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

# FORM 10−Q

(Mark One)

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

For the quarterly period ended: June 30, 2017

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

For the transition period from _____________to _____________

Commission File Number: **001-32898**

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

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

**BAK Industrial Park, Meigui Street**
**Huayuankou Economic Zone**
**Dalian City, Liaoning Province,**
**China, 116422 People's Republic of China**
(Address of principal executive offices, Zip Code)

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

China BAK Battery, Inc.
(Former name, former address and former fiscal year, if changed since last report)

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 [ X ] No [ ]

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

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

| | | |
|---|---|---|
| Large accelerated filer [ ] | | Accelerated filer [ ] |
| Non-accelerated filer [ ] | (Do not check if a smaller reporting company) | Smaller reporting company [ X ] |
| | | 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 [ X ]

The number of shares outstanding of each of the issuer's classes of common stock, as of August 16, 2017 is as follows:

| Class of Securities | Shares Outstanding |
| --- | --- |
| Common Stock, $0.001 par value | 26,223,317 |

**CBAK ENERGY TECHNOLOGY, INC.**

**TABLE OF CONTENTS**

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



**PART II**
**OTHER INFORMATION**





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

**Item 1. Financial Statements.**

**CBAK ENERGY TECHNOLOGY, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2017**

| Contents | Page(s) |
|---|---|

**CBAK Energy Technology, Inc. and Subsidiaries**
**Condensed consolidated balance sheets**
As of December 31, 2016 and June 30, 2017
(In US$)

| | Note | December 31, 2016 | June 30, 2017 |
|---|---|---|---|
| **Assets** | | | |
| *Current assets* | | | |
| Cash and cash equivalents | | $ 408,713 | $ 1,968,964 |
| Pledged deposits | 2 | 4,278,144 | 4,626,395 |
| Trade accounts and bills receivable, net | 3 | 2,468,387 | 10,151,215 |
| Inventories | 4 | 17,094,922 | 16,752,670 |
| Prepayments and other receivables | 5 | 6,675,351 | 6,874,515 |
| Prepaid land use rights, current portion | 9 | 161,790 | 165,706 |
| Total current assets | | 31,087,307 | 40,539,465 |
| Property, plant and equipment, net | 7 | 20,010,903 | 21,772,170 |
| Construction in progress | 8 | 33,457,043 | 34,010,928 |
| Prepaid land use rights, non-current | 9 | 7,536,733 | 7,636,279 |
| Intangible assets, net | 10 | 21,344 | 20,549 |
| Total assets | | $ 92,113,330 | $ 103,979,391 |
| **Liabilities** | | | |
| *Current liabilities* | | | |
| Trade accounts and bills payable | | $ 15,580,655 | $ 19,094,270 |
| Short-term bank loans | 11 | 1,439,947 | 1,474,796 |
| Other short-term loans | 12 | 10,524,778 | 13,291,027 |
| Accrued expenses and other payables | 13 | 19,382,593 | 15,547,730 |
| Payables to former subsidiaries, net | 6 | 2,488,859 | 7,225,946 |
| Deferred government grants, current | 14 | 142,400 | 145,847 |
| Total current liabilities | | 49,559,232 | 56,779,616 |
| Long-term bank loans | 11 | 18,258,528 | 18,700,410 |
| Deferred government grants, non-current | 14 | 4,556,861 | 4,594,220 |
| Long term tax payable | 15 | 7,061,140 | 6,614,604 |
| Total liabilities | | 79,435,761 | 86,688,850 |
| Commitments and contingencies | 19 | | |
| **Shareholders' (deficit) equity** | | | |
| Common stock $0.001 par value; 500,000,000 authorized; 19,744,605 issued and 19,600,469 outstanding as of December 31, 2016; 26,259,692 issued and 26,115,486 outstanding as of June 30, 2017 | | 19,745 | 26,260 |
| Donated shares | | 14,101,689 | 14,101,689 |
| Additional paid-in capital | | 145,353,067 | 155,443,076 |
| Statutory reserves | | 1,230,511 | 1,230,511 |
| Accumulated deficit | | (141,999,372) | (147,820,968) |
| Accumulated other comprehensive loss | | (1,961,461) | (1,623,417) |
| | | 16,744,179 | 21,357,151 |
| Less: Treasury shares | | (4,066,610) | (4,066,610) |
| Total shareholders' equity | | 12,677,569 | 17,290,541 |
| Total liabilities and shareholders’ equity | | $ 92,113,330 | $ 103,979,391 |

See accompanying notes to the condensed consolidated financial statements.

**CBAK Energy Technology, Inc. and Subsidiaries**
**Condensed consolidated statements of operations and comprehensive loss**
**For the three and six months ended June 30, 2016 and 2017**
(Unaudited)
(In US$ except for number of shares)

| | | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | Note | 2016 | 2017 | 2016 | 2017 |
| Net revenues | 21 | $ 1,362,295 | $ 6,339,259 | $ 4,561,208 | $ 10,055,403 |
| Cost of revenues | | (1,915,890) | (7,830,396) | (5,214,097) | (11,963,717) |
| Gross loss | | (553,595) | (1,491,137) | (652,889) | (1,908,314) |
| Operating expenses: | | | | | |
| Research and development expenses | | (312,024) | (533,171) | (672,564) | (963,515) |
| Sales and marketing expenses | | (205,654) | (449,757) | (504,738) | (684,637) |
| General and administrative expenses | | (1,811,464) | (1,158,255) | (2,983,037) | (2,142,731) |
| Total operating expenses | | (2,329,142) | (2,141,183) | (4,160,339) | (3,790,883) |
| Operating loss | | (2,882,737) | (3,632,320) | (4,813,228) | (5,699,197) |
| Finance expenses, net | | (15,358) | (93,035) | (52,550) | (95,763) |
| Other income (expenses), net | | 229,403 | (28,025) | 236,687 | (26,636) |
| Loss before income tax | | (2,668,692) | (3,753,380) | (4,629,091) | (5,821,596) |
| Income tax credit | 15 | 51 | - | 57,292 | - |
| Net loss | | (2,668,641) | (3,753,380) | (4,571,799) | (5,821,596) |
| Other comprehensive (loss) profit | | | | | |
| – Foreign currency translation adjustment | | (579,454) | 357,690 | (434,799) | 338,044 |
| Comprehensive loss | | $ (3,248,095) | $ (3,395,690) | $ (5,006,598) | $ (5,483,552) |
| | | | | | |
| Loss per share | 17 | | | | |
| – Basic and diluted | | $ (0.15) | $ (0.18) | $ (0.26) | $ (0.29) |
| | | | | | |
| Weighted average number of shares of common stock: | 17 | | | | |
| – Basic and diluted | | 17,284,432 | 20,402,083 | 17,256,932 | 20,059,236 |

See accompanying notes to the condensed consolidated financial statements.

**CBAK Energy Technology, Inc. and Subsidiaries**
**Condensed consolidated statements of changes in shareholders' equity**
**For the six months ended June 30, 2016 and 2017**
(Unaudited)
(In US$ except for number of shares)

| | Common stock issued | | | | | | | Treasury shares | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Amount | Donated shares | Additional paid-in capital | Statutory reserves | Accumulated deficit | Accumulated other comprehensive loss | Number of shares | Amount | Total shareholders' equity |
| **Balance as of January 1, 2016** | **17,289,699** | **$ 17,290** | **$ 14,101,689** | **$ 138,405,110** | **$ 1,230,511** | **$ (129,285,454)** | **$ (979,048)** | **(144,206)** | **$ (4,066,610)** | **$ 19,423,488** |
| Net loss | - | - | - | - | - | (4,571,799) | - | - | - | (4,571,799) |
| Share-based compensation for employee and director stock awards | - | - | - | 698,100 | - | - | - | - | - | 698,100 |
| Common stock issued to employees and directors for stock awards | 142,501 | 142 | - | (142) | - | - | - | - | - | - |
| Foreign currency translation adjustment | - | - | - | - | - | - | (434,799) | - | - | (434,799) |
| **Balance as of June 30, 2016** | **17,432,200** | **$ 17,432** | **$ 14,101,689** | **$ 139,103,068** | **$ 1,230,511** | **$ (133,857,253)** | **$ (1,413,847)** | **(144,206)** | **$ (4,066,610)** | **$ 15,114,990** |
| **Balance as of January 1, 2017** | **19,744,675** | **$ 19,745** | **$ 14,101,689** | **$ 145,353,067** | **$ 1,230,511** | **$ (141,999,372)** | **$ (1,961,461)** | **(144,206)** | **$ (4,066,610)** | **$ 12,677,569** |
| Net loss | - | - | - | - | - | (5,821,596) | - | - | - | (5,821,596) |
| Common stock issued to investors | 6,403,518 | 6,403 | - | 9,598,874 | - | - | - | - | - | 9,605,277 |
| Share-based compensation for employee and director stock awards | - | - | - | 491,247 | - | - | - | - | - | 491,247 |
| Common stock issued to employees and directors for stock awards | 111,499 | 112 | - | (112) | - | - | - | - | - | - |
| Foreign currency translation adjustment | - | - | - | - | - | - | 338,044 | - | - | 338,044 |
| **Balance as of June 30, 2017** | **26,259,692** | **$ 26,260** | **$ 14,101,689** | **$ 155,443,076** | **$ 1,230,511** | **$ (147,820,968)** | **$ (1,623,417)** | **(144,206)** | **$ (4,066,610)** | **$ 17,290,541** |

See accompanying notes to the condensed consolidated financial statements.

**CBAK Energy Technology, Inc. and subsidiaries**
**Condensed consolidated statements of cash flows For the six months ended June 30, 2016 and 2017**
(Unaudited)
(In US$)

| | Six months ended June 30, 2016 | Six months ended June 30, 2017 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss | $ (4,571,799) | (5,821,596) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 542,606 | 631,781 |
| Provision for doubtful debts | 585,968 | 380,808 |
| Write-down of inventories | 213,293 | 998,403 |
| Share-based compensation | 698,100 | 491,247 |
| Deferred tax assets | (57,292) | - |
| Exchange loss (gain) | 22,855 | (63,014) |
| Changes in operating assets and liabilities: | | |
| Trade accounts and bills receivable | (1,347,959) | (7,898,896) |
| Inventories | (6,987,353) | (252,756) |
| Prepayments and other receivables | (2,125,822) | (34,144) |
| Trade accounts and bills payable | 6,182,378 | 3,093,339 |
| Accrued expenses and other payables | 938,017 | 969,912 |
| Income taxes payable | (462,429) | (608,922) |
| Trade receivable from and payables to former subsidiaries | 7,768,021 | 4,629,774 |
| Net cash provided by (used in) operating activities | 1,398,584 | (3,484,064) |
| **Cash flows from investing activities** | | |
| Increase (Decrease) in pledged deposits | 600,158 | (241,343) |
| Purchases of property, plant and equipment and construction in progress | (7,618,814) | (6,808,832) |
| Net cash used in investing activities | (7,018,656) | (7,050,175) |
| **Cash flows from financing activities** | | |
| Advances from investors | - | 2,036,275 |
| Proceeds from bank borrowings | 13,024,446 | - |
| Repayment of bank borrowings | (11,629,181) | - |
| Borrowings from unrelated parties | 6,411,182 | 4,363,446 |
| Repayment of borrowings from unrelated parties | (77,068) | (4,746,539) |
| Borrowings from related parties | 1,088,196 | 1,873,373 |
| Repayment of borrowings from related parties | - | (1,047,227) |
| Proceeds from issuance of common stock | - | 9,605,277 |
| Net cash provided by financing activities | 8,817,575 | 12,084,605 |
| **Effect of exchange rate changes on cash and cash equivalents** | **(152,766)** | **9,885** |
| **Net increase in cash and cash equivalents** | **3,044,737** | **1,560,251** |
| **Cash and cash equivalents at the beginning of period** | **80,711** | **408,713** |
| **Cash and cash equivalents at the end of period** | **$ 3,125,448** | **1,968,964** |
| Non-cash transactions: | | |
| Transfer of construction in progress to property, plant and equipment | $ 333,272 | 1,880,081 |
| Cash paid during the period for: | | |
| Income taxes | $ 462,429 | 608,922 |
| Interest, net of amounts capitalized | $ - | - |

See accompanying notes to the condensed consolidated financial statements.

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

*Principal Activities*

On January 10, 2017, China BAK Battery, Inc. ("China BAK" or 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 January 16, 2017, the name of the Company was changed to CBAK Energy Technology, Inc. The trading symbol of the Company's common stock remains as "CBAK".

On January 16, 2017, the Board of Directors of the Company approved a change in the Company's fiscal year end from September 30 to December 31. Accordingly, the Company's next Annual Report on Form 10-K will be for the fiscal year ending December 31, 2017. With this fiscal year end change, the Company files a transition report on Form 10-Q for the period from October 1, 2016 through December 31, 2016.

China BAK 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. China BAK 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".

*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 China BAK, 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.

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

*Basis of Presentation and Organization* (continued)

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.

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

*Basis of Presentation and Organization* (continued)

As of June 30, 2017, 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 we 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 (“Dalian BAK Trading”) was established as a wholly owned subsidiary of China BAK Asia Holding Limited (“BAK Asia”) with a registered capital of $500,000 (Note 19(i)). Pursuant to Dalian BAK Trading’s articles of association and relevant PRC regulations, BAK Asia was required to contribute the capital to Dalian BAK Trading on or before August 14, 2015. On March 7, 2017, the Company changed the name of Dalian BAK Trading Co.,Ltd to Dalian CBAK Trading Co., Ltd (“CBAK Trading”). Up to the date of this report, the Company has contributed $100,000 to CBAK Trading in cash.

On December 27, 2013, Dalian BAK Power Battery Co., Ltd (“Dalian BAK Power”) was established as a wholly owned subsidiary of BAK Asia with a registered capital of $30,000,000 (Note 19(i)). Pursuant to Dalian BAK Power’s articles of association and relevant PRC regulations, BAK Asia was required to contribute the capital to Dalian BAK Power on or before December 27, 2015. On March 7, 2017, the Company changed the name of Dalian BAK Power Battery Co., Ltd to Dalian CBAK Power Battery Co., Ltd (“CBAK Power”). Up to the date of this report, the Company has contributed $29,999,978 to CBAK Power through injection of a series of patents and cash of $24,999,978.

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

These condensed consolidated financial statements are unaudited. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these condensed consolidated financial statements, which are of a normal and recurring nature, have been included. The results reported in the condensed consolidated financial statements for any interim periods are not necessarily indicative of the results that may be reported for the entire year. The following (a) condensed consolidated balance sheet as of September 30, 2016, which was derived from the Company’s audited financial statements, and (b) the unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with US GAAP have been condensed or omitted pursuant to those rules and regulations, though the Company believes that the disclosures made are adequate to make the information not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying footnotes of the Company for the year ended September 30, 2016.

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

After the disposal of BAK International Limited and its subsidiaries, namely Shenzhen BAK, Shenzhen BAK Power Battery Co., Ltd (formerly BAK Battery (Shenzhen) Co., Ltd.) (“BAK Battery”), 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 December 31, 2016 and June 30, 2017, the Company’s subsidiaries consisted of: i) China BAK Asia Holdings Limited (“BAK Asia”), a wholly owned limited liability company incorporated in Hong Kong on July 9, 2013; ii) Dalian CBAK Trading Co., Ltd. (“CBAK Trading”), a wholly owned limited company established on August 14, 2013 in the PRC; and iii) Dalian CBAK Power Battery Co., Ltd. (“CBAK Power”), a wholly owned limited liability company established on December 27, 2013 in the PRC.

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

*Basis of Presentation and Organization* (continued)

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

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

On and effective March 1, 2016, Mr. Xiangqian Li resigned as Chairman, director, Chief Executive Officer, President and Secretary of the Company. On the same date, the Board of Directors of the Company appointed Mr. Yunfei Li as Chairman, Chief Executive Officer, President and Secretary of the Company. On March 4, 2016, Mr. Xiangqian Li transferred 3,000,000 shares to Mr. Yunfei Li for a price of $2.4 per share. After the share transfer, Mr. Yunfei Li held 3,000,000 shares or 17.3% and Mr. Xiangqian Li held 760,557 shares at 4.4% of the Company's outstanding stock, respectively. As of June 30, 2017, Mr. Yunfei Li held 3,781,018 shares or 14.5% of the Company's outstanding stock, and Mr. Xiangqian Li held none of the Company's outstanding stock.

The Company had a working capital deficiency, accumulated deficit from recurring net losses and short-term debt obligations As of December 31, 2016 and June 30, 2017. These factors raise substantial doubts about the Company's ability to continue as a going concern.

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

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

On February 17, 2017, the Company signed investment agreements with eight investors (including Mr. Yunfei Li, the Company's CEO, and seven of the Company's existing shareholders) whereby the investors agreed to subscribe new shares of the Company totaling $10 million. The issue price will be determined with reference to the market price prior to the issuance of new shares. Pursuant to the investment agreements, in January 2017 the 8 investors paid the Company a total of $2.06 million as down payments. Mr Yunfei Li agrees to subscribe new shares of the Company totaled $1,120,000 and made down payment of $225,784 in January 2017. On April 1, April 21, April 26 and May 10, 2017, the Company received $1,999,910, $3,499,888, $1,119,982 and $2,985,497 from these investors, respectively. On May 31, 2017, the Company entered into a securities purchase agreement with the eight investors, pursuant to which the Company agreed to issue an aggregate of 6,403,518 shares of common stock, par value $0.001 per share to these investors, at a purchase price of $1.50 per share, for an aggregate price of $9.6 million, including 746,018 shares issued to Mr. Yunfei Li, the Company's CEO. On June 22, 2017, the Company issued the shares to the investors.

On June 14, 2016, the Company renewed its banking facilities from Bank of Dandong for loans with a maximum amount of RMB130 million (approximately $19.2 million), including three-year long-term loans and three-year revolving bank acceptance and letters of credit bills for the period from June 13, 2016 to June 12, 2019. The banking facilities were guaranteed by Mr. Yunfei Li ("Mr. Li"), the Company's CEO, and Ms. Qinghui Yuan, Mr. Li's wife, Mr. Xianqian Li, the Company's former CEO, Ms. Xiaoqiu Yu, the wife of the Company's former CEO, Shenzhen BAK Battery Co., Ltd., the Company's former subsidiary ("Shenzhen BAK"). The facilities were also secured by part of the Company's Dalian site's prepaid land use rights, buildings, construction in progress, machinery and equipment and pledged deposits. Under the banking facilities, as of June 30, 2017, the Company borrowed various three-year term bank loans that totaled RMB126.8 million (approximately $18.7 million), bearing fixed interest at 7.2% per annum. The Company also borrowed a series of revolving bank acceptance totaled $0.4 million from Bank of Dandong under the credit facilities, and bank deposit of 50% was required to secure against these bank acceptance bills.

On July 6, 2016, the Company obtained banking facilities from Bank of Dalian for loans with a maximum amount of RMB10 million (approximately $1.5 million) and bank acceptance bills of RMB40 million (approximately $5.9 million) to July 2017. The banking facilities were guaranteed by Mr. Li, the Company'S CEO, and Ms. Qinghui Yuan, Mr. Li's wife, and Shenzhen BAK. Under the banking facilities, on July 6, 2016 the Company borrowed one year short-term loan of RMB10 million (approximately $1.5 million), bearing a fixed interest rate at 6.525% per annum. The Company also borrowed revolving bank acceptance totaled $5.9 million, and bank deposit of 50% was required to secure against these bank acceptance bills. The Company repaid the loan in July 2017 and it is still in progress to extend the banking facilities.

During the second quarter of 2017, the Company obtained banking facilities from China Merchants Bank with bank acceptance bills of RMB2.1 million (approximately $0.3 million) to October 10, 2017. The banking facilities were pledged by the Company's bills receivables totaled $0.3 million. Under the facilities, on April 10, 2017, the Company borrowed bank acceptance totaled $0.3 million.

As of June 30, 2017, the Company had also borrowed $1.0 million, $0.9 million and $1.8 million of notes payable outside the credit facility from ICBC, China Merchants Bank and China Construction Bank, respectively.

As of June 30, 2017, the Company had unutilized committed banking facilities of $0.1 million

The Company is currently expanding its product lines and manufacturing capacity in its Dalian 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.

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

The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The 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 the Company's ability to continue as a going concern.

*Recently Issued Accounting Standards*

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330) - Simplifying the Measurement of Inventory," which requires that inventory within the scope of the guidance be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Company adopted ASU 2015-11 effective January 1, 2017 and it did not have a material effect on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 clarifies the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. This ASU is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted. The Company is currently assessing the potential impact of ASU 2016-15 on its financial statements and related disclosures.

In October 2016, the FASB issued ASU No. 2016-16—Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. This ASU improves the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. This ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2017. Early adoption is permitted. The Company does not anticipate that the adoption of this ASU to have a significant impact on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-17, Consolidation (Topic 810): Interests Held through Related Parties That Are Under Common Control. The amendments in this ASU change how a reporting entity that is the single decision maker of a variable interest entity should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that variable interest entity. The ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2016. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

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

*Basis of Presentation and Organization* (continued)

In November 2016, the FASB issued Accounting Standards Update 2016-18 (ASU 2016-18), Statement of Cash Flows: Restricted Cash. This ASU provides guidance on the classification of restricted cash in the statement of cash flows. The amendments in this ASU are effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. The amendments in the ASU should be adopted on a retrospective basis. The Company does not expect that adoption of this ASU to have a material effect on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The standard should be applied prospectively on or after the effective date. The Company will evaluate the impact of adopting this standard prospectively upon any transactions of acquisitions or disposals of assets or businesses.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The guidance should be adopted on a prospective basis for the annual or any interim goodwill impairment tests beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, "Compensation — Stock Compensation (Topic 718): Scope of Modification Accounting," which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in ASC 718. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The new guidance is effective prospectively for us for the year ending March 31, 2019 and interim reporting periods during the year ending March 31, 2019. Early adoption is permitted. The Company is evaluating the effects, if any, of the adoption of this guidance on our financial position, results of operations and cash flows.

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, 2016 and June 30, 2017 consisted of the following:

| | December 31, *2016* | June 30, *2017* |
|---|---|---|
| Pledged deposits for: | | |
| Bills payable | $ 3,064,155 | $ 3,383,025 |
| Others * | 1,213,989 | 1,243,370 |
| | $ 4,278,144 | $ 4,626,395 |

* On July 7, 2016, Shenzhen Huijie Purification System Engineering Co., Ltd (“Shenzhen Huijie”), one of the Company’s contractors, filed a lawsuit against Dalian BAK Power in the Peoples’ Court of Zhuanghe City, Dalian for the failure to pay pursuant to the terms of the contract and entrusted part of the project of the contract to a third party without their prior consent. The plaintiff sought a total amount of $1,243,370 (RMB 8,430,792), including construction costs of $0.9 million (RMB6.3 million), interest of $30,195 (RMB0.2 million) and compensation of $0.3 million (RMB1.9 million). On September 7, 2016, upon the request of Shenzhen Huijie, the Court froze Dalian BAK Power’s bank deposits totaling $1,243,370 (RMB 8,430,792) for a period of one year.

## 3. Trade Accounts and Bills Receivable, net

Trade accounts and bills receivable as of December 31, 2016 and June 30, 2017 consisted of the following:

| | December 31, *2016* | June 30, *2017* |
|---|---|---|
| Trade accounts receivable | $ 5,169,593 | $ 13,049,235 |
| Less: Allowance for doubtful accounts | (2,761,144) | (3,214,094) |
| | 2,408,449 | 9,835,141 |
| Bills receivable | 59,938 | 316,074 |
| | $ 2,468,387 | $ 10,151,215 |

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

| | June 30, *2016* | June 30, *2017* |
|---|---|---|
| Balance at beginning of period | $ 165,441 | $ 2,761,144 |
| Provision for the period | 637,034 | 457,946 |
| Reversal by cash for the period | (51,066) | (77,138) |
| Charged to consolidated statements of operations and comprehensive loss | 585,968 | 380,808 |
| Foreign exchange adjustment | (17,317) | 72,142 |
| Balance at end of period | $ 734,092 | $ 3,214,094 |

## 4. Inventories

Inventories as of December 31, 2016 and June 30, 2017 consisted of the following:

| | December 31, *2016* | June 30, *2017* |
|---|---|---|
| Raw materials | $ 2,570,942 | $ 2,135,145 |
| Work in progress | 1,333,949 | 1,407,126 |
| Finished goods | 13,190,031 | 13,210,399 |
| | $ 17,094,922 | $ 16,752,670 |

During the three months ended June 30, 2016 and 2017, write-downs of obsolete inventories to lower of cost or market of $116,383 and $848,247, respectively, were charged to cost of revenues.

During the six months ended June 30, 2016 and 2017, write-downs of obsolete inventories to lower of cost or market of $213,293 and $998,403, respectively, were charged to cost of revenues.

## 5. Prepayments and Other Receivables

Prepayments and other receivables as of December 31, 2016 and June 30, 2017 consisted of the following:

| | December 31, *2016* | June 30, *2017* |
|---|---|---|
| Value added tax recoverable | $ 6,238,056 | $ 5,859,507 |
| Prepayments to suppliers | 148,247 | 44,731 |
| Deposits | 28,763 | 63,978 |
| Staff advances | 46,572 | 108,034 |
| Prepaid operating expenses | 220,713 | 298,010 |
| Advances to unrelated parties | - | 507,255 |
| | 6,682,351 | 6,881,515 |
| Less: Allowance for doubtful accounts | (7,000) | (7,000) |
| | $ 6,675,351 | $ 6,874,515 |

Advances to unrelated parties were unsecured and non-interest bearing. Advances of $337,000 was repayable by September 30, 2017, and the remaining balance was repayable on demand.

## 6. Payables to Former Subsidiaries

Payable to former subsidiaries as of December 31, 2016 and June 30, 2017 consisted of the following:

| | December 31, *2016* | June 30, *2017* |
|---|---|---|
| BAK Tianjin | $ 194,774 | $ 230,988 |
| Shenzhen BAK | 2,294,085 | 6,994,958 |
| | 2,488,859 | 7,225,946 |

Balance as of December 31, 2016 and June 30, 2017 consisted of payables for purchase of inventories from BAK Tianjin and Shenzhen BAK. From time to time, the Company purchased products from these former subsidiaries that they did not produce to meet the needs of its customers.

## 7. Property, Plant and Equipment, net

Property, plant and equipment as of December 31, 2016 and June 30, 2017 consisted of the following:

| | December 31, *2016* | June 30, *2017* |
|---|---|---|
| Buildings | $ 16,877,909 | $ 17,286,378 |
| Machinery and equipment | 4,473,631 | 6,467,301 |
| Office equipment | 96,655 | 119,931 |
| Motor vehicles | 193,165 | 197,840 |
| | 21,641,360 | 24,071,450 |
| Accumulated depreciation | (1,630,457) | (2,299,280) |
| Carrying amount | $ 20,010,903 | $ 21,772,170 |

**7. Property, Plant and Equipment, net** (continued)

During the three months period ended June 30, 2016 and 2017, the Company incurred depreciation expense of $298,652 and $328,823, respectively.

During the six months period ended June 30, 2016 and 2017, the Company incurred depreciation expense of $571,674 and $620,695, respectively.

The Company has not yet obtained the property ownership certificates of the buildings in its Dalian manufacturing facilities with a carrying amount of $16,178,549 and $16,335,138 as of December 31, 2016 and June 30, 2017, respectively. The Company built its facilities on the land for which it had already obtained the related land use right. The Company has submitted applications to the Chinese government for the ownership certificates on the completed buildings located on these lands. However, the application process takes longer than the Company expected and it has not obtained the certificates as of the date of this report. However, since the Company has obtained the land use right in relation to the land, the management believe the Company has legal title to the buildings thereon albeit the lack of ownership certificates. As soon as the Chinese government completes its formalities, the Company will obtain the ownership certificates. As of June 30, 2017, the Company had the permission to obtain the ownership certificate of the completed buildings, however, as the Company is in the process to obtain additional loans from Bank of Dandong which requires the Company to pledge more buildings including the constructions in progress of Dalian site, if the Company obtained the ownership certificate of the completed buildings, the remaining buildings which are still under construction in progress will not be pledged until all of the buildings complete the construction. The Company and Bank of Dandong decided to delay the acquisition of the ownership certificate of the completed buildings.

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 of its property, plant and equipment as of December 31, 2016 and June 30, 2017.

**8. Construction in Progress**

Construction in progress as of December 31, 2016 and June 30, 2017 consisted of the following:

| | December 31, *2016* | June 30, *2017* |
|---|---|---|
| Construction in progress | $ 33,277,338 | $ 33,610,343 |
| Prepayment for acquisition of property, plant and equipment | 179,705 | 400,585 |
| Carrying amount | $ 33,457,043 | $ 34,010,928 |

Construction in progress as of December 31, 2016 and June 30, 2017 was mainly comprised of capital expenditures for the construction of the facilities and production lines of Dalian BAK Power.

For the three months ended June 30, 2016 and 2017, the Company capitalized interest of $241,652 and $344,552 respectively, to the cost of construction in progress.

For the six months ended June 30, 2016 and 2017, the Company capitalized interest of $483,990 and $703,512, respectively, to the cost of construction in progress.

## 9. Prepaid Land Use Rights, net

Prepaid land use rights as of December 31, 2016 and June 30, 2017 consisted of the followings:

| | December 31, *2016* | June 30, *2017* |
|---|---|---|
| Prepaid land use rights | $ 8,089,516 | $ 8,285,294 |
| Accumulated amortization | (390,993) | (483,309) |
| | $ 7,698,523 | $ 7,801,985 |
| Less: Classified as current assets | (161,790) | (165,706) |
| | $ 7,536,733 | $ 7,636,279 |

Pursuant to a land use rights acquisition agreement dated August 10, 2014, the Company acquired the rights to use a piece of land with an area of 153,832 $m^2$ in Dalian Economic Zone for 50 years up to August 9, 2064, at a total consideration of $7,826,741 (RMB53.1 million). Other incidental costs incurred totaled $458,553 (RMB3.1 million).

Amortization expenses of the prepaid land use rights were $42,997 and $40,934 for the three months ended June 30, 2016 and 2017 and $85,933 and $81,712 for the six months ended June 30, 2016 and 2017, respectively.

## 10. Intangible Assets, net

Intangible assets as of December 31, 2016 and June 30, 2017 consisted of the followings:

| | December 31, *2016* | June 30, *2017* |
|---|---|---|
| Computer software at cost | $ 25,613 | $ 26,233 |
| Accumulated amortization | (4,269) | (5,684) |
| | $ 21,344 | $ 20,549 |

Amortization expenses were $680 and $647 for the three months ended June 30, 2016 and 2017 and $1,359 and $1,293 for the six months ended June 30, 2016 and 2017, respectively.

## 11. Bank Loans

Bank borrowings as of December 31, 2016 and June 30, 2017 consisted of the followings:

| | December 31, *2016* | June 30, *2017* |
|---|---|---|
| Short-term bank borrowings | $ 1,439,947 | $ 1,474,796 |
| Long-term bank borrowings | 18,258,528 | 18,700,410 |
| | $ 19,698,475 | $ 20,175,206 |

On June 10 and 15, 2016, the Company repaid Bank of Dandong the one-year short term loans of RMB30 million and RMB50 million, respectively, obtained under its banking facilities in June 2015. On June 14, 2016, the Company renewed its banking facilities from Bank of Dandong to provide a maximum amount of RMB130 million (approximately $19.2 million), including three-year long-term loans and three-year revolving bank acceptance and letters of credit bills for the period from June 13, 2016 to June 12, 2019. Under the banking facilities, from June to September 2016, the Company borrowed various three-year bank loans that totaled RMB126.8 million (approximately $18.7 million), bearing fixed interest at 7.2% per annum. The banking facilities were guaranteed by Mr. Xianqian Li, our former CEO, Ms. Xiaoqiu Yu, the wife of the Company's former CEO, Shenzhen BAK, Mr. Yunfei Li, the Company's CEO, and Ms. Qinghui Yuan, Mr. Yunfei Li's wife.

On July 6, 2016, the Company obtained new banking facilities from Bank of Dalian to provide a maximum loan amount of RMB10 million (approximately $1.5 million) and bank acceptance of RMB40 million (approximately $5.9 million) to July 2017. The banking facilities were guaranteed by Shenzhen BAK, Mr. Yunfei Li, our CEO, and Ms. Qinghui Yuan, Mr. Yunfei Li's wife. On July 6, 2016, the Company borrowed a one-year term bank loan of RMB10 million (approximately $1.5 million), bearing fixed interest at 6.525% per annum. The Company repaid the loan in July 2017 and it was still in progress to extend the banking facilities.

**11. Bank Loans** (continued)

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

| | December 31, *2016* | June 30, *2017* |
|---|---|---|
| Pledged deposits (note 2) | $ 3,064,155 | $ 3,383,025 |
| Prepaid land use rights (note 9) | 7,698,523 | 7,801,985 |
| Buildings | 11,729,172 | 11,740,821 |
| Machinery and equipment | 2,598,882 | 2,920,192 |
| Construction in progress | 6,156,488 | 6,206,535 |
| | 31,247,220 | 32,052,558 |

As of June 30, 2017, the Company had unutilized committed banking facilities of $0.1 million.

During the three months ended June 30, 2016 and 2017, interest of $241,652 and $344,552, respectively, was incurred on the Company's bank borrowings.

During the six months ended June 30, 2016 and 2017, interest of $483,990 and $703,512, respectively, was incurred on the Company's bank borrowings.

**12. Other Short-term Loans**

Other short-term loans as of December 31, 2016 and June 30, 2017 consisted of the following:

| | *Note* | December 31, *2016* | June 30, *2017* |
|---|---|---|---|
| Advance from related parties | | | |
| - Tianjin BAK New Energy Research Institute Co., Ltd ("Tianjin New Energy") | (a) | $ 9,252,127 | $ 10,313,726 |
| - Mr. Xiangqian Li, the Company's Former CEO | (b) | 100,000 | 100,000 |
| - Shareholders (note 1) | (c) | - | 2,064,714 |
| | | 9,352,127 | 12,478,440 |
| Advances from unrelated third parties | | | |
| – Mr. Guozhu Liang | (d) | $ 14,399 | - |
| – Mr. Wenwu Yu | (d) | 145,410 | 148,929 |
| – Mr. Mingzhe Li | (d) | 796,850 | - |
| – Ms. Longqian Peng | (d) | 215,992 | 663,658 |
| | | 1,172,651 | 812,587 |
| | | $ 10,524,778 | $ 13,291,027 |

(a) The Company received advances from Tianjin New Energy, a related company under the control of Mr. Xiangqian Li, the Company's former CEO, which was unsecured, non-interest bearing and repayable on demand. On November 1, 2016, Mr. Xiangqian Li ceased to be a shareholder but remained as a general manager of Tianjin New Energy. As of December 31, 2016 and June 30, 2017, the payable to Tianjin New Energy of $20,384 and $0, respectively, was included in trade accounts and bills payable.

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

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

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

## 13. Accrued Expenses and Other Payables

Accrued expenses and other payables as of December 31, 2016 and June 30, 2017 consisted of the following:

| | December 31, *2016* | June 30, *2017* |
|---|---|---|
| Construction costs payable | $ 7,322,941 | $ 1,976,953 |
| Equipment purchase payable | 8,229,828 | 8,698,806 |
| Liquidated damages (note a) | 1,210,119 | 1,210,119 |
| Accrued staff costs | 1,532,802 | 1,542,454 |
| Compensation costs (note 19(ii)) | 309,974 | 112,251 |
| Product warranty (note b) | 205,404 | 594,552 |
| Customer deposits | 62,231 | 816,893 |
| Other payables and accruals | 509,294 | 595,702 |
| | $ 19,382,593 | $ 15,547,730 |

(a) On August 15, 2006, the SEC declared effective a post-effective amendment that the Company had filed on August 4, 2006, terminating the effectiveness of a resale registration statement on Form SB-2 that had been filed pursuant to a registration rights agreement with certain shareholders to register the resale of shares held by those shareholders. The Company subsequently filed Form S-1 for these shareholders. On December 8, 2006, the Company filed its Annual Report on Form 10-K for the year ended September 30, 2006 (the "2006 Form 10-K"). After the filing of the 2006 Form 10-K, the Company's previously filed registration statement on Form S-1 was no longer available for resale by the selling shareholders whose shares were included in such Form S-1. Under the registration rights agreement, those selling shareholders became eligible for liquidated damages from the Company relating to the above two events totaling approximately $1,051,000. As of December 31, 2016 and June 30, 2017, 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, 2016 and June 30, 2017, 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.

**13. Accrued Expenses and Other Payables** (continued)

(b) 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 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. The Company recognized warranty expenses amounting to $63,759 and $245,182 for the quarters ended June 30, 2016 and 2017 and $194,943 and $385,746 for the six months ended June 30, 2016 and 2017, respectively, which are included in its sales and marketing expenses.

**14. Deferred Government Grants**

Deferred government grants as of December 31, 2016 and June 30, 2017 consist of the following:

| | December 31, *2016* | June 30, *2017* |
|---|---|---|
| Total government grants | $ 4,699,261 | $ 4,740,067 |
| Less: Current portion | (142,400) | (145,847) |
| Non-current portion | $ 4,556,861 | $ 4,594,220 |

In September 2013, the Management Committee of Dalian Economic Zone Management Committee (the "Management Committee") provided a subsidy of RMB150 million to finance the costs incurred in moving our facilities to Dalian, including the loss of sales while the new facilities were being constructed. For the year ended September 30, 2015, the Company recognized $23,103,427 as income after offset of the related removal expenditures of $1,004,027. No such income or offset was recognized in fiscal 2016 and 2017.

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

The Company offset government grants of $72,271 and $36,029 for the three months ended June 30, 2016 and 2017 and $116,360 and $71,919 for the six months ended June 30, 2016 and 2017, respectively, against depreciation expenses of the Dalian facilities.

**15. Income Taxes, Deferred Tax Assets and Deferred Tax Liabilities**

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

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

| | Three months ended June30, | | Six months ended June30, | |
|---|---|---|---|---|
| | *2016* | *2017* | *2016* | *2017* |
| PRC income tax: | | | | |
| Current | $ - | $ - | $ - | $ - |
| Deferred | (51) | - | (57,292) | - |
| | $ (51) | $ - | $ (57,292) | $ - |

**United States Tax**

China BAK is subject to a statutory tax rate of 35% under United States of America tax law. No provision for income taxes in the United States or elsewhere has been made as China BAK had no taxable income for the three months and six months ended June 30, 2016 and 2017.

**Hong Kong Tax**

BAK Asia is 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 months and six months ended June 30, 2016 and 2017 and accordingly no provision for Hong Kong profits tax was made in these periods.

**PRC Tax**

The Company's subsidiaries in China are subject to enterprise income tax at 25% for the three months and six months ended June 30, 2016 and 2017.

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

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | *2016* | *2017* | *2016* | *2017* |
| Loss before income taxes | $ (2,668,692) | $ (3,753,380) | $ (4,629,091) | $ (5,821,596) |
| United States federal corporate income tax rate | 35% | 35% | 35% | 35% |
| Income tax credit computed at United States statutory corporate income tax rate | (934,042) | (1,313,683) | (1,620,181) | (2,037,559) |
| Reconciling items: | | | | |
| Rate differential for PRC earnings | 219,389 | 344,337 | 365,823 | 505,764 |
| Non-deductible expenses | 39,032 | 25,245 | 105,527 | 95,768 |
| Share based payments | 131,860 | 83,565 | 244,335 | 171,936 |
| Valuation allowance on deferred tax assets | 489,723 | 860,536 | 826,630 | 1,264,091 |
| Others | 53,987 | - | 20,574 | - |
| Income tax expenses | $ (51) | $ - | $ (57,292) | $ - |

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

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2016 and June 30, 2017 are presented below:

| | *December 31, 2016* | *June 30, 2017* |
|---|---|---|
| **Deferred tax assets** | | |
| Trade accounts receivable | $ 692,736 | $ 805,973 |
| Inventories | 254,852 | 514,107 |
| Property, plant and equipment | 373,287 | 382,321 |
| Net operating loss carried forward | 38,055,264 | 38,937,828 |
| Valuation allowance | (39,376,139) | (40,640,229) |
| Deferred tax assets, non-current | $ - | $ - |
| **Deferred tax liabilities, non-current** | $ - | $ - |

As of December 31, 2016 and June 30, 2017, the Company's U.S. entity had net operating loss carry forwards of $103,580,741, of which $102,293 available to reduce future taxable income which will expire in various years through 2035 and $103,478,448 available to offset capital gains recognized in the succeeding 5 tax years and the Company's PRC subsidiaries had net operating loss carry forwards of $7,213,329 and $10,738,275, respectively, which will expire in various years through 2021. Management believes it is more likely than not that the Company will not realize these potential tax benefits as these operations will not generate any operating profits in the foreseeable future. As a result, a valuation allowance was provided against the full amount of the potential tax benefits.

The Company did not provide for deferred income taxes and foreign withholding taxes on the cumulative undistributed earnings of foreign subsidiaries As of December 31, 2016 and June 30, 2017 of approximately of $2.0 million and $0 million, respectively. The cumulative distributed earnings of foreign subsidiaries were included in accumulated deficit and will continue to be indefinitely reinvested in international operations. Accordingly, no provision has been made for U.S. deferred taxes or applicable withholding taxes, related to future repatriation of these earnings, nor is it practicable to estimate the amount of income taxes that would have to be provided if management concluded that such earnings will be remitted in the future.

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.

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

The significant uncertain tax position arose from the subsidies granted by the local government for the Company's PRC subsidiary, which may be modified or challenged by the central government or the tax authority. A reconciliation of January 1, 2017 through June 30, 2017 amount of unrecognized tax benefits excluding interest and penalties ("Gross UTB") is as follows:

| | Gross UTB | Surcharge | Net UTB |
|---|---|---|---|
| Balance as of January 1, 2017 | $ 7,061,140 | $ - | $ 7,061,140 |
| Decrease in unrecognized tax benefits taken in current period | (446,536) | - | (446,536) |
| Balance As of June 30, 2017 | $ 6,614,604 | $ - | $ 6,614,604 |

As of December 31, 2016 and June 30, 2017, the Company had not accrued any interest and penalties related to unrecognized tax benefits.

**16. Share-based Compensation**

*Restricted Shares*

Restricted shares granted on June 30, 2015

On June 12, 2015, the Board of Director approved the China BAK Battery, 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.

The Company recorded non-cash share-based compensation expense of $210,129 and $531,484 for the three and six months ended June 30, 2016, in respect of the restricted shares granted on June 30, 2015, respectively.

The Company recorded non-cash share-based compensation expense of $76,151 and $175,985 for three and six months ended June 30, 2017, in respect of the restricted shares granted on June 30, 2015, respectively.

As of June 30, 2017, non-vested restricted shares granted on June 30, 2015 are as follows:

| | |
|---|---|
| Non-vested shares as of January 1, 2017 | 275,000 |
| Granted | - |
| Vested | (110,000) |
| Forfeited | - |
| Non-vested shares as of June 30, 2017 | 165,000 |

As of June 30, 2017, there was unrecognized stock-based compensation of $105,281 associated with the above restricted shares. As of June 30, 2017, 55,000 vested shares were to be issued.

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

Restricted shares granted on April 19, 2016

On April 19, 2016, pursuant to the Company's 2015 Equity Incentive Plan, the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee") granted an aggregate of 500,000 restricted shares of the Company's common stock, par value $0.001 (the "Restricted Shares"), 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.

The Company recorded non-cash share-based compensation expense of $166,616 for the three and six months ended June 30, 2016, in respect of the restricted shares granted on April 19, 2016, respectively.

The Company recorded non-cash share-based compensation expense of $162,608 and $315,262 for the three and six months ended June 30, 2017, in respect of the restricted shares granted on April 19, 2016, respectively.

As of June 30, 2017, non-vested restricted shares granted on April 19, 2016 are as follows:

| | |
|---|---|
| Non-vested shares as of January 1, 2017 | 433,500 |
| Granted | - |
| Vested | (108,834)` |
| Forfeited Note | (10,000) |
| Non-vested shares as of June 30, 2017 | 314,666 |

Note: During the six months ended June 30, 2017, 10,000 restricted shares were forfeited following the resignation of three employees in June 2017. Unrecognized compensation cost of $9,729 was recognized as non-cash share-based compensation expenses to sales and marketing expenses for the six months ended June 30, 2017.

As of June 30, 2017, there was unrecognized stock-based compensation of $420,586 associated with the above restricted shares.

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 six months ended June 30, 2016 and 2017.

**17. Loss Per Share**

The following is the calculation of loss per share:

| | *Three months ended June 30,* | | *Six months ended June 30,* | |
|---|---|---|---|---|
| | *2016* | *2017* | *2016* | *2017* |
| Net loss | $ (2,668,641) | $ (3,753,380) | $ (4,571,799) | $ (5,821,596) |
| Weighted average shares used in basic and diluted computation (note) | 17,284,432 | 20,402,083 | 17,256,932 | 20,059,236 |
| Loss per share | $ (0.15) | $ (0.18) | $ (0.26) | $ (0.29) |

Note: Including 50,835 vested restricted shares granted pursuant to the 2015 Plan that were not yet issued for the three and six months ended June 30, 2016 and 218,834 vested restricted shares granted pursuant to the 2015 plan that were not yet issued for the three and six months ended June 30, 2017.

For the three and six months ended June 30, 2016 and 2017, 885,000 and 479,666 unvested restricted shares were anti-dilutive and excluded from shares used in the diluted computation.

## 18. Fair Value of Financial Instruments

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

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

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

## 19. Commitments and Contingencies

*(i) Capital Commitments*

As of December 31, 2016 and June 30, 2017, the Company had the following contracted capital commitments:

| | December 31, *2016* | June 30, *2017* |
|---|---|---|
| For construction of buildings | $ 2,225,978 | $ 2,514,537 |
| For purchases of equipment | 451,063 | 166,726 |
| Capital injection to Dalian BAK Power and Dalian BAK Trading Note | 9,895,996 | 400,000 |
| | $ 12,573,037 | $ 3,081,263 |

Note: Initially, BAK Asia was required to pay the remaining capital within two years, of the date of issuance of the subsidiary's business license according to PRC registration capital management rules. According to the revised PRC Companies Law which became effective on March 2014, the time requirement of the registered capital contribution has been abolished. As such, BAK Asia has its discretion to consider the timing of the registered capital contributions. On April and May 2017, Dalian BAK Power received $9,495,974 injected from BAK Asia.

*(ii) Litigation*

On July 7, 2016, Shenzhen Huijie Purification System Engineering Co., Ltd ("Shenzhen Huijie"), one of the Company's contractors, filed a lawsuit against Dalian BAK Power in the Peoples' Court of Zhuanghe City, Dalian for the failure to pay pursuant to the terms of the contract and entrusted part of the project of the contract to a third party without their prior consent. The plaintiff sought a total amount of $1,223,858(RMB 8,430,792), including construction costs of $0.9 million (RMB6.3 million), interest of $30,938 (RMB0.2 million) and compensation of $0.3 million (RMB1.9 million), which the Company already accrued for as of September 30, 2016. On September 7, 2016, upon the request of Shenzhen Huijie, the Court froze Dalian BAK's bank deposits totaling $1,223,858 (RMB 8,430,792) for a period of one year. On June 30, 2017, according to the first instance, the court 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. On July 24, 2017, Dalian CBAK Power filed an appeal to Dalian Intermediate People's Court challenging the lower court's judgment rendered on June 30, 2017. The Company intends to continue vigorously defend ourselves in this lawsuit.

## 20. 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 June 30, 2016 and 2017 as follows:

| | *Three months ended June 30,* | | | |
|---|---|---|---|---|
| | *2016* | | *2017* | |
| Customer A | $ 238,959 | 17.54% | $ * | * |
| Customer B | 236,598 | 17.37% | * | * |
| Customer C | 231,862 | 17.02% | * | * |
| Customer D | 225,754 | 16.57% | * | * |
| Customer E | 164,931 | 12.11% | * | * |
| Customer F | 137,305 | 10.08% | * | * |
| Customer G | * | * | 5,536,377 | 87.33% |

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

The Company had the following customers that individually comprised 10% or more of net revenue for the three months ended June 30, 2016 and 2017 as follows:

| | *Six months ended June 30,* | | | |
|---|---|---|---|---|
| | *2016* | | *2017* | |
| Customer A | $ 1,338,093 | 29.34% | $ * | * |
| Customer B | 1,257,359 | 27.57% | * | * |
| Customer C | 537,494 | 11.78% | * | * |
| Customer G | $ * | * | 8,647,056 | 85.99% |

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

The Company had the following customers that individually comprised 10% or more of accounts receivable As of December 31, 2016 and June 30, 2017 as follows:

| | *December 31, 2016* | | *June 30, 2017* | |
|---|---|---|---|---|
| Customer A | $ 857,180 | 34.73% | $ * | * |
| Customer G | 1,286,206 | 52.11% | 9,113,817 | 89.78% |

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

For the three months and six months ended June 30, 2016 and 2017, the Company recorded the following transactions:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | *2016* | *2017* | *2016* | *2017* |
| Purchase of inventories from | | | | |
| BAK Tianjin | $ 49,095 | $ - | $ 189,496 | $ - |
| Shenzhen BAK | 2,677,785 | 1,916,928 | 2,689,672 | 4,279,372 |
| Zhengzhou BAK Battery Co., Ltd* | - | 9,074 | - | 21,531 |
| Sales of finished goods to | | | | |
| BAK Tianjin | 236,598 | 16,154 | 263,605 | 42,700 |
| Shenzhen BAK | - | - | - | 60,797 |
| Zhengzhou BAK Battery Co., Ltd* | - | - | - | 13,648 |
| Sales of raw materials to Shenzhen BAK | (2,844) | - | 226,354 | - |

*Mr. Xiangqian Li, the former CEO, is a director of this company.

*(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, 2016 and June 30, 2017, substantially all of the Company's cash and cash equivalents were held by major financial institutions located in the PRC, which management believes are of high credit quality.

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

**21. Segment Information**

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

After the disposal of BAK International and its subsidiaries (see Note 1), the Company focused on producing high-power lithium battery cells. Net revenues for the three months and six months ended June 30, 2016 and 2017 were as follows:

***Net revenues by product:***

| | *Three months ended June 30,* | | *Six months ended June 30,* | |
|---|---|---|---|---|
| | *2016* | *2017* | *2016* | *2017* |
| High power lithium batteries used in: | | | | |
| Electric vehicles | $ 89,022 | $ 5,806,971 | $ 2,831,977 | $ 9,064,743 |
| Light electric vehicles | 412,112 | 61,663 | 465,479 | 203,023 |
| Uninterruptable supplies | 861,161 | 470,625 | 1,263,752 | 787,637 |
| | $ 1,362,295 | $ 6,339,259 | $ 4,561,208 | $ 10,055,403 |

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

| | *Three months ended June 30,* | | *Six months ended June 30,* | |
|---|---|---|---|---|
| | *2016* | *2017* | *2016* | *2017* |
| PRC Mainland | $ 867,730 | $ 6,039,679 | $ 3,639,270 | $ 9,447,002 |
| PRC Taiwan | 102,850 | 134,562 | 278,908 | 219,373 |
| Israel | 225,754 | 114,817 | 225,754 | 217,359 |
| Europe | - | 49,253 | 251,206 | 170,721 |
| South Korea | 164,930 | - | 165,051 | - |
| Others | 1,031 | 948 | 1,019 | 948 |
| | $ 1,362,295 | $ 6,339,259 | $ 4,561,208 | $ 10,055,403 |

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



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

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

**Special Note Regarding Forward Looking Statements**

In addition to historical information, this transition report contains forward-looking statements within the meaning of 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 September 30, 2016, 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;
- “China” and “PRC” are to the People’s Republic of China;
- “RMB” are to Renminbi, the legal currency of China;
- “U.S. dollar”, “$” and “US$” are to the legal currency of the United States;
- “SEC” are to the United States Securities and Exchange Commission;
- “Securities Act” are to the Securities Act of 1933, as amended; and
- “Exchange Act” are to the Securities Exchange Act of 1934, as amended.

On January 10, 2017, CBAK Energy Technology, Inc. (formerly China BAK Battery, Inc.) (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. Upon the effectiveness of the filing of Articles of Merger with the Secretary of State of Nevada, which is January 16, 2017, the Company's Articles of Incorporation were deemed amended to reflect the change in the Company's corporate name.

On March 7, 2017, the names of our subsidiaries CBAK Power Battery Co., Ltd and Dalian BAK Trading Co., Ltd., were changed to Dalian CBAK Power Battery Co., Ltd and Dalian CBAK Trading Co., Ltd, respectively.

**Overview**

Our Dalian manufacturing facilities began its partial commercial operations in July 2015. We are now engaged in the business of developing, manufacturing and selling new energy high power lithium batteries, which are mainly used in the following applications:

- Electric vehicles ("EV"), such as electric cars, electric buses, hybrid electric cars and buses;
- Light electric vehicles ("LEV"), such as electric bicycles, electric motors, sight-seeing cars; and
- Electric tools, energy storage, uninterruptible power supply, and other high power applications.

We have received most of the operating assets, including customers, employees, patents and technologies of our former subsidiary, BAK International (Tianjin) Ltd. ("BAK Tianjin"). Such assets were acquired in exchange for a reduction in receivables from our former subsidiaries that were disposed in June 2014. We have outsourced and will continue to outsource our production to other manufacturers until our Dalian manufacturing facility can fulfill our customers' needs, if necessary.

We generated revenues of $1.4 million and $6.3 million for the three months ended June 30, 2016 and 2017, respectively. We had a net loss of $2.7 million and $3.8 million in the three months ended June 30, 2016 and 2017 respectively. As of June 30, 2017, we had an accumulated deficit of $147.8 million and net assets of $17.3 million. We had a working capital deficiency and accumulated deficit from recurring net losses and short-term debt obligations maturing in less than one year as of June 30, 2017.

On June 14, 2016, we renewed our banking facilities from Bank of Dandong for loans with a maximum amount of RMB130 million (approximately $19.2 million), including three-year long-term loans and three-year revolving bank acceptance and letters of credit bills for the period from June 13, 2016 to June 12, 2019. The banking facilities were guaranteed by Mr. Yunfei Li ("Mr. Li"), our CEO, and Ms. Qinghui Yuan, Mr. Li's wife, Mr. Xianqian Li, our former CEO, Ms. Xiaoqiu Yu, the wife of our former CEO, Shenzhen BAK Battery Co., Ltd., our former subsidiary ("Shenzhen BAK"). The facilities were also secured by part of our Dalian site's prepaid land use rights, buildings, construction in progress, machinery and equipment and pledged deposits. Under the banking facilities, as of June 30, 2017, we borrowed various three-year term bank loans that totaled RMB126.8 million (approximately $18.7 million), bearing fixed interest at 7.2% per annum. We also borrowed a series of revolving bank acceptance totaled $0.4 million from Bank of Dandong under the credit facilities, and bank deposit of 50% was required to secure against these bank acceptance bills.

On July 6, 2016, we obtained banking facilities from Bank of Dalian for loans with a maximum amount of RMB10 million (approximately $1.5 million) and bank acceptance bills of RMB40 million (approximately $5.9 million) to July 2017. The banking facilities were guaranteed by Mr. Li, our CEO, and Ms. Qinghui Yuan, Mr. Li's wife, and Shenzhen BAK. Under the banking facilities, on July 6, 2016 we borrowed one year short-term loan of RMB10 million (approximately $1.5 million), bearing a fixed interest rate at 6.525% per annum. We also borrowed revolving bank acceptance totaled $5.9 million, and bank deposit of 50% was required to secure against these bank acceptance bills. We repaid the loan in July 2017and we are still in progress to extend the banking facilities.

During the second quarter of 2017, we obtained banking facilities from China Merchants Bank with bank acceptance bills of RMB2.1 million (approximately $0.3 million) for a term until October 10, 2017. The banking facilities were pledged by our bills receivables totaled $0.3 million. Under the facilities, on April 10, 2017, we borrowed bank acceptance totaled $0.3 million.

As of June 30, 2017, we had also borrowed $1.0 million, $0.9 million and $1.8 million of notes payable outside any the credit facility from ICBC, China Merchants Bank and China Construction Bank, respectively.

As of June 30, 2017, we had unutilized committed banking facilities of $0.1 million. We plan to renew these loans upon maturity, and intend to raise additional funds through bank borrowings and equity financing in the future to meet our daily cash demands, if required.

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

On February 17, 2017, we signed a letter of understanding with each of eight individual investors, who are also our current shareholders, including our CEO, Mr. Yunfei Li, whereby these shareholders agreed in principle to subscribe for new shares of our common stock totaling $10 million. The issue price will be determined with reference to the market price prior to the issuance of new shares In January 2017, the shareholders paid us a total of $2.1 million as refundable deposits, among which, Mr. Yunfei Li agreed to subscribe new shares totaling $1.12 million and pay a refundable deposit of $0.2 million. In April and May 2017, we received cash of $9.6 million from these shareholders. On May 31, 2017, we entered into a securities purchase agreement with these investors, pursuant to which we agreed to issue an aggregate of 6,403,518 shares of common stock, par value $0.001 per share to these investors, at a purchase price of $1.50 per share, for an aggregate price of $9.6 million, including 764,018 shares were issued to Mr. Yunfei Li, our CEO. On June 22, 2017, we issued the shares to the investors. The issuance of the shares to the investors was made in reliance on the exemption provided by Section 4(a)(2) of the Securities Act of 1933, as amended, for the offer and sale of securities not involving a public offering, and Regulation S promulgated thereunder.

In the meanwhile, due to the growing environmental pollution problem, the Chinese government is currently providing vigorous support to the new energy facilities and vehicles. It is expected that we will be able to secure more potential orders from the new energy market, especially from the electric car market. We believe with that the booming market demand in high power lithium ion products, we can continue as a going concern and return to profitability.

To promote the development of new energy electric vehicles, in April 2015, the central government of China issued Notice of Financial Support Policies for the Promotion of New Energy Vehicles in 2016-2020, which regulated favorable government subsidies for the new energy electric vehicles for years from 2016 to 2020. It led to the explosive growth in the production and selling of new electric vehicles in 2015. However, in January 2016, as it was reported that there were widespread frauds involved in obtaining government subsidies, the central government launched investigations among the electric vehicles industry. Before the completion of the investigation, the subsidies for 2015 were ceased to be granted to the manufacturers of electric vehicles, and it was said that the subsidies policy for 2016 to 2020 would be revised accordingly. Due to the continued investigation and unclear government policies, almost all the new energy electric vehicle manufacturers suspended or decreased the production and selling of electric vehicles in 2016. Accordingly, the production and selling of power batteries for use in electric vehicles dramatically decreased in 2016. In November 2016 the central government announced the result of investigation, including the list of manufacturers of electric vehicles who committed alleged frauds and the related penalties. On December 29, 2016, the Ministry of Finance of China finally issued the revised subsidy policy named Notice of Revision to Financial Support Policies for the Promotion of New Energy Vehicles in 2016-2020, which revised the subsidies standard to be based on cost and technology of the power batteries, and set up the maximum amount of the subsidies from the central and local governments. The revised subsidy policy also raised the standard and threshold for the quality of electric vehicles and power batteries, confirmed the responsibility of the manufacturers of electric vehicles, and strengthened the penalty system.

In March 2015, the Ministry of Industry and Information Technology of China (the “MIIT”) issued the Requirements of the Industry Standards for the Auto Power Storage Batteries ("Requirements"), which are applicable to auto power battery manufacturers located in China. In order to be certified as qualified manufacturers under Requirements, manufacturers are required to be examined by quality inspecting agencies appointed by Administration of Quality Inspection under Requirements after the manufacturers have obtained the following reports and certificates:

1. Environmental Acceptance Report;
2. Fire Acceptance Report;
3. New National Standard Certificate of Power Battery: GB/T 31484-2015, GB/T 31485-2015 and GB/T 31486-2015;

4. OHSAS 18001 Occupational Health and Safety Management System;
5. ISO14001 Environmental Management System; and
6. Occupational Health Report Occupational Health Report.

We have obtained all the above listed required reports and certificates. While we believe that we meet all of the conditions listed under the Requirements, there is no assurance that the certification will be granted to us by the MIIT. During the transition period in 2015 and the beginning of 2016, electric automobile manufacturers were able to obtain subsidies from the governments even though their power battery suppliers were not as qualified manufacturers under the Requirements. Subsequent to that period and prior to obtaining the certification from the MIIT, we have been cooperating with Shenzhen BAK, our former subsidiary, or other qualified companies under the Requirements, by selling our key materials to those battery manufacturers for them to manufacture, pack, test and use their own process produce and sell end products in compliance with the Requirements to electric automobile manufacturers. From September 2016, the MIIT ceased to certify auto power battery manufacturers under the Requirements. Also it is reported that the compliance with Requirements will not be deemed as a precondition for qualified manufacturers of power batteries for use in electric vehicles. In the newly issued Notice of Revision to Financial Support Policies for the Promotion of New Energy Vehicles in 2016-2020, compliance with the Requirements was not listed as a precondition for qualified manufacturers of power batteries to be used in electric vehicles to obtain government subsidies.

**Financial Performance Highlights for the Quarter Ended June 30, 2017**

The following are some financial highlights for the quarter ended June 30, 2017:

- ***Net revenues***: Net revenues increased by $5 million, or 365%, to $6.3 million for the three months ended June 30, 2017, from $1.4 million for the same period in 2016.

- ***Gross loss***: Gross loss was $1.5 million, representing an increase of $0.9 million, for the three months ended June 30, 2017, from gross loss of $0.6 million for the same period in 2016.

- ***Operating loss***: Operating loss was $3.6 million for the three months ended June 30, 2017, reflecting an increase of $0.7 million from an operating loss of $2.9 million for the same period in 2016.

- ***Net loss:*** Net loss was $3.8 million for the three months ended June 30, 2017, representing an increase of $1.1 million from net loss of $2.7 million for the same period in 2016.

- ***Fully diluted loss per share***: Fully diluted loss per share was $0.18 for the three months ended June 30, 2017, as compared to fully diluted loss per share of $0.15 for the same period in 2016.

**Financial Statement Presentation**

***Net revenues.*** Our net revenues represent the invoiced value of our products sold, net of value added taxes, or VAT, sales returns, trade discounts and allowances. We are subject to VAT, which is levied on most of our products at the rate of 17% on the invoiced value of our products. Provision for sales returns are recorded as a reduction of revenue in the same period that revenue is recognized. The provision for sales returns represents our best estimate of the amount of goods that will be returned from our customers based on historical sales return data.

Pursuant to the Provisional Regulation of China on Value Added Tax and its implementing rules, all entities and individuals that are engaged in the sale of goods, the provision of repairs and replacement services and the importation of goods in China are generally required to pay VAT at a rate of 17% of the gross sales proceeds received, less any deductible VAT already paid or borne by the taxpayer. Further, when exporting goods, the exporter is entitled to some or all of the refund of VAT that it has already paid or borne. Our imported raw materials that are used for manufacturing exported products and deposited in bonded warehouses are exempt from import VAT.

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

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

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

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

***Government grant income.*** We present the government subsidies received as income unless the subsidies received are earmarked to compensate a specific expense, which have been accounted for by offsetting the specific expense, such as research and development expense, interest expenses and removal costs. Unearned government subsidies received are deferred for recognition until the criteria for such recognition could be met. Grants applicable to land are amortized over the life of the depreciable facilities constructed on it. For research and development expenses, we match and offset the government grants with the expenses of the research and development activities as specified in the grant approval document in the corresponding period when such expenses are incurred.

***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 income tax at a rate of 25%. Our Hong Kong subsidiary BAK Asia is subject to a profits tax at a rate of 16.5% . However, because we did not have any assessable income derived from or arising in the region, the entity had not paid any such tax.

**Results of Operations**

**Comparison of Three Months Ended June 30, 2016 and 2017**

The following tables set forth key components of our results of operations for the periods indicated, both in dollars and as a percentage of net revenues.

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

| | Three months ended June 30, | | Change | |
|---|---|---|---|---|
| | 2016 | 2017 | $ | % |
| Net revenues | $ 1,362 | $ 6,339 | 4,977 | 365.42 |
| Cost of revenues | (1,916) | (7,830) | (5,914) | ( 308.66) |
| Gross loss | (554) | (1,491) | (937) | (169.13) |
| Operating expenses: | | | | |
| Research and development expenses | 312 | 533 | 221 | 70.83 |
| Sales and marketing expenses | 206 | 450 | 244 | 118.45 |
| General and administrative expenses | 1,811 | 1,158 | (653) | (36.06) |
| Total operating expenses | 2,329 | 2,141 | (188) | (8.07) |
| Operating loss | (2,883) | (3,632) | (749) | (25.98) |
| Finance expense, net | (15) | (93) | (78) | (520.00) |
| Other income (expense), net | 229 | (28) | (257) | (112.23) |
| Loss before income tax | (2,669) | (3,753) | (1,084) | ( 40.61) |
| Income tax expense | - | - | - | - |
| Net loss | (2,669) | (3,753) | (1,084) | (40.61) |

***Net revenues***. Net revenues were $6.34 million for the three months ended June 30, 2017, as compared to $1.36 million for the same period in 2016, representing an increase of $5.0 million, or 365.4% .

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

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

| | Three months ended June 30, | | Change | |
|---|---|---|---|---|
| | 2016 | 2017 | $ | % |
| High power lithium batteries used in: | | | | |
| Electric vehicles | $ 89 | $ 5,807 | 5,718 | 6,424.72 |
| Light electric vehicles | 412 | 62 | (350) | (84.95) |
| Uninterruptable supplies | 861 | 470 | (391) | (45.41) |
| | $ 1,362 | $ 6,339 | 4,977 | 365.42 |

Net revenues from sales of batteries for electric vehicles were $5.8 million for the three months ended June 30, 2017 as compared to $0.1 million in the same period of 2016, representing an increase of $5.7 million, or 6,424.7% . Since the announcement of government subsidy policy for electric vehicle manufactures issued at the end of calendar year 2016, we received more orders from electric vehicle manufacturers in year 2017. In year 2017, we reached strategic cooperation agreement with certain automakers to provide them substantial battery module used in electric vehicles.

Net revenues from sales of batteries for light electric vehicles was approximately $62,000 for the three months ended June 30, 2017, compared to approximately $0.4 million in the same period of 2016, representing a decrease of $0.35 million, or 85.0% . Since we face fierce competition in light electric vehicles, our orders from light electric vehicles decreased.

Net revenues from sales of batteries for uninterruptable power supplies was $0.5 million in the three months ended June 30, 2017, as compared with $0.9 million in the same period in 2016, representing a decrease of $0.4 million, or 45.4% . As we focused more on electric vehicle market in 2017, sale of batteries for uninterruptable power supplies sold decreased.

***Cost of revenues.*** Cost of revenues increased to $7.8 million for the three months ended June 30, 2017, as compared to $1.9 million for the same period in 2016, an increase of $5.9 million, or 308.66% . Included in cost of revenues were write down of obsolete inventories of $848,247 for three months ended June 30, 2017, while it was $116,383 for the same period in 2016. We write down the inventory value whenever there is an indication that it is impaired, the increase in provision of inventory is mainly due to the increase of inventory with ageing over 1 year. However, further write-down may be necessary if market conditions continue to deteriorate.

***Gross loss.*** Gross loss for the three months ended June 30, 2017 was $1.5 million, or 23.52% of net revenues as compared to gross loss of $0.6 million, or 40.6% of net revenues, for the same period in 2016. Our new Dalian facilities commenced manufacturing activities in July 2015. Inefficiency was inevitably caused by the operation of the newly installed machinery and newly hired production staff. In particular, we need to maintain a high level of skilled production staff, in anticipation of the increased demand for our products following the release of the government subsidy policy of new energy vehicles in 2017. As a result, we incurred a gross loss in the quarter ended June 30, 2017.

***Research and development expenses***. Research and development expenses increased to approximately $0.5 million for the three months ended June 30, 2017, as compared to approximately $0.3 million for the same period in 2016, an increase of $0.2 million, or 70.83% . The increase was primarily resulted from the salary and wages increased by approximately $64,000 and the materials and consumable expenses increased by approximately $124,000. We expanded our research and development team to improve our product to fulfill our customers' requirements and expand our market shares. We have monthly average 83 research and development employees for the three months ended June 30, 2017 as compared to a monthly average headcount of 69 for the same period of 2016.

***Sales and marketing expenses***. Sales and marketing expenses increased to approximately $0.5 million for the three months ended June 30, 2017, as compared to approximately $0.2 million for the same period in 2016, an increase of approximately $0.2 million, or 118.5% . The increase was mainly resulted from an increase of $0.2 million provision for our product warranty, resulting from the increase in sales in this quarter.

***General and administrative expenses***. General and administrative expenses decreased to $1.2 million, or 18.3% of revenues, for the three months ended June 30, 2017, as compared to $1.8 million, or 133.0% of revenues, for the same period in 2016, a decrease of $0.7 million, or 36.1% . The decrease in general and administrative expenses was mainly resulted from a decrease of $0.1 million of share based compensation, a decrease of $0.3 million provision for doubtful debts, and $0.2 million reversal of compensation costs in relation to a litigation with Shenzhen Huijie. As disclosed further below, according to the judgement rendered on June 30, 2017, the court 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.

***Operating loss***. As a result of the above, our operating loss totaled $3.6 million for the three months ended June 30, 2017, as compared to $2.9 million for the same period in 2016, representing an increase of $0.7 million, or 26.0% .

***Net loss.*** As a result of the foregoing, we had a net loss of $3.8 million for the three months ended June 30, 2017, compared to net loss of $2.7 million for the same period in 2016.

**Comparison of Six Months Ended June 30, 2016 and 2017**

The following tables set forth key components of our results of operations for the periods indicated, both in dollars and as a percentage of net revenues.

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

| | Six months ended June 30, | | Change | |
|---|---|---|---|---|
| | 2016 | 2017 | $ | % |
| Net revenues | $ 4,561 | $ 10,055 | 5,494 | 120.46 |
| Cost of revenues | (5,214) | (11,964) | (6,750) | (129.46) |
| Gross loss | (653) | (1,909) | (1,256) | (192.34) |
| Operating expenses: | | | | |
| Research and development expenses | 672 | 963 | 291 | 43.30 |
| Sales and marketing expenses | 505 | 685 | 180 | 35.64 |
| General and administrative expenses | 2,983 | 2,142 | (841) | (28.19) |
| Total operating expenses | 4,160 | 3,790 | (370) | (8.89) |
| Operating loss | (4,813) | (5,699) | (886) | (18.41) |
| Finance expense, net | (53) | (96) | (43) | (81.13) |
| Other income (expense), net | 237 | (27) | (264) | (111.39) |
| Loss before income tax | (4,629) | (5,822) | (1,193) | (25.77) |
| Income tax credit | 57 | - | (57) | (100) |
| Net loss | (4,572) | (5,822) | (1,250) | ( 27.34) |

***Net revenues***. Net revenues were $10.1 million for the six months ended June 30, 2017, as compared to $4.6 million for the same period in 2016, representing an increase of $5.5 million, or 120.5% .

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

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

| | Six months ended June 30, | | Change | |
|---|---|---|---|---|
| | 2016 | 2017 | $ | % |
| High power lithium batteries used in: | | | | |
| Electric vehicles | $ 2,832 | $ 9,065 | 6,233 | 220.09 |
| Light electric vehicles | 465 | 203 | (262) | (56.34) |
| Uninterruptable supplies | 1,264 | 787 | (477) | (37.74) |
| | $ 4,561 | $ 10,055 | 5,494 | 120.46 |

Net revenues from sales of batteries for electric vehicles were $9.1 million for the six months ended June 30, 2017 as compared to $2.8 million in the same period of 2016. Since the announcement of government subsidy policy for electric vehicle manufactures issued at the end of calendar year 2016, we received more orders from electric vehicle manufacturers in year 2017. In year 2017, we reached strategic cooperation agreement with certain automakers to provide them substantial battery module used in electric vehicles.

Net revenues from sales of batteries for light electric vehicles was $0.2 million for the six months ended June 30, 2017, compared to $0.5 in the same period of 2016, representing a decrease of $0.3 million, or 56.3% . This change was mainly because we face fierce competition in light electric vehicles, our orders from light electric vehicles decreased.

Net revenues from sales of batteries for uninterruptable power supplies was $0.8 million in the three months ended June 30, 2017, as compared with $1.3 million in the same period in 2016, representing a decrease of $0.5 million, or 37.7% . As we focused more on electric vehicle market in 2017, sale of batteries for uninterruptable power supplies sold decreased.

***Cost of revenues.*** Cost of revenues increased to $11.9 million for the six months ended June 30, 2017, as compared to $5.2 million for the same period in 2016, an increase of $6.8 million, or 129.46% . Included in cost of revenues were write down of obsolete inventories of $998,403 for the six months ended June 30, 2017, while it was $213,293 for the same period in 2016. We write down the inventory value whenever there is an indication that it is impaired the increase in provision of inventory is mainly due to the increase of inventory with ageing over 1 year. However, further write-down may be necessary if market conditions continue to deteriorate.

***Gross loss.*** Gross loss for the six months ended June 30, 2017 was $1.9 million, or 19.0% of net revenues as compared to gross loss of $0.7 million, or 14.3% of net revenues, for the same period in 2016. Our new Dalian facilities commenced manufacturing activities in July 2015. Inefficiency was inevitably caused by the operation of the newly installed machinery and newly hired production staff. In particular, we need to maintain a high level of skilled production staff, in anticipation of the increased demand for our products following the release of the government subsidy policy of new energy vehicles in 2017. As a result, we incurred a gross loss in the six months ended June 30, 2017.

***Research and development expenses***. Research and development expenses increased to approximately $1.0 million for the six months ended June 30, 2017, as compared to approximately $0.7 million for the same period in 2016, an increase of $0.3 million, or 43.3% . The increase was primarily resulted from the salary and wages increased by $0.1 million and the materials and consumable expenses increased by $0.2 million. We expanded our research and development team to improve our product to fulfill our customers' requirements and expand our market shares. We have monthly average 85 research and development employees for the six months ended June 30, 2017 as compared to a monthly average of 64 for the same period last year.

***Sales and marketing expenses***. Sales and marketing expenses increased to $0.7 million for the six months ended June 30, 2017, as compared to $0.5 million for the same period in 2016, an increase of $0.2 million, or 35.6% . The increase was mainly resulted from an increase of $0.2 million provision for our product warranty, resulting from the increase in sales in 2017.

***General and administrative expenses***. General and administrative expenses decreased to $2.1 million, or 21.3% of revenues, for the six months ended June 30, 2017, as compared to $3.0 million, or 65.4% of revenues, for the same period in 2016, a decrease of $0.8 million, or 28.2% . The decrease in general and administrative expenses was mainly resulted from a decrease of $0.3 million of salary and wages including share based compensation, decrease of $0.2 million provision for doubtful debts, and $0.2 million reversal of compensation costs in relation to a litigation with Shenzhen Huijie.

***Operating loss***. As a result of the above, our operating loss totaled $5.7 million for the six months ended June 30, 2017, as compared to $4.8 million for the same period in 2016, representing an increase of $0.9 million, or 18.4% .

***Net loss.*** As a result of the foregoing, we had a net loss of $5.8 million for the six months ended June 30, 2017, compared to net loss of $4.6 million for the same period in 2016.

**Liquidity and Capital Resources**

We have financed our liquidity requirements from short-term bank loans and bills payable under bank credit agreements and issuance of capital stock.

We incurred a net loss of $3.8 million for the three months ended June 30, 2017. As of June 30, 2017, we had cash and cash equivalents of $2.0 million. Our total current assets were $40.5 million and our total current liabilities were $56.8 million, resulting in a net working capital deficiency of $16.3 million. These factors raise substantial doubts about our ability to continue as a going concern.

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

On February 17, 2017, we signed a letter of understanding with each of eight individual investors, who are also our current shareholders, including our CEO, Mr. Yunfei Li, whereby these shareholders agreed in principle to subscribe for new shares of our common stock totaling $10 million. The issue price will be determined with reference to the market price prior to the issuance of new shares. In January 2017, the shareholders paid us a total of $2.06 million as refundable deposits, among which, Mr. Yunfei Li agreed to subscribe new shares totaling $1.12 million and pay a deposit of approximately $225,784. In April and May 2017, we received cash of $9.6 million from these shareholders. On May 31, 2017, we entered into a securities purchase agreement with these investors, pursuant to which, we agreed to issue an aggregate of 6,403,518 shares of common stock, par value $0.001 per share to these investors, at a purchase price of $1.50 per share, for an aggregate price of $9.6 million, including 764,018 shares were issued to Mr. Yunfei Li, our CEO. On June 22, 2017, we issued the shares to the investors relying on the exemption provided by Section 4(a)(2) of the Securities Act of 1933, as amended, for the offer and sale of securities not involving a public offering, and Regulation S promulgated thereunder.

On June 14, 2016, we renewed our banking facilities from Bank of Dandong for loans with a maximum amount of RMB130 million (approximately $19.2 million), including three-year long-term loans and three-year revolving bank acceptance and letters of credit bills for the period from June 13, 2016 to June 12, 2019. The banking facilities were guaranteed by Mr. Yunfei Li ("Mr. Li"), our CEO, and Ms. Qinghui Yuan, Mr. Li's wife, Mr. Xianqian Li, our former CEO, Ms. Xiaoqiu Yu, the wife of our former CEO, Shenzhen BAK Battery Co., Ltd., our former subsidiary ("Shenzhen BAK"). The facilities were also secured by part of our Dalian site's prepaid land use rights, buildings, construction in progress, machinery and equipment and pledged deposits. Under the banking facilities, as of June 30, 2017, we borrowed various three-year term bank loans that totaled RMB126.8 million (approximately $18.7 million), bearing fixed interest at 7.2% per annum. We also borrowed a series of revolving bank acceptance totaled $0.4 million from Bank of Dandong under the credit facilities, and bank deposit of 50% was required to secure against these bank acceptance bills.

On July 6, 2016, we obtained banking facilities from Bank of Dalian for loans with a maximum amount of RMB10 million (approximately $1.5 million) and bank acceptance bills of RMB40 million (approximately $5.9 million) to July 2017. The banking facilities were guaranteed by Mr. Li, our CEO, and Ms. Qinghui Yuan, Mr. Li's wife, and Shenzhen BAK. Under the banking facilities, on July 6, 2016 we borrowed one year short-term loan of RMB10 million (approximately $1.5 million), bearing a fixed interest rate at 6.525% per annum. We also borrowed revolving bank acceptance totaled $5.9 million, and bank deposit of 50% was required to secure against these bank acceptance bills.

During the second quarter of 2017, we obtained banking facilities from China Merchants Bank with bank acceptance bills of RMB2.1 million (approximately $0.3 million) for a term until October 10, 2017. The banking facilities were pledged by our bills receivables totaled $0.3 million. Under the facilities, on April 10, 2017, we borrowed bank acceptance totaled $0.3 million.

As of June 30, 2017, we had unutilized committed banking facilities of $0.1 million.

We are currently expanding our product lines and manufacturing capacity in our Dalian plant, which require more 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.

In the meanwhile, due to the growing environmental pollution problem, the Chinese government is currently providing vigorous support to the new energy facilities and vehicle. It is expected that we will be able to secure more potential orders from the new energy market, especially from the electric car market. We believe with that the booming future market demand in high power lithium ion products, we can continue as a going concern and return to profitability.

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)

| | Six Months Ended June 30, | |
|---|---|---|
| | 2016 | 2017 |
| Net cash provided by (used in) operating activities | $ 1,399 | $ (3,484) |
| Net cash used in investing activities | (7,019) | (7,050) |
| Net cash provided by financing activities | 8,817 | 12,084 |
| Effect of exchange rate changes on cash and cash equivalents | (153) | 10 |
| Net increase in cash and cash equivalents | 3,044 | 1,560 |
| Cash and cash equivalents at the beginning of period | 81 | 409 |
| Cash and cash equivalents at the end of period | $ 3,125 | $ 1,969 |

***Operating Activities***

Net cash used in operating activities was $3.5 million in the six months ended June 30, 2017, as compared to net cash provided by operating activities of $1.4 million in the same period in 2016. The increase in operating cash outflow of approximately $4.9 million was mainly attributable to the increasing cash outflows of $6.6 million on trade accounts and bills receivable, and decreasing cash inflows of $3.1 million on trade accounts and bills payable, $3.1 million on trade balances with our former subsidiaries, offset by a decreasing cash outflow of $6.7 million on inventories and $2.1 million on prepayments and other receivables.

***Investing Activities***

Net cash used in investing activities was $7.1 million for the six months ended June 30, 2017, as compared to $7.0 million in the same period of 2016. The net cash used in investing activities in the six months ended June 30, 2017 mainly comprised cash payment of $6.8 million to on acquisition of property, plant and equipment and construction in progress.

***Financing Activities***

Net cash provided by financing activities was $12.1 million in the six months ended June 30, 2017, compared to $8.8 million during the same period in 2016. The net cash provided by financing activities in the six months ended June 30, 2017 was mainly from issuance of common stock of $9.6 million and advances from investors of $2 million in the six months ended June 30, 2017.

As of June 30, 2017, the principal amounts outstanding under our credit facilities and lines of credit were as follows:

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

| | Maximum amount available | Amount borrowed |
|---|---|---|
| **Long-term credit facilities:** | | |
| Bank of Dandong | $ 18,739 | $ 18,700 |
| **Short-term credit facilities:** | | |
| Bank of Dandong | $ 433 | $ 433 |
| Bank of Dalian | 7,374 | 7,374 |
| China Merchants Bank | 316 | 316 |
| | $ 8,123 | $ 8,123 |
| **Other lines of credit:** | | |
| Industrial and Commercial Bank of China | $ 1,022 | $ 1,022 |
| China Merchants Bank | 892 | 892 |
| China Construction Bank | 1,763 | 1,763 |
| | $ 3,677 | $ 3,677 |
| Total | $ 30,539 | $ 30,500 |

As of June 30, 2017, we had also borrowed $1.0 million, $0.9 million and $1.8 million of notes payable outside any credit facility from ICBC, China Merchants Bank and China Construction Bank, respectively.

***Capital Expenditures***

We incurred capital expenditures of $6.8 million and $7.6 million in the three months ended June 30, 2017 and 2016, respectively. Our capital expenditures were used primarily to construct our manufacturing facilities in Dalian.

We estimate that our total capital expenditures for the year ending December 31, 2017 will reach approximately $30.2 million. Such funds will be used to construct new plants and expand new automatic manufacturing lines to fulfill our customer demands.

***Contractual Obligations and Commercial Commitments***

The following table sets forth our contractual obligations and commercial commitments as of June 30, 2017:

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

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1 - 3 years | 3 - 5 years | More than 5 years |
| Contractual Obligations | | | | | |
| Short-term bank loans | $ 1,475 | $ 1,475 | $ - | - | $ - |
| Long-term bank loans | 18,700 | - | 18,700 | - | - |
| Bills payables | 9,892 | 9,892 | - | - | - |
| Payable to former subsidiaries | 7,226 | 7,226 | - | - | - |
| Other short-term loans | 13,291 | 13,291 | - | - | - |
| Capital injection to Dalian Trading | 400 | 400 | - | - | - |
| Capital commitments for construction of buildings | 2,515 | 2,515 | - | - | - |
| Capital commitments for purchase of equipment | 167 | 167 | - | - | - |
| Future interest payment on bank loans | 2,664 | 1,347 | 1,317 | - | - |
| Total | $ 56,330 | $ 36,313 | $ 20,017 | - | $ - |

Other than the contractual obligations and commercial commitments set forth above, we did not have any other long-term debt obligations, operating lease obligations, capital commitments, purchase obligations or other long-term liabilities as of June 30, 2017.

**Off-Balance Sheet Transactions**

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

**Critical Accounting Policies**

Our condensed consolidated financial information has been prepared in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect (1) the reported amounts of our assets and liabilities, (2) the disclosure of our contingent assets and liabilities at the end of each fiscal period and (3) the reported amounts of revenues and expenses during each fiscal period. We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and reasonable assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application. There have been no material changes to the critical accounting policies previously disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016.

**Changes in Accounting Standards**

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

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

Not applicable.

## ITEM 4. CONTROLS AND PROCEDURES.

**Evaluation of Disclosure Controls and Procedures**

As required by Rule 13a-15 under the Exchange Act, our management has carried out an evaluation, with the participation and under the supervision of our Chief Executive Officer and Interim Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2017. 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 June 30, 2017.

As we disclosed in our Annual Report on Form 10-K filed with the SEC on January 13, 2017, during our assessment of the effectiveness of internal control over financial reporting as of September 30, 2016, 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. Mr. Wenwu Wang was appointed by the Board of Directors of the Company as the Interim Chief Financial Officer on August 28, 2014.
- We plan to make necessary changes by providing training to our financial team and our other relevant personnel on the U.S. GAAP accounting guidelines applicable to our financial reporting requirements. In September 2016, we implemented training on internal control and enterprise risk management. In November 2016, we implemented training on U.S. GAAP accounting guidelines.

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 June 30, 2017 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.

On July 7, 2016, Shenzhen Huijie Purification System Engineering Co., Ltd ("Shenzhen Huijie"), one of our contractors, filed a lawsuit against CBAK Power in the Peoples' Court of Zhuanghe City, Dalian for the failure to pay pursuant to the terms of the contract and entrusted part of the project of the contract to a third party without their prior consent. The plaintiff sought a total amount of $1,223,858 (RMB8,430,792), including construction costs of $0.9 million (RMB6.3 million), interest of $0.03 million (RMB0.2 million) and compensation of $0.3 million (RMB1.9 million), which we already accrued for as of June 30, 2017. On September 7, 2016, upon the request of Shenzhen Huijie, the Court froze Dalian BAK's bank deposits totaling $1,223,858 (RMB 8,430,792) for a period of one year. On June 30, 2017, according to the first instance, the court 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. On July 24, 2017, Dalian CBAK Power filed an appeal to Dalian Intermediate People's Court challenging the lower court's judgment rendered on June 30, 2017. We intend to continue to vigorously defend ourselves in this lawsuit.

### 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 September 30, 2016.

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

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

### ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

### ITEM 5. OTHER INFORMATION.

None.

## ITEM 6. EXHIBITS.

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

| Exhibit No. | Description |
|---|---|
| 31.1 | Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certifications of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certifications of Principal Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certifications of Principal Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | Interactive data files pursuant to Rule 405 of Regulation S-T |

## 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: August 21, 2017

**CBAK ENERGY TECHNOLOGY, INC.**

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

By: **/s/** Wenwu Wang
Wenwu Wang
Interim Chief Financial Officer

**EXHIBIT INDEX**

| Exhibit No. | Description |
|---|---|
| 31.1 | Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certifications of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certifications of Principal Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certifications of Principal Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | Interactive data files pursuant to Rule 405 of Regulation S-T |

**EXHIBIT 31.1**

**CERTIFICATIONS**

I, Yunfei Li, certify that:

1. I have reviewed this transition 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: August 21, 2017

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

**EXHIBIT 31.2**

**CERTIFICATIONS**

I, Wenwu Wang, certify that:

1. I have reviewed this transition 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: August 21, 2017

/s/ Wenwu Wang
Wenwu Wang
Interim Chief Financial Officer
*(Principal Financial and Accounting Officer)*

**EXHIBIT 32.1**

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

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

1. The Company’s Transition Report on Form 10-Q for the period ended June 30, 2017 (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 21st day of August, 2017.

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

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

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

**EXHIBIT 32.2**

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

The undersigned, Wenwu Wang, the Interim Chief Financial Officer of CBAK ENERGY TECHNOLOGY, INC. (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Transition Report on Form 10-Q for the period ended June 30, 2017 (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 21st day of August, 2017.

/s/ Wenwu Wang
Wenwu Wang
Interim Chief Financial Officer
*(Principal Financial and Accounting Officer)*

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

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