The Company has initiated amortization on a straight-line basis over the estimated useful lives of the depreciable facilities constructed thereon.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Cost of revenues	\$ 522,867	\$ 65,040	\$ 1,604,469	\$ 1,140,893
General and administrative expenses	9,865	9,337	30,757	28,878
Research and development expenses	4,309	4,078	13,433	12,612
Other income (expenses), net	657,379	(3,137)	1,552,985	225,897
	<u>\$ 1,194,420</u>	<u>\$ 75,318</u>	<u>\$ 3,201,644</u>	<u>\$ 1,408,280</u>

## 19. Product Warranty Provisions

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 twenty four 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.

Warranty expense is recorded as a component of sales and marketing expenses. Accrued warranty activity consisted of the following:

	<i>December 31,</i>	<i>September 30,</i>
	<u>2022</u>	<u>2023</u>
Balance at beginning of year	\$ 2,028,266	\$ 476,828
Warranty costs incurred	(81,954)	(4,567)
(Reversal) provision for the year/ period	(1,344,572)	47,901
Foreign exchange adjustment	(124,912)	(25,493)
Balance at end of year/ period	476,828	494,669
Less: Current portion	(26,215)	(23,285)
Non-current portion	<u>\$ 450,613</u>	<u>\$ 471,384</u>

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

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

The Company’s provision for income taxes expenses (credit) consisted of:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
PRC income tax:				
Current income tax	\$ -	\$ -	\$ -	\$ -
Deferred income tax (credit) expenses	(2,012)	(305,431)	84,230	(1,015,626)
	<u>\$ (2,012)</u>	<u>\$ (305,431)</u>	<u>\$ 84,230</u>	<u>\$ (1,015,626)</u>

## United States Tax

CBAK is a Nevada corporation that is subject to U.S. federal tax and state tax. On December 31, 2017 the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate income tax rate from 35 percent to 21 percent; (2) requiring companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries; (3) generally eliminating U.S. federal corporate income taxes on dividends from foreign subsidiaries; (4) providing modification to subpart F provisions and new taxes on certain foreign earnings such as Global Intangible Low-Taxed Income (GILTI). Except for the one-time transition tax, most of these provisions go into effect starting January 1, 2018.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the “Tax Act”), which significantly changed U.S. tax law and included a provision to tax global intangible low-taxed income (GILTI) of foreign subsidiaries. The Company recognizes taxes due under the GILTI provision as a current period expense. As of December 31, 2022 and September 30, 2023, the Company does not have any aggregated positive tested income; and as such, does not have additional provision amount recorded for GILTI tax.

No provision for income taxes in the United States has been made as CBAK had no taxable income for the three and nine months ended September 30, 2022 and 2023.

## Hong Kong Tax

BAK Asia and BAK Investment 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, 2022 and 2023 and accordingly no provision for Hong Kong profits tax was made in these periods.

## PRC Tax

The CIT Law in China applies an income tax rate of 25% to all enterprises but grants preferential tax treatment to High-New Technology Enterprises. CBAK Power was regarded as a “High-new technology enterprise” pursuant to a certificate jointly issued by the relevant Dalian Government authorities. The certificate was valid for three years commencing from year 2021. Under the preferential tax treatment, CBAK Power was entitled to enjoy a tax rate of 15% for the years from 2021 to 2024 provided that the qualifying conditions as a High-new technology enterprise were met. Hitrans was regarded as a “High-new technology enterprise” pursuant to a certificate jointly issued by the relevant Zhejiang Government authorities. The certificate was valid for three years commencing from year 2021. Under the preferential tax treatment, Hitrans was entitled to enjoy a tax rate of 15% for the years from 2021 to 2024 provided that the qualifying conditions as a High-new technology enterprise were met.

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Income (loss) before income taxes	\$ (850,740)	\$ 5,458,717	\$ 932,270	\$ (395,187)
United States federal corporate income tax rate	21%	21%	21%	21%
Income tax credit computed at United States statutory corporate income tax rate	(178,655)	1,146,331	195,777	(82,989)
Reconciling items:				
Rate differential for PRC earnings	(91,533)	233,423	(116,719)	51,139
Tax effect of entity at preferential tax rate	355,197	333,663	313,990	386,649
Non-taxable (income) expenses	(299,721)	51,741	(1,115,858)	149,861
Share based payments	2,362	27,399	12,002	201,565
Utilization of tax losses	175,188	-	(194,209)	-
Valuation allowance on deferred tax assets	35,150	(2,097,988)	989,247	(1,721,851)
Income tax (credit) expenses	<u>\$ (2,012)</u>	<u>\$ (305,431)</u>	<u>\$ 84,230</u>	<u>\$ (1,015,626)</u>

(b) *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, 2022 and September 30, 2023 are presented below:

	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2023</u>
<b>Deferred tax assets</b>		
Trade receivable	\$ 1,976,354	\$ 1,198,575
Inventories	554,041	703,333
Property, plant and equipment	2,353,141	1,797,372
Long-term investments, net	161,716	153,572
Intangible assets	97,468	108,146
Accrued expenses, payroll and others	224,795	216,038
Provision for product warranty	119,207	123,667
Net operating loss carried forward	34,379,188	32,802,103
Valuation allowance	(37,122,551)	(33,573,748)
<b>Deferred tax assets, non-current</b>	<u>\$ 2,743,359</u>	<u>\$ 3,529,058</u>
<b>Deferred tax liabilities, non-current</b>		
Long-lived assets arising from acquisitions	<u>\$ 256,380</u>	<u>\$ 131,492</u>

As of December 31, 2022 and September 30, 2023, 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. As of December 31, 2022 and September 30, 2023, the Company's PRC subsidiaries had net operating loss carry forwards of \$52,187,090 and \$42,640,678 respectively, which will expire in various years through 2023 to 2031. 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 of \$37,122,551 and \$33,573,748 as of December 31, 2022 and September 30, 2023, respectively, were provided against subsidiaries which were not estimated to generate operating profits to utilize 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.

## 21. Statutory reserves

As stipulated by the relevant laws and regulations in the PRC, company established in the PRC (the “PRC subsidiary”) is required to maintain a statutory reserve made out of profit for the year based on the PRC subsidiary’ statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC. The amount and allocation basis are decided by the director of the PRC subsidiary annually and is not to be less than 10% of the profit for the year of the PRC subsidiary. The aggregate amount allocated to the reserves will be limited to 50% of registered capital for certain subsidiaries. Statutory reserve can be used for expanding the capital base of the PRC subsidiary by means of capitalization issue.

In addition, as a result of the relevant PRC laws and regulations which impose restriction on distribution or transfer of assets out of the PRC statutory reserve, \$1,230,511 representing the PRC statutory reserve of the subsidiary as of December 31, 2022 and September 30, 2023, are also considered under restriction for distribution.

## 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.

Valuation of debt products depends upon a number of factors, including prevailing interest rates for like securities, expected volatility in future interest rates, and other relevant terms of the debt. Other factors that may be considered include the borrower’s ability to adequately service its debt, the fair market value of the borrower in relation to the face amount of its outstanding debt and the quality of collateral securing the Company’s debt investments. The fair value of these debt products classified as Level 2 is established by reference to the prices quoted by respective fund administrators.

The fair value of warrants was determined using the Binomial Model, with level 3 inputs (Note 26).

The fair value of share options was determined using the Binomial Model, with level 3 inputs (Note 24).

The carrying amounts of financial assets and liabilities, such as cash and cash equivalents, pledged deposits, trade accounts and bills receivable, other receivables, balances with former subsidiaries, notes payable, 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. Employee Benefit Plan

Full time employees of the Company in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. The Company accrues for these benefits based on certain percentages of the employees’ salaries, up to a maximum amount specified by the local government. The total employee benefits expensed as incurred were \$474,986 (RMB3,277,830) and \$472,252 (RMB3,439,606) for the three months ended September 30, 2022 and 2023, respectively. The total employee benefits expensed as incurred were \$1,652,336 (RMB10,902,111) and \$1,625,303 (RMB10,932,435) for the nine months ended September 30, 2022 and 2023, respectively.

## 24. Share-based Compensation

### *Restricted Shares and Restricted Share Units*

#### 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 have been vested on March 31, 2018.

As of September 30, 2023, there was no unrecognized stock-based compensation associated with the above restricted shares and 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 Plan, the Compensation Committee of the Board of Directors of the Company granted an aggregate of 500,000 restricted shares of the Company's common stock, par value \$0.001, 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 is 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 16, 2016 had been vested on June 30, 2019.

As of September 30, 2023, there was no unrecognized stock-based compensation associated with the above restricted shares and 4,167 vested shares were to be issued.

#### Restricted share units granted on August 23, 2019

On August 23, 2019, pursuant to the Company's 2015 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 nil and \$23,778 for three and nine months ended September 30, 2022, respectively, in respect of the restricted shares granted on August 23, 2019.

All the restricted share units granted in respect of the restricted share units granted on August 23, 2019 had been vested on March 2022. As of September 30, 2023, there was no unrecognized stock-based compensation associated with the above restricted share units.

#### Restricted share units granted on October 23, 2020

On October 23, 2020, pursuant to the Company's 2015 Plan, the Compensation Committee granted an aggregate of 100,000 restricted share units to an employee of the Company. In accordance with the vesting schedule of the grant, the restricted share units 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 share units 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 \$11,247 and nil for the three months ended September 30, 2022 and 2023, respectively, in respect of the restricted share units granted on October 23, 2020 of which allocated to research and development expenses.

The Company recorded non-cash share-based compensation expense of \$33,374 and \$6,529 for the nine months ended September 30, 2022 and 2023, respectively, in respect of the restricted share units granted on October 23, 2020 of which allocated to research and development expenses.

As of September 30, 2023, non-vested restricted share units granted on October 23, 2020 are as follows:

Non-vested share units as of January 1, 2023	16,665
Granted	-
Vested	(16,665)
Non-vested share units as of September 30, 2023	-

All the restricted share units granted on October 23, 2020 had been vested on April 30, 2023. As of September 30 2023, there was no unrecognized stock-based compensation with the above restricted share units and 16,665 vested shares were to be issued.

#### Employees Stock Ownership Program on November 29, 2021

On November 29, 2021, pursuant to the Company's 2015 Plan, the Compensation Committee granted options to obtain an aggregate of 2,750,002 share units of the Company's common stock to certain employees, officers and directors of the Company, of which options to obtain 350,000 share units were given to the Company's executive officers and directors with an option exercise price of \$1.96 based on fair market value. The vesting of shares each year is subject to certain financial performance indicators. The shares will be vested semi-annually in 10 equal installments over a five year period with the first vesting on May 30, 2022. The options will expire on the 70-month anniversary of the grant date.

The fair value of the stock options granted to directors of the Company is estimated on the date of the grant using the Binomial Model. The fair value of the options was calculated using the following assumptions: estimated life of six months to five years, volatility of 106.41%, risk free interest rate of 1.26%, and dividend yield of 0%. The fair value of 350,000 stock options to directors of the Company was \$479,599 at the grant date. For the three and nine months ended September 30, 2022 and 2023, the Company recorded nil as stock compensation expenses.

The fair value of the stock options granted to certain employees and officers of the Company is estimated on the date of the grant using the Binomial Model. The fair value of the options was calculated using the following assumptions: estimated life of six months to five years, volatility of 106.41%, risk-free interest rate of 1.26% and dividend yield of 0%. The fair value of 2,400,002 stock options to certain employees and officers of the Company was \$2,805,624 at the grant date. During the three and nine months ended September 30, 2022 and 2023, the Company recorded nil as stock compensation expenses.

As of September 30, 2023, there was unrecognized stock-based compensation \$1,988,846 associated with the above options granted.

#### Restricted share units granted and stock ownership program on April 11, 2023

On April 11, 2023, pursuant to the Company's 2015 Plan, the Compensation Committee granted an aggregate of 894,000 restricted share units and 2,124,000 options to certain employees, officers and directors of the Company, of which 230,000 restricted share units and 460,000 options were granted to the Company's executive officers and directors. The restricted share units will vest semi-annually on June 30, 2023 and December 31, 2023. The fair value of these restricted shares units was \$0.95 per share on April 11, 2023. The Company recognizes the share-based compensation expenses over the vesting period (or the requisite service period) on a graded-vesting method. The option exercise price was \$0.9780. The shares will be vested semi-annually in 4 equal installments over a 2 year period with the first vesting on June 30, 2024. The options will expire on the 70-month anniversary of the grant date.

The Company recorded non-cash share-based compensation expense of \$146,660 and \$695,040 for the three and nine months ended September 30, 2023, respectively, in respect of the restricted share units granted on April 11, 2023.

The fair value of the stock options granted to directors and certain employees and officers of the Company is estimated on the date of the grant using the Binomial Model. The fair value of the options was calculated using the following assumptions: estimate life of 5.83 years, volatility of 106.59%, risk free interest rate of 3.51% and dividend yield of 0%. The fair value of options of the Company was \$838,190 at the grant date. During the three and nine months ended September 30, 2023, the Company recorded \$119,865 and \$224,095 as share-based compensation expenses.

As of September 30, 2023, non-vested restricted share units granted on April 11, 2023 are as follows:

Non-vested share units as of April 11, 2023	
Granted	894,000
Vested	(443,000)
Forfeited	(8,000)
Non-vested share units as of September 30, 2023	<u>443,000</u>

As of September 30, 2023, there was unrecognized stock-based compensation \$760,755 associated with the above restricted share units and options granted and nil vested shares were to be issued.

Restricted share units granted and stock ownership program on August 22, 2023

On August 22, 2023, pursuant to the Company's 2015 Plan, the Compensation Committee granted an aggregate of 40,000 restricted share units and 160,000 options to employees of the Company. The restricted share units will vest semi-annually on October 15, 2023 and April 15, 2023. The fair value of these restricted shares units was \$0.88 per share on August 22, 2023. The Company recognizes the share-based compensation expenses over the vesting period (or the requisite service period) on a graded-vesting method. The option exercise price was \$0.8681. The shares will be vested semi-annually in 4 equal installments over a 2 year period with the first vesting on February 15, 2025. The options will expire on the 70-month anniversary of the grant date.

The Company recorded non-cash share-based compensation expense of \$31,215 for the three and nine months ended September 30, 2023, respectively, in respect of the restricted share units granted on April 11, 2023.

The fair value of the stock options granted to directors and certain employees and officers of the Company is estimated on the date of the grant using the Binomial Model. The fair value of the options was calculated using the following assumptions: estimate life of 5.83 years, volatility of 106.34%, risk free interest rate of 4.47% and dividend yield of 0%. The fair value of options of the Company was \$56,521 at the grant date. During the three and nine months ended September 30, 2023, the Company recorded \$2,954 as share-based compensation expenses.

As of September 30, 2023, non-vested restricted share units granted on August 22, 2023 are as follows:

Non-vested share units as of August 22, 2023	
Granted	40,000
Vested	-
Forfeited	-
Non-vested share units as of September 30, 2023	<u>40,000</u>

As of September 30, 2023, there was unrecognized stock-based compensation \$74,435 associated with the above restricted share units and options granted and nil vested shares were to be issued.

Stock option activity under the Company's stock-based compensation plans is shown below:

	<u>Number of Shares</u>	<u>Average Exercise Price per Share</u>	<u>Aggregate Intrinsic Value*</u>	<u>Weighted Average Remaining Contractual Term in Years</u>
Outstanding at January 1, 2023	2,200,044	\$ 1.96	\$ -	4.7
Exercisable at January 1, 2023	549,958	1.96	\$ -	4.7
Granted	2,284,000	0.97	-	5.8
Exercised	-	-	-	-
Forfeited	20,000	0.98	-	5.8
Outstanding at September 30, 2023	<u>4,464,044</u>	<u>\$ 1.46</u>	<u>\$ -</u>	<u>4.5</u>
Exercisable at September 30, 2023	<u>549,958</u>	<u>\$ 1.96</u>	<u>\$ -</u>	<u>4.0</u>

\* The intrinsic value of the stock options at September 30, 2023 is the amount by which the market value of the Company's common stock of \$0.82 as of September 30, 2023 exceed the average exercise price of the option. As of September 30, 2023, the intrinsic value of the outstanding and exercisable stock options was \$nil.

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, 2022 and 2023.

## 25. Income (Loss) Per Share

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

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Net income (loss)	\$ (848,728)	\$ 5,764,148	\$ 848,040	\$ 620,439
Less: Net loss attributable to non-controlling interests	848,438	570,644	401,313	1,699,008
Net income (loss) attributable to shareholders of CBAK Energy Technology, Inc.	<u>\$ (290)</u>	<u>\$ 6,334,792</u>	<u>\$ 1,249,353</u>	<u>\$ 2,319,447</u>
Weighted average shares outstanding – basic (note)	88,996,692	89,473,026	88,900,977	89,171,988
Dilutive unvested restricted stock	-	431,293	22,288	410,413
Weighted average shares outstanding - diluted	<u>88,996,692</u>	<u>89,904,319</u>	<u>88,923,265</u>	<u>89,582,401</u>
Income (loss) per share				
- Basic	<u>\$ (0.00)*</u>	<u>\$ 0.07</u>	<u>\$ 0.01</u>	<u>\$ 0.03</u>
- Diluted	<u>\$ (0.00)*</u>	<u>\$ 0.07</u>	<u>\$ 0.01</u>	<u>\$ 0.03</u>

\* Less than \$0.01 per share

Note: Including 5,834 vested restricted shares granted pursuant to the 2015 Plan that were not yet issued as of September 30, 2022 and 2023.

For the three and nine months ended September 30, 2022, 2,750,002 unvested options and all the outstanding warrants were anti-dilutive and excluded from shares used in the diluted computation.

For the three and nine months ended September 30, 2023, 2,750,002 unvested options and all the outstanding warrants were anti-dilutive and excluded from shares used in the diluted computation.

## 26. 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. The Company has performed a thorough reassessment of the terms of its warrants with reference to the provisions of ASC Topic 815-40-15-71, 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.

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.

As of the date of this report, Series B warrant, along with Series A-2 warrants, had both expired.

There was a total of 9,092,499 warrants issued and outstanding as of September 30, 2023.

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

<i>Warrants holder</i>	<i>Investor Warrants</i>	<i>Placement Agent Warrants</i>
<i>Appraisal Date</i>	<u>December 31, 2022</u>	<u>December 31, 2022</u>
Market price per share (USD/share)	\$ 0.99	\$ 0.99
Exercise price (USD/price)	6.46	6.475
Risk free rate	4.7%	4.6%
Dividend yield	0.0%	0.0%
Expected term/ Contractual life (years)	0.9 years	1.4 years
Expected volatility	75.6%	82.7%

<i>Appraisal Date</i>	<u>September 30, 2023</u>	<u>September 30, 2023</u>
Market price per share (USD/share)	\$ 0.82	\$ 0.82
Exercise price (USD/price)	6.46	6.46
Risk free rate	5.45%	5.50%
Dividend yield	0.0%	0.0%
Expected term/ Contractual life (years)	0.2 years	0.7 years
Expected volatility	55.7%	60.0%

Warrants issued in the 2021 Financing

<i>Warrants holder</i>	<i>Investor Warrants</i>	<i>Placement Agent Warrants</i>
<i>Appraisal Date</i>	<u>Series A1 December 31, 2022</u>	<u>December 31, 2022</u>
Market price per share (USD/share)	0.99	0.99
Exercise price (USD/price)	7.67	9.204
Risk free rate	4.5%	4.5%
Dividend yield	0.0%	0.0%
Expected term/ Contractual life (years)	1.6 years	1.6 years
Expected volatility	80.4%	80.4%

<i>Warrants holder</i>	<i>Investor Warrants</i>	<i>Placement Agent Warrants</i>
<i>Appraisal Date</i>	<u>Series A1 September 30, 2023</u>	<u>September 30, 2023</u>
Market price per share (USD/share)	0.82	0.82
Exercise price (USD/price)	7.67	9.204
Risk free rate	5.4%	5.4%
Dividend yield	0%	0%
Expected term/ Contractual life (years)	0.9 years	0.9 years
Expected volatility	59.0%	59.0%

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:

	<u>December 31, 2022</u>	<u>September 30, 2023</u>
Balance at the beginning of the year	\$ 5,846,000	\$ 136,000
Warrants issued to institution investors	-	-
Warrants issued to placement agent	-	-
Warrants redeemed	-	-
Fair value change of the issued warrants included in earnings	(5,710,000)	(136,000)
Balance at end of year/ period	<u>136,000</u>	<u>-</u>

The following is a summary of the warrant activity:

	<i>Number of Warrants</i>	<i>Average Exercise Price</i>	<i>Weighted Average Remaining Contractual Term in Years</i>
Outstanding at January 1, 2023	9,092,499	\$ 7.19	1.33
Exercisable at January 1, 2023	9,092,499	\$ 7.19	1.33
Granted	-	-	-
Exercised / surrendered	-	-	-
Expired	-	-	-
Outstanding at September 30, 2023	9,092,499	7.19	0.6
Exercisable at September 30, 2023	9,092,499	7.19	0.6

## 27. Commitments and Contingencies

### (i) Capital Commitments

As of December 31, 2022 and September 30, 2023, the Company had the following contracted capital commitments:

	<i>December 31, 2022</i>	<i>September 30, 2023</i>
For construction of buildings	\$ 21,406,584	\$ 5,178,838
For purchases of equipment	4,249,801	257,377,404
Capital injection	137,739,785	234,777,920
Acquisition of long-term investments	-	42,649,990
	<u>\$ 163,396,170</u>	<u>\$ 539,984,152</u>

### (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 proceedings 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 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.

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 December 31, 2022 and September 30, 2023, CBAK Power have not received the final judgement amount totaled \$276,356 (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. On December 21, 2021, the Court of Dalian remanded the case to the Court of Zhuanghe 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, 2023.

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 \$1,613,984 (RMB10,257,030), including equipment cost of \$1,427,515 (RMB9,072,000) and interest amount of \$186,469 (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 \$2.4 million (RMB15,120,000) from Haoneng, or CBAK Power has to pay 15% of the amount equal to RMB15,120,000 (\$2.4 million) net of the purchased amount to Haoneng. Haoneng withdrew the filed lawsuit after the agreement. As of September 30, 2023, the equipment was not received by CBAK Power, CBAK Power has included the equipment cost of \$2.4 million (RMB15,120,000) under capital commitments.

## 28. 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, 2022 and 2023 as follows:

<i>Sales of finished goods and raw materials</i>	<i>Three months ended September 30,</i>			
	<i>2022</i>		<i>2023</i>	
Customer A	\$ 5,935,356	10.3%	\$ 21,227,599	29.5%
Customer B	8,380,509	11.7%	9,097,887	15.8%
Customer C	16,529,769	28.6%	*	*



The Company had the following customers that individually comprised 10% or more of net revenue for the nine months ended September 30, 2022 and 2023 as follows:

<i>Sales of finished goods and raw materials</i>	<i>Nine months ended September 30,</i>			
	<i>2022</i>		<i>2023</i>	
Customer A	\$ *	*	\$ 45,852,359	29.2%
Customer B	24,844,997	12.8%	*	*
Customer C	45,453,981	23.4%	*	*
Zhengzhou BAK Battery Co., Ltd (note 17)	52,064,148	26.8%	22,815,451	14.5%

\* 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 trade receivable (included VAT) as of December 31, 2022 and September 30, 2023 as follows:

	<i>December 31,</i>		<i>September 30,</i>	
	<i>2022</i>		<i>2023</i>	
Customer A	\$ 4,004,880	18.94%	\$ 6,443,841	16.2%
Zhengzhou BAK Battery Co., Ltd (note 17)	9,156,383	43.3%	15,051,787	37.7%

\* Comprised less than 10% of net trade receivable for the respective period.

The Company had the following suppliers that individually comprised 10% or more of net purchase for the three months ended September 30, 2022 and 2023 as follows:

	<i>Three months ended September 30,</i>			
	<i>2022</i>		<i>2023</i>	
Supplier A	\$ 5,271,460	10.4%	\$ *	*
Supplier D	4,885,560	10.1%	*	*
Supplier E	6,231,067	12.8%	*	*
Supplier F	*	*	6,391,095	13.4%
Zhejiang Shengyang Renewable Resources Technology Co., Ltd (“Shengyang”) (note 13)	5,449,408	10.7%	*	*
Zhengzhou BAK Battery Co., Ltd (note 17)	10,624,282	20.9%	7,554,267	15.85%

The Company had the following suppliers that individually comprised 10% or more of net purchase for the nine months ended September 30, 2022 and 2023 as follows:

	<i>Nine months ended September 30,</i>			
	<i>2022</i>		<i>2023</i>	
Supplier B	\$ 19,851,008	10.3%	\$ *	*
Supplier C	30,906,898	16.1%	15,284,263	13.8%
Zhengzhou BAK Battery Co., Ltd (note 17)	25,743,966	13.4%	*	*

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

The Company had the following suppliers that individually comprised 10% or more of trade payable as of December 31, 2022 and September 30, 2023 as follows:

	<i>December 31,</i>		<i>September 30,</i>	
	<i>2022</i>		<i>2023</i>	
Supplier A	\$ 4,064,942	12.50%	\$ *	*
Supplier C	*	*	4,710,982	11.9%
Zhengzhou BAK Battery Co., Ltd (note 17)	5,629,343	17.3%	5,405,548	13.7%

\* Comprised less than 10% of net trade payable for the respective period.

(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, 2022 and September 30, 2023, 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.

## 29. Segment Information

The Group's chief operating decision maker has been identified as the Chief Executive Officer ("CEO") who reviews financial information of operating segments based on US GAAP amounts when making decisions about allocating resources and assessing performance of the Company.

As a result of the Hitrans acquisition discussed in Note 11, the Group determined that Hitrans met the criteria for separate reportable segment given its financial information is separately reviewed by the Group's CEO. As a result, the Group determined that it operated in two operating segments namely CBAT and Hitrans upon completion of acquisition. CBAT's segment mainly includes 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. Hitrans' segment mainly includes the development and manufacturing of NCM precursor and cathode materials.

The Company primarily operates in the PRC and substantially all of the Company's long-lived assets are located in the PRC.

The Company's chief operating decision maker evaluates performance based on each reporting segment's net revenue, cost of revenues, operating expenses, operating income, finance income (expense), other income and net income. Net revenue, cost of revenues, operating expenses, operating income, finance income (expense), other income and net income by segment for the three and nine months ended September 30, 2022 and 2023 were as follows:

	CBAT	Hitrans	Corporate unallocated (note)	Consolidated
<i>For the three months ended September 30, 2022</i>				
Net revenues	\$ 25,845,959	\$ 31,875,733	\$ -	\$ 57,721,692
Cost of revenues	(23,603,029)	(30,658,215)	-	(54,261,244)
Gross profit	2,242,930	1,217,518	-	3,460,448
Total operating expenses	(2,485,812)	(2,352,448)	(104,921)	(4,943,181)
Operating loss	(242,882)	(1,134,930)	(104,921)	(1,482,733)
Finance income (expenses), net	214,947	(134,115)	606,513	687,345
Other income (expenses), net	1,092,252	(2,083,604)	936,000	(55,352)
Income tax credit	-	2,012	-	2,012
Net income (loss)	1,064,317	(3,350,637)	1,437,592	(848,728)

	CBAT	Hitrans	Corporate unallocated (note)	Consolidated
<i>For the three months ended September 30, 2023</i>				
Net revenues	\$ 44,327,653	\$ 19,113,456	\$ -	\$ 63,441,109
Cost of revenues	(32,629,427)	(18,563,104)	-	(51,192,531)
Gross profit	11,698,226	550,352	-	12,248,578
Total operating expenses	(4,120,379)	(2,577,715)	(261,390)	(6,959,484)
Operating income (loss)	7,577,847	(2,027,363)	(261,390)	5,289,094
Finance (expenses) income, net	(403,599)	(43,435)	3	(447,031)
Other income, net	596,463	5,191	15,000	616,654
Income tax credit	-	305,431	-	305,431
Net income (loss)	7,770,711	(1,760,176)	(246,387)	5,764,148

<i>For the nine months ended September 30, 2022</i>	<i>CBAT</i>	<i>Hitrans</i>	<i>Corporate unallocated (note)</i>	<i>Consolidated</i>
Net revenues	\$ 66,582,060	\$ 127,685,590	\$ -	\$ 194,267,650
Cost of revenues	(60,519,919)	(119,435,621)	-	(179,955,540)
Gross profit	6,062,141	8,249,969	-	14,312,110
Total operating expenses	(8,754,644)	(7,382,703)	(848,268)	(16,985,615)
Operating (loss) income	(2,692,503)	867,266	(848,268)	(2,673,505)
Finance income (expenses), net	405,773	(333,680)	(224)	71,869
Other income (expenses), net	871,588	(2,036,682)	4,699,000	3,533,906
Income tax expenses	-	(84,230)	-	(84,230)
Net (loss) income	(1,415,142)	(1,587,326)	3,850,508	848,040

<i>For the nine months ended September 30, 2023</i>	<i>CBAT</i>	<i>Hitrans</i>	<i>Corporate unallocated (note)</i>	<i>Consolidated</i>
Net revenues	\$ 96,163,040	\$ 52,095,640	\$ -	\$ 148,258,680
Cost of revenues	(77,826,308)	(51,393,408)	-	(129,219,716)
Gross profit	18,336,732	702,232	-	19,038,964
Total operating expenses	(12,190,713)	(7,363,599)	(849,498)	(20,403,810)
Operating income (loss)	6,146,019	(6,661,367)	(849,498)	(1,364,846)
Finance (expenses) income, net	(216,939)	27,850	(159)	(189,248)
Other income, net	817,803	205,104	136,000	1,158,907
Income tax expenses	-	1,015,626	-	1,015,626
Net income (loss)	6,746,883	(5,412,787)	(713,657)	620,439

<i>As of September 30, 2023</i>				
Identifiable long-lived assets	98,069,634	44,512,193	-	142,581,827
Total assets	185,396,100	101,394,531	50,438	286,841,069

Note: The Company does not allocate its assets located and expenses incurred outside China to its reportable segments because these assets and activities are managed at a corporate level.

**Net revenues by product:**

The Company's products can be categorized into high power lithium batteries and materials used in manufacturing of lithium batteries. For the product sales of high power lithium batteries, 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 battery products are sold to packing plants operated by third parties primarily for use in mobile phones and other electronic devices. For the product sales of materials used in manufacturing of lithium batteries, the Company, via its subsidiary, Hitrans, manufactured cathode materials and Precursor for use in manufacturing of cathode. Revenue from these products is as follows:

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
High power lithium batteries used in:				
Electric vehicles	\$ 19,688	\$ 402,863	\$ 19,991	\$ 2,358,842
Light electric vehicles	1,146,370	1,114,107	1,906,578	4,230,066
Uninterruptable supplies	24,679,901	42,810,683	64,655,491	89,574,132
	<u>25,845,959</u>	<u>44,327,653</u>	<u>66,582,060</u>	<u>96,163,040</u>
Materials used in manufacturing of lithium batteries				
Cathode	11,195,810	10,379,475	66,082,467	31,071,175
Precursor	20,679,923	8,733,981	61,603,123	21,024,465
	<u>31,875,733</u>	<u>19,113,456</u>	<u>127,685,590</u>	<u>52,095,640</u>
<b>Total consolidated revenue</b>	<b><u>\$ 57,721,692</u></b>	<b><u>\$ 63,441,109</u></b>	<b><u>\$ 194,267,650</u></b>	<b><u>\$ 148,258,680</u></b>

**Net revenues by geographic area:**

The Company's operations are located in the PRC. The following table provides an analysis of the Company's sales by geographical markets based on locations of customers:

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Mainland China	\$ 42,538,023	\$ 31,777,754	\$ 157,154,465	\$ 87,662,906
Europe	15,033,148	29,648,334	36,908,248	57,550,138
Others	150,521	2,015,021	204,937	3,045,636
Total	<u>\$ 57,721,692</u>	<u>\$ 63,441,109</u>	<u>\$ 194,267,650</u>	<u>\$ 148,258,680</u>

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

**30. Subsequent events**

The Company has evaluated subsequent events from September 30, 2023 to the date the financial statements were issued and has determined that there are no items to disclose.

## 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, 2022, 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 BFD” are to our PRC subsidiary, Nanjing BFD New Energy Technology Co., Ltd., a company that was formerly known as Nanjing Daxin New Energy Automobile Industry Co., Ltd.;

- “Hitrans” are to our 67.33% owned PRC subsidiary, Zhejiang Hitrans Lithium Battery Technology (we, through CBAK Power, hold 67.33% of registered equity interests of Hitrans, representing 71.38% of paid-up capital. On March 10, 2023, CBAK Power entered into an agreement with Nanjing BFD to transfer the 67.33% equity interests that CBAK Power holds in Hitrans to Nanjing BFD. As of the date of this report, we have suspended the execution of this agreement. CBAK Power continues holding 67.33% equity interests of Hitrans);
- “Guangdong Hitrans” are to Hitrans’s 80% owned PRC subsidiary, Guangdong Meidu Hitrans Resources Recycling Technology Co., Ltd.;
- “Haisheng” are to Hitrans’s wholly-owned PRC subsidiary, Shaoxing Haisheng International Trading 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” is 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. After completing the acquisition of 81.56% of registered equity interests (representing 75.57% of paid-up capital) of Hitrans in November 2021, we entered the business of developing and manufacturing NCM precursor and cathode materials. Hitrans is a leading developer and manufacturer of ternary precursor and cathode materials in China, whose products have a wide range of applications including electric vehicles, electric tools, high-end digital products and storage, among others.

We acquired 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, 2023, we report financial and operational information in two segments: (i) production of high-power lithium battery cells and (ii) manufacture and sales of materials used in high power lithium battery cells.

We currently conduct our business through (i) three wholly-owned operating subsidiaries in China that we own through BAK Asia, an investment holding company formed under the laws of Hong Kong on July 9, 2013; (ii) CBAK Nanjing, a wholly-owned subsidiary in China that we own through BAK Investments, an investment holding company formed under the laws of Hong Kong and acquired by us on July 14, 2020; (iii) Nanjing CBAK, a 100% owned subsidiary of CBAK Nanjing; (iv) Nanjing BFD, a wholly owned subsidiary of CBAK Nanjing; and (v) Hitrans, a subsidiary of CBAK Power, which we own 67.33% of its registered equity interests (representing 71.38% of paid-up capital) through CBAK Power. As of September 30, 2023, our equity interests in Hitrans had reduced to 67.33% as a result of Hitrans’s subsequent equity financings and our transfer of some of our equity interests in Hitrans to certain investors.

As disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed on April 14, 2023 and other reports filed with the SEC, we completed capital intensive construction undertakings in Nanjing to expand the Company’s manufacturing capabilities for lithium batteries in the second half of 2021. In addition, we have been expanding our business by developing new products, fostering new partnerships and strategic acquisition of companies that complement and augment our business.

Due to the growing environmental pollution problem, the Chinese government has been providing support to the development of new energy facilities and vehicles for the past 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 for high power lithium-iron products, we can continue as a going concern and return to profitability sustainably.

## Financial Performance Highlights for the Quarter Ended September 30, 2023

The following are some financial highlights for the quarter ended September 30, 2023:

- **Net revenues:** Net revenues increased by \$5.7 million, or 10%, to \$63.4 million for the three months ended September 30, 2023, from \$57.7 million for the same period in 2022.
- **Gross profit:** Gross profit was \$12.2 million, representing an increase of \$8.8 million, for the three months ended September 30, 2023, from gross profit of \$3.5 million for the same period in 2022.
- **Operating income (loss):** Operating income was \$5.3 million for the three months ended September 30, 2023, reflecting an increase in income of \$6.8 million from an operating loss of \$1.5 million for the same period in 2022.
- **Net income (loss):** Net income was \$5.8 million for the three months ended September 30, 2023, compared to a net loss of \$0.8 million for the same period in 2022.
- **Fully diluted income per share:** Fully diluted income per share was \$0.07 for the three months ended September 30, 2023, as compared to fully diluted income per share of \$0.00 for the same period in 2022.

## 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 on year or less or the amount is immaterial.

Revenue from product sales is 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, warranty expenses, advertising cost, depreciation, share-based compensation and travel and entertainment expenses. 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 costs, net.** Finance costs consist primarily of interest income and interest on bank loans, net of capitalized interest.

**Income tax expenses.** Our subsidiaries in PRC are subject to an income tax rate of 25%, except that Hitrans and CBAK Power have been recognized as a “High and New Technology Enterprise” and enjoyed a preferential tax rate of 15% from 2021 to 2024. Our Hong Kong subsidiaries are subject to profits tax at a rate of 16.5%. However, because we did not have any assessable income derived from or arising in Hong Kong, the entities had not paid any such tax.

## Results of Operations

### Comparison of Three Months Ended September 30, 2022 and 2023

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)

	<i>Three Months Ended</i>		<i>Change</i>	
	<i>September 30,</i>		<i>\$</i>	<i>%</i>
	<u>2022</u>	<u>2023</u>		
Net revenues	\$ 57,722	63,441	5,719	10%
Cost of revenues	(54,262)	(51,193)	3,069	-6%
Gross profit	3,460	12,248	8,788	254%
Operating expenses:				
Research and development expenses	2,385	2,578	193	8%
Sales and marketing expenses	835	1,116	281	34%
General and administrative expenses	1,866	3,241	1,375	74%
(Recovery) provision of doubtful accounts	(143)	24	167	-117%
Total operating expenses	4,943	6,959	2,016	41%
Operating (loss) income	(1,483)	5,289	6,772	-457%
Finance income (expense), net	687	(447)	(1,134)	-165%
Other (expense) income, net	(991)	602	1,593	-161%
Change in fair value of warrants liability	936	15	(921)	-98%
Income (loss) before income tax	(851)	5,459	6,310	-741%
Income tax (expense) credit	2	305	303	15,150%
Net income (loss)	(849)	5,764	6,613	-779%
Less: Net loss attributable to non-controlling interests	848	571	(277)	-33%
Net (loss) income attributable to shareholders of CBAK Energy Technology, Inc.	\$ (1)	6,335	6,336	-633,600%



**Net revenues.** Net revenues increased by \$5.7 million, or 10%, to \$63.4 million for the three months ended September 30, 2023, from \$57.7 million for the same period in 2022.

The following table sets forth the breakdown of our net revenues by end-product applications.

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

	<i>Three months ended</i>		<i>Change</i>	
	<i>September 30,</i>			
	<u>2022</u>	<u>2023</u>	<u>\$</u>	<u>%</u>
High power lithium batteries used in:				
Electric vehicles	\$ 20	403	383	1,915%
Light electric vehicles	1,147	1,114	(33)	-3%
Uninterruptable supplies	24,679	42,810	18,131	73%
	<u>25,846</u>	<u>44,327</u>	<u>18,481</u>	<u>72%</u>
Materials used in manufacturing of lithium batteries				
Cathode	11,195	10,380	(815)	-7%
Precursor	20,681	8,734	(11,947)	-58%
	<u>31,876</u>	<u>19,114</u>	<u>(12,762)</u>	<u>-40%</u>
<b>Total</b>	<b>\$ 57,722</b>	<b>63,441</b>	<b>5,719</b>	<b>10%</b>

Net revenues from sales of batteries for electric vehicles were \$0.4 million for the three months ended September 30, 2023 as compared to nil in the same period of 2022, representing an increase of \$0.4 million.

Net revenues from sales of batteries for light electric vehicles were \$1.1 million for the three months ended September 30, 2023 and 2022.

Net revenues from sales of batteries for uninterruptable power supplies were \$42.8 million in the three months ended September 30, 2023, as compared with \$24.7 million in the same period in 2022, representing an increase of \$18.1 million, or 73%. The significant growth was attributed to the ongoing surge in orders we had received from our major existing clients.

Net revenues from sales of materials used in manufacturing of lithium batteries were \$19.1 million for the three months ended September 30, 2023, as compared to \$31.9 million for the same period of 2022. This primarily resulted from a rapid decrease in raw material prices during 2023, which led to significant downward pressure on the pricing of our battery material products.

**Cost of revenues.** Cost of revenues decreased to \$51.2 million for the three months ended September 30, 2023, as compared to \$54.3 million for the same period in 2022, a decrease of \$3.1 million, or 6%. The decrease in cost of revenues resulted from significant decrease of materials sales from our battery materials segment. The cost of revenues includes written down of obsolete inventories of \$0.5 million for the three months ended September 30, 2023, as compared to write down of obsolete inventories of \$0.3 million for the same period in 2022. We write down the inventory value whenever there is an indication that it is impaired.

**Gross profit.** Gross profit for the three months ended September 30, 2023 was \$12.2 million, or 19.3% of net revenues as compared to gross profit of \$3.5 million, or 6.0% of net revenues, for the same period in 2022. The significant increase of gross profit was corresponded to our higher profit from batteries segment.

**Research and development expenses.** Research and development expenses increased to approximately \$2.6 million for the three months ended September 30, 2022, as compared to approximately \$2.4 million for the same period in 2022, a slight increase of \$0.2 million, or 8%. The increase primarily resulted from salaries and social insurance expenses due to a growing number of employees at Nanjing CBAK and Hitrans and compensation expenses incurred for restricted share units and options granted to our employees on April 11, 2023 and August 22, 2023. We incurred \$1.4 million in salaries and social insurance cost (including share-based compensation) during the three months ended September 30, 2023 compared to \$1.1 million during the three months ended September 30, 2022.

**Sales and marketing expenses.** Sales and marketing expenses increased to approximately \$1.1 million for the three months ended September 30, 2023, as compared to approximately \$0.8 million for the same period in 2022, an increase of approximately \$0.3 million, or 34%. As a percentage of revenues, sales and marketing expenses were 1.76% and 1.45% for the three months ended September 30, 2023 and 2022, respectively. The increase mainly resulted from an increase of \$0.3 million in marketing expenses, as compared to the three months ended September 30, 2022. We have expanded our marketing efforts since the beginning of 2023 after the lift of travel restrictions and quarantine requirements.

**General and administrative expenses.** General and administrative expenses increased to \$3.2 million, or 5.1% of revenues, for the three months ended September 30, 2023, as compared to \$1.9 million, or 3.2% of revenues, for the same period in 2022, representing an increase of \$1.4 million, or 74%. The increase primarily resulted from salaries and social insurance expenses due to a growing number of employees at Nanjing CBAK and Hitrans and compensation expenses incurred for restricted share units and options granted to our employees on April 11, 2023 and August 22, 2023. We incurred \$1.6 million in salaries and social insurance cost (including share-based compensation) during the three months ended September 30, 2023 compared to \$1.0 million during the three months ended September 30, 2022. With the expansion of Nanjing CBAK, our operating expenses and consultancy expenses increased by \$0.7 million to \$1.2 million for the three months ended September 30, 2023 compared to \$0.5 million for the three months ended September 30, 2022.

**Provision for (recovery of) doubtful accounts.** Provision of doubtful accounts was \$24,623 for the three months ended September 30, 2023, as compared to a reversal of provision \$142,966 for the same period in 2022. We determine the allowance based on historical write-off experience, customer specific facts and economic conditions.

**Operating income (loss).** As a result of the above, our operating income totaled \$5.3 million for the three months ended September 30, 2023, as compared to \$1.5 million operating loss for the same period in 2022, representing an increase of \$6.8 million, or 457%.

**Finance income (expenses), net.** Finance expenses, net was \$0.4 million for the three months ended September 30, 2023, as compared to finance income, net of \$0.7 million for the same period in 2022, representing an increase of \$1.1 million in expenses. The finance expenses increase was mainly resulted from interest on average balances of bank borrowings and changes to exchange rates. We capitalized interest on bank borrowings of \$0.3 million and nil to the cost of construction in progress for the three months ended September 30, 2023 and 2022, respectively.

**Other income (expenses), net.** Other income was \$0.6 million for the three months ended September 30, 2023, as compared to other expenses of \$1.0 million for the same period in 2022. The other income increase was mainly due to \$0.7 million generated from batteries development for the three months ended September 30, 2023, while the other expenses were mainly related to a \$2.1 million loss from dismantlement of Hitrans buildings partially offset by \$0.6 million debts release from our suppliers during the three months ended September 30, 2022.

**Changes in fair value of warrants liability.** We issued warrants in the financings 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 fluctuations.

**Income tax credit (expenses).** Income tax credit was \$305,431 for the three months ended September 30, 2023 compared to an income tax expense of \$2,012 for the three months ended September 30, 2022.

**Net income (loss).** As a result of the foregoing, we had a net income of \$5.8 million for the three months ended September 30, 2023, compared to net loss of \$0.9 million for the same period in 2022.

### Comparison of Nine Months Ended September 30, 2022 and 2023

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)

	<i>Nine Months Ended</i> <i>September 30,</i>		<i>Change</i>	
	<u>2022</u>	<u>2023</u>	<u>\$</u>	<u>%</u>
Net revenues	194,268	148,259	(46,009)	-24%
Cost of revenues	(179,956)	(129,220)	50,736	-28%
Gross profit	<u>14,312</u>	<u>19,039</u>	<u>4,727</u>	<u>-33%</u>
<b>Operating expenses:</b>				
Research and development expenses	7,998	8,014	16	0%
Sales and marketing expenses	2,362	2,801	439	19%
General and administrative expenses	6,557	9,303	2,746	42%
Provision for doubtful accounts	69	286	217	314%
Total operating expenses	<u>16,986</u>	<u>20,404</u>	<u>3,418</u>	<u>20%</u>
Operating loss	(2,674)	(1,365)	1,309	-49%
Finance income (expense), net	72	(189)	(261)	-363%
Other (expenses) income, net	(1,165)	1,023	2,188	-188%
Change in fair value of warrants liability	4,699	136	(4,563)	-97%
Income (loss) before income tax	<u>932</u>	<u>(395)</u>	<u>(1,327)</u>	<u>-142%</u>
Income tax (expense) credit	(84)	1,015	1,099	-1,308%
Net income	<u>848</u>	<u>620</u>	<u>(228)</u>	<u>-27%</u>
Less: Net loss attributable to non-controlling interests	401	1,699	1,298	324%
Net income attributable to shareholders of CBAK Energy Technology, Inc.	<u><u>1,249</u></u>	<u><u>2,319</u></u>	<u><u>1,070</u></u>	<u><u>86%</u></u>

**Net revenues.** Net revenues decreased by \$46.0 million, or 24%, to \$148.3 million for the nine months ended September 30, 2022, from \$136.5 million for the same period in 2022.

The following table sets forth the breakdown of our net revenues by end-product applications.

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

	<i>Nine months ended</i> <i>September 30,</i>		<i>Change</i>	
	<u>2022</u>	<u>2023</u>	<u>\$</u>	<u>%</u>
<b>High power lithium batteries used in:</b>				
Electric vehicles	\$ 20	2,359	2,339	11,695%
Light electric vehicles	1,907	4,230	2,323	122%
Uninterruptable supplies	64,655	89,574	24,919	39%
	<u>66,582</u>	<u>96,163</u>	<u>29,581</u>	<u>44%</u>
<b>Materials used in manufacturing of lithium batteries</b>				
Cathode	66,083	31,071	(35,012)	-53%
Precursor	61,603	21,025	(40,578)	-66%
	<u>127,686</u>	<u>52,096</u>	<u>(75,590)</u>	<u>-59%</u>
Total	<u><u>\$ 194,268</u></u>	<u><u>\$ 148,259</u></u>	<u><u>(46,009)</u></u>	<u><u>-24%</u></u>

Net revenues from sales of batteries for electric vehicles were \$2.4 million for the nine months ended September 30, 2023 as compared to nil in the same period of 2022, representing an increase of \$2.3 million. This was partly because our batteries now have improved features and higher quality, making them more attractive to electric vehicle manufacturers. Additionally, the downstream market for electric vehicles continued to grow in 2023, leading to an increase in demand for EV battery products. As a result, we were able to secure more orders and increase our sales volume.

Net revenues from sales of batteries for light electric vehicles were \$4.2 million for the nine months ended September 30, 2023, as compared to \$1.9 million in the same period of 2022, marking an increase of \$2.3 million, or 122%. We will continue to penetrate the market for batteries used in light electric vehicles.

Net revenues from sales of batteries for uninterruptable power supplies were \$89.6 million in the nine months ended September 30, 2023, as compared with \$64.7 million in the same period in 2022, representing an increase of \$24.9 million, or 39%.

Net revenues from sales of materials used in manufacturing of lithium batteries were \$52.1 million for the nine months ended September 30, 2023, as compared to \$127.7 million for the same period of 2022. This primarily resulted from a rapid decrease in raw material prices during 2023, which led to significant downward pressure on the pricing of our battery material products.

**Cost of revenues.** Cost of revenues decreased to \$129.2 million for the nine months ended September 30, 2023, as compared to \$180.0 million for the same period in 2022, a decrease of \$50.7 million, or 28%. The decrease in cost of revenues resulted from significant decrease of materials sales from our battery materials segment. The cost of revenues includes written off of obsolete inventories of \$2.1 million for nine months ended September 30, 2023, as compared to \$1.2 million for the same period in 2022. We write down the inventory value whenever there is an indication that it is impaired.

**Gross profit.** Gross profit for the nine months ended September 30, 2023 was \$19.0 million, or 12.84% of net revenues as compared to gross profit of \$4.3 million, or 7.4% of net revenues, for the same period in 2022.

**Research and development expenses.** Research and development expenses increased slightly to approximately \$8.0 million for the nine months ended September 30, 2023, as compared to approximately \$7.9 million for the same period in 2022.

**Sales and marketing expenses.** Sales and marketing expenses increased to approximately \$2.8 million for the nine months ended September 30, 2023, as compared to approximately \$2.4 million for the same period in 2022, an increase of approximately \$0.4 million, or 19%. As a percentage of revenues, sales and marketing expenses were 1.9% and 1.2% for the nine months ended September 30, 2023 and 2022, respectively. The increase mainly resulted from an increase of \$0.5 million in marketing expenses, as compared to the nine months ended September 30, 2022. We have expanded our marketing effort since the beginning of 2023 after the lift of travel restrictions and quarantine requirements, including hosting the Company's inaugural corporate open day on June 28, 2023.

**General and administrative expenses.** General and administrative expenses increased to \$9.3 million, or 6.3% of revenues, for the nine months ended September 30, 2023, as compared to \$6.6 million, or 3.4% of revenues, for the same period in 2022, representing an increase of \$2.7 million, or 42%. The increase primarily resulted from salaries and social insurance expenses due to a growing number of employees at Nanjing CBAK and Hitrans and compensation expenses incurred for restricted share units and options granted to our employees on April 11, 2023 and August 22, 2023. We incurred \$4.7 million in salaries and social insurance cost (including share-based compensation) during the nine months ended September 30, 2023 compared to \$3.2 million during the nine months ended September 30, 2022. With the expansion of Nanjing CBAK, our operating expenses and consultancy expenses increased by \$1.2 million to \$3.0 million for the nine months ended September 30, 2023 compared to \$1.8 million for the nine months ended September 30, 2022.

**Provision for doubtful accounts.** Provision for doubtful accounts was \$0.3 million and \$0.1 million for the nine months ended September 30, 2023 and 2022, respectively. 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 \$1.4 million for the nine months ended September 30, 2023, as compared to \$2.7 million of operating loss for the same period in 2022, representing a decrease of \$1.3 million, or 49%.

**Finance (expenses) income, net.** Finance expense, net was \$0.2 million for the nine months ended September 30, 2023, as compared to finance income, net of \$0.1 million for the same period in 2022, representing an expense decrease of \$0.3 million. The finance income increase was mainly resulted from a decrease in interest expenses on bank borrowings and changes to exchange rates. We capitalized interest on bank borrowings of \$0.6 million to the cost of construction in progress for the nine months ended September 30, 2023.

**Other income (expenses), net.** Other income was \$1.0 million for the nine months ended September 30, 2023 as compared to other expenses, net \$1.2 million for the nine months ended September 30, 2022, respectively. The difference was mainly resulted from the \$2.7 million loss from dismantlement of Hitrans's buildings and disposal of assets in the nine months ended September 30, 2022..

**Changes in fair value of warrants liability.** We issued warrants in the financings 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 fluctuations.

**Income tax credit (expense).** Income tax credit was \$1.0 million for the nine months ended September 30, 2023 compared to an income tax expenses of \$84,230 for the nine months ended September 30, 2022.

**Net income (loss).** As a result of the foregoing, we had a net income of \$0.6 million for the nine months ended September 30, 2023, compared to net income of \$0.8 million for the same period in 2022.

### **Liquidity and Capital Resources**

We had financed our liquidity requirements from a variety of sources, including short-term bank loans, other short-term loans and bills payable under bank credit agreements, advance from our related and unrelated parties, investors and issuance of capital stock and other equity-linked securities.

As of September 30, 2023, we had cash and cash equivalents of \$45.7 million. Our total current assets were \$136.3 million and our total current liabilities were \$161.3 million as of September 30, 2023, resulting in a net working capital deficit of \$25.0 million.

As of September 30, 2023, we had an accumulated deficit of \$129.6 million. We had an accumulated deficit from recurring net losses incurred for the prior years and significant short-term debt obligations maturing in less than one year as of September 30, 2023. 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, 2022 included an explanatory paragraph in respect of the substantial doubt of our ability to continue as a going concern.

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

### **Lending from Financial Institutions**

On November 16, 2021, we obtained banking facilities from Shaoxing Branch of Bank of Communications Co., Ltd with a maximum amount of RMB120.1 million (approximately \$16.6 million) with the term from November 18, 2021 to November 18, 2026. The facility was secured by our land use rights and buildings. Under the facility, we have borrowed RMB59.0 million (approximately \$8.5 million) as of December 31, 2022.

In January 2023, we renewed the banking facilities with Shaoxing Branch of Bank of Communications Co., Ltd with a maximum amount of RMB160.0 million (approximately \$22.1 million) with the term from January 2023 to December 2027. The facility was secured by our land use rights and buildings. Under the facility, we have borrowed RMB148.5 million (approximately \$20.4 million) as of September 30, 2023, bearing interest at 3.65% per annum expiring through February to May 2024.

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 \$11.6 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 December 31, 2021, we borrowed a total of RMB10 million (approximately \$1.4 million) from Bank of Ningbo Co., Ltd in the form of bills payable for a various term expiring from January to February 2022, which was secured by our cash totaling RMB10 million (approximately \$1.4 million). We repaid the bills in January to February 2022.

On March 21, 2022, we renewed the above acceptance bills facilities from Bank of Ningbo Co., Ltd with a maximum amount of RMB71.6 million (\$9.9 million) with other terms remain the same. Under the facilities, as of December 31, 2022 and September 30, 2023, we borrowed a total of RMB15.9 million (approximately \$2.3 million) and RMB43.4 million (approximately \$6.0 million), respectively, in the form of bills payable for various terms expiring from October 2023 to February 2024, which was secured by our cash totaling RMB15.9 million (approximately \$2.3 million) and RMB43.4 million (approximately \$6.0 million), respectively.

On January 17, 2022, we obtained a one-year term facility from Agricultural Bank of China with a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest at 105% of benchmark rate of the People's Bank of China ("PBOC") for short-term loans, which is 3.85% per annum. The facility was guaranteed by our CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan and secured by an unrelated third party, Jiangsu Credits Financing Guarantee Co., Ltd. We borrowed RMB10 million (approximately \$1.4 million) on January 20, 2022 for a term until January 16, 2023. We repaid RMB10 million (approximately \$1.4 million) early on January 5, 2023. On January 6, 2023, we borrowed a one-year term loan of RMB10 million (approximately \$1.4 million) for a period of one year to January 4, 2024, bearing interest at 120% of benchmark rate of the PBOC for short-term loans, which is 3.85% per annum, while other terms and guarantee remain the same.

On February 9, 2022, we obtained a one-year term facility from Jiangsu Gaochun Rural Commercial Bank with a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest at 124% of benchmark rate of the People's Bank of China ("PBOC") for short-term loans, which is 4.94% per annum. The facility was guaranteed by our CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan. We borrowed RMB10 million (approximately \$1.4 million) on February 17, 2022 for a term until January 28, 2023. We repaid RMB10 million (approximately \$1.4 million) on January 16, 2023. On January 17, 2023, we borrowed a one-year loan of RMB10 million (approximately \$1.4 million) bearing interest at 129% of benchmark rate of PBOC for short-term loans, which is 4.70% per annum. for a term until January 13, 2024.

On March 8, 2022, we obtained a one-year term facility from China Zheshang Bank Co., Ltd. Shangyu Branch with a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest at 5.5% per annum. The facility was guaranteed by 100% equity in CBAK Power held by BAK Asia and our CEO, Mr. Yunfei Li. We borrowed RMB10 million (approximately \$1.4 million) on the same date. On May 17, 2022, we repaid the loan principal and related loan interests early.

On April 28, 2022, we obtained a three-year term facility from Industrial and Commercial Bank of China Nanjing Gaochun branch, with a maximum amount of RMB12 million (approximately \$1.7 million) with the term from April 21, 2022 to April 21, 2025. The facility was guaranteed by our CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan. Under the facility, we borrowed RMB10 million (approximately \$1.5 million) on April 29, 2022, bearing interest at 3.95% per annum for a term until April 29, 2023. We repaid RMB10 million (approximately \$1.4 million) on April 19, 2023. On April 20, 2023, we borrowed another one-year loan of RMB10 million (approximately \$1.4 million) bearing interest at 102.5% of benchmark rate of PBOC for short-term loans, which is 3.90% per annum for a term until April 19, 2024.

On June 22, 2022, we obtained another one-year term facility from China Zheshang Bank Co., Ltd. Shangyu Branch with a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest at 4.5% per annum. The facility was guaranteed by 100% equity in CBAK Power held by BAK Asia and our CEO, Mr. Yunfei Li. We borrowed RMB10 million (approximately \$1.4 million) on the same date for a term until June 21, 2023. On November 10, 2022, we repaid the loan principal and the related loan interests early.

On September 25, 2022, we entered into another one-year term facility with Jiangsu Gaochun Rural Commercial Bank with a maximum amount of RMB9 million (approximately \$1.3 million) bearing interest rate at 4.81% per annum. The facility was guaranteed by 100% equity in CBAK Nanjing held by BAK Investment and our CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan. We borrowed RMB9 million (approximately \$1.3 million) on September 27, 2022 for a term until September 24, 2023. We repaid the loan on September 24, 2023.

We entered into another one-year term facility with Jiangsu Gaochun Rural Commercial Bank with a maximum amount of RMB9 million (approximately \$1.2 million) bearing interest rate at 4.6% per annum for a period from September 24, 2023 to August 31, 2024. The facility was guaranteed by 100% equity in CBAK Nanjing held by BAK Investment and our CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan. We borrowed RMB9 million (approximately \$1.2 million) on September 27, 2023 for a term until September August 31, 2024.

On November 8, 2022, we entered into a short-term loan agreement with China CITIC Bank Shaoxing Shengzhong Branch to August 9, 2023 with a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest rate at 4.35% per annum. We borrowed RMB10 million (approximately \$1.4 million) on the same date. We have repaid RMB5 million (approximately \$0.7 million), RMB0.2 million (approximately \$0.1 million) and RMB4.8 million (approximately \$0.7 million) on November 16, 2022, December 27, 2022 and August 9, 2023, respectively. We entered into another short-term loan agreement with China CITIC Bank Shaoxing Branch for a one-year short-term loan agreement with a maximum amount of RMB0.2 million (approximately \$0.1 million) for December 27, 2022 to December 27, 2023, bearing interest rate at 4.20% per annum. We entered into another loan agreement with China CITIC Bank Shaoxing Shengzhong Branch for a short-term loan of RMB4.8 million (approximately \$0.7 million) from August 10, 2023 to May 2, 2024, bearing interest rate at 4.3% per annum. We borrowed RMB4.8 million (approximately \$0.7 million) on the same date.

On December 9, 2022, we obtained a RMB5 million (approximately \$0.7 million) letter of credit from China CITIC Bank Shaoxing Shengzhong Branch for a period to October 30, 2024 for settlement of Hitrans purchase. We utilized RMB1.5 million (approximately \$0.2 million) letter of credit at an interest rate of 2.7% for a period of one year to January 5, 2024.

On January 7, 2023, we obtained a two-year term facility from Postal Savings Bank of China, Nanjing Gaochun Branch with a maximum amount of RMB10 million (approximately \$1.4 million) for a period from January 7, 2023 to January 6, 2025. The facility was guaranteed by our CEO, Mr. Yunfei Li, Mr. Yunfei Li's wife Ms. Qinghui Yuan and CBAK New Energy (Nanjing) Co., Ltd. We borrowed RMB5 million (approximately \$0.7 million) on January 12, 2023 for a term of one year until January 11, 2024, bearing interest at 3.65% per annum. We repaid the above early on June 15, 2023. On June 27, 2023, we entered into another loan agreement for one year from June 27, 2023 to June 26, 2024 under the two-year term facility for a maximum loan amount of RMB10 million (approximately \$1.4 million) bearing interest rate at 3.85% pr annum. We borrowed RMB10 million (approximately \$1.4 million) on the same date. The loan was guaranteed by our CEO, Mr. Yunfei Li, Mr. Yunfei Li's wife Ms. Qinghui Yuan and CBAK New Energy (Nanjing) Co., Ltd.

On March 29, 2023, we and Bank of China Dalian Jinpu New Area Branch entered into a short-term loan agreement for one year from March 29, 2023 to March 28, 2024 for a maximum loan amount to RMB5 million (approximately \$0.7 million) bearing interest rate at 3.65% per annum. We borrowed RMB5 million (approximately \$0.7 million) on the same date. The loan was secured by our buildings in Dalian.

On April 19, 2023, we and Bank of Nanjing Gaochun Branch entered into a short-term loan agreement for one year from April 10, 2023 to April 9, 2024 for RMB10 million (approximately \$1.4 million) bearing interest rate at 3.7% per annum. We borrowed RMB10 million (approximately \$1.4 million) on April 23, 2023. The loan was guaranteed by our CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan.

On June 9, 2023, we and China Zheshang Bank Co., Ltd Shangyu Branch entered into a short-term loan agreement for one year from June 9, 2023 to June 7, 2024 for a maximum loan amount to RMB4 million (approximately \$0.6 million) bearing interest rate at 4.55% per annum. We borrowed RMB4 million (approximately \$0.6 million) on the same date.

On July 31, 2023, we obtained a three-year term facility from Bank of China Gaochun Branch, with a maximum amount of RMB10 million (approximately \$1.4 million) with the term from July 31, 2023 to July 30, 2026. The facility was guaranteed by our CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan. Under the facility, we borrowed RMB10 million (approximately \$1.4 million) on July 31, 2023, bearing interest rate at 3.95% per annum.

On August 3, 2023, we and Bank of China Dalian Jinpu New Area Branch entered into a short term loan agreement for one year from August 3, 2023 to August 2, 2024 for a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest rate at 3.55% per annum. We borrowed RMB10 million (approximately \$1.4 million) on the same date. The loan was secured by our buildings in Dalian.

We borrowed a series of acceptance bills from Agricultural Bank of China Nanjing Gaochung Branch totaling RMB5.3 million (approximately \$0.7 million) for various terms expiring in October 2023 to December 2023, which was secured by our cash totaling RMB5.3 million (approximately \$0.7 million).

We borrowed a series of acceptance bills from China Zheshang Bank Co. Ltd Shenyang Branch totaling RMB83.5 million (approximately \$11.5 million) for various terms through January to March 2024, which was secured by our cash totaling RMB83.5 million (approximately \$11.5 million).

We borrowed a series of acceptance bills from China Zheshang Bank Co. Ltd Shangyu Branch totaling RMB83.0 million (approximately \$11.4 million) for various terms through January to March 2024, which was secured by our cash totaling RMB51.8 million (approximately \$7.1 million) and our bills receivable totaling RMB28.2 million (approximately \$3.9 million).

We borrowed a series of acceptance bills from Shaoxing Branch of Bank of Communications Co., Ltd totaling RMB7.0 million (approximately \$0.9 million) for various terms ending through October 2023, which was secured by our cash totaling RMB3.5 million (approximately \$0.5 million) land use rights and buildings in Zhejiang.

We borrowed a series of acceptance bills from China Merchants Bank Dalian Branch totaling RMB25.8 million (approximately \$3.5 million) for various terms through October to December 2023, which was secured by our cash totaling RMB25.8 million (approximately \$3.5 million).

We borrowed a series of acceptance bills from Bank of China Dalian Jinzhou Branch totaling RMB35.2 million (approximately \$4.8 million) for various terms through September to December 2023, which was secured by our cash totaling RMB35.2 million (approximately \$4.8 million).

We borrowed a series of acceptance bills from Jiangsu Gaochun Rural Commercial Bank totaling RMB24.8 million (approximately \$3.4 million) for various terms through March 2024, which was secured by our cash totaling RMB24.8 million (approximately \$3.4 million).

We borrowed a series of acceptance bills from China CITIC Bank Shaoxing Shengzhong Branch totaling RMB44.1 million (approximately \$6.1 million) for various terms through October 2023 to March 2024, which was secured by our cash totaling RMB35.8 million (approximately \$4.9 million) and bills receivable totaling RMB8.5 million (approximately \$1.2 million).

As of September 30, 2023, we had unutilized committed banking facilities of \$8.2 million. We plan to renew these loans upon maturity and intend to raise additional funds through bank borrowings in the future to meet our daily cash demands, if required.

#### ***Equity and Debt Financings from Investors***

We have also obtained funds through private placements, registered direct offerings and other equity and note 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 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 offering expenses payable by the Company.

On May 10, 2021, we entered into 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 August 31, 2021, we had not received any notices from the investors to exercise Series B warrants. Series B warrants, along with Series A-2 warrants, had both expired on September 1, 2021.

We currently are expanding our product lines and manufacturing capacity in our Dalian, Nanjing and Zhejiang 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 plan to renew these loans upon maturity, if required, and plan to raise additional funds through bank borrowings and equity 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 this 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 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)

	<i>Nine Months Ended</i>	
	<i>September 30,</i>	
	<u>2022</u>	<u>2023</u>
Net cash provided by operating activities	\$ 16,695	\$ 20,745
Net cash used in investing activities	(9,923)	(28,737)
Net cash provided by financing activities	12,401	18,525
Effect of exchange rate changes on cash and cash equivalents	(3,890)	(2,201)
Net increase in cash and cash equivalents and restricted cash	<u>15,283</u>	<u>8,332</u>
Cash and cash equivalents and restricted cash at the beginning of period	26,354	37,356
Cash and cash equivalents and restricted cash at the end of period	<u>\$ 41,637</u>	<u>\$ 45,688</u>

### ***Operating Activities***

Net cash provided by operating activities was \$20.7 million in the nine months ended September 30, 2023. The net cash provided by operating activities for the nine months ended September 30, 2023 was mainly attributable to our net income of \$10.4 million (before non-cash depreciation and amortization, provision for doubtful debts, write-down of inventories, share-based compensation, and change in fair value of warrant liability), an increase of \$24.9 million of trade and bills payables, a decrease of \$7.8 million of inventories, a decrease of \$5.1 million of trade receivable from our former subsidiary offset by an increase of trade and bills receivable of \$20.5 million, an increase of prepayments and other receivables of \$1.8 million and an increase of \$3.8 million of accrued expenses and other payables.

Net cash provided by operating activities was \$16.7 million in the nine months ended September 30, 2022 was mainly attributable to our net income of \$5.9 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 and change in fair value of warrant liability), a decrease of \$24.4 million in trade and bills receivables, a decrease of \$6.8 million of prepayments and other receivables, an increase of \$29.0 million in inventory and an increase of \$4.7 million receivable from our former subsidiary, partially offset by \$13.1 million decrease of trade and bills payables.

### ***Investing Activities***

Net cash used in investing activities was \$28.7 million for the nine months ended September 30, 2023, as compared to \$9.9 million in the same period of 2022. The net cash used in investing activities comprised the purchases of property, plant and equipment and construction in progress \$24.9 million and \$3.8 million on deposit paid for acquisition of long-term investments. Net cash used in investing activities was \$9.9 million for the nine months ended September 30, 2022, comprised of the purchases of property, plant and equipment and construction in progress.

### ***Financing Activities***

Net cash provided by financing activities was \$18.5 million in the nine months ended September 30, 2023. The net cash provided by financing activities for the nine months ended September 30, 2023 was mainly attributable to \$36.4 million advances from bank borrowings offset by repayment of bank borrowings of \$16.6 million and \$0.8 million repayment on finance lease.

Net cash provided by financing activities was \$12.4 million in the nine months ended September 30, 2022. The net cash provided by financing activities in the nine months ended September 30, 2022 mainly comprised proceeds of \$12.0 million from bank borrowings, \$1.5 million borrowings from shareholders and \$1.5 million borrowings from unrelated parties and \$1.4 million injection from non-controlling interests, partially offset by repayment of bank borrowings of \$1.5 million and repayment of borrowings from Mr. Ye Junnan of \$3.8 million.

As of September 30, 2023, the principal amounts outstanding under our credit facilities and lines of credit were as follows:

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

	<i>Maximum amount available</i>	<i>Amount borrowed</i>
<b>Long-term credit facilities:</b>		
Shaoxing Branch of Bank of Communications Co., Ltd	\$ 21,026	\$ 20,408
Industrial and Commercial Bank of China Nanjing Gaochun Branch	1,649	1,375
Postal Savings Bank of China Nanjing Gaochun Branch	1,375	1,375
	<u>24,050</u>	<u>23,158</u>
<b>Short-term credit facilities:</b>		
China CITIC Bank Shaoxing Shengzhong Branch	687	687
Jiangsu Gaochun Rural Commercial Bank	2,611	2,611
Agricultural Bank of China Nanjing Gaochung Branch	1,375	1,375
Bank of China Dalian Jinpu New Area Branch	2,062	2,062
Bank of China Gaochun Branch	1,374	1,374
Bank of Nanjing Gaochun Branch	1,375	1,375
China Zheshang Bank Co., Ltd Shangyu Branch	549	549
Bank of Jilin Co., Ltd	6,872	-
	<u>16,905</u>	<u>10,033</u>
<b>Other lines of credit:</b>		
Shaoxing Branch of Bank of Communications Co., Ltd	968	968
Agricultural Bank of China Nanjing Gaochun Branch	729	729
Jiangsu Gaochun Rural Commercial Bank	3,403	3,403
Bank of Ningbo. Nanjing Gaochun Branch	5,966	5,966
China Zheshang Bank Co., Ltd Shangyu Branch	11,405	11,405
China Merchants Bank Co., Ltd, Dalian Development Zone Branch	3,534	3,534
Bank of China Dalian Jinzhou Branch	4,833	4,833
China Zheshang Bank Co. Ltd Shenyang Branch	11,473	11,473
China CITIC Bank Shaoxing Shengzhong Branch	6,752	6,272
	<u>49,063</u>	<u>48,583</u>
Total	<u>\$ 90,018</u>	<u>\$ 81,774</u>

### Capital Expenditures

We incurred capital expenditures of \$24.9 million and \$9.8 million in the nine months ended September 30, 2023 and 2022, respectively. Our capital expenditures were used primarily to construct or upgrade our Dalian, Nanjing and Zhejiang facilities.

We estimate that our total capital expenditures in fiscal year 2023 will reach approximately \$80 million. Such funds will be used to construct new plants with new product lines and battery module packing lines.

### 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, 2022 included in the Annual Report on Form 10-K filed on April 14, 2023.

### Changes in Accounting Standards

Please refer to Note 1 to our condensed consolidated financial statements, "Principal Activities, Basis of Presentation and Organization—Recently Adopted Accounting Standards" and "—Recently Issued But Not Yet Adopted Accounting Pronouncements" 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, 2023. 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, 2023.

As we disclosed in our Annual Report on Form 10-K filed with the SEC on April 14, 2023, during our assessment of the effectiveness of internal control over financial reporting as of December 31, 2022, 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 weakness, we have taken or are taking the following remediation measures:

- We are in the process of hiring a permanent chief financial officer with significant U.S. GAAP and SEC reporting experience. Ms. Xiangyu Pei was appointed by the Board of Directors of the Company as the Interim Chief Financial Officer on August 23, 2019. Ms. Xiangyu Pei resigned as our Interim Chief Financial Officer on August 22, 2023 but has continued to serve in the Company's finance department and on the board of director, and Mr. Jiewei Li was appointed as the Company's Chief Financial Officer on August 22, 2023.
- We have regularly offered our financial personnel trainings on internal control and risk management. We have regularly provided trainings to our financial personnel on U.S. GAAP accounting guidelines. We plan to continue to provide trainings to our financial team and our other relevant personnel on the U.S. GAAP accounting guidelines applicable to our financial reporting requirements.

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, 2023 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 27 “Commitments and Contingencies—(ii) Litigation” to our condensed 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, 2022.

**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:

<b>Exhibit No.</b>	<b>Description</b>
31.1	<a href="#">Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certifications of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">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.</a>
32.2	<a href="#">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.</a>
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 9, 2023

**CBAK ENERGY TECHNOLOGY, INC.**

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

By: /s/ Jiewei Li  
Jiewei Li  
Chief Financial Officer

## 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 9, 2023

/s/ Yunfei Li

Yunfei Li

Chief Executive Officer

(Principal Executive Officer)

## CERTIFICATIONS

I, Jiewei 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 9, 2023

/s/ Jiewei Li

Jiewei Li

Chief Financial Officer

(Principal Financial and Accounting Officer)



**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, 2023 (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 9<sup>th</sup> day of November, 2023.

/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.

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

The undersigned, Jiewei Li, the 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, 2023 (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 9<sup>th</sup> day of November, 2023.

/s/ Jiewei Li

\_\_\_\_\_  
Jiewei Li

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.