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

FORM 10−Q

(Mark One)

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

For the quarterly period ended: March 31, 2020

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

For the transition period from _____________ to _____________

Commission File Number: **001-32898**

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted 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 ☒ 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", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

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

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

The number of shares outstanding of each of the issuer's classes of common stock, as of July 1, 2020 is as follows:

Class of Securities	Shares Outstanding
Common Stock, $0.001 par value	63,658,132

CBAK ENERGY TECHNOLOGY, INC.

TABLE OF CONTENTS

EXPLANATORY NOTE

As previously disclosed on CBAK Energy Technology, Inc.'s (the "Company") Form 8-K filed on May 15, 2020, the filing of this quarterly report on Form 10-Q for the quarter ended March 31, 2020 was delayed due to circumstances related to COVID-19 and its impact on the Company's operations. All of the Company's operating subsidiaries, employees, facilities and customers are located in China which has been affected by the outbreak of COVID-19 since December 2019. The COVID-19 pandemic has caused disruptions in the Company's daily activities and impaired the Company's ability to file the quarterly report by the original deadline of May 15, 2020. The Company relied on the SEC's Order Under Section 36 of the Securities Exchange Act of 1934 Modifying Exemptions from the Reporting and Proxy Delivery Requirements for Public Companies, dated March 25, 2020 (Release No. 34-88465), to delay the filing of this quarterly report.

PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CBAK ENERGY TECHNOLOGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2020

CBAK Energy Technology, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
As of December 31, 2019 and March 31, 2020
(Unaudited)
(In US$ except for number of shares)

	Note	December 31, 2019	March 31, 2020 (Unaudited)
Assets			
Current assets			
Cash and cash equivalents		$ 1,612,957	$ 170,567
Pledged deposits	2	5,520,991	5,339,114
Trade accounts and bills receivable, net	3	7,952,420	10,739,325
Inventories	4	8,666,714	7,429,629
Prepayments and other receivables	5	4,735,913	4,639,167
Total current assets		28,488,995	28,317,802
Property, plant and equipment, net	7	38,177,565	36,973,925
Construction in progress	8	21,707,624	21,859,350
Right-of-use assets	9	7,194,195	7,035,733
Intangible assets, net	10	15,178	13,644
Total assets		$ 95,583,557	$ 94,200,454
Liabilities			
Current liabilities			
Trade accounts and bills payable	11	$ 15,072,108	$ 14,684,873
Short-term bank borrowings	12	5,730,289	5,635,673
Current maturities of long-term bank loans	12	10,844,463	10,665,405
Other short-term loans	12	7,351,587	5,258,801
Notes payable	16	2,846,736	2,715,833
Accrued expenses and other payables	13	15,527,589	15,403,598
Payables to former subsidiaries, net	6	1,483,352	5,684,401
Deferred government grants, current	14	142,026	139,681
Total current liabilities		58,998,150	60,188,265
Long-term bank loans	12	9,519,029	9,361,855
Deferred government grants, non-current	14	4,118,807	4,015,878
Product warranty provision	15	2,246,933	2,206,123
Long term tax payable	17	7,042,582	6,926,298
Total liabilities		81,925,501	82,698,419
Commitments and contingencies	21		
Shareholders' equity(deficit)			
Common stock $0.001 par value; 500,000,000 authorized; 53,220,902 issued and 53,076,696 outstanding as of December 31, 2019, 53,588,799 issued and 53,444,593 outstanding as of March 31, 2020		53,222	53,590
Donated shares		14,101,689	14,101,689
Additional paid-in capital		180,208,610	180,708,377
Statutory reserves		1,230,511	1,230,511
Accumulated deficit		(176,177,413)	(178,537,394)
Accumulated other comprehensive loss		(1,744,730)	(2,045,945)
		17,671,889	15,510,828
Less: Treasury shares		(4,066,610)	(4,066,610)
Total shareholders' equity		13,605,279	11,444,218
Non-controlling interests		52,777	57,817
Total equity		13,658,056	11,502,035
Total liabilities and shareholder's equity		$ 95,583,557	$ 94,200,454

See accompanying notes to the condensed consolidated financial statements.

CBAK Energy Technology, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
For the three months ended March 31, 2019 and 2020
(Unaudited)
(In US$ except for number of shares)

		Three months ended March 31,	
	Note	*2019*	*2020*
Net revenues	23	$ 5,171,675	$ 6,901,274
Cost of revenues		(5,400,683)	(6,695,271)
Gross (loss) profit		(229,008)	206,003
Operating expenses:			
Research and development expenses		(433,516)	(298,930)
Sales and marketing expenses		(364,014)	(93,771)
General and administrative expenses		(1,440,695)	(1,115,618)
Provision for doubtful accounts	3	(71,162)	(673,186)
Total operating expenses		(2,309,387)	(2,181,505)
Operating loss		(2,538,395)	(1,975,502)
Finance expenses, net		(287,000)	(428,083)
Other income, net		18,062	49,474
Loss before income tax		(2,807,333)	(2,354,111)
Income tax expense	17	-	-
Net loss		$ (2,807,333)	$ (2,354,111)
Less: Net loss (profit) attributable to non-controlling interests		19,941	(5,870)
Net loss attribute to shareholders of CBAK Energy Technology, Inc.		$ (2,787,392)	$ (2,359,981)
Net loss		(2,807,333)	(2,354,111)
Other comprehensive income (loss)			
– Foreign currency translation adjustment		161,325	(302,045)
Comprehensive loss		$ (2,646,008)	$ (2,656,156)
Less: Comprehensive loss (income) attributable to non-controlling interests		22,303	(5,040)
Comprehensive loss attributable to CBAK Energy Technology, Inc.		$ (2,623,705)	$ (2,661,196)
Loss per share	19		
– Basic and diluted		$ (0.10)	$ (0.04)
Weighted average number of shares of common stock:	19		
– Basic and diluted		28,610,072	53,293,776

See accompanying notes to the condensed consolidated financial statements.

CBAK Energy Technology, Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in Shareholders' Equity
For the three months ended March 31, 2019 and 2020
(Unaudited)
(In US$ except for number of shares)

	Common stock issued						*Accumulated other*		*Treasury shares*		*Total shareholders'*
	Number of shares	*Amount*	*Donated shares*	*Additional paid-in capital*	*Statutory reserves*	*Accumulated deficit*	*comprehensive loss*	*Non-controlling interests*	*Number of shares*	*Amount*	*equity (deficit)*
Balance as of January 1, 2019	**26,791,684**	**$ 26,792**	**$ 14,101,689**	**$ 155,931,770**	**$ 1,230,511**	**$ (165,409,890)**	**$ (1,498,940)**	**$ 11,977**	**(144,206)**	**$ (4,066,610)**	**$ 327,299**
Net loss	-	-	-	-	-	(2,787,392)	-	(19,941)	-	-	(2,807,333)
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	56,704	-	-	56,704
Share-based compensation for employee and director stock awards	-	-	-	18,219	-	-	-		-	-	18,219
Common stock issued to investors	5,098,040	5,098	-	5,194,902	-	-	-		-	-	5,200,000
Foreign currency translation adjustment	-	-	-	-	-	-	163,687	(2,362)	-	-	161,325
Balance as of March 31, 2019	**31,889,724**	**$ 31,890**	**$ 14,101,689**	**$ 161,144,891**	**$ 1,230,511**	**$ (168,197,282)**	**$ (1,335,253)**	**$ 46,378**	**(144,206)**	**$ (4,066,610)**	**$ 2,956,214**
Balance as of January 1, 2020	**53,220,902**	**$ 53,222**	**$ 14,101,689**	**$ 180,208,610**	**$ 1,230,511**	**$ (176,177,413)**	**$ (1,744,730)**	**$ 52,777**	**(144,206)**	**$ (4,066,610)**	**$ 13,658,056**
Net (loss) profit	-	-	-	-	-	(2,359,981)	-	5,870	-	-	(2,354,111)
Share-based compensation for employee and director stock awards	-	-	-	300,135	-	-	-		-	-	300,135
Common stock issued to investors	367,897	368	-	199,632	-	-	-		-	-	200,000
Foreign currency translation adjustment	-	-	-	-	-	-	(301,215)	(830)	-	-	(302,045)
Balance as of March 31, 2020	**53,588,799**	**$ 53,590**	**$ 14,101,689**	**$ 180,708,377**	**$ 1,230,511**	**$ (178,537,394)**	**$ (2,045,945)**	**$ 57,817**	**(144,206)**	**$ (4,066,610)**	**$ 11,502,035**

See accompanying notes to the condensed consolidated financial statements.

CBAK Energy Technology, Inc. and subsidiaries
Condensed Consolidated Statements of Cash Flows
For the three months ended March 31, 2019 and 2020
(Unaudited)
(In US$ except for number of shares)

	Three months ended March 31,	
	2019	*2020*
Cash flows from operating activities		
Net loss	$ (2,807,333)	$ (2,354,111)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	681,408	587,615
Provision for doubtful debts	71,162	673,186
Write-down of inventories	62,772	409,062
Share-based compensation	18,219	300,135
Loss on disposal of property, plant and equipment	273,117	-
Changes in operating assets and liabilities:		
Trade accounts and bills receivable	5,372,834	(3,633,248)
Inventories	577,665	701,957
Prepayments and other receivables	1,275,562	51,905
Trade accounts and bills payable	(8,269,290)	(237,779)
Accrued expenses and other payables	(155,161)	(86,889)
Trade receivable from and payables to former subsidiaries	(1,124,827)	4,273,976
Net cash (used in) provided by operating activities	(4,023,872)	685,809
Cash flows from investing activities		
Purchases of property, plant and equipment and construction in progress	(1,222,149)	(261,031)
Net cash used in investing activities	(1,222,149)	(261,031)
Cash flows from financing activities		
Capital injection from non-controlling interests	56,704	-
Borrowings from related parties	266,671	-
Borrowings from shareholders	-	269,349
Borrowings from an unrelated party	5,866,754	3,467,148
Repayment of borrowing from an unrelated party	-	(5,673,515)
Repayment of borrowings from related parties	(407,168)	-
Repayment of earnest money to shareholders (note 1)	(773,310)	-
Net cash provided by (used in) financing activities	5,009,651	(1,937,018)
Effect of exchange rate changes on cash and cash equivalents, and restricted cash	**438,891**	**(112,027)**
Net increase (decrease) in cash and cash equivalents, and restricted cash	**202,521**	**(1,624,267)**
Cash and cash equivalents, and restricted cash at the beginning of period	**17,689,493**	**7,133,948**
Cash and cash equivalents, and restricted cash at the end of period	**$ 17,892,014**	**$ 5,509,681**
Supplemental non-cash investing and financing activities:		
Transfer of construction in progress to property, plant and equipment	$ 5,218,383	$ -
Issuance of common stock (note 1):		
- offset repayment of promissory notes	$ -	$ 200,000
- offset short-term borrowings from unrelated parties	$ 5,200,000	$ -
Cash paid during the period for:		
Interest, net of amounts capitalized	$ 347,144	$ 269,019

See accompanying notes to the condensed consolidated financial statements.

1. Principal Activities, Basis of Presentation and Organization

Principal Activities

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

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

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

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

Basis of Presentation and Organization

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

On January 20, 2005, the Company completed a share swap transaction with the shareholders of BAK International. The share swap transaction, also referred to as the "reverse acquisition" of the Company, was consummated under Nevada law pursuant to the terms of a Securities Exchange Agreement entered by and among CBAK, BAK International and the shareholders of BAK International on January 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, 2015amounted 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 March 31, 2020, the Company had not received any claim from the other investors who have not been covered by the "2008 Settlement Agreements" in the January 2005 private placement.

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

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

On December 27, 2013, Dalian BAK Power Battery Co., Ltd was established as a wholly owned subsidiary of BAK Asia with a registered capital of $30,000,000. Pursuant to CBAK Power's articles of association and relevant PRC regulations, BAK Asia was required to contribute the capital to CBAK Power on or before December 27, 2015. On March 7, 2017, the name of Dalian BAK Power Battery Co., Ltd was changed to Dalian CBAK Power Battery Co., Ltd ("CBAK Power"). On July 10, 2018, CBAK Power's registered capital was increased to $50,000,000. On October 29, 2019, CBAK Power's registered capital was further increased to $60,000,000. Pursuant to CBAK Power's amendment articles of association and relevant PRC regulations, BAK Asia was required to contribute the capital to CBAK Power on or before December 31, 2021. Up to the date of this report, the Company has contributed $29,999,978 to CBAK Power through injection of a series of patents and cash.

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

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

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

These condensed consolidated financial statements are unaudited. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these condensed consolidated financial statements, which are of a normal and recurring nature, have been included. The results reported in the condensed consolidated financial statements for any interim periods are not necessarily indicative of the results that may be reported for the entire year. The following (a) condensed consolidated balance sheet as of December 31, 2019, which was derived from the Company's audited financial statements, and (b) the unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with US GAAP have been condensed or omitted pursuant to those rules and regulations, though the Company believes that the disclosures made are adequate to make the information not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying footnotes of the Company for the year ended December 31, 2019.

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.

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

Basis of Presentation and Organization (continued)

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

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

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

On and effective March 1, 2016, Mr. Xiangqian Li resigned as Chairman, director, Chief Executive Officer, President and Secretary of the Company. On the same date, the Board of Directors of the Company appointed Mr. Yunfei Li as Chairman, Chief Executive Officer, President and Secretary of the Company. On March 4, 2016, Mr. Xiangqian Li transferred 3,000,000 shares to Mr. Yunfei Li for a price of $2.4 per share. After the share transfer, Mr. Yunfei Li held 3,000,000 shares or 17.3% and Mr. Xiangqian Li held 760,557 shares at 4.4% of the Company's outstanding stock, respectively. As of March 31, 2020, Mr. Yunfei Li held 8,589,919 shares or 16.1% 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, 2019 and March 31, 2020. 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.

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

Basis of Presentation and Organization (continued)

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. Pursuant to the investment agreements, in January 2017 the eight investors paid the Company a total of $2.06 million as down payments. Mr. Yunfei Li agreed to subscribe new shares of the Company totaled $1,120,000 and paid the earnings money of $225,784 in January 2017. On April 1, April 21, April 26 and May 10, 2017, the Company received investment of $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 to these investors, at a purchase price of $1.50 per share, for an aggregate price of $9.6 million, among which 746,018 shares to be issued to Mr. Yunfei Li. On June 22, 2017, the Company issued the shares to the investors.

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

On January 7, 2019, each of Mr. Dawei Li and Mr. Yunfei Li entered into an agreement with CBAK Power and Tianjin New Energy whereby Tianjin New Energy assigned its rights to loans to CBAK Power of approximately $3.4 million (RMB23,980,950) and $1.6 million (RMB11,647,890) (totaled $5.0 million, the "First Debt") to Mr. Dawei Li and Mr. Yunfei Li, respectively.

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

Basis of Presentation and Organization (continued)

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

On April 26, 2019, each of Mr. Jun Lang, Ms. Jing Shi and Asia EVK Energy Auto Limited ("Asia EVK") entered into an agreement with CBAK Power and Tianjin New Energy whereby Tianjin New Energy assigned its rights to loans to CBAK Power of approximately $0.3 million (RMB2,225,082), $0.1 million (RMB 912,204) and $5.0 million (RMB35,406,036) (collectively $5.4 million, the "Second Debt") to Mr. Jun Lang, Ms. Jing Shi and Asia EVK, respectively.

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

On June 28, 2019, each of Mr. Dawei Li and Mr. Yunfei Li entered into an agreement with CBAK Power to loan approximately $1.4 million (RMB10,000,000) and $2.5 million (RMB18,000,000) respectively to CBAK Power for a terms of six months (collectively $3.9 million, the "Third Debt"). The loan was unsecured, non-interest bearing and repayable on demand.

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

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

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

On October 10, 2019, each of Mr. Shibin Mao, Ms. Lijuan Wang and Mr. Ping Shen entered into an agreement with CBAK Power and Zhengzhou BAK New Energy Vehicle Co., Ltd. (the Company's supplier of which Mr. Xiangqian Li, the former CEO, is a director of this company) whereby Zhengzhou BAK New Energy Vehicle Co., Ltd. assigned its rights to the unpaid inventories cost owed by CBAK Power of approximately $2.1 million (RMB15,000,000), $1.0 million (RMB7,380,000) and $1.0 million (RMB7,380,000) (collectively $4.1 million, the "Fifth Debt") to Mr. Shibin Mao, Ms. Lijuan Wang and Mr. Ping Shen, respectively.

On October 14, 2019, the Company entered into a cancellation agreement with Mr. Shangdong Liu, Mr. Shibin Mao, Ms. Lijuan Wang and Mr. Ping Shen (the creditors). Pursuant to the terms of the cancellation agreement, Mr. Shangdong Liu, Mr. Shibin Mao, Ms. Lijuan Wang and Mr. Ping Shen agreed to cancel and convert the Fifth Debt and the Unpaid Earnest Money of approximately $0.9 million (RMB6,720,000) in exchange for 528,053, 3,536,068, 2,267,798 and 2,267,798 shares of common stock of the Company, respectively, at an exchange price of $0.6 per share. Upon receipt of the shares, the creditors will release the Company from any claims, demands and other obligations relating to the Fifth Debt and the Unpaid Earnest Money. The cancellation agreement contains customary representations and warranties of the creditors. The creditors do not have registration rights with respect to the shares.

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

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

Basis of Presentation and Organization (continued)

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

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

At March 31, 2020, the Company had aggregate interest-bearing bank loans of approximately $25.7 million, due in 2020 to 2021, in addition to approximately $43.9 million of other current liabilities.

As of March 31, 2020, the Company had unutilized committed banking facilities of $6.8 million.

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

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

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

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

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

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

Basis of Presentation and Organization (continued)

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 and UPS market. The Company believes that with the booming future market demand in high power lithium ion products, it can continue as a going concern and return to profitability.

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

Revenue Recognition

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

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

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

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

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

Recently Adopted Accounting Standards

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements for Level 1, Level 2 and Level 3 instruments in the fair value hierarchy. The guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted for any eliminated or modified disclosures. The Company applied the new standard beginning January 1, 2020.

Recently Issued Accounting Standards

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

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes, eliminates certain exceptions within ASC 740, Income Taxes, and clarifies certain aspects of the current guidance to promote consistent application among reporting entities. The guidance is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years, with early adoption permitted. Upon adoption, the Company must apply certain aspects of this standard retrospectively for all periods presented while other aspects are applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The Company is evaluating the impact this update will have on its financial statements.

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

2. Pledged deposits

Pledged deposits as of December 31, 2019 and March 31, 2020 consisted of the following:

	December 31, 2019	*March 31, 2020*
Pledged deposits with bank for:		
Bills payable	$ 4,021,255	$ 3,954,858
Others*	1,499,736	1,384,256
	$ 5,520,991	$ 5,339,114

* On July 7, 2016, Shenzhen Huijie Purification System Engineering Co., Ltd ("Shenzhen Huijie"), one of the Company's contractors, filed a lawsuit against CBAK Power in the Peoples' Court of Zhuanghe City, Dalian for the failure to pay pursuant to the terms of the contract and for entrusting part of the project to a third party without their prior consent. The plaintiff sought a total amount of $1,190,807 (RMB8,430,792), including construction costs of $0.9 million (RMB6.3 million), interest of $28,249 (RMB0.2 million) and compensation of $0.3 million (RMB1.9 million), which were already accrued for as of September 30, 2016. On September 7, 2016, upon the request of Shenzhen Huijie, the Court froze CBAK Power's bank deposits totaling $1,190,807 (RMB8,430,792) for a period of one year. Further on September 1, 2017, upon the request of Shenzhen Huijie, the Court froze the bank deposits for another year until August 31, 2018. The Court further froze the bank deposits for another year until August 27, 2019 upon the request of Shenzhen Huijie on August 27, 2018. On August 27, 2019, the Court again froze the bank deposits for another year until August 27, 2020, upon the request of Shenzhen Huijie.

On July 25, 2019, CBAK Power received notice from Shenzhen Court of International Arbitration that Shenzhen Xinjiatuo Automobile Technology Co., Ltd filed arbitration against the Company for the failure to pay pursuant to the terms of the contract. The plaintiff sought a total amount of $0.16 million (RMB1,112,269), including equipment cost of $0.14 million (RMB976,000) and interest of $0.02 million (RMB136,269). As of March 31, 2020, the Company has accrued for the equipment cost of $0.14 million (RMB976,000). On August 9, 2019, upon the request of Shenzhen Xinjiatuo Automobile Technology Co., Ltd, Shenzhen Court of International Arbitration froze CBAK Power's bank deposits totaling $0.16 million (RMB1,117,269) for a period of one year to August 2020.

In early September 2019, several employees of CBAK Suzhou files arbitration with Suzhou Industrial Park Labor Disputes Arbitration Commission against CBAK Suzhou for failure to pay their salaries in time. The employees seek for a payment including salaries of $90,165 (RMB 638,359) and compensation of $76,696 (RMB 543,000), totaling $0.17 million (RMB 1,181,359). In addition, upon the request of the employees, the court of Suzhou Industrial Park ruled that bank deposits of CBAK Suzhou totaling $0.17 million (RMB 1,181,359) should be frozen for a period of one year. In February 2020, the Company has fully repaid the salaries and compensation. As of March 31, 2020, $6 (RMB43) was frozen by bank.

In November 2019, CBAK Suzhou received notice from Court of Suzhou city that Suzhou Industrial Park Security Service Co., Ltd ("Suzhou Security") filed a lawsuit against CBAK Suzhou for the failure to pay pursuant to the terms of the sales contract. Suzhou Security sought a total amount of $19,734 (RMB139,713), including services expenses amount of $19,620 (RMB138,908) and interest of $114 (RMB805). Upon the request of Suzhou Security for property preservation, the Court of Suzhou froze CBAK Suzhou's bank deposits totaling $0.02 million (RMB 150,000) for a period of one year. As of March 31, 2020, $31 (RMB218) was frozen by bank and the Company had accrued the service cost of $19,734 (RMB139,713).

In December 2019, CBAK Power received notice from Court of Zhuanghe that Dalian Construction Electrical Installation Engineering Co., Ltd. ("Dalian Construction") filed a lawsuit against CBAK Power for the failure to pay pursuant to the terms of the construction contract. Dalian Construction sought a total amount of $97,612 (RMB691,086) and interest $1,827 (RMB12,934). As of December 31, 2019, the Company has accrued the construction cost of $97,612 (RMB691,086). Upon the request of Dalian Construction for property preservation, the Court of Zhuanghe ordered to freeze CBAK Power's bank deposits totaling $99,439 (RMB704,020) for a period of one year to December 2020. As of December 31, 2019, $93,397 (RMB661,240) was frozen by bank. In January 2020, CBAK Power and Dalian Construction have come to a settlement, and the bank deposit was then released.

In February 2020, CBAK Power received notice from Court of Zhuanghe that Dongguan Shanshan Battery Material Co., Ltd ("Dongguan Shanshan") filed lawsuit against CBAK Power for the failure to pay pursuant to the terms of the purchase contract. Dongguan Shanshan sought a total amount of $0.6 million (RMB 4,434,209), which was already accrued for as of December 31, 2019. Upon the request of Dongguan Shanshan for property preservation, the Court of Zhuanghe ordered to freeze CBAK Power's bank deposits totaling $0.6 million (RMB4,434,209) for a period of one year to December 17, 2020. As of March 31, 2020, $32,979 (RMB233,490) was frozen by bank.

On March 20, 2020, CBAK Power received notice from Court of Nanpi County, Hebei Province that Cangzhou Huibang Engineering Manufacturing Co., Ltd ("Cangzhou Huibang") filed lawsuit against CBAK Power for the failure to pay pursuant to the terms of the purchase contract. Cangzhou Huibang sought a total amount of $0.3 million (RMB 2,029,594), including materials purchase cost of $0.3 million (RMB 1,932,947), and interest of $13,651 (RMB 96,647). As of March 31, 2020, the Company has accrued materials purchase cost of $0.3 million (RMB1,932,947). Upon the request of Cangzhou Huibang for property preservation, the Court of Nanpi ordered to freeze CBAK Power's bank deposits totaling $ 0.3 million (RMB 2,029,594) for a period of one year to March 3, 2020. As of March 31, 2020, the Company has accrued materials purchase cost of $0.3 million (RMB1,932,947). As of March 31, 2020, $2,622 (RMB18,562) was frozen by bank.

3. Trade Accounts and Bills Receivable, net

Trade accounts and bills receivable as of December 31, 2019 and March 31, 2020 consisted of the following:

	December 31, 2019	*March 31, 2020*
Trade accounts receivable	$ 12,517,626	$ 15,893,702
Less: Allowance for doubtful accounts	(4,650,686)	(5,237,564)
	7,866,940	10,656,138
Bills receivable	85,480	83,187
	$ 7,952,420	$ 10,739,325

Included in trade accounts and bills receivables are retention receivables of $2,159,356 and $2,123,701 as of December 31, 2019 and March 31, 2020. Retention receivables are interest-free and recoverable at the end of the retention period of three to five years.

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

	March 31, 2019	*March 31, 2020*
Balance at beginning of period	$ 3,657,173	$ 4,650,686
Provision for the period	241,549	871,483
Reversal – recoveries by cash	(170,387)	(198,297)
Charged to consolidated statements of operations and comprehensive (loss) income	71,162	673,186
Foreign exchange adjustment	91,389	(86,308)
Balance at end of period	$ 3,819,724	$ 5,237,564

4. Inventories

Inventories as of December 31, 2019 and March 31, 2020 consisted of the following:

	December 31, 2019	*March 31, 2020*
Raw materials	$ 482,836	$ 598,039
Work in progress	1,254,490	1,718,101
Finished goods	6,929,388	5,113,489
	$ 8,666,714	$ 7,429,629

During the three months ended March 31, 2019 and 2020, write-downs of obsolete inventories to lower of cost or market of $62,772 and $409,062, respectively, were charged to cost of revenues.

5. Prepayments and Other Receivables

Prepayments and other receivables as of December 31, 2019 and March 31, 2020 consisted of the following:

	December 31, 2019	*March 31, 2020*
Value added tax recoverable	$ 4,124,624	$ 3,930,095
Prepayments to suppliers	60,090	150,244
Deposits	63,184	34,745
Staff advances	53,731	45,413
Prepaid operating expenses	317,151	327,749
Others	124,133	157,921
	4,742,913	4,646,167
Less: Allowance for doubtful accounts	(7,000)	(7,000)
	$ 4,735,913	$ 4,639,167

6. Payables to Former Subsidiaries

Payable to former subsidiaries as of December 31, 2019 and March 31, 2020 consisted of the following:

	December 31, 2019	*March 31, 2020*
BAK Tianjin	$ -	$ 10,288
BAK Shenzhen	1,483,352	1,394,391
Shenzhen BAK (note 1)	-	4,279,722
	1,483,352	5,684,401

Balance as of December 31, 2019 and March 31, 2020 consisted of payables for purchase of inventories from BAK Tianjin, BAK Shenzhen 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, 2019 and March 31, 2020 consisted of the following:

	December 31, 2019	*March 31, 2020*
Buildings	$ 27,262,301	$ 26,812,159
Machinery and equipment	22,719,932	22,344,791
Office equipment	204,196	200,824
Motor vehicles	161,980	159,305
	50,348,409	49,517,079
Impairment	(4,126,152)	(4,058,023)
Accumulated depreciation	(8,044,692)	(8,485,131)
Carrying amount	$ 38,177,565	$ 36,973,925

During the three months ended March 31, 2019 and 2020, the Company incurred depreciation expense of $674,847 and $581,491, respectively.

The Company has not yet obtained the property ownership certificates of the buildings in its Dalian manufacturing facilities with a carrying amount of $24,671,045 and $24,075,465 as of December 31, 2019 and March 31, 2020, respectively. The Company built its facilities on the land for which it had already obtained the related land use right. The Company has submitted applications to the Chinese government for the ownership certificates on the completed buildings located on these lands. However, the application process takes longer than the Company expected and it has not obtained the certificates as of the date of this report. However, since the Company has obtained the land use right in relation to the land, the management believe the Company has legal title to the buildings thereon albeit the lack of ownership certificates.

During the course of the Company's strategic review of its operations, the Company assessed the recoverability of the carrying value of the Company's property, plant and equipment. The impairment charge, if any, represented the excess of carrying amounts of the Company's property, plant and equipment over the estimated discounted cash flows expected to be generated by the Company's production facilities. The Company believes that there was no impairment during the three months ended March 31, 2019 and 2020.

8. Construction in Progress

Construction in progress as of December 31, 2019 and March 31, 2020 consisted of the following:

	December 31, 2019	*March 31, 2020*
Construction in progress	$ 21,613,577	$ 21,710,182
Prepayment for acquisition of property, plant and equipment	94,047	149,168
Carrying amount	$ 21,707,624	$ 21,859,350

Construction in progress as of December 31, 2019 and March 31, 2020 was mainly comprised of capital expenditures for the construction of the facilities and production lines of CBAK Power.

For the three months ended March 31, 2019 and 2020, the Company capitalized interest of $350,672 and $316,168, respectively, to the cost of construction in progress.

9. Right-of-use assets

Prepaid land use rights as of March 31, 2020 consisted of the followings:

	Prepaid land lease payments
Balance as of January 1, 2020	$ 7,194,195
Amortization charge for the period	(40,244)
Foreign exchange adjustment	(118,218)
Balance as of March 31, 2020	$ 7,035,733

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

10. Intangible Assets, net

Intangible assets as of December 31, 2019 and March 31, 2020 consisted of the followings:

	December 31, 2019	*March 31, 2020*
Computer software at cost	$ 30,648	$ 30,142
Accumulated amortization	(15,470)	(16,498)
	$ 15,178	$ 13,644

Amortization expenses were $1,574 and $1,301 for the three months ended March 31, 2019 and 2020, respectively.

11. Trade Accounts and Bills Payable

Trade accounts and bills payable as of December 31, 2019 and March 31, 2020 consisted of the followings:

	December 31, 2019	*March 31, 2020*
Trade accounts payable	$ 11,157,014	$ 10,801,796
Bills payable		
– Bank acceptance bills	3,915,094	3,883,077
– Commercial acceptance bills	-	-
	$ 15,072,108	$ 14,684,873

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

The bank acceptance bills were pledged by the Company’s bank deposits (Note 2).

12. Loans

Bank loans:

Bank borrowings as of December 31, 2019 and March 31, 2020 consisted of the followings

	December 31, 2019	*March 31, 2020*
Short-term bank loan	$ 5,730,289	$ 5,635,673
Current maturities of long-term bank loans	10,844,463	10,665,405
Long-term bank borrowings	9,519,029	9,361,855
	$ 26,093,781	$ 25,662,933

On June 4, 2018, the Company obtained banking facilities from China Everbright Bank Dalian Branch with a maximum amount of RMB200 million (approximately $28.3 million) with the term from June 12, 2018 to June 10, 2021, bearing interest at 130% of benchmark rate of the People's Bank of China ("PBOC") for three-year long-term loans, at current rate 6.175% per annum. The loans are repayable in six installments of RMB0.8 million ($0.11 million) on December 10, 2018, RMB24.3 million ($3.43 million) on June 10, 2019, RMB0.8 million ($0.11 million) on December 10, 2019, RMB74.7 million ($10.6 million) on June 10, 2020, RMB0.8 million ($0.11 million) on December 10, 2020 and RMB66.3 million ($9.4 million) on June 10, 2021. Under the facilities, the Company borrowed RMB141.8 million (approximately $20.03 million) as of March 31, 2020. The facilities were secured by the Company's land use rights, buildings, machinery and equipment. The Company repaid the bank loan of RMB0.8 million ($0.11 million), RMB24.3 million ($3.43 million) and RMB0.8 million ($0.11 million) on December 2018, June 2019 and December 2019 respectively.

On June 28, 2020, the Company entered into a supplemental agreement with China Everbright Bank Dalian Branch to change the repayment schedule. According to the agreement, RMB141.8 million (approximately $20.03 million) loans are repayable in eight instalments consisting of RMB1.09 million ($0.15 million) on June 10, 2020, RMB 1 million ($0.14 million) on December 10, 2020, RMB2 million ($0.28 million) on January 10, 2021, RMB2 million ($0.28 million) on February 10, 2021, RMB2 million ($0.28 million) on March 10, 2021, RMB2 million ($0.28 million) on April 10, 2021, RMB2 million ($0.28 million) on May 10, 2021, and RMB129.7 million ($18.3 million) on June 10, 2021, respectively. The Company repaid RMB1.09 million ($0.15 million) on June 28, 2020.

Further, in August 2018, the Company borrowed a total of RMB60 million (approximately $8.5 million) in the form of bills payable from China Everbright Bank Dalian Branch for a term until August 14, 2019, which was secured by the Company's cash totaled $8.5 million. The Company discounted these two bills payable of even date to China Everbright Bank at a rate of 4.0%. The Company repaid these bills payable in August 2019.

On August 22, 2018, the Company obtained one-year term facilities from China Everbright Bank Dalian Branch with a maximum amount of RMB100 million (approximately $14.1 million) including revolving loans, trade finance, notes discount, and acceptance of commercial bills etc. Any amount drawn under the facilities requires security in the form of cash or banking acceptance bills receivables of at least the same amount. Under the facilities, as of December 31, 2018, the Company borrowed a series of bank acceptance bills totaled RMB28.8 million (approximately $4.1 million) for a term until March 7, 2019, which was secured by bills receivable of $4.1 million. The Company repaid the bank acceptance bills on March 7, 2019.

In November 2018, the Company borrowed a total of RMB100 million (approximately $14.1 million) in the form of bills payable from China Everbright Bank Dalian Branch for a term until November 12, 2019, which was secured by the Company's cash totaled RMB 50 million (approximately $7.1 million) and the 100% equity in CBAK Power held by BAK Asia. The Company discounted the bills payable of even date to China Everbright Bank at a rate of 4.0%. The Company repaid these bills payable in November 2019.

The Company also borrowed a series of acceptance bills from Industrial Bank Co., Ltd. Dalian Branch totaled RMB1.5 million (approximately $0.2 million) for various terms through May 21, 2019, which was secured by bills receivable of RMB1.5 million (approximately $0.2 million). The Company repaid the bank acceptance bills on May 21, 2019.

In October 2019, the Company borrowed a total of RMB28 million (approximately $4.0 million) in the form of bills payable from China Everbright Bank Dalian Branch for a term until October 15, 2020, which was secured by the Company's cash totaled RMB28 million (approximately $4.0 million). The Company discounted these bills payable of even date to China Everbright Bank at a rate of 3.30%.

In December 2019, the Company obtained banking facilities from China Everbright Bank Dalian Friendship Branch totaled RMB39.9 million (approximately $5.6 million) for a term until November 6, 2020, bearing interest at 5.655% per annum. The facility was secured by 100% equity in CBAK Power held by BAK Asia and buildings of Hubei BAK Real Estate Co., Ltd., which Mr. Yunfei Li ("Mr. Li"), the Company's CEO holding 15% equity interest. Under the facilities, the Company borrowed RMB39.9 million (approximately $5.6 million) on December 30, 2019.

12. Loans (continued)

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

	December 31, 2019	*March 31, 2020*
Pledged deposits (note 2)	$ 4,021,255	$ 3,954,858
Right-of-use assets (note 9)	7,194,195	7,035,733
Buildings	17,683,961	17,257,055
Machinery and equipment	7,196,810	6,888,037
	$ 36,096,221	$ 35,135,683

As of March 31, 2020, the Company had unutilized committed banking facilities of $6.8 million.

During the three months ended March 31, 2019 and 2020, interest of $381,275 and $397,206, respectively, was incurred on the Company's bank borrowings.

Other Short-term Loans

Other short-term loans as of December 31, 2019 and March 31, 2020 consisted of the following:

	Note	*December 31, 2019*	*March 31, 2020*
Advance from related parties			
– Mr. Xiangqian Li, the Company's Former CEO	(a)	100,000	100,000
– Mr. Yunfei Li	(b)	212,470	411,083
– Shareholders	(c)	86,679	85,248
		399,149	596,331
Advances from unrelated third party			
– Mr. Wenwu Yu	(d)	30,135	29,637
– Mr. Longqian Peng	(d)	646,273	635,602
– Mr. Shulin Yu	(e)	517,018	508,482
– Jilin Province Trust Co. Ltd	(f)	5,687,204	3,418,127
– Suzhou Zhengyuanwei Needle Ce Co., Ltd	(g)	71,808	70,622
		6,952,438	4,662,470
		$ 7,351,587	$ 5,258,801

12. Loans (continued)

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

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

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

In 2019, according to the investment agreements and agreed by the investors, the Company returned partial earnest money of $943,015 (approximately RMB6.7 million) to these investors.

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

As of March 31, 2020, earnest money of $85,248 remained outstanding.

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

(e) On June 25, 2019, the Company entered into a loan agreement with Mr. Shulin Yu, an unrelated party, to loan RMB3.6 million (approximately $0.5 million) for a term of one year, bearing annual interest of 10% and the repayment was guaranteed by Mr. Yunfei Li (the Company's CEO) and Mr. Wenwu Wang (the Company's former CFO). As of March 31, 2020, the Company borrowed RMB3.6 million (approximately $0.5 million). On June 22, 2020, the Company and Mr. Shulin Yu entered into a supplemental agreement to extend the loan for one year to June 24, 2021.

(f) In January 2019, the Company obtained one-year term facilities from Jilin Province Trust Co. Ltd. with a maximum amount of RMB40.0 million (approximately $5.7 million), which was secured by land use rights and buildings of Eodos Liga Energy Co., Ltd. Under the facilities, the Company borrowed a total of RMB39.6 million ($5.7 million) in 2019, bearing annual interest from 11.3% to 11.6%. The Company fully repaid the loan principal and accrued interest in March 2020.

In March 2020, the Company obtained additional one-year term facilities from Jilin Province Trust Co. Ltd with a maximum amount of RMB40.0 million (approximately $5.7 million), which was secured by land use rights and buildings of Eodos Liga Energy Co., Ltd. Under the facilities, the Company borrowed RMB24.2 million ($3.4 million) on March 13, 2020, bearing annual interest of 13.5%.

(g) In 2019, the Company entered into a short term loan agreement with Suzhou Zhengyuanwei Needle Ce Co., Ltd, an unrelated party to loan RMB0.6 million (approximately $0.1 million), bearing annual interest rate of 12%. As of March 31, 2020, loan amount of RMB0.5 million ($70,622) remained outstanding.

13. Accrued Expenses and Other Payables

Accrued expenses and other payables as of December 31, 2019 and March 31, 2020 consisted of the following:

	December 31, 2019	*March 31, 2020*
Construction costs payable	$ 1,335,483	$ 1,316,883
Equipment purchase payable	7,440,131	7,566,645
Liquidated damages (note a)	1,210,119	1,210,119
Accrued staff costs	2,485,384	2,321,541
Compensation costs	109,311	107,506
Customer deposits	600,758	529,579
Other payables and accruals	2,346,403	2,351,325
	$ 15,527,589	$ 15,403,598

(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, 2019 and March 31, 2020, 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, 2019 and March 31, 2020, 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.

14. Deferred Government Grants

Deferred government grants as of December 31, 2019 and March 31, 2020 consist of the following:

	December 31, 2019	*March 31, 2020*
Total government grants	$ 4,260,833	$ 4,155,559
Less: Current portion	(142,026)	(139,681)
Non-current portion	$ 4,118,807	$ 4,015,878

In September 2013, the Management Committee of Dalian Economic Zone Management Committee (the "Management Committee") provided a subsidy of RMB150 million to finance the costs incurred in moving the Company facilities to Dalian, including the loss of sales while the new facilities were being constructed. For the year ended September 30, 2015, the Company recognized $23,103,427 as income after offset of the related removal expenditures of $1,004,027. No such income or offset was recognized in the three months ended March 31, 2019 and 2020.

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 $36,628 and $35,421 for the three months ended March 31, 2019 and 2020, respectively, against depreciation expenses of the Dalian facilities.

15. Product Warranty Provision

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

16. Notes payable

Notes payable as of December 31, 2019 and March 31, 2020 consist of the following:

	December 31, 2019	*March 31, 2020*
Notes payable, net of debt discount	$ 2,846,736	$ 2,715,833

Note I

On July 24, 2019, the Company entered into a securities purchase agreement with Atlas Sciences, LLC (the "Lender"), pursuant to which the Company issued a promissory note (the "Note I") to the Lender. The Note has an original principal amount of $1,395,000, bears interest at a rate of 10% per annum and will mature 12 months after the issuance, unless earlier paid or redeemed in accordance with its terms. The Company received proceeds of $1,250,000 after an original issue discount of $125,000 and payment of Lender's expenses of $20,000. Beginning on the date that is six months after July 24, 2019, Lender shall have the right, exercisable at any time in its sole and absolute discretion, to redeem any amount of this Note up to $250,000 per calendar month by providing written notice to Borrower. The Company recorded the $125,000 as debt discount and is being amortized as interest expense over 12 months period. The Company did not assign any value to the redemption feature of the Note because the redemption of the Note has no value on the redemption portion as of December 31, 2019 and March 31, 2020.

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

16. Notes payable (continued)

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

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

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

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

Note II

On December 30, 2019, the Company entered into a securities purchase agreement with Atlas Sciences, LLC (the "Lender"), pursuant to which the Company issued a promissory note (the "Note II") to the Lender. The Note has an original principal amount of $1,670,000, bears interest at a rate of 10% per annum and will mature 12 months after the issuance, unless earlier paid or redeemed in accordance with its terms. The Company received proceeds of $1,500,000 after an original issue discount of $150,000 and payment of Lender's expenses of $20,000. Beginning on the date that is six months after June 30, 2020, Lender shall have the right, exercisable at any time in its sole and absolute discretion, to redeem any amount of this Note up to $250,000.00 per calendar month by providing written notice to Borrower. The Company recorded the $150,000 as debt discount and is being amortized as interest expense over 12 months period. The Company did not assign any value to the redemption feature of the Note because the redemption of the Note has no value on the redemption portion as of December 31, 2019 and March 31, 2020.

The Company recorded $31,597 and $32,318 to interest expense from the amortization of debt discount and coupon interest for Note I, respectively, for the three months ended March 31, 2020.

The Company recorded $37,500 and $42,081 to interest expense from the amortization of debt discount and coupon interest for Note II, respectively, for the three months ended March 31, 2020.

17. Income Taxes, Deferred Tax Assets and Deferred Tax Liabilities

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

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

	Three months ended March 31,	
	2019	*2020*
PRC income tax:		
Current	$ -	$ -
Deferred	-	-
	$ -	$ -

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

United States Tax

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

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

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

No provision for income taxes in the United States or elsewhere has been made as CBAK had no taxable income for the three months ended March 31, 2019 and 2020.

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 ended March 31, 2019 and 2020 and accordingly no provision for Hong Kong profits tax was made in these periods.

PRC Tax

The CIT Law in China applies an income tax rate of 25% to all enterprises but grants preferential tax treatment to High-New Technology Enterprises. CBAK Power was regarded as a “High-new technology enterprise” pursuant to a certificate jointly issued by the relevant Dalian Government authorities. The certificate was valid for three years commencing from year 2018. Under the preferential tax treatment, CBAK Power was entitled to enjoy a tax rate of 15% for the years from 2018 to 2020 provided that the qualifying conditions as a High-new technology enterprise were met.

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

	Three months ended March 31,	
	2019	*2020*
Loss before income taxes	$ (2,807,333)	$ (2,354,111)
United States federal corporate income tax rate	21%	21%
Income tax credit computed at United States statutory corporate income tax rate	(589,540)	(494,363)
Reconciling items:		
Rate differential for PRC earnings	(99,031)	(69,225)
Non-deductible expenses	65,802	67,679
Share based payments	3,826	63,028
Valuation allowance on deferred tax assets	618,943	432,881
Income tax expenses	$ -	$ -

17. 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:

(b) Deferred tax assets and deferred tax liabilities

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2019 and March 31, 2020 are presented below:

	December 31, 2019	*March 31, 2020*
Deferred tax assets		
Trade accounts receivable	$ 1,225,916	$ 1,360,621
Inventories	1,026,483	940,801
Property, plant and equipment	768,975	763,598
Provision for product warranty	561,733	551,531
Net operating loss carried forward	29,361,274	29,760,711
Valuation allowance	(32,944,381)	(33,377,262)
Deferred tax assets, non-current	$ -	$ -
Deferred tax liabilities, non-current	$ -	$ -

As of December 31, 2019 and March 31, 2020, 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 $30,437,270 and $32,035,020, respectively, which will expire in various years through 2028. Management believes it is more likely than not that the Company will not realize these potential tax benefits as these operations will not generate any operating profits in the foreseeable future. As a result, a valuation allowance was provided against the full amount of the potential tax benefits.

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

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

17. 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, 2020 through March 31, 2020 amount of unrecognized tax benefits excluding interest and penalties ("Gross UTB") is as follows:

	Gross UTB	*Surcharge*	*Net UTB*
Balance as of January 1, 2020	$ 7,042,582	$ -	$ 7,042,582
Increase in unrecognized tax benefits taken in current period	(116,284)	-	(116,284)
Balance as of March 31, 2020	$ 6,926,298	$ -	$ 6,926,298

As of December 31, 2019 and March 31, 2020, the Company had not accrued any interest and penalties related to unrecognized tax benefits.

18. Share-based Compensation

Restricted Shares

Restricted shares granted on June 30, 2015

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

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

All the restricted shares granted in respect of the restricted shares granted on June 30, 2015 had been vested on March 31, 2018. The Company recorded non-cash share-based compensation expense of nil for three months ended March 31, 2019 and 2020.

As of March 31, 2020, there was no unrecognized stock-based compensation associated with the above restricted shares. As of March 31, 2020, 1,667 vested shares were to be issued.

18. 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 $18,219 for the three months ended March 31, 2019, in respect of the restricted shares granted on April 19, 2016.

The Company recorded non-cash share-based compensation expense of nil for the three months ended March 31, 2020, in respect of the restricted shares granted on April 19, 2016.

As of March 31, 2020, there was no unrecognized stock-based compensation associated with the above restricted shares. As of March 31, 2020, 4,167 vested shares were to be issued.

Restricted shares granted on August 23, 2019

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

The Company recorded non-cash share-based compensation expense of $300,135 for three months ended March 31, 2020, in respect of the restricted shares granted on August 23, 2019 of which $254,890, $9,125 and $36,120 were allocated to general and administrative expenses, sales and marketing expenses and research and development expenses.

As of March 31, 2020, non-vested restricted share units granted on August 23, 2019 are as follows:

Non-vested shares as of January 1, 2020	1,505,833
Granted	-
Vested	(293,498)
Forfeited	(58,333)
Non-vested shares as of March 31, 2020	1,154,002

As of March 31, 2020, there was unrecognized stock-based compensation of $664,693 associated with the above restricted shares. As of March 31, 2020, 293,498 vested shares were to be issued.

As the Company itself is an investment holding company which is not expected to generate operating profits to realize the tax benefits arising from its net operating loss carried forward, no income tax benefits were recognized for such stock-based compensation cost under the stock option plan for the three months ended March 31, 2019 and 2020.

19. Loss Per Share

The following is the calculation of loss per share:

	Three months ended March 31,	
	2019	*2020*
Net loss	$ (2,807,333)	$ (2,354,111)
Less: Net loss (profit) attributable to non-controlling interests	19,941	(5,870)
Net loss attributable to shareholders of CBAK Energy Technology, Inc.	$ (2,787,392)	$ (2,359,981)
Weighted average shares used in basic and diluted computation	28,610,072	53,293,776
Loss per share – basic and diluted	$ (0.10)	$ (0.04)

Note: Including 57,832 and 299,332 vested restricted shares granted pursuant to the 2015 Plan that were not yet issued for the three months ended March 31, 2019 and 2020, respectively.

For the three months ended March 31, 2019 and 2020, and 84,830 and 1,154,002 unvested restricted shares were anti-dilutive and excluded from shares used in the diluted computation.

20. 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.

21. Commitments and Contingencies

(i) Capital Commitments

As of December 31, 2019 and March 31, 2020, the Company had the following contracted capital commitments:

	December 31, 2019	*March 31, 2020*
For construction of buildings	$ 3,397,961	$ 3,341,855
Capital injection to CBAK Power, CBAK Trading and CBAK Energy (Note 1)	83,900,000	82,565,000
	$ 87,297,961	$ 85,906,855

(ii) Litigation

From time to time, the Company may become involved in various lawsuits and legal proceedings, which arise, in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these, or other matters, may arise from time to time that may harm our business. Other than the legal proceeding set forth below, the Company is currently not aware of any such legal proceedings or claims that the Company believe will have an adverse effect on our business, financial condition or operating results.

On July 7, 2016, Shenzhen Huijie Purification System Engineering Co., Ltd ("Shenzhen Huijie"), one of the Company's contractors, filed a lawsuit against CBAK Power in the Peoples' Court of Zhuanghe City, Dalian, (the "Court of Zhuanghe") for the failure to pay pursuant to the terms of the contract and entrusted part of the project of the contract to a third party without their prior consent. The plaintiff sought a total amount of $1,190,807 (RMB 8,430,792), including construction costs of $0.9 million (RMB6.1 million, which the Company already accrued for at June 30, 2016), interest of $28,249 (RMB0.2 million) and compensation of $0.3 million (RMB1.9 million). On September 7, 2016, upon the request of Shenzhen Huijie for property preservation, the Court of Zhuanghe froze CBAK Power's bank deposits totaling $1,190,807 (RMB 8,430,792) for a period of one year. On September 1, 2017, upon the request of Shenzhen Huijie, the Court of Zhuanghe froze the bank deposits for another one year until August 31, 2018. The Court further froze the bank deposits for another one year until August 27, 2019 upon the request of Shenzhen Huijie on August 27, 2018. On August 27, 2019, the Court froze the bank deposits for another year until August 27, 2020, upon the request of Shenzhen Huijie.

21. Commitments and Contingencies (continued)

On June 30, 2017, according to the trial of first instance, the Court of Zhuanghe ruled that CBAK Power should pay the remaining contract amount of RMB6,135,860 (approximately $0.9 million) claimed by Shenzhen Huijie as well as other expenses incurred including deferred interest, discounted charge on bills payable, litigation fee and property preservation fee totaled $0.1 million, the Company has accrued for these amounts as of December 31, 2017. On July 24, 2017, CBAK Power filed an appellate petition to the Intermediate Peoples' Court of Dalian ("Court of Dalian)" to defend the adjudication dated on June 30, 2017. On November 17, 2017, the Court of Dalian rescinded the original judgement and remanded the case to the Court of Zhuanghe for retrial. The Court of Zhuanghe did a retrial and requested an appraisal to be performed by a third-party appraisal institution on the construction cost incurred and completed by Shenzhen Huijie on the subject project. On November 8, 2018, the Company received from the Court of Zhuanghe the construction-cost-appraisal report which determined that the construction cost incurred and completed by Shenzhen Huijie for the subject project to be $1,289,548 (RMB9,129,868). On May 20, 2019, the Court of Zhuanghe entered a judgment that Shenzhen Huijie should pay back to CBAK Power $250,616 (RMB 1,774,337) (the amount CBAK Power paid in excess of the construction cost appraised by the appraisal institution) and the interest incurred since April 2, 2019. Shenzhen Huijie filed an appellate petition to the Court of Dalian. On June 28, 2020, the Court of Dalian entered the final judgment that Shenzhen Huijie should pay back to CBAK Power $235,475 (RMB 1,667,146) (the amount CBAK Power paid in excess of the construction cost appraised by the appraisal institution) and the interest incurred since April 2, 2019, and reimburse the litigation fees totaling $29,564 (RMB 209,312.00) that CBAK Power has paid. As of March 31, 2020, the Company has already paid RMB 10,962,140 (approximately $1,548,347) and accrued $0.9 million (RMB 6.1 million) for the construction cost incurred and completed by Shenzhen Huijie.

In May 2017, CBAK Power filed a lawsuit in the Court of Zhuanghe against Pingxiang Anyuan Tourism Bus Manufacturing Co., Ltd., ("Anyuan Bus") one of CBAK Power's customers, for failure to pay pursuant to the terms of the sales contract. CBAK Power sought a total amount of RMB18,279,858 ($2,581,937), including goods amount of RMB17,428,000 ($2,461,617) and interest of RMB851,858 ($120,321). On December 19, 2017, the Court of Zhuanghe determined that Anyuan Bus should pay the goods amount of RMB17,428,000 ($2,461,617) and the interest until the goods amount was paid off, and a litigation fee of RMB131,480 ($18,571). Anyuan Bus did not appeal and as a result, the judgment is currently in the enforcement phase. On June 29, 2018, the Company filed application petition with the Court of Zhuanghe for enforcement of the judgement against all of AnyuanBus' shareholders, including Jiangxi Zhixin Automobile Co., Ltd, Anyuan Bus Manufacturing Co., Ltd, Anyuan Coal Group Co., Ltd, Qian Ronghua, Qian Bo and Li Junfu. On October 22, 2018, the Court of Zhuanghe issued a judgment supporting the Company's petition that all the AnyuanBus' shareholders should be liable to pay the Company the debt as confirmed under the trial. On November 9, 2018, all the shareholders appealed against the judgment after receiving the notice from the Court. On March 29, 2019, the Company received judgment from the Court of Zhuanghe that all these six shareholders cannot be added as judgment debtors. On April 11, 2019, the Company have filed appellate petition to the Intermediate Peoples' Court of Dalian challenging the judgment from the Court of Zhuanghe. On October 9, 2019, the Intermediate Peoples' Court of Dalian dismissed the appeal by the Company and affirmed the original judgment.

As of December 31, 2019 and March 31, 2020, the Company had made a full provision against the receivable from Anyuan Bus of RMB 17,428,000 ($2,461,617).

On July 25, 2019, CBAK Power received notice from Shenzhen Court of International Arbitration that Shenzhen Xinjiatuo Automobile Technology Co., Ltd filed arbitration against the Company for the failure to pay pursuant to the terms of the contract. The plaintiff sought a total amount of $0.16 million (RMB1,112,269), including equipment cost of $0.14 million (RMB976,000) and interest of $0.02 million (RMB136,269). As of March 31, 2020, the Company have accrued the equipment cost of $0.14 million (RMB976,000).

On August 9, 2019, upon the request of Shenzhen Xinjiatuo Automobile Technology Co., Ltd, Shenzhen Court of International Arbitration froze CBAK Power's bank deposits totaling $0.16 million (RMB1,117,269), including equipment cost $0.14 million (RMB976,000), interest $0.02 million (RMB136,269) and litigation fees of $706 (RMB5,000) for a period of one year to August 2020. The Company believes that the plaintiff's claims are without merit and are vigorously defending themselves in this proceeding.

21. Commitments and Contingencies (continued)

On August 7, 2019, CBAK Power filed counter claim arbitration against Shenzhen Xinjiatuo Automobile Technology Co., Ltd for return of the prepayment due to the unqualified equipment, and sought a total amount of $0.28 million (RMB1,986,400), including return of prepayment of $0.2 million (RMB1,440,000), liquidated damages of $67,798 (RMB480,000) and litigation fees of $9,384 (RMB66,440).

In November 2019, CBAK Suzhou received notice from Court of Suzhou city that Suzhou Industrial Park Security Service Co., Ltd ("Suzhou Security") filed a lawsuit against CBAK Suzhou for the failure to pay pursuant to the terms of the sales contract. Suzhou Security sought a total amount of $19,734 (RMB139,713), including services expenses amount of $19,620 (RMB138,908) and interest of $114 (RMB805). Upon the request of Suzhou Security for property preservation, the Court of Suzhou froze CBAK Suzhou's bank deposits totaling $0.02 million (RMB 150,000) for a period of one year. As of March 31, 2020, $31 (RMB218) was frozen by bank and the Company had accrued the service cost of $19,734 (RMB139,713).

In December, 2019, CBAK Power received notice from Court of Zhuanghe that Dalian Construction Electrical Installation Engineering Co., Ltd. ("Dalian Construction") filed a lawsuit against CBAK Power for the failure to pay pursuant to the terms of the construction contract. Dalian Construction sought a total amount of $97,612 (RMB691,086) and interest $1,827 (RMB12,934). As of December 31, 2019, the Company has accrued the construction cost of $97,612 (RMB691,086). Upon the request of Dalian Construction for property preservation, the Court of Zhuanghe ordered to freeze CBAK Power's bank deposits totaling $99,439 (RMB704,020) for a period of one year to December 2020. As of December 31, 2019, $93,397 (RMB661,240) was frozen by bank. In January 2020, CBAK Power and Dalian Construction have come to a settlement, and the bank deposit was then released.

In February 2020, CBAK Power received notice from Court of Zhuanghe that Dongguan Shanshan Battery Material Co., Ltd ("Dongguan Shanshan") filed lawsuit against CBAK Power for the failure to pay pursuant to the terms of the purchase contract. Dongguan Shanshan sought a total amount of $0.6 million (RMB 4,434,209), which have already been accrued for as of March 31, 2020. Upon the request of Dongguan Shanshan for property preservation, the Court of Zhuanghe ordered freeze CBAK Power's bank deposits totaling $0.6 million (RMB4,434,209) for a period of one year to December 17, 2020. As of March 31, 2020, $32,979 (RMB233,490) was frozen by bank.

On March 20, 2020, CBAK Power received notice from Court of Nanpi County, Hebei Province that Cangzhou Huibang Engineering Manufacturing Co., Ltd ("Cangzhou Huibang") filed lawsuit against CBAK Power for the failure to pay pursuant to the terms of the purchase contract. Cangzhou Huibang sought a total amount of $0.3 million (RMB2,029,594), including materials purchase cost of $0.3 million (RMB 1,932,947), and interest of $13,651 (RMB96,647). As of March 31, 2020, the Company has accrued materials purchase cost of $0.3 million (RMB1,932,947).Upon the request of Cangzhou Huibang for property preservation, the Court of Nanpi ordered to freeze CBAK Power's bank deposits totaling $0.3 million (RMB 2,029,594) for a period of one year to March 3, 2020. As of March 31, 2020, $2,622 (RMB18,562) was frozen by bank.

In June 2020, CBAK Suzhou received notice from Court of Suzhou Industrial Park that Ligao (Shandong) New Energy Technology Co., Ltd ("Ligao") filed a lawsuit against CBAK Suzhou for the failure to pay pursuant to the terms of the sales contract. Ligao sought a total amount of $10,961 (RMB77,599), including contract amount of $10,365 (RMB73,380) and interest of $596 (RMB4,219). As of March 31, 2020, the Company had accrued the material purchase cost of $10,961 (RMB77,599).

In June 2020, CBAK Suzhou received notice from Court of Yushui District, Xinyu City that Jiangxi Ganfeng Battery Technology Co., Ltd ("Ganfeng Battery") filed a lawsuit against CBAK Suzhou for the failure to pay pursuant to the terms of the sales contract. Ganfeng Battery sought a total amount of $ 106,750 (RMB755,780), including contract amount of $103,534 (RMB733,009) and interest of $3,216 (RMB22,771). Upon the request of Ganfeng Battery for property preservation, the Court of Yushui froze CBAK Suzhou's bank deposits totaling $108,758 (RMB769,994) for a period of one year. As of March 31, 2020, nil was frozen by bank and the Company had accrued the material purchase cost of $103,534 (RMB 733,009).

In June 2020, CBAK Suzhou received notice from Court of Suzhou Industrial Park that Suzhou Jihongkai Machine Equipment Co., Ltd ("Jihongkai") filed a lawsuit against CBAK Suzhou for the failure to pay pursuant to the terms of the sales contract. Jihongkai sought contract amount of $24,820 (RMB175,722) and interest as accrued until settlement. As of March 31, 2020, the Company had accrued the material purchase cost of $24,820 (RMB175,722).

In early September, 2019, several employees of CBAK Suzhou files arbitration with Suzhou Industrial Park Labor Disputes Arbitration Commission against CBAK Suzhou for failure to pay their salaries in time. The employees seek for a payment including salaries of $90,165 (RMB638,359) and compensation of $76,696 (RMB543,000), totaling $0.17 million (RMB 1,181,359). In addition, upon the request of the employees for property preservation, bank deposit of $0.17 million (RMB 1,181,359) was frozen by the court of Suzhou for a period of one year. On September 5, 2019, CBAK Suzhou and the employees reached an agreement that CBAK Suzhou will pay these salaries and compensation. In February 2020, the Company fully repaid the salaries and compensation. As of March 31, 2020, $6 (RMB43) was frozen by bank.

22. 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 March 31, 2019 and 2020 as follows:

	Three months ended March 31,			
	2019		*2020*	
Customer A	$ 1,321,428	25.55%	$ *	*
Customer B	1,241,675	24.01%	2,093,093	30.33%
Customer C	1,071,820	20.72%	*	*
Customer D	735,494	14.22%	*	*
Customer E	*	*	3,796,267	55.01%

* 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, 2019 and March 31, 2020 as follows:

	December 31, 2019		*March 31, 2020*	
Customer A	$ 902,309	11.47%	$ *	*
Customer B	1,725,293	21.93%	1,617,568	15.18%
Customer C	1,713,628	21.78%	1,544,088	14.49%
Customer E	*	*	4,193,562	39.35%
Customer F	830,821	10.56%	*	*

The Company had the following suppliers that individually comprised 10% or more of net purchase for the three months ended March 31, 2019 and 2020 as follows:

	Three months ended March 31,			
	2019		*2020*	
Supplier A	$ 996,484	32.66%	$ *	*
Shenzhen BAK	*	*	3,841,680	82.43%

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

The Company had the following suppliers that individually comprised 10% or more of accounts payable as of December 31, 2019 and March 31, 2020 as follows:

	December 31, 2019		*March 31, 2020*	
Supplier B	$ 1,126,582	10.10%	$ 1,107,981	10.26%

For the three months ended March 31, 2019 and 2020, the Company recorded the following transactions:

	Three months ended March 31,	
	2019	*2020*
Purchase of inventories from Shenzhen BAK*	$ -	$ 3,841,680
Sales of finished goods to BAK Shenzhen*	$ 83,841	$ 69,226

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

22. Concentrations and Credit Risk (continued)

(b) Credit Risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents and pledged deposits. As of December 31, 2019 and March 31, 2020, 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.

23. 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: aluminium-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 ended March 31, 2019 and 2020 were as follows:

Net revenues by product:

	Three months ended March 31,	
	2019	*2020*
High power lithium batteries used in:		
Electric vehicles	$ 1,214,086	$ 215,118
Light electric vehicles	-	751
Uninterruptable supplies	3,957,589	6,685,405
Total	$ 5,171,675	$ 6,901,274

Net revenues by geographic area:

	Three months ended March 31,	
	2019	*2020*
Mainland China	$ 4,746,726	$ 6,876,789
PRC Taiwan	452	-
Israel	121,678	-
USA	223,465	-
India	79,354	24,485
Total	$ 5,171,675	$ 6,901,274

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

24. Subsequent Events

Coronavirus (COVID-19)

An outbreak of respiratory illness caused by COVID-19 emerged in late 2019 and has spread within the PRC and globally. The coronavirus is considered to be highly contagious and poses a serious public health threat. Any outbreak of health epidemics or other outbreaks of diseases in the PRC or elsewhere in the world may materially and adversely affect the global economy, the markets and the Company business. In the first quarter of 2020, the COVID-19 outbreak has caused disruptions in the Company manufacturing operations and temporary closure of its offices. The disruption in the procurement, manufacturing and assembly process within the Company's production facilities has resulted in delays in the shipment of its products to customers, increased costs and reduced revenue. As of the date of this quarterly report, the Company has fully resumed operations.

As the coronavirus epidemic expands globally, the world economy is suffering a noticeable slowdown. The duration and intensity of disruptions resulting from the coronavirus outbreak is uncertain. It is unclear as to when the outbreak will be contained, and the Company also cannot predict if the impact will be short-lived or long-lasting. Because of the significant uncertainties surrounding the COVID-19 pandemic, the extent of the business interruption and the related financial impact cannot be reasonably estimated at this time.

The Company has analyzed its operations subsequent to March 31, 2020 to the date these condensed consolidated financial statements were issued and has determined that apart from those disclosed elsewhere in these financial statements, it does not have any other material subsequent events to disclose in these condensed consolidated financial statements.

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

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

Special Note Regarding Forward Looking Statements

Statements contained in this report include "forward-looking statements" within the meaning of such term in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We use words such as "believe," "expect," "anticipate," "project," "target," "plan," "optimistic," "intend," "aim," "will" or similar expressions which are intended to identify forward-looking statements. Such statements include, among others, those concerning market and industry segment growth and demand and acceptance of new and existing products; any projections of sales, earnings, revenue, margins or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements regarding future economic conditions or performance; as well as all assumptions, expectations, predictions, intentions or beliefs about future events. You are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, including those identified in Item 1A, "Risk Factors" described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, as well as assumptions, which, if they were to ever materialize or prove incorrect, could cause the results of the Company to differ materially from those expressed or implied by such forward-looking statements.

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

Use of Terms

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

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

Overview

We are 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 acquired 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. For now, we have equipped with complete production equipment which can fulfil most of our customers' needs.

We currently conduct our business through three wholly-owned operating subsidiaries in China that we own through BAK Asia, a holding company formed under the laws of Hong Kong on July 9, 2013, and CBAK Suzhou, a 90% owned subsidiary of CBAK Power, one of our wholly-owned PRC operating subsidiaries:

- CBAK Trading, wholly-owned by BAK Asia, located in Dalian, China, incorporated on August 14, 2013, focuses on the wholesale of lithium batteries and lithium batteries' materials, import & export business and related technology consulting service; and

- CBAK Power, wholly-owned by BAK Asia, located in Dalian, China, incorporated on December 27, 2013, focuses on the development and manufacture of high-power lithium batteries.

- CBAK Suzhou, 90% owned by CBAK Power, located in Suzhou, China, incorporated on May 4, 2018, focuses on the development and manufacture of new energy high power battery packs; and

- CBAK Energy, wholly-owned by BAK Asia, located in Dalian, China, incorporated on November 21, 2019, focuses on the development and manufacture of lithium batteries, wholesale of lithium batteries and lithium batteries' materials, import & export business and related technology consulting service.

We generated revenues of $6.9 million and $5.2 million for the three months ended March 31, 2020 and 2019, respectively. We had a net loss of $2.4 million and $2.8 million in the three months ended March 31, 2020 and 2019 respectively. As of March 31, 2020, we had an accumulated deficit of $178.5 million and net assets of $11.5 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 March 31, 2020.

Due to the growing environmental pollution problem, the Chinese government has been providing support to the development of new energy facilities and vehicles. However, the Chinese government has significantly reduced the amount of subsidies available to electric vehicle makers over the years and this trend continues for the next three years. Given the changing market environment, we plan to continue to focus our resources on the existing cylindrical batteries for UPS market, temporarily reduce the investment on R&D of new products for electric vehicle market and cut down the production of EV batteries. We believe that with the booming market demand in high power lithium ion products, we can continue as a going concern and return to profitability.

Although the COVID-19 pandemic has caused disruptions to our operations, so far it has had limited adverse impacts on our operating results, and our revenue grew by $1.7 million, or 33% for the first quarter of 2020, compared to the same period of 2019. This revenue increase was primarily attributable to an increase of $2.7 million, or 69% in sales of batteries for uninterruptable power supplies ("UPS").

Recent Developments

New Investment

On June 23, 2020, BAK Asia, our wholly-owned Hong Kong subsidiary, entered into a framework investment agreement with Jiangsu Gaochun Economic Development Zone Development Group Company (“Gaochun EDZ”), pursuant to which we intend to develop certain lithium battery projects that aim to have a production capacity of 8Gwh. Gaochun EDZ agreed to provide various support to facilitate the development and operation of the projects.

Financing Activities

The following developments in our financing activities should be read in conjunction with the “Liquidity and Capital Resources” section below, which provides the context and history of these events.

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

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

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

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

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

On June 28, 2020, we entered into a supplemental agreement with China Everbright Bank Dalian Branch to change the repayment schedule. According to the agreement, RMB141.8 million (approximately $20.03 million) loans are repayable in eight instalments consisting of RMB1.09 million ($0.15 million) on June 10, 2020, RMB 1 million ($0.14 million) on December 10, 2020, RMB2 million ($0.28 million) on January 10, 2021, RMB2 million ($0.28 million) on February 10, 2021, RMB2 million ($0.28 million) on March 10, 2021, RMB2 million ($0.28 million) on April 10, 2021, RMB2 million ($0.28 million) on May 10, 2021, and RMB129.7 million ($18.3 million) on June 10, 2021, respectively. We repaid RMB1.09 million ($0.15 million) on June 28, 2020.

Financial Performance Highlights for the Quarter Ended March 31, 2020

The following are some financial highlights for the quarter ended March 31, 2020:

- ***Net revenues:*** Net revenues increased by $1.7 million, or 33%, to $6.9 million for the three months ended March 31, 2020, from $5.2 million for the same period in 2019.

- ***Gross profit (loss):*** Gross profit was $0.2 million, representing an increase of $0.4 million, for the three months ended March 31, 2020, from gross loss of $0.2 million for the same period in 2019.

- ***Operating loss:*** Operating loss was $2.0 million for the three months ended March 31, 2020, reflecting a decrease of $0.5 million from an operating loss of $2.5 million for the same period in 2019.

- ***Net loss:*** Net loss was $2.4 million for the three months ended March 31, 2020, representing a decrease in loss of $0.4 million from net loss of $2.8 million for the same period in 2019.

- ***Diluted loss per share:*** Diluted loss per share was $0.04 for the three months ended March 31, 2020, as compared to diluted loss per share of $0.10 for the same period in 2019.

Financial Statement Presentation

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

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

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

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

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

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

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

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

Finance 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 March 31, 2019 and 2020

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 March 31,		*Change*	
	2019	*2020*	*$*	*%*
Net revenues	$ 5,172	$ 6,901	1,729	33
Cost of revenues	(5,401)	(6,695)	(1,294)	24
Gross (loss) profit	(229)	206	435	190
Operating expenses:				
Research and development expenses	433	299	(134)	(31)
Sales and marketing expenses	364	94	(270)	(74)
General and administrative expenses	1,441	1,115	(326)	(23)
Provision for doubtful accounts	71	673	602	848
Total operating expenses	2,309	2,181	(128)	(6)
Operating loss	(2,538)	(1,975)	563	22
Finance expenses, net	(287)	(428)	(141)	(49)
Other income, net	18	49	31	172
Loss before income tax	(2,807)	(2,354)	453	16
Income tax expenses	-	-	-	
Net loss	$ (2,807)	$ (2,354)	453	16
Less: Net loss (profit) attributable to non-controlling interests	20	(6)	(26)	(130)
Net loss attributable to shareholders of CBAK Energy Technology, Inc.	(2,787)	(2,360)	427	15

Net revenues. Net revenues were $6.9 million for the three months ended March 31, 2020, as compared to $5.2 million for the same period in 2019, representing an increase of $1.7 million, or 33%. Although the COVID-19 pandemic has caused disruptions to our operations, so far it has had limited adverse impacts on our net revenue.

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 March 31,		*Change*	
	2019	*2020*	*$*	*%*
High power lithium batteries used in:				
Electric vehicles	$ 1,214	$ 215	(999)	(82)
Light electric vehicles	-	1	1	100
Uninterruptable supplies	3,958	6,685	2,727	69
Total	$ 5,172	$ 6,901	1,729	33

Net revenues from sales of batteries for electric vehicles were $0.2 million for the three months ended March 31, 2020 as compared to $1.2 million in the same period of 2019, representing a decrease of $1.0 million, or 82%. Pursuant to the "Notice on further completing the Policy of Financial Subsidy for the Promotion and Application of New Energy Vehicles" (Notice 2019), jointly released by the Ministry of Finance, the Ministry of Industry and Information Technology, the Ministry of Science and Technology and the National Development and Reform Commission of the PRC on March 26, 2019, new subsidy standards have been implemented for new energy vehicles sold in China after June 25, 2019. As a result, new energy vehicles will receive different subsidies based on their driving range and technical performance. New energy vehicles providing long driving range and high technical performance will get higher subsidies. We believe the above policies will in long term encourage the production of new energy vehicles, optimize the structure of the new energy vehicles industry, enhance technical standards of the industry and strengthen its core competitiveness, and ultimately foster strategic development of the new energy vehicles.

Net revenues from sales of batteries for uninterruptable power supplies ("UPS") was $6.7 million in the three months ended March 31, 2020, as compared with $4.0 million in the same period in 2019, representing an increase of $2.7 million, or 69%. As we continued to focus more on this market, sale of batteries for uninterruptable power supplies increased significantly.

Cost of revenues. Cost of revenues increased to $6.7 million for the three months ended March 31, 2020, as compared to $5.4 million for the same period in 2019, an increase of $1.3 million, or 24%. Included in cost of revenues were write down of obsolete inventories of $0.4 million for three months ended March 31, 2020, while it was $62,772 for the same period in 2019. We write down the inventory value whenever there is an indication that it is impaired. However, further write-down may be necessary if market conditions continue to deteriorate.

Gross profit (loss). Gross profit for the three months ended March 31, 2020 was $0.2 million, or 3.0% of net revenues as compared to gross loss of $0.2 million, or 4.4% of net revenues, for the same period in 2019. Our Dalian facilities commenced manufacturing activities in July 2015. With our sustained effort, the quality passing rate of our product has improved due to cost control and enhancement construction on production line. As a result, we recorded a gross profit for the three months ended March 31, 2020.

Research and development expenses. Research and development expenses decreased to approximately $0.3 million for the three months ended March 31, 2020, as compared to approximately $0.4 million for the same period in 2019, a decrease of $0.1 million, or 31%. The decrease was primarily resulted from the decrease of salaries and social insurance expenses by approximately $0.1 million due to the suspension of our operations in the first quarter of 2020 caused by COVID-19.

Sales and marketing expenses. Sales and marketing expenses decreased to approximately $0.1 million for the three months ended March 31, 2020, as compared to approximately $0.4 million for the same period in 2019, a decrease of approximately $0.3 million, or 74%. As a percentage of revenues, sales and marketing expenses were 1.4% and 7.0% for the three months ended March 31, 2020 and 2019, respectively. The decrease was primarily resulted from the decrease of salaries and social insurance expenses by approximately $0.1 million due to the suspension of our operations in the first quarter of 2020 caused by COVID-19.

General and administrative expenses. General and administrative expenses decreased to $1.1 million, or 16.2% of revenues, for the three months ended March 31, 2020, as compared to $1.4 million, or 27.9% of revenues, for the same period in 2019, representing a decrease of $0.3 million, or 23%. The decrease was primarily resulted from the decrease of salaries and social insurance expenses by approximately $0.3 million due to the suspension of our operations in the first quarter of 2020 caused by COVID-19.

Provision for doubtful accounts. Provision for doubtful accounts increased to $0.7 million for the three months ended March 31, 2020, as compared to $0.1 million for the same period in 2019. We determine the allowance based on historical write-off experience, customer specific facts and economic conditions.

Operating loss. As a result of the above, our operating loss totaled $2.0 million for the three months ended March 31, 2020, as compared to $2.5 million for the same period in 2019, representing a decrease of $0.5 million, or 22%.

Finance expenses, net. Finance expense, net was $0.4 million for the three months ended March 31, 2020, as compared to $0.3 million for the same period in 2019, representing an increase of $0.1 million. Interest expenses increased as a result of our higher average loan balances.

Income tax. Income tax was nil for the three months ended March 31, 2020 and 2019.

Net loss. As a result of the foregoing, we had a net loss of $2.4 million for the three months ended March 31, 2020, compared to net loss of $2.8 million for the same period in 2019.

Liquidity and Capital Resources

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

We incurred a net loss of $2.4 million for the three months ended March 31, 2020. As of March 31, 2020, we had cash and cash equivalents of $0.2 million. Our total current assets were $28.3 million and our total current liabilities were $60.2 million, resulting in a net working capital deficiency of $31.9 million. These factors raise substantial doubts about our ability to continue as a going concern.

We have obtained banking facilities from various local banks in China. On June 4, 2018, we obtained banking facilities from China Everbright Bank Dalian Branch with a maximum amount of RMB200 million (approximately $29.8 million) with the term from June 12, 2018 to June 10, 2021, bearing interest at 130% of benchmark rate of the People's Bank of China ("PBOC") for three-year long-term loans, at current rate 6.175% per annum. The loans are repayable in six installments of RMB0.8 million ($0.11 million) on December 10, 2018, RMB24.3 million ($3.43 million) on June 10, 2019, RMB0.8 million ($0.11 million) on December 10, 2019, RMB74.7 million ($10.6 million) on June 10, 2020, RMB0.8 million ($0.11 million) on December 10, 2020 and RMB66.3 million ($9.4 million) on June 10, 2021. Under the facilities, we borrowed RMB141.8 million (approximately $20.03 million) as of March 31, 2020. The facilities were secured by our land use rights, buildings, machinery and equipment. We repaid the bank loan of RMB0.8 million ($0.11 million), RMB24.3 million ($3.43 million) and RMB0.8 million ($0.11 million) on December 2018, June 2019 and December 2019, respectively.

On June 28, 2020, we entered into a supplemental agreement with China Everbright Bank Dalian Branch to change the repayment schedule. According to the modification agreement, the RMB141.8 million (approximately $20.03 million) loans are repayable in eight instalments of RMB1.09 million ($0.15 million) on June 10, 2020, RMB 1 million ($0.14 million) on December 10, 2020, RMB2 million ($0.28 million) on January 10, 2021, RMB2 million ($0.28 million) on February 10, 2021, RMB2 million ($0.28 million) on March 10, 2021, RMB2 million ($0.28 million) on April 10, 2021, RMB2 million ($0.28 million) on May 10, 2021, RMB129.7 million ($18.3 million) on June 10, 2021, respectively. We repaid RMB1.09 million ($0.15 million) on June 28, 2020.

In October 2019, we borrowed a total of RMB28 million (approximately $4.0 million) in the form of bills payable from China Everbright Bank Dalian Branch for a term until October 15, 2020, which was secured by the Company's cash totaled RMB28 million (approximately $4.0 million). We discounted these bills payable of even date to China Everbright Bank at a rate of 3.30%.

In December 2019, we obtained banking facilities from China Everbright Bank Dalian Friendship Branch totaled RMB39.9 million (approximately $5.6 million) for a term until November 6, 2020, bearing interest at 5.655% per annum. The facility was secured by 100% equity in CBAK Power held by BAK Asia and buildings of Hubei BAK Real Estate Co., Ltd., which our CEO Mr. Yunfei Li holds 15% equity interest. Under the facilities, the Company borrowed RMB39.9 million (approximately $5.6 million) on December 30, 2019.

In January 2019, we obtained one-year term facilities from Jilin Province Trust Co. Ltd. with a maximum amount of RMB40.0 million (approximately $5.7 million), which was secured by land use rights and buildings of Eodos Liga Energy Co., Ltd. Under the facilities, we borrowed a total of RMB39.6 million ($5.7 million) in 2019, bearing annual interest from 11.3% to 11.6%. We fully repaid the loan principal and accrued interest in March 2020.

In March 2020, we obtained additional one-year term facilities from Jilin Province Trust Co. Ltd. with a maximum amount of RMB40.0 million (approximately $5.7 million), which was secured by land use rights and buildings of Eodos Liga Energy Co., Ltd. Under the facilities, we borrowed RMB24.2 million ($3.4 million) on March 13, 2020, bearing annual interest of 13.5%.

As of March 31, 2020, we had unutilized committed banking facilities of $6.8 million. We plan to renew these loans upon maturity and intend to raise additional funds through bank borrowings in the future to meet our daily cash demands, if required.

In addition, we have obtained funds through private placements and equity financings.

On January 7, 2019, each of Mr. Dawei Li and Mr. Yunfei Li entered into an agreement with CBAK Power and Tianjin New Energy whereby Tianjin New Energy assigned its rights to loans to CBAK Power of approximately $3.4 million (RMB23,980,950) and $1.6 million (RMB11,647,890) (totaled $5.0 million, the "First Debt") to Mr. Dawei Li and Mr. Yunfei Li, respectively.

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

On April 26, 2019, each of Mr. Jun Lang, Ms. Jing Shi and Asia EVK Energy Auto Limited (Asia EVK) entered into an agreement with CBAK Power and Tianjin New Energy whereby Tianjin New Energy assigned its rights to loans to CBAK Power of approximately $0.3 million (RMB2,225,082), $0.1 million (RMB 912,204) and $5.0 million (RMB35,406,036) (collectively $5.4 million, the “Second Debt”) to Mr. Jun Lang, Ms. Jing Shi and Asia EVK, respectively.

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

On June 28, 2019, each of Mr. Dawei Li and Mr. Yunfei Li entered into an agreement with CBAK Power to loan approximately $1.4 million (RMB10,000,000) and $2.5 million (RMB18,000,000) respectively to CBAK Power for a term of six months (collectively $3.9 million, the “Third Debt”). The loan was unsecured, non-interest bearing and repayable on demand.

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

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

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

On October 10, 2019, each of Mr. Shibin Mao, Ms. Lijuan Wang and Mr. Ping Shen entered into an agreement with CBAK Power and Zhengzhou BAK New Energy Vehicle Co., Ltd. (the Company’s supplier of which Mr. Xiangqian Li, the former CEO, is a director of this company) whereby Zhengzhou BAK New Energy Vehicle Co., Ltd. assigned its rights to the unpaid inventories cost owed by CBAK Power of approximately $2.1 million (RMB15,000,000), $1.0 million (RMB7,380,000) and $1.0 million (RMB7,380,000) (collectively $4.1 million, the “Fifth Debt”) to Mr. Shibin Mao, Ms. Lijuan Wang and Mr. Ping Shen, respectively.

On October 14, 2019, we entered into a cancellation agreement with Mr. Shangdong Liu, Mr. Shibin Mao, Ms. Lijuan Wang and Mr. Ping Shen (the creditors). Pursuant to the terms of the cancellation agreement, Mr. Shangdong Liu, Mr. Shibin Mao, Ms. Lijuan Wang and Mr. Ping Shen agreed to cancel and convert the Fifth Debt and the Unpaid Earnest Money of approximately $0.9 million (RMB6,720,000) in exchange for 528,053, 3,536,068, 2,267,798 and 2,267,798 shares of common stock of the Company, respectively, at an exchange price of $0.6 per share. Upon receipt of the shares, the creditors will release the Company from any claims, demands and other obligations relating to the Fifth Debt and the Unpaid Earnest Money. The cancellation agreement contains customary representations and warranties of the creditors. The creditors do not have registration rights with respect to the shares.

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

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

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

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

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

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

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

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

We are currently expanding our product lines and manufacturing capacity in our Dalian plant, which would 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 the financings. 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 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)

	Three Months Ended March 31,	
	2019	*2020*
Net cash (used in) provided by operating activities	$ (4,024)	$ 686
Net cash used in investing activities	(1,222)	(261)
Net cash provided by (used in) financing activities	5,010	(1,937)
Effect of exchange rate changes on cash and cash equivalents, and restricted cash	439	(112)
Net increase (decrease) in cash and cash equivalents, and restricted cash	203	(1,624)
Cash and cash equivalents, and restricted cash at the beginning of period	17,689	7,134
Cash and cash equivalents, and restricted cash at the end of period	$ 17,892	$ 5,510

Operating Activities

Net cash provided by operating activities was $0.7 million in the three months ended March 31, 2020, as compared with net cash used in operating activities of $4.0 million in the same period in 2019. The net cash provided by operating activities for the three months ended March 31, 2020 was mainly attributable to an increase of $4.3 million of trade payables to former subsidiaries and a decrease in inventories of $0.7 million, partially offset by our net loss (excluding non-cash depreciation and amortization, provision for doubtful debts, write-down of inventories and share-based compensation) of $0.4 million, a decrease of trade accounts and bills payable of $0.2 million, and an increase of $3.6 million in trade accounts and bills receivables.

The net cash used in operating activities for the three months ended March 31, 2019 was mainly attributable to settlement of trade accounts and bills payable of $8.3 million, our net loss (before loss on disposal of property, plant and equipment, and excluding non-cash depreciation and amortization) of $1.9 million and $1.1 million on settlement of trade payables to former subsidiaries, partially offset by a decrease of $1.3 million for prepayments and other receivables and a decrease of $5.4 million for trade accounts and bills receivables.

Investing Activities

Net cash used in investing activities was $0.3 million for the three months ended March 31, 2020, as compared to $1.2 million in the same period of 2019. The net cash used in investing activities comprised the purchases of property, plant and equipment and construction in progress.

Financing Activities

Net cash used in financing activities was $1.9 million in the three months ended March 31, 2020, as compared to net cash provided by financing activities of $5.0 million in the same period in 2019. The net cash used in financing activities for the three months ended March 31, 2020 was mainly attributable to repayment of borrowings of $5.7 million to Jilin Province Trust Co. Ltd., partially offset by borrowing of $3.5 million from Jilin Province Trust Co. Ltd. under a renewed credit facility. The net cash provided by financing activities in the three months ended March 31, 2019 mainly comprised borrowing of $5.9 million from an unrelated party, $0.3 million from related parties, partially offset by repayment of borrowing of $0.4 million from related parties and repaid $0.8 million of earnest money to our shareholders.

As of March 31, 2020, 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:		
China Everbright Bank	$ 24,575	$ 20,027
Other lines of credit:		
China Everbright Bank	$ 9,519	$ 9,519
Other short term loan:		
Jilin Province Trust Co. Ltd	$ 5,650	$ 3,418
Total	$ 39,744	$ 32,964

Capital Expenditures

We incurred capital expenditures of $0.3 million and $1.2 million in the three months ended March 31, 2020 and 2019, 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, 2020 will reach approximately $4.0 million. Such funds will be used to construct new plants and expand new automatic manufacturing lines to fulfil our customer demands.

Contractual Obligations and Commercial Commitments

The following table sets forth our contractual obligations and commercial commitments as of March 31, 2020:

(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	$ 5,636	$ 5,636	$ -	$ -	$ -
Current maturities of long-term bank loans	10,665	10,665	-	-	-
Long-term bank loans	9,362	-	9,362	-	-
Bills payables	3,883	3,883	-	-	-
Payable to former subsidiaries	5,684	5,684	-	-	-
Other short-term loans	5,259	5,259	-	-	-
Notes payable	2,880	2,880	-	-	-
Capital injection to CBAK Trading	2,565	2,565	-	-	-
Capital injection to CBAK Power	30,000	30,000	-	-	-
Capital injection to CBAK Energy	50,000	50,000	-	-	-
Capital commitments for construction of buildings	3,342	3,342	-	-	-
Future interest payment on bank loans	1,677	1,555	122	-	-
Future interest payment on other short-term loan	405	405	-	-	-
Total	$ 131,358	$ 121,874	$ 9,484	$ -	$ -

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 March 31, 2020.

Off-Balance Sheet Transactions

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

Critical Accounting Policies

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

There were no material changes to the critical accounting policies previously disclosed in our audited consolidated financial statements for the year ended December 31, 2019 included in the Annual Report on Form 10-K filed on May 14, 2020.

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 March 31, 2020. 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 March 31, 2020.

As we disclosed in our Annual Report on Form 10-K filed with the SEC on May 14, 2020, during our assessment of the effectiveness of internal control over financial reporting as of December 31, 2019, management identified the following material weakness in our internal control over financial reporting:

- We did not have appropriate policies and procedures in place to evaluate the proper accounting and disclosures of key documents and agreements.

- We do not have sufficient and skilled accounting personnel with an appropriate level of technical accounting knowledge and experience in the application of accounting principles generally accepted in the United States commensurate with our financial reporting requirements.

In order to cure the foregoing material weakness, we have taken or are taking the following remediation measures:

- We are in the process of hiring a permanent chief financial officer with significant U.S. GAAP and SEC reporting experience. Ms. Xiangyu Pei was appointed by the Board of Directors of the Company as the Interim Chief Financial Officer on August 23, 2019.

- We plan to make necessary changes by providing training to our financial team and our other relevant personnel on the U.S. GAAP accounting guidelines applicable to our financial reporting requirements.

We 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 March 31, 2020 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.

From time to time, we may become involved in various lawsuits and legal proceedings, which arise, in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these, or other matters, may arise from time to time that may harm our business. Other than the legal proceedings set forth below, we are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results:

On July 7, 2016, Shenzhen Huijie Purification System Engineering Co., Ltd (“Shenzhen Huijie”), one of the Company’s contractors, filed a lawsuit against CBAK Power in the Peoples’ Court of Zhuanghe City, Dalian (the “Court of Zhuanghe”) for the failure to pay pursuant to the terms of the contract and entrusted part of the project of the contract to a third party without their prior consent. The plaintiff sought a total amount of $1,190,807 (RMB 8,430,792), including construction costs of $0.9 million (RMB6.1 million, which the Company already accrued for at June 30, 2016), interest of $28,249 (RMB0.2 million) and compensation of $0.3 million (RMB1.9 million). On September 7, 2016, upon the request of Shenzhen Huijie for property preservation, the Court of Zhuanghe froze CBAK Power’s bank deposits totaling $1,190,807 (RMB 8,430,792) for a period of one year. Further on September 1, 2017, upon the request of Shenzhen Huijie, the Court of Zhuanghe froze the bank deposits for another one year until August 31, 2018. Further on August 27, 2018, the Court of Zhuanghe froze the bank deposits for another year until August 27, 2019, upon the request of Shenzhen Huijie. On August 27, 2019, the Court of Zhuanghe froze the bank deposits for another year until August 27, 2020, upon the request of Shenzhen Huijie.

On June 30, 2017, according to the trial of first instance, the Court of Zhuanghe ruled that CBAK Power should pay the remaining contract amount of RMB6,135,860 (approximately $0.9 million) claimed by Shenzhen Huijie as well as other expenses incurred including deferred interest, discounted charge on bills payable, litigation fee and property preservation fee totaled $0.1 million, the Company has accrued for these amounts as of December 31, 2017. On July 24, 2017, CBAK Power filed an appellate petition to the Intermediate Peoples’ Court of Dalian (the “Court of Dalian)” to defend the adjudication dated on June 30, 2017. On November 17, 2017, the Court of Dalian rescinded the original judgement and remanded the case to the Court of Zhuanghe for retrial. The Court of Zhuanghe did a retrial and requested an appraisal to be performed by a third-party appraisal institution on the construction cost incurred and completed by Shenzhen Huijie on the subject project. On November 8, 2018, we received from the Court of Zhuanghe that construction-cost-appraisal report which determined that the construction cost incurred and completed by Shenzhen Huijie for the subject project to be $1,289,548 (RMB9,129,868). On May 20, 2019, the Court of Zhuanghe entered a judgment that Shenzhen Huijie should pay back to CBAK Power $250,616 (RMB 1,774,337) (the amount CBAK Power paid in excess of the construction cost appraised by the appraisal institution) and the interest incurred since April 2, 2019. Shenzhen Huijie filed an appellate petition to the Court of Dalian. On June 28, 2020, the Court of Dalian entered the final judgment that Shenzhen Huijie should pay back to CBAK Power $235,475 (RMB 1,667,146) (the amount CBAK Power paid in excess of the construction cost appraised by the appraisal institution) and the interest incurred since April 2, 2019, and reimburse the litigation fees totaling $29,564 (RMB 209,312) that CBAK Power has paid. As of March 31, 2020, we have already paid RMB 10,962,140 (approximately $1,548,347) and accrued RMB6.1 million (approximately $0.9 million) for the construction cost incurred and completed by Shenzhen Huijie.

In May 2017, CBAK Power filed a lawsuit in the Court of Zhuanghe against PingxiangAnyuan Tourism Bus Manufacturing Co., Ltd., ("Anyuan Bus") one of CBAK Power's customers, for failure to pay pursuant to the terms of the sales contract. CBAK Power sought a total amount of RMB18,279,858 ($2,581,937), including goods amount of RMB17,428,000 ($2,461,617) and interest of RMB851,858 ($126,928). On December 19, 2017, the Court of Zhuanghe determined that Anyuan Bus should pay the goods amount of RMB17,428,000 ($2,596,792) and the interest until the goods amount was paid off, and a litigation fee of RMB131,480 ($19,591). Anyuan Bus did not appeal and as a result, the judgment is currently in the enforcement phase. On June 29, 2018, we filed a petition with the Court of Zhuanghe for enforcement of the judgement against all of Anyuan Bus's shareholders, including Jiangxi Zhixin Automobile Co., Ltd, Anyuan Bus Manufacturing Co., Ltd, Anyuan Coal Group Co., Ltd, Qian Ronghua, Qian Bo and Li Junfu. On October 22, 2018, the Court of Zhuanghe issued a judgment supporting the our petition that all the Anyuan Bus's shareholders should be liable to pay us the debt as confirmed under the trial. On November 9, 2018, all the shareholders appealed against the judgment after receiving the notice from the Court of Zhuanghe. On March 29, 2019, we received judgment from the Court of Zhuanghe that all these six shareholders cannot be added as judgment debtors. On April 11, 2019, we have filed an appellate petition to the Intermediate People's Court of Dalian challenging the judgment from the Court of Zhuanghe. On October 9, 2019, the Intermediate Peoples' Court of Dalian dismissed the appeal by us and affirmed the original judgment. As of March 31, 2019 and 2020, we had made a full provision against the receivable from Anyuan Bus of RMB17,428,000 ($2,461,617).

On July 25, 2019, CBAK Power received notice from Shenzhen Court of International Arbitration that Shenzhen Xinjiatuo Automobile Technology Co., Ltd filed arbitration against the Company for the failure to pay pursuant to the terms of the contract. The plaintiff sought a total amount of $0.16 million (RMB1,112,269), including equipment cost of $0.14 million (RMB976,000) and interest of $0.02 million (RMB136,269). As of March 31, 2020, we have accrued the equipment cost of $0.14 million (RMB976,000).

On August 9, 2019, upon the request of Shenzhen Xinjiatuo Automobile Technology Co., Ltd, Shenzhen Court of International Arbitration froze CBAK Power's bank deposits totaling $0.16 million (RMB1,117,269), including equipment cost $0.14 million (RMB976,000), interest $0.02 million (RMB136,269) and litigation fees of $706 (RMB5,000) for a period of one year to August 2020. We believe that the plaintiff's claims are without merit and are vigorously defending ourselves in this proceeding.

On August 7, 2019, CBAK Power filed counterclaim arbitration against Shenzhen Xinjiatuo Automobile Technology Co., Ltd for return of the prepayment due to the unqualified equipment, and sought a total amount of $0.28 million (RMB1,986,400), including return of prepayment of $0.2 million (RMB1,440,000), liquidated damages of $67,798 (RMB480,000) and litigation fees of $9,384 (RMB66,440).

In November 2019, CBAK Suzhou received notice from Court of Suzhou city that Suzhou Industrial Park Security Service Co., Ltd ("Suzhou Security") filed lawsuit against CBAK Suzhou for the failure to pay pursuant to the terms of the sales contract. Suzhou Security sought a total amount of $19,734 million (RMB139,713), including services expense of $19,620 million (RMB138,908) and interest of $114 (RMB805). Upon the request of Suzhou Security for property preservation, the Court of Suzhou froze CBAK Suzhou's bank deposits totaling $0.02 million (RMB 150,000) for a period of one year. As of March 31, 2020, nil was frozen by bank and we have accrued the service cost of $19,734 (RMB139,713).

In December 2019, CBAK Power received notice from Court of Zhuanghe that Dalian Construction Electrical Installation Engineering Co., Ltd. ("Dalian Construction") filed a lawsuit against CBAK Power for the failure to pay pursuant to the terms of the construction contract. Dalian Construction sought a total amount of $97,612 (RMB691,086) and interest $1,827 (RMB12,934). As of December 31, 2019, the Company has accrued the construction cost of $97,612 (RMB691,086). Upon the request of Dalian Construction for property preservation, the Court of Zhuanghe ordered to freeze CBAK Power's bank deposits totaling $99,439 (RMB704,020) for a period of one year to December 2020. As of March 31, 2020, $94,965 (RMB661,240) was frozen by bank. In January 2020, CBAK Power and Dalian Construction have reached a settlement, and the bank deposit was then released.

In February 2020, CBAK Power received notice from Court of Zhuanghe that Dongguan Shanshan Battery Material Co., Ltd ("Dongguan Shanshan") filed lawsuit against CBAK Power for the failure to pay pursuant to the terms of the purchase contract. Dongguan Shanshan sought a total amount of $0.6 million (RMB4,434,209), which has already been accrued for as of March 31, 2020. Upon the request of Dongguan Shanshan for property preservation, the Court of Zhuanghe ordered to freeze CBAK Power's bank deposits totaling $0.6 million (RMB4,434,209) for a period of one year to December 17, 2020. As of March 31, 2020, $32,979 (RMB233,490) was frozen by bank.

On March 20, 2020, CBAK Power received notice from Court of Nanpi County, Hebei Province that Cangzhou Huibang Engineering Manufacturing Co., Ltd ("Cangzhou Huibang") filed lawsuit against CBAK Power for the failure to pay pursuant to the terms of the purchase contract. Cangzhou Huibang sought a total amount of $0.3 million (RMB2,029,594), including materials purchase cost of $0.3 million (RMB1,932,947), and interest of $13,651 (RMB96,647). As of March 31, 2020, we have accrued materials purchase cost of $0.3 million (RMB1,932,947). Upon the request of Cangzhou Huibang for property preservation, the Court of Nanpi ordered to freeze CBAK Power's bank deposits totaling $0.3 million (RMB2,029,594) for a period of one year to March 3, 2020. As of March 31, 2020, $2,622 (RMB18,562) was frozen by bank.

In June 2020, CBAK Suzhou received notice from Court of Suzhou Industrial Park that Ligao (Shandong) New Energy Technology Co., Ltd ("Ligao") filed a lawsuit against CBAK Suzhou for the failure to pay pursuant to the terms of the sales contract. Ligao sought a total amount of $10,961 (RMB77,599), including contract amount of $10,365 (RMB73,380) and interest of $596 (RMB4,219). As of March 31, 2020, the Company had accrued the material purchase cost of $10,961 (RMB77,599).

In June 2020, CBAK Suzhou received notice from Court of Yushui District, Xinyu City that Jiangxi Ganfeng Battery Technology Co., Ltd ("Ganfeng Battery") filed a lawsuit against CBAK Suzhou for the failure to pay pursuant to the terms of the sales contract. Ganfeng Battery sought a total amount of $ 106,750 (RMB755,780), including contract amount of $103,534 (RMB733,009) and interest of $3,216 (RMB22,771). Upon the request of Ganfeng Battery for property preservation, the Court of Yushui froze CBAK Suzhou's bank deposits totaling $108,758 (RMB769,994) for a period of one year. As of March 31, 2020, nil was frozen by bank and the Company had accrued the material purchase cost of $103,534 (RMB 733,009).

In June 2020, CBAK Suzhou received notice from Court of Suzhou Industrial Park that Suzhou Jihongkai Machine Equipment Co., Ltd ("Jihongkai") filed a lawsuit against CBAK Suzhou for the failure to pay pursuant to the terms of the sales contract. Jihongkai sought contract amount of $24,820 (RMB175,722) and interest as accrued until settlement. As of March 31, 2020, the Company had accrued the material purchase cost of $24,820 (RMB175,722).

In early September of 2019, several employees of CBAK Suzhou filed arbitration with Suzhou Industrial Park Labor Disputes Arbitration Commission against CBAK Suzhou for failure to pay their salaries in time. The employees seek for a payment including salaries of $90,165 (RMB638,359) and compensation of $76,696 (RMB543,000), totaling $0.17 million (RMB1,181,359). In addition, upon the request of the employees for property preservation, bank deposit of $0.17 million (RMB1,181,359) was frozen by the court of Suzhou for a period of one year. On September 5, 2019, CBAK Suzhou and the employees reached an agreement that CBAK Suzhou will pay these salaries and compensation. In February 2020, we fully repaid the salaries and compensation. As of March 31, 2020, $6 (RMB43) was frozen by bank.

ITEM 1A. RISK FACTORS.

There are no material changes from the risk factors previously disclosed in Item 1A "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

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

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

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

Exhibit No.	Description
31.1	Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Principal Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certifications of Principal Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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: July 2, 2020

CBAK ENERGY TECHNOLOGY, INC.

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

By: /s/ Xiangyu Pei
Xiangyu Pei
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.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

EXHIBIT 31.1

CERTIFICATIONS

I, Yunfei Li, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CBAK Energy Technology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 2, 2020

/s/ Yunfei Li

Yunfei Li
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, Xiangyu Pei, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CBAK Energy Technology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 2, 2020

/s/ Xiangyu Pei

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

EXHIBIT 32.1

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

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

1. The Company’s Quarterly Report on Form 10-Q for the period ended March 31, 2020 (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 2nd day of July, 2020.

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

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

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

EXHIBIT 32.2

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

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

1. The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2020 (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 2nd day of July, 2020.

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

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

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