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

FORM 10-K

(Mark One)
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: **December 31, 2018**

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

For the transition period from ____________to _____________

Commission File No. **001-32898**

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.)

CBAK Industrial Park, Meigui Street
Huayuankou Economic Zone
Dalian City, Liaoning Province,
People's Republic of China, 116450
(Address of Principal Executive Offices)

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

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

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $0.001 per share	The NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Exchange Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☒	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 registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes ☐ No ☒

As of June 29, 2018 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the shares of the registrant's common stock held by non-affiliates (based upon the closing sale price of such shares as reported on The NASDAQ Global Market) was approximately $20.6 million. Shares of the registrant's common stock held by each executive officer and director and by each person who owns 10% or more of the outstanding common stock have been excluded from the calculation in that such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

There were a total of 31,745,518 shares of the registrant's common stock outstanding as of April 12, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

None.

CBAK ENERGY TECHNOLOGY, INC.

Annual Report on Form 10-K

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INTRODUCTORY NOTE

Use of Terms

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

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

On January 10, 2017, CBAK Energy Technology, Inc. (formerly China BAK Battery, Inc.) filed Articles of Merger with the Secretary of State of Nevada to effectuate a merger between the Company and the Company's newly formed, wholly owned subsidiary, CBAK Merger Sub, Inc. (the "Merger Sub"). According to the Articles of Merger, effective January 16, 2017, the Merger Sub merged with and into the Company with the Company being the surviving entity (the "Merger").

As permitted by Chapter 92A.180 of Nevada Revised Statutes, the sole purpose of the Merger was to effect a change of the Company's name. Upon the effectiveness of the filing of Articles of Merger with the Secretary of State of Nevada, which is January 16, 2017, the Company's Articles of Incorporation were deemed amended to reflect the change in the Company's corporate name.

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

Effective on November 30, 2018, the trading symbol for our common stock, which trades on the Nasdaq Global Market, was changed from CBAK to CBAT.

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 and Section 21E of the Exchange Act. Forward-looking statements involve known and unknown risks, uncertainties and other factors which could cause actual financial or operating results, performances or achievements expressed or implied by such forward-looking statements not to occur or be realized. Forward-looking statements made in this report generally are based on our best estimates of future results, performances or achievements, predicated upon current conditions and the most recent results of the companies involved and their respective industries. Forward-looking statements may be identified by the use of forward-looking terminology such as "may," "will," "could," "should," "project," "expect," "believe," "estimate," "anticipate," "intend," "continue," "potential," "opportunity" or similar terms, variations of those terms or the negative of those terms or other variations of those terms or comparable words or expressions. Potential risks and uncertainties include, among other things, such factors as:

- our ability to continue as a going concern;
- our ability to remain listed on a national securities exchange;
- our ability to timely complete the construction of our Dalian facilities and commence its full commercial operations;
- our anticipated growth strategies and our ability to manage the expansion of our business operations effectively;
- our future business development, results of operations and financial condition;
- our ability to fund our operations and manage our substantial short-term indebtedness;
- our ability to maintain or increase our market share in the competitive markets in which we do business;
- our ability to keep up with rapidly changing technologies and evolving industry standards, including our ability to achieve technological advances;
- our ability to diversify our product offerings and capture new market opportunities;
- our ability to obtain original equipment manufacturer, or OEM, qualifications from brand names;
- our ability to source our needs for skilled labor, machinery and raw materials economically;
- uncertainties with respect to the PRC legal and regulatory environment;
- other risks identified in this report and in our other reports filed with the SEC, including those identified in "Item 1A. Risk Factors" below.

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. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. The forward-looking statements made in this report speak only as of the date hereof and we disclaim any obligation to provide updates, revisions or amendments to any forward-looking statements to reflect changes in our expectations or future events.

PART I

ITEM 1. BUSINESS.

Overview of Our Business

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

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

We have received most of the operating assets, including customers, employees, patents and technologies of our former subsidiary, BAK International (Tianjin) Ltd. ("BAK Tianjin"). Such assets were acquired in exchange for a reduction in receivables from our former subsidiaries that were disposed in June 2014. For now, we have equipped with complete production equipment which can fulfill most of our customers' needs. For the fiscal year ended December 31, 2018, we purchased batteries approximately of $2.0 million, $0.7 million and $0.1 million from Zhengzhou BAK Battery Co., Ltd ("Zhengzhou BAK"), BAK Tianjin and our former subsidiary, Shenzhen BAK Power Battery Co., Ltd ("BAK Shenzhen") respectively.

On January 16, 2017, the Board of Directors of the Company approved a change in the Company's fiscal year end from September 30 to December 31. As a result of the change, our 2017 fiscal year began on January 1, 2017 and ended on December 31, 2017.

We generated revenues of $24.4 million and $58.4 million for the fiscal years ended December 31, 2018 and 2017 respectively. We had a net loss of $2.0 million and $21.5 million in fiscal years ended December 31, 2018 and December 31, 2017, respectively. As of December 31, 2018, we had an accumulated deficit of $165.4 million and net assets of $0.3 million. We had a working capital deficiency and accumulated deficit from recurring net losses and short-term debt obligations maturing in less than one year as of December 31, 2018.

On June 14, 2016, we renewed our banking facilities from Bank of Dandong for loans with a maximum amount of RMB130 million (approximately $18.9 million), including three-year long-term loans and three-year revolving bank acceptance and letters of credit bills for the period from June 13, 2016 to June 12, 2019. The banking facilities were guaranteed by Mr. Yunfei Li ("Mr. Li"), our CEO, and Ms. Qinghui Yuan, Mr. Li's wife, Mr. Xianqian Li, our former CEO, Ms. Xiaoqiu Yu, the wife of our former CEO and Shenzhen BAK Battery Co., Ltd., our former subsidiary ("Shenzhen BAK"). The facilities were also secured by part of our Dalian site's prepaid land use rights, buildings, construction in progress, machinery and equipment and pledged deposits. Under the banking facilities, we borrowed various three-year term bank loans that totaled RMB126.8 million (approximately $18.4 million), bearing fixed interest at 7.2% per annum. We also borrowed a series of revolving bank acceptance totaled $0.5 million from Bank of Dandong under the credit facilities, and bank deposit of 50% was required to secure against these bank acceptance bills. We repaid the loan and bank acceptance bills on June 12, 2018.

In the second quarter of 2018, we obtained additional banking facilities from Bank of Dandong with bank acceptance bills of RMB5.0 million (approximately $0.7 million) for a term until October 17, 2018. We have borrowed a series of bank acceptance bills totaled RMB 5.0 million (approximately $0.7 million) for a term until October 17, 2018. We repaid the bank acceptance bills on October 17, 2018.

On July 6, 2016, we obtained banking facilities from Bank of Dalian for loans with a maximum amount of RMB10 million (approximately $1.5 million) and bank acceptance bills of RMB40 million (approximately $5.8 million) to July, 2017. The banking facilities were guaranteed by Mr. Li, our CEO, and Ms. Qinghui Yuan, Mr. Li's wife, and Shenzhen BAK. Under the banking facilities, on July 6, 2016 we borrowed one year short-term loan of RMB10 million (approximately $1.5 million), bearing a fixed interest rate at 6.525% per annum. We also borrowed revolving bank acceptance totaled RMB40 million (approximately $5.8 million), and bank deposit of 50% was required to secure against these bank acceptance bills. We repaid the loan and bank acceptance bills in July and August 2017.

On November 9, 2017, we obtained banking facilities from China Everbright Bank Dalian Branch with a maximum amount of RMB100 million (approximately $14.5 million) with the term expiring on November 7, 2018. The banking facilities were secured by the 100% equity in CBAK Power held by BAK Asia. Under the facilities, on November 10, 2017, we borrowed a net letter of credit of RMB96.1 million (approximately $14.0 million) to November 7, 2018. Under the facilities, bank deposit of approximate 50% was required to secure against this letter of credit. We discounted this letter of credit of even date to China Everbright Bank at a rate of 4.505%. We repaid the letter of credit on November 7, 2018.

On June 4, 2018, we obtained banking facilities from China Everbright Bank Dalian Branch with a maximum amount of RMB200 million (approximately $29.1 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, which is currently 6.715% per annum. Under the facilities, we borrowed RMB126.0 million ($18.3 million), RMB23.3 million ($3.4 million), RMB9.0 million ($1.3 million) and RMB9.5 million ($1.4 million) on June 12, June 20, September 20, and October 19, 2018, respectively. The loans are repayable in six installments of RMB0.8 million ($0.12 million) on December 10, 2018, RMB24.0 million ($3.54 million) on June 10, 2019, RMB0.8 million ($0.12 million) on December 10, 2019, RMB74.7 million ($10.86 million) on June 10, 2020, RMB0.8 million ($0.12 million) on December 10, 2020 and RMB66.3 million ($9.64 million) on June 10, 2021. Under the facilities, we borrowed RMB167.0 million ($24.3 million) as of December 31, 2018. The facilities were secured by our Dalian site's land use rights and part of our Dalian site's buildings, machinery and equipment. We repaid the bank loan of RMB0.8 million ($0.12 million) on December 10, 2018.

Further in August 2018, we borrowed a total of RMB60 million (approximately $8.7 million) in the form of bills payable from China Everbright Bank Dalian Branch for a term until August 14, 2019, which was secured by our cash totaled $8.7 million. We discounted these two bills payable of even date to China Everbright Bank at a rate of 4.0%.

On August 22, 2018, we obtained one-year term facilities from China Everbright Bank Dalian Branch with a maximum amount of RMB100 million (approximately $14.5 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, we borrowed a series of bank acceptance bills totaled RMB28.8 million (approximately $4.2 million) for a term until March 7, 2019, which was secured by bills receivables of $4.2 million. We repaid the bank acceptance bills on March 7, 2019.

In November 2018, we borrowed a total of RMB100 million (approximately $14.5 million) in the form of bills payable from China Everbright Bank Dalian Branch for a term until November 12, 2019, which was secured by our cash totaled RMB50 million (approximately $7.3 million) and the 100% equity in CBAK Power held by BAK Asia. We discounted these five bills payable of even date to China Everbright Bank at a rate of 4.0%.

On August 2, 2017, we obtained one-year term facilities from China Merchants Bank with a maximum amount of RMB100 million (approximately $14.5 million) including revolving loans, trade finance, notes discount, acceptance of commercial bills etc. Any amount drawn under the facilities requires security in the form of cash or banking acceptance bills receivable of at least the same amount. Under the facilities, we borrowed a series of bank acceptance bills from China Merchants Bank totaled RMB21.3 million (approximately $3.1 million) for a term until October 25, 2018. The facilities expired on August 1, 2018 and we repaid the bills on October 25, 2018.

As of December 31, 2018, we also borrowed a series of acceptance bills from Industrial Bank Co., Ltd. Dalian Branch totaled RMB15.0 million (approximately $2.2 million) for various terms through May 21, 2019, which was secured by bank deposits of $0.02 million and bills receivable of $2.2 million.

As of December 31, 2018, we had unutilized committed banking facilities of $15.0 million. We plan to renew these loans upon maturity, and intend to raise additional funds through bank borrowings and equity financing in the future to meet our daily cash demands, if required.

In January 2019, the Company obtained one-year term facilities from Jilin Province Trust Co. Ltd. with a maximum amount of RMB40.0 million (approximately $5.8 million), which was secured by land use rights and buildings of Eodos Liga Energy Co., Ltd. Under the facilities, we borrowed RMB16.4 million ($2.4 million), RMB15.4 million ($2.2 million), RMB6.6 million ($1.0 million) and RMB1.2 million ($0.2 million) on February 1, 2019, February 22, 2019, March 8, 2019 and March 21, 2019, respectively.

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

On February 17, 2017, we signed a letter of understanding with each of eight individual investors, who are also our current shareholders, including our CEO, Mr. Yunfei Li, whereby these shareholders agreed to subscribe for new shares of our common stock totaling $10 million. In April and May 2017, we received cash of $9.6 million from these shareholders. On May 31, 2017, we entered into a securities purchase agreement with these investors, pursuant to which we agreed to issue an aggregate of 6,403,518 shares of common stock, par value $0.001 per share to these investors, at a purchase price of $1.50 per share, for an aggregate price of $9.6 million, including 746,018 shares issued to Mr. Yunfei Li, our CEO. On June 22, 2017, we issued the shares to the 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 $3.5 million (RMB23,980,950) and $1.7 million (RMB11,647,890) (totaled $5.2 million, the "Debts") to Mr. Dawei Li and Mr. Yunfei Li, respectively.

On January 7, 2019, the Company entered into a Cancellation Agreement (the "Cancellation Agreement") with Mr. Dawei Li and Mr. Yunfei Li (the creditors). Pursuant to the terms of the Cancellation Agreement, Mr. Dawei Li and Mr. Yunfei Li agreed to cancel the Debts in exchange for 3,431,373 and 1,666,667 shares of common stock of the Company, respectively (collectively, the "Shares") 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 Debts. The Cancellation Agreement contains customary representations and warranties of the creditors. The creditors do not have registration rights with respect to the Shares.

In the meanwhile, due to the growing environmental pollution problem, the Chinese government has been providing vigorous support to the development of new energy facilities and vehicles for several years. It is expected that we will be able to secure more potential orders from the new energy market, especially from the electric car market. 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.

In 2015, to promote the development of electric vehicles industry, the Chinese central government issued a subsidy policy named Notice of 2016-2020 New Energy Vehicles Promotion with Financial Support, which regulated subsidies for consumers in purchase of electric vehicles from central government and local government. According to the policy, it regulates a certain subsidy standard for various types of electric vehicles in connection with the endurance mileage, battery pack energy density, energy consumption level, which means new energy vehicles providing long driving range and high technical performance will get higher subsidies. For the purposes of establishing a long-term mechanism for the administration of energy conservation and new energy vehicles, and promoting the sound development of the automobile industry, Chinese government reduced the subsidy standard for electric vehicles once a year while made several other policies to stimulate the increase of new energy vehicles. On December 26, 2017, the Chinese central government issued a policy for exemption of purchase tax for electric vehicles for another three years until 2020.

On September 28, 2017, Chinese Ministry of Industry and Information Technology issued a new policy named Measures for Parallel Administration of the Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises (Measures for Parallel Administration). According to the Measures for Parallel Administration, Chinese government will calculate and examine the Average Fuel Consumption Credits and New Energy Vehicle Credits of passenger vehicle enterprises. If the enterprises get negative credits on the declaration day, the production of high-fuel consumption vehicles will be suspended. The positive credits of average fuel consumption of passenger vehicle enterprises may be carried forward or transferred among affiliated enterprises. A passenger vehicle enterprise's negative credits of new energy vehicles shall be subject to compensation and zeroing through purchasing positive credits of new energy vehicles. Accordingly, the automobile industry should produce more new energy vehicles or pay money to other enterprises to get positive credits if their credits are negative. The Measures for Parallel Administration became effective on April 1, 2018.

We believe these policies in the long term will result in a healthy development of the new energy vehicles market as a whole. However, in the short term many electric vehicle manufacturers are inevitably adversely impacted by the decreasing subsidy, and the price of EV batteries in Chinese market decreased sharply as a result. Given the adverse market environment, we focused our resources on the existing cylindrical batteries for UPS market and temporarily reduce the investment on R&D of new products for electric vehicle market and cut down the EV batteries selling before the market stabilizes.

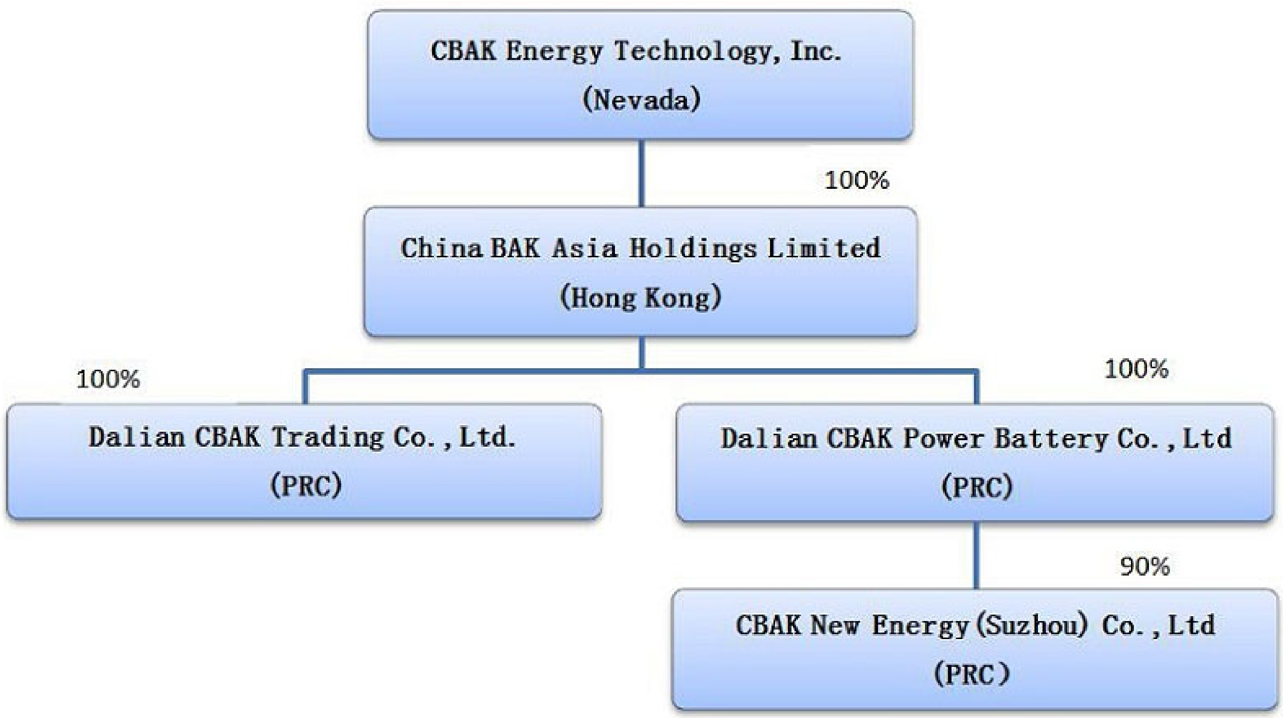
In September 2018, we transferred a patented proprietary high capacity prismatic battery technology, which we had been developing since 2017, to BAK Shenzhen, with a consideration of RMB85,144,500 (approximately $12.8 million).

Our Corporate History and Structure

We conduct our current business through the following two wholly-owned operating subsidiaries in China that we own through BAK Asia, a holding company formed under the laws of Hong Kong, and a 90% owned subsidiary of CBAK Power, one of our wholly-owned operation subsidiaries in China:

- CBAK Trading, 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, located in Dalian, China, incorporated on December 27, 2013, focuses on the development and manufacture of high-power lithium batteries.
- CBAK Suzhou, located in Suzhou, China, incorporated on May 4, 2018, focuses on the development and manufacture of new energy high power battery packs.

Almost all of our business operations are conducted primarily through our Chinese subsidiaries. The chart below presents our current corporate structure:



Our Products

The use of new materials have enabled the configuration of high-power lithium battery cells to contain much higher energy density and higher voltage and have a longer life cycle and shorter charge time than other types of lithium-based batteries. These special attributes, coupled with intrinsic safety features, are suitable for batteries used for high-power applications, such as electric cars, electric bicycles, electric tools, energy storage and uninterruptible power supply, or UPS.

We believe high power lithium batteries represent the main direction of the development of new energy vehicle technologies according to the "13th Five-Year Plan" published by the Chinese government.

Our Dalian manufacturing facilities focus on the development and manufacture of high power lithium batteries, for use in the following end applications:

Battery Cell Type	End applications*
High-power lithium battery	Electric bus [6,000-20,000]
	Electric car [1,500-3,5000]
	Hybrid electric vehicle [500-2000]
	Light electric vehicle [10-150]
	Cordless power tool [10-30]
	Uninterruptible power supply [30-300]
	Energy Storage [>300]

* Bracketed numbers denote number of cells per particular battery.

Key High Power Lithium Battery Applications

End-product applications that are driving the demand for high power lithium batteries include electric vehicles, such as electric cars, electric buses, hybrid electric cars and buses; light electric vehicles, such as electric bicycles, electric motors, sight-seeing cars; and electric tools, energy storage, uninterruptible power supply, and other high power applications.

Electric Vehicles

An electric vehicle, sometimes referred to as an electric drive vehicle, uses one or more electric motors for propulsion. Electric vehicles include electric cars, electric buses, electric trains, electric lorries, electric airplanes, electric boats, and hybrid electric vehicles, plug in hybrid electric vehicles and electric spacecraft. Electric cars and electric buses are propelled by one or more electric motors powered by rechargeable battery packs. Electric cars and buses have the potential to significantly reduce city pollution by having zero tail pipe emissions. Electric cars and buses are also expected to have less dependence on oil. World governments are pledging significant funds to fund the development of electric vehicles and their components due in part to these advantages. Due to these factors and a lithium battery's relatively environmentally-friendly, light-weight and high-capacity features, the demand for lithium batteries in the field of electric cars and buses is increasing.

Due to such recent trends as renewed concerns relating to the availability and price of oil, increased legal fuel-efficiency requirements and incentives, and heightened interest in environmentally-friendly or "green" technologies, hybrid electric vehicles are likely to continue to attract substantial interest from vehicle manufacturers and consumers. Hybrid electric vehicles include automobiles, trucks, buses, and other vehicles that combine a conventional propulsion system with a rechargeable energy storage system to achieve better fuel economy than conventional vehicles. As these vehicles tend to be large and heavy, their rechargeable energy storage system generally consists of a large quantity of rechargeable high-power lithium cells.

The year 2014 was seen as the first real year for the development of China's new energy vehicle industry by many industry insiders. After explosive growth in 2017, the production and sales of new energy vehicles continued to grow tremendously in 2018. According to Ministry of Industry and Information Technology of China ("MIIT"), from January to December 2018, the production of new energy vehicles in China reached 1,270,000 units - up 43.4 percent year-on-year; and sales in China reached 1,256,000 units - up 61.7 percent year-on-year. As the core mechanism for new energy vehicles, the power battery industry has also recently welcomed an unprecedented growth. According to the Development Program for the Energy Efficient and New Energy Vehicle Industry 2012-2020 designed by the State Council of the PRC, some major objectives are: to enthusiastically advance innovation in power battery technologies; scientifically plan the industrial layout; focus on developing power battery industry clusters; and actively promote the mass production of power batteries. With the recent introduction of a number of supporting policies, the production of power batteries for vehicles has grown remarkably.

Light Electric Vehicles

Light electric vehicles include bicycles, scooters, and motorcycles**,** with rechargeable electric motors. Due to their relatively small size and light design, approximately 10-150 high-power lithium cells can be used to power light electric vehicles. The electric bicycle market in China is huge.

Energy Storage

Energy storage mainly means storage of electric energy by battery, inductor, and capacitor. Battery energy storage is mainly used for storage of emergency supply, battery car, and redundant energy of power plants.

Electric Tools

Electric tools such as drills, saws and grinders are used for both commercial and personal use. Due to high power requirements, many electric tools have historically used small combustion engines, used heavier nickel metal hydride batteries or relied on external power sources. Manufacturers of electric tools, such as Milwaukee Electric Tool Corporation, Stanley Black & Decker, Inc., the Bosch Group, Metabowerke GmbH and Rigid Tool Company have begun to use lithium-ion technology. The market for portable high-powered electric tools is rapidly growing and has prompted many users, both commercial and personal, to replace or upgrade their current power tools.

Uninterruptible Power Supplies ("UPS")

A UPS provides emergency power from a separate source when utility power is not available. The most common type of battery used in UPS is Sealed Lead-Acid, however, due to the lithium battery's relatively small size, light design and environmentally-friendly features, the demand for lithium batteries in this industry is increasing.

Revenue by Products

Before June 30, 2014, we derived our revenues from BAK International and its subsidiaries which produced prismatic cells, cylindrical cells, lithium polymer cells and high-power lithium batteries. Since July 1, 2014, our revenue has been mainly from Dalian CBAK Power for sale of batteries manufactured by BAK Tianjin under outsourcing arrangements. Starting from October 2015, we generated revenues from high-power lithium battery cells manufactured by Dalian CBAK Power as well as batteries outsourced from BAK Tianjin, BAK Shenzhen and other manufacturers. The following table sets forth the breakdown of our net revenues by product types:

	Fiscal Years ended			
	December 31, 2017		December 31, 2018	
	Amount	% of Net Revenues	Amount	% of Net Revenues
	(in thousands of U.S. dollars, except percentages)			
High-power lithium batteries used in:				
Electric vehicles	$ 55,007	94.23	$ 8,169	33.43
Light electric vehicles	496	0.85	64	0.26
Uninterruptable supplies	2,872	4.92	16,200	66.31
Total	$ 58,375	100.00	$ 24,433	100.00

Sales and Marketing

We plan to build an extensive sales and service network in China, highlighted by our presence in the regions where China's main EV and LEV productions is located, such as Beijing, Shandong Province, Guangdong Province, Sichuan Province and three provinces in Northeast China. We intend to gradually establish post-sales service offices in these areas to serve brand owners and pack manufacturers in each designated area as currently our marketing department at headquarters is responsible for our promoting efforts. In doing so, our sales staff works closely with our customers to understand their needs and provide feedback to us so that we can better address their needs and improve the quality and features of our products.

We also engage in marketing activities such as attending industry-specific conferences and exhibitions to promote our products and brand name. We believe these activities are conducive in promoting our products and brand name among key industry participants.

Suppliers

The primary raw materials used in the manufacture of lithium-ion batteries include electrode materials, cases and caps, foils, electrolyte and separators. Cost of these raw materials is a key factor in pricing our products. We believe that there is an ample supply of most of the raw materials we need in China. We are seeking to identify alternative raw material suppliers to the extent there are viable alternatives and to expand our use of alternative raw materials.

We aim to maintain multiple supply sources for each of our key raw materials to ensure that supply problems with any one supplier will not materially disrupt our operations. In addition, we strive to develop strategic relationships with new suppliers to secure a stable supply of materials and introduce competition in our supply chain, thereby increasing our ability to negotiate better pricing and reducing our exposure to possible price fluctuations.

For the fiscal year ended December 31, 2018, our key raw material suppliers for battery cells were as follows:

Materials	Main Suppliers
NCM	Shandong Tianjiao New Energy , Co., Ltd.
Cathode materials	Jilin JUNENG Advanced Carbon Materials Co., Ltd.
Copper foil	Wason Copper Foil Co., Ltd.
Anode materials	Jiuzhao New Energy Technology Co., Ltd.
Electrolyte	Shenzhen CAPCHEM Technology Co. Ltd.
Cases and caps	Changzhou Wujinzhongrui Electric Co., Ltd
Steel-can	Xinxiang Zhengyuan Electronic Material Co. Ltd.
Solvent NMP	Chongqing ZR Chemical Co., Ltd.
Battery separator paper	Ube Industries, Ltd.

For the fiscal year ended December 31, 2018, our key raw material suppliers for battery packs were as follows:

Materials	Main Suppliers
Battery Management System	Dongguan Powerwise Technology Co., Ltd.
Battery Cabinet	CangzhouHuibang Electromechanical Manufacturing Co. Ltd.
Battery Support	Shenzhen Yayoute Technology Co., Ltd.
Current-carrying sheet	Shenzhen XDM New Energy Technology Co., Ltd.
Protection board	Huizhou Topband Electrical technology Co., Ltd

We source our manufacturing equipment both locally and from overseas, based on their respective cost and function. Our key equipment as of December 31, 2018 was purchased from the following suppliers:

Instruments	Main Suppliers
Charge and Discharge Equipment	Zhejiang Hangke Technologies Co., Ltd
Electrode Preparing Machine	Zhuhai Higrand Electronic Technology Inc.
Infusing Machine	Kinlo Technology & System (Shenzhen) Co. Ltd.
Laser welding machine	United Winners Laser Co., Ltd.
Coating Machine	Shenzhen Haoneng Technology Co., Ltd.
Vacuum Oven	WujiangJiangling Equipment Co., Ltd
Automatic Line Machine	Shenzhen Zhongji Automation Co., Ltd.
Dehumidifier	Hangzhou Dry Air Treatment Equipment Co., Ltd.
Automatic Feeding System	Yueyang Deli Mechanical Equipment Co., Ltd.
Rolling	Xingtai HYLN Battery Equipment Co., Ltd.

Intellectual Property

On August 25, 2014, we entered into an intellectual property rights use agreement with Shenzhen BAK, pursuant to which we are authorized to use Shenzhen BAK's registered logo, trademarks and patents obtained as of June 30, 2014 for a period of 5 years for free from June 30, 2014. As of June 30, 2014, Shenzhen BAK had registered 80 trademarks in the PRC, including BAK in both English and in Chinese characters as well as its logo, and had registered 49 trademarks in the United States, European Union, Korea, Russia, Taiwan, India, Canada and Hong Kong. As of June 30, 2014, Shenzhen BAK had registered 522 patents in the PRC and other countries relating to battery cell materials, design and manufacturing processes. We have registered the following Internet and WAP domain name: www.cbak.com.cn.

As of December 31, 2018, Dalian CBAK Power has 17 patents including 12 utility model patents and 5 patents for invention in the PRC. 2 of these patents were acquired by BAK Asia, from an unrelated third party at RMB1 and were contributed as paid up capital of CBAK Power. 2 patents were transferred to BAK Shenzhen which was included in the transfer of our patented proprietary technology to BAK Shenzhen of $12.3 million in the third quarter of 2018.

We also have unpatented proprietary technologies for our product offerings and key stages of the manufacturing process. Our management and key technical personnel have entered into agreements requiring them to keep confidential all information relating to our customers, methods, business and trade secrets during their terms of employment with us and thereafter and to assign to us their inventions, technologies and designs they develop during their term of employment with us.

We have institutionalized our efforts to safeguard our intellectual property rights by establishing an internal department that includes professionals such as attorneys, engineers, information managers and archives managers responsible for handling matters relating to our intellectual property rights. We have published internally a series of rules to protect our intellectual property rights.

Seasonality

According to the market demands, we usually experience seasonal peaks during the months of October to December for electric vehicle markets, and during the months of May to December for light electric markets. Also, at various times during the year, our inventories may be increased in anticipation of increased demand for consumer electronics. There is a steady demands in UPS market all year except February in which the demands tends to be seasonally low due to plant closures for Chinese New Year in the PRC.

Customers

We have many well-known customers, including electric vehicle manufacturers, such as Chery Automobile Co. Ltd., Dongfeng Xiangyang Touring Car Co., Ltd, Dongfeng Auto Co., Ltd, Brilliance Auto, Chengdu Dayun Automobile Co., Ltd.; and battery pack manufacturers, such as Guangdong Pisen Electronics Co., Ltd., Sichuan Pisen Electric Co., Ltd, Shenzhen Max Technology Co., Ltd, Dongguan Large Electronics Co., Ltd, and manufacturers in UPS and other applications, such as Lithium Werks Asia B.V., Solax Power Co., Ltd., Robotics Technology Ltd. We believe that we will continue to increase our revenue and market share as we gradually increase our high-power batteries production as the demand for these batteries has been increasing.

Geography of Sales

Before June 30, 2014, we sold our products domestically and internationally. Thereafter, we sell high-power lithium battery primarily to customers in China. The following table sets forth certain information relating to our total revenues by location of our customers for the last two fiscal years:

	Fiscal Years ended			
	December 31, 2017		December 31, 2018	
	Amount	% of Net Revenues	Amount	% of Net Revenues
	(in thousands of U.S. dollars, except percentages)			
Mainland China	$ 57,425	98.38	$ 21,292	87.14
USA	-	-	1,834	7.51
Europe	294	0.50	100	0.41
PRC Taiwan	222	0.38	103	0.42
Israel	364	0.62	991	4.06
Others	70	0.12	113	0.46
Total	$ 58,375	100.00	$ 24,433	100.00

Competition

We face intense competition from high-power lithium battery makers in China, as well as in Korea and Japan for each of our product types. The following table sets forth our major competitors for the EV market, LEV market and UPS market as of December 31, 2018:

Product Type	Competitors	
EV battery	Japan:	Panasonic Corporation
	Korea:	Samsung Electronics Co., Ltd. LG Chemical
	China:	Tianjin Lishen Battery Joint-stock Co., Ltd Contemporary Amperex Technology Co., Ltd Hefei Guoxuan Hi-Tech Power Energy Co., Ltd China Aviation Lithium Battery Co., Ltd.
LEV battery	China:	Tianneng Power International Limited Chaowei Power Holdings Limited Phylion Battery Co., Ltd
UPS battery	China:	Shandong Goldencell Electronics Technology Co., Ltd DLG Power Battery (Shanghai) Co., LTD. Dongguan Power Long Battery Technology Co., Limited

We believe that we are able to leverage our low-cost advantage to compete favorably with our competitors. Compared to Korean and Japanese battery makers, we are able to source our needs for skilled labor and raw materials locally and economically. Compared to Chinese battery makers, we believe we have higher consistency and safety in product quality, which enables us to compete favorably with local competitors.

Research and Development

The R&D of next-generation advanced lithium battery and its key materials – characterized by high energy density, high security, long-lasting life, and low cost – as well as the training of related technical talents, have become a major demand in the development of advanced electric vehicles in China. We have reached strategic cooperation agreements with Dalian Institute of Chemical Physics of Chinese Academy of Sciences ("DICP"), Dalian Maritime University and Dalian Jiaotong University. Under the agreements, these institutions and us will jointly research and develop the next-generation key technologies and materials with an aim to produce the most powerful battery worldwide.

We have an advanced R&D center in Dalian, receiving almost all the R&D achievements, R&D equipment and staff of BAK Tianjin. BAK Tianjin began its R&D manufacturing and distribution of high-power lithium battery and battery modules in December 2006, for use in electric cars, electric bicycles, UPS, and other applications.

Environmental Compliance

As we conduct our manufacturing activities in China, we are subject to the requirements of PRC environmental laws and regulations on air emission, waste water discharge, solid waste and noise. The major environmental regulations applicable to us include the PRC Environmental Protection Law, the PRC Law on the Prevention and Control of Water Pollution and its Implementation Rules, the PRC Law on the Prevention and Control of Air Pollution and its Implementation Rules, the PRC Law on the Prevention and Control of Solid Waste Pollution, and the PRC Law on the Prevention and Control of Noise Pollution. We aim to comply with environmental laws and regulations. We have built environmental treatment facilities concurrently with the construction of our manufacturing facilities, where waste air, waste water and waste solids we generate can be treated in accordance with the relevant requirements. We outsource our disposal of solid waste we generate in the Dalian facility to a third party contractor. Certain key materials used in manufacturing, such as cobalt dioxide, electrolyte and separators, have proven innocuous to worker's health and safety as well as the environment. We are not subject to any admonitions, penalties, investigations or inquiries imposed by the environmental regulators, nor are we subject to any claims or legal proceedings to which we are named as a defendant for violation of any environmental law or regulation. We do not have any reasonable basis to believe that there is any threatened claim, action or legal proceedings against us that would have a material adverse effect on our business, financial condition or results of operations.

Employees

We had a total of approximately 610 employees as of December 31, 2018, all of whom are full-time employees. The following table sets forth the number of our employees by function.

Function	Number
Production	352
Research and development	128
Sales and marketing	20
General and administrative	110
Total	610

Our employees are not represented by a labor organization or covered by a collective bargaining agreement. We have not experienced any work stoppages. We believe we maintain good relations with our employees.

Available Information

We make available free of charge, on or through our website, http://www.cbak.com.cn, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other filings pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and amendments to such filings, as soon as reasonably practicable after each is electronically filed with, or furnished to, the SEC. The SEC maintains a website that contains our reports, proxy and information statements, and our other SEC filings. The address of the SEC's website is www.sec.gov. Information appearing on our website is not part of any report that we file with the SEC.

ITEM 1A. RISK FACTORS.

RISKS RELATED TO OUR BUSINESS

Our failure to timely complete the construction of our Dalian facility and commence its full commercial operations could negatively affect our business operations.

We are currently constructing our Dalian facility and we have relocated most of the operating assets, including machinery and equipment, as well as the customers, employees, patents and technologies from BAK Tianjin to the Dalian facility. We have completed the construction of two plants of the Dalian facility and their commercial operation began in July 2015. We are currently constructing two more plants and have completed their civil work and the product lines are expected to be completed by September 2022, but we cannot give assurance that the construction will be completed as scheduled or, without cost overrun. Even if the construction is completed on a timely basis, we cannot give assurance that the full commercial operation can begin as we expected. In addition, we may not be able to attract a sufficient number of skilled workers to meet the needs of the new facility. If we experience delays in construction or commencement of the full commercial operations, increased costs or lack of skilled labor, or other unforeseen events occur, our business, financial condition and results of operations could be adversely impacted. Operating results could also be unfavorably impacted by start-up costs until production at the new facility reaches planned levels.

Our independent auditors have expressed substantial doubt about our ability to continue as a going concern

Our independent auditors have added an explanatory paragraph to their audit opinion issued in connection with our financial statements included in this report which states that the financial statements were prepared assuming that we would continue as a going concern. As discussed in Note 1 to the consolidated financial statements included with this report, we had a working capital deficiency, accumulated deficit from recurring losses and short-term debt obligations as of December 31, 2018. These conditions raise substantial doubt about our ability to continue as a going concern. As disclosed under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent Development" and Note 1 to the consolidated financial statements, our Dalian manufacturing facilities began partial commercial operations in July 2015 which focus on production and sale of the new energy high power batteries for use in electric vehicles, light electric vehicles and other high power applications. In June and July 2016, we obtained advances with an aggregate amount of $5.5 million from potential investors and converted these loans to common stock in August 2016. In February 2017, we signed a letter of understanding with each of eight individual investors whereby these investors agreed in principle to subscribe for new shares of our common stock totaling $10 million. In May 2017, we entered into a securities purchase agreement with these investors to issue stock with an aggregate amount of $9.6 million. In June 2017, we issued the shares to the investors. As of December 31, 2018, we had unutilized committed banking facilities of $15.0 million. We plan to renew our bank borrowings upon maturity and raise additional funds through bank borrowings and equity financing in the future to meet our daily cash demands. However, there can be no assurance that we will be successful in obtaining the financing. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We rely on a few battery suppliers to fulfill our customers' orders. If we fail to effectively manage our relationships with, or lose the services of these suppliers and we cannot substitute suitable alternative suppliers, our operations would be materially adversely affected.

Before the production at our Dalian facility can completely fulfill our customers' orders, we expect to continue to generate part of our revenues by outsourcing our customers' orders to BAK Shenzhen and a few other suppliers. If our business relationship with BAK Shenzhen and other suppliers changes negatively or their financial condition deteriorates, or their operating environment changes, our business may be harmed in many ways. BAK Shenzhen and other suppliers may unilaterally terminate battery supply to us or increase the prices. As a result, we are not assured of an uninterrupted supply of high power lithium batteries of acceptable quality or at acceptable prices from BAK Shenzhen and other suppliers. We may not be able to substitute suitable alternative contract manufacturers in a timely manner on commercially acceptable term or at all. We may be forced to default on the agreements with our customers. This may negatively impact our revenues and adversely affect our reputation and relationships with our customers, causing a material adverse effect on our financial condition, results of operations and prospects.

Our business depends on the growth in demand for electric vehicles, light electric vehicles, electric tools, energy storage, UPS, and other high-power electric devices.

As the demand for our products is directly related to the market demand for high-power electric devices, a fast growing high-power electric devices market will be critical to the success of our business. In anticipation of an expected increase in the demand for high-power electric devices such as electric vehicles, light electric vehicles, electric tools, energy storage and UPS in the next few years, we have built our Dalian manufacturing facilities. However, the markets we have targeted, primarily those in the PRC, may not achieve the level of growth we expect. If this market fails to achieve our expected level of growth, we may have excess production capacity and may not be able to generate enough revenue to obtain our profitability.

If we cannot continue to develop new products in a timely manner, and at favorable margins, we may not be able to compete effectively.

The battery industry has been notable for the pace of innovations in product life, product design and applied technology. We and our competitors have made, and continue to make, investments in research and development with the goal of further innovation. The successful development and introduction of new products and line extensions face the uncertainty of customer acceptance and reaction from competitors, as well as the possibility of cannibalization of sales of our existing products. In addition, our ability to create new products and line extensions and to sustain existing products is affected by whether we can:

- develop and fund research and technological innovations;
- receive and maintain necessary intellectual property protections;
- obtain governmental approvals and registrations;
- comply with governmental regulations; and
- anticipate customer needs and preferences successfully.

The failure to develop and launch successful new products could hinder the growth of our business and any delay in the development or launch of a new product could also compromise our competitive position. If competitors introduce new or enhanced products that significantly outperform ours, or if they develop or apply manufacturing technology which permits them to manufacture at a significantly lower cost relative to ours, we may be unable to compete successfully in the market segments affected by these changes.

Our efforts to develop products for new commercial applications could fail.

Although we are involved with developing certain products for new commercial applications, we cannot provide assurance that acceptance of our products will occur due to the highly competitive nature of the business. There are many new product and technology entrants into the marketplace, and we must continually reassess the market segments in which our products can be successful and seek to engage customers in these segments that will adopt our products for use in their products. In addition, these companies must be successful with their products in their markets for us to gain increased business. Increased competition, failure to gain customer acceptance of products, the introduction of competitive technologies or failure of our customers in their markets could have a further adverse effect on our business.

Our future success depends on the success of manufacturers of the end applications that use our products.

As we expand to the battery markets for global electric vehicles, light electric vehicles, electric tools, energy storage, UPS and other high-power electric devices, our future success depends on whether end-application manufacturers are willing to use batteries that incorporate our products. To secure acceptance of our products, we must constantly develop and introduce more reliable and cost-effective battery cells with enhanced functionality to meet evolving industry standards. Our failure to gain acceptance of our products from these manufacturers could materially and adversely affect our future success.

Even if a manufacturer decides to use batteries that incorporate our products, the manufacturer may not be able to market and sell its products successfully. The manufacturer’s inability to market and sell its products successfully, whether from lack of market acceptance or otherwise, could materially and adversely affect our business and prospects because this manufacturer may not order new products from us. If we cannot achieve the expected level of sales, we will not be able to make sufficient profits to offset the expenditures we have incurred to expand our production capacity, nor will we be able to grow our business. Accordingly, our business, financial condition, results of operations and future success would be materially and adversely affected.

Our failure to keep up with rapid technological changes and evolving industry standards may cause our products to become obsolete and less marketable, resulting in loss of market share to our competitors.

The lithium-based battery market is characterized by changing technologies and evolving industry standards, which are difficult to predict. This, coupled with frequent introduction of new products and models, has shortened product life cycles and may render our products obsolete or unmarketable. Our ability to adapt to evolving industry standards and anticipate future standards will be a significant factor in maintaining and improving our competitive position and our prospects for growth. To achieve this goal, we have invested and plan to continue investing significant financial resources in our R&D infrastructure. R&D activities, however, are inherently uncertain, and we might encounter practical difficulties in commercializing our research results. Accordingly, our significant investment in our R&D infrastructure may not bear fruit. On the other hand, our competitors may improve their technologies or even achieve technological breakthroughs that would render our products obsolete or less marketable. Therefore, our failure to effectively keep up with rapid technological changes and evolving industry standards by introducing new and enhanced products may cause us to lose our market share and to suffer a decrease in our revenue.

A change in our product mix may cause our results of operations to differ substantially from the anticipated results in any particular period.

Our overall profitability may not meet expectations if our products, customers or geographic mix are substantially different than anticipated. Our profit margins vary among products, customers and geographic markets. Consequently, if our mix of any of these is substantially different from what is anticipated in any particular period, our profitability could be lower than anticipated.

We may be subject to declining average selling prices, which may harm our revenue and gross profits.

Consumer electronics such as electric vehicles, light electric vehicles, electric tools, energy storage, UPS are subject to declines in average selling prices due to rapidly evolving technologies, industry standards and consumer preferences. As a result, manufacturers of these electronic devices expect us as suppliers to cut our costs and lower the price of our products in order to mitigate the negative impact on their own margins. We have reduced the price of some of our electric bike batteries in the past in order to meet market demand and expect to continue to face market-driven downward pricing pressures in the future. Our revenue and profitability will suffer if we are unable to offset any declines in our average selling prices by developing new or enhanced products with higher selling prices or gross profit margins, increasing our sales volumes or reducing our costs on a timely basis.

We may face impairment charges if economic environments in which our businesses operate and key economic and business assumptions substantially change.

Assessment of the potential impairment of property, plant and equipment and other identifiable intangible assets is an integral part of our normal ongoing review of operations. Testing for potential impairment of long-lived assets is dependent on numerous assumptions and reflects our best estimates at a particular point in time, which may vary from testing date to testing date. The economic environments in which our businesses operate and key economic and business assumptions with respect to projected product selling prices and materials costs, market growth and inflation rates, can significantly affect the outcome of impairment tests. Estimates based on these assumptions may differ significantly from actual results. Changes in factors and assumptions used in assessing potential impairments can have a significant impact on both the existence and magnitude of impairments, as well as the time at which such impairments are recognized. Future changes in the economic environment and the economic outlook for the assets being evaluated could also result in impairment charges. Any significant asset impairments would adversely impact our financial results.

We experience fluctuations in quarterly and annual operating results.

Our quarterly and annual operating results have fluctuated in the past and likely will fluctuate in the future. The demand for our products is driven largely by the demand for the end-product applications that are powered by our products. Accordingly, the rechargeable battery industry is affected by market conditions that are often outside our control. Our results of operations may fluctuate significantly from period to period due to a number of factors, including seasonal variations in consumer demand for batteries and their end applications, capacity ramp up by competitors, industry-wide technological changes, the loss of a key customer and the postponement, rescheduling or cancellation of large orders by a key customer. As a result of these factors and other risks discussed in this section, period-to-period comparisons should not be relied upon to predict our future performance.

We may not be able to substantially increase our manufacturing output in order to maintain our cost competitiveness.

We believe that our ability to provide cost-effective products is one of the most significant factors that contributed to our past success and will be essential for our future growth. We believe this is one of our competitive advantages over our Japanese and Korean competitors. We need to increase our manufacturing output to a level that will enable us to substantially reduce the cost of our products on a per unit basis through economies of scale. However, our ability to substantially increase our manufacturing output is subject to significant constraints and uncertainties, including:

- the need to raise significant additional funds to purchase and prepay raw materials or to build additional manufacturing facilities, which we may be unable to obtain on reasonable terms or at all;
- delays and cost overruns as a result of a number of factors, many of which may be beyond our control, such as increases in raw material prices and problems with equipment vendors;
- delays or denial of required approvals by relevant government authorities;
- diversion of significant management attention and other resources; and
- failure to execute our expansion plan effectively.

If we are unable to increase our manufacturing output because of any of the risks described above, we may be unable to maintain our competitive position or achieve the growth we expect. Moreover, even if we expand our manufacturing output, we may not be able to generate sufficient customer demand for our products to support our increased production output.

Maintaining our manufacturing operations will require significant capital expenditures, and our inability or failure to maintain our operations would have a material adverse impact on our market share and ability to generate revenue.

We had capital expenditures of approximately $12 million and $7.4 million in the fiscal years ended December 31, 2017 and December 31, 2018, respectively. We may incur significant additional capital expenditures as a result of unanticipated expenses, regulatory changes and other events that impact our business. If we are unable or fail to adequately maintain our manufacturing capacity or quality control processes, we could lose customers and there could be a material adverse impact on our market share and our ability to generate revenue.

We may incur significant costs because of the warranties we supply with our products and services.

With respect to the sale of our battery products from fiscal 2016, we typically offer warranties against any defects due to product malfunction or workmanship for a period of six months-to-eight years from the date of purchase, including a period of six to twenty four months for battery cells, and a period of twelve to twenty seven months for battery modules for electric bicycles, and a period of three years to eight years for battery modules for electric vehicles. We will provide a reserve for these potential warranty expenses, which is based on an analysis of historical warranty issues. There is no assurance that future warranty claims will be consistent with past history, and in the event we experience a significant increase in warranty claims, there is no assurance that our reserves will be sufficient. This could have a material adverse effect on our business, financial condition and results of operations.

We do not have insurance coverage against damages or losses of our products. Defects in our products could result in a loss of customers and decrease in revenue, unexpected expenses and a loss of market share.

We have not purchased product liability insurance to provide against any claims against us based on our product quality. We expect that we will purchase product liability insurance in fiscal year 2019. If we fail to purchase product liability insurance, defects in our products could result in a loss of customers and decrease in revenue, unexpected expenses and a loss of market share, and any of our products are found to have reliability, quality or compatibility problems, we will be required to accept returns, provide replacements, provide refunds, or pay damages. As the insurance policy imposes a ceiling for maximum coverage and high deductibles, we may not be able to obtain from the insurance policy a sufficient amount to compensate our customers for damages they suffered attributable to the quality of the products. Moreover, the insurance policy also excludes certain types of claims from its coverage, and if any of our customers' claims against us falls into those exclusions, we would not receive any amount from the insurance policy at all. In either case, we may still be required to incur substantial amounts to indemnify our customers in respect of their product quality claims against us, which would materially and adversely affect the results of our operations and severely damage our reputation.

We may not be able to accurately plan our production based on our sales contracts, which may result in excess product inventory or product shortages.

Our sales contracts typically provide for a non-binding, three-month forecast on the quantity of products that our customers may purchase from us. We typically have only a 15-day lead time to manufacture products to meet our customers' requirements once our customers place orders with us. To meet the short delivery deadline, we generally make significant decisions on our production level and timing, procurement, facility requirements, personnel needs and other resources requirements based on our estimate in light of this forecast, our past dealings with such customers, market conditions and other relevant factors. Our customers' final purchase orders may not be consistent with our estimates. If the final purchase orders substantially differ from our estimates, we may have excess product inventory or product shortages. Excess product inventory could result in unprofitable sales or write-offs as our products are susceptible to obsolescence and price declines. Producing additional products to make up for any product shortages within a short time frame may be difficult, making us unable to fill out the purchase orders. In either case, our results of operation would fluctuate from period to period.

We historically depended on third parties to supply key raw materials and components to us. Failure to obtain a sufficient supply of these raw materials and components in a timely fashion and at reasonable costs could significantly delay our production and shipments, which would cause us to breach our sales contracts with our customers.

We historically purchased from Chinese domestic suppliers certain key raw materials and components such as electrolytes, electrode materials and import separators, a key component of battery cells, from foreign countries. We purchased raw materials and components on the basis of purchase orders. In the absence of firm and long-term contracts, we may not be able to obtain a sufficient supply of these raw materials and components from our existing suppliers or alternates in a timely fashion or at a reasonable cost. If we fail to secure a sufficient supply of key raw materials and components in a timely fashion, it would result in a significant delay in our production and shipments, which may cause us to breach our sales contracts with our customers. Furthermore, failure to obtain sufficient supply of these raw materials and components at a reasonable cost could also harm our revenue and gross profit margins.

Fluctuations in prices and availability of raw materials, particularly Ni, Co, Mn and LiFePO4, could increase our costs or cause delays in shipments, which would adversely impact our business and results of operations.

Our operating results could be adversely affected by increases in the cost of raw materials, particularly Ni, Co, Mn and LiFePO4, the primary cost component of our battery products, or other product parts or components. The price of Ni, Co, Mn and LiFePO4 is not stable. If the price increases, it will negatively impact our financial results in years ahead. We historically have not been able to fully offset the effects of higher costs of raw materials through price increases to customers or by way of productivity improvements.

A significant increase in the price of one or more raw materials, parts or components or the inability to successfully implement price increases/ surcharges to mitigate such cost increases could have a material adverse effect on our results of operations.

We mainly manufacture and market lithium-based battery cells. If a viable substitute product or chemistry emerges and gains market acceptance, our business, financial condition and results of operations will be materially and adversely affected.

We mainly manufacture and market lithium-based batteries. As we believe that the market for lithium-based batteries has good growth potential, we have focused our R&D activities on exploring new chemistries and formulas to enhance our product quality and features while reducing cost. Some of our competitors are conducting R&D on alternative battery technologies, such as fuel cells. If any viable substitute product emerges and gains market acceptance because it has more enhanced features, more power, more attractive pricing, or better reliability, the market demand for our products may be reduced, and accordingly our business, financial condition and results of operations would be materially and adversely affected.

Manufacturing or use of our products may cause accidents, which could result in significant production interruption, delay or claims for substantial damages.

Due to the high energy density inherent in lithium-based batteries, our batteries can pose certain safety risks, including the risk of fire. Although we incorporate safety procedures in the research, development, manufacture and transportation of batteries that are designed to minimize safety risks, the manufacture or use of our products may still cause accidents. Any accident, whether occurring at the manufacturing facilities or from the use of our products, may result in significant production interruption, delays or claims for substantial damages caused by personal injuries or property damages.

We face intense competition from other battery manufacturers, many of which have significantly greater resources.

The market for batteries used in electric vehicles and light electric vehicles is intensely competitive and is characterized by frequent technological changes and evolving industry standards. We expect competition to become more intense. Increased competition may result in declines in average selling prices, causing a decrease in gross profit margins. We have faced and will continue to face competition from manufacturers of traditional rechargeable batteries, such as lead-acid batteries other manufacturers of lithium-ion batteries, as well as from companies engaged in the development of batteries incorporating new technologies. Other manufacturers of high-power lithium batteries currently include Panasonic Corporation, Samsung Electronics Co., Ltd., BYD Co. Ltd., Tianjin Lishen Battery Joint Stock Co., Ltd., Amperex Technology Limited, BYD Co. Ltd, Hefei Guoxuan Hi-Tech Power Energy Co., Ltd and Chaowei Power Holdings Limited.

Many of these existing competitors have greater financial, personnel, technical, manufacturing, marketing, sales and other resources than we do. As a result, these competitors may be in a stronger position to respond quickly to market opportunities, new or emerging technologies and evolving industry standards. Many of our competitors are developing a variety of battery technologies, such as lithium polymer and fuel cell batteries, which are expected to compete with our existing product lines. Other companies undertaking R&D activities of solid-polymer lithium-ion batteries have developed prototypes and are constructing commercial scale production facilities. It is possible that our competitors will be able to introduce new products with more desirable features than ours and their new products will gain market acceptance. If our competitors successfully do so, we may not be able to maintain our competitive position and our future success would be materially and adversely affected.

We are dependent on a limited number of customers for a significant portion of our revenues and this dependence is likely to continue.

We have been dependent on a limited number of customers for a significant portion of our revenue. Our top five customers accounted for approximately 91.31% and 62.42% of our revenues for the years ended December 31, 2017 and December 31, 2018, respectively. Dependence on a few customers could make it difficult to negotiate attractive prices for our products and could expose us to the risk of substantial losses if a single dominant customer stops purchasing our products. We expect that a limited number of customers will continue to contribute a significant portion of our sales in the near future. Our ability to maintain close relationships with these top customers is essential to the growth and profitability of our business. If we fail to sell our products to one or more of these top customers in any particular period, or if a large customer purchases fewer of our products, defers orders or fails to place additional orders with us, or if we fail to develop additional major customers, our revenue could decline, and our results of operations could be adversely affected.

We do not have long-term purchase commitments from our customers, which may result in significant uncertainties and volatility with respect to our revenue from period to period.

We do not have long-term purchase commitments from our customers and the term of our sales contracts with our customers is typically one year or less. Furthermore, these contracts leave certain major terms such as price and quantity of products open to be determined in each purchase order. These contracts also allow parties to re-adjust the contract price for substantial changes in market conditions. As a result, if our customers hold stronger bargaining power than us or the market conditions are in their favor, we may not be able to enjoy the price downside protection or upside gain. Furthermore, our customers may decide not to continue placing purchase orders with us in the future at the same level as in prior periods. As a result, our results of operations may vary from period to period and may fluctuate significantly in the future.

We extend relatively long payment terms to some large customers.

As is customary in the industry in the PRC, we extend relatively long payment terms to some large customers. As a result of the size of many of our orders, these extended terms may adversely affect our cash flow and our ability to fund our operations out of our operating cash flow. In addition, although we attempt to establish appropriate reserves for our receivables, those reserves may not prove to be adequate in view of actual levels of bad debts. The failure of our customers to pay us timely would negatively affect our working capital, which could in turn adversely affect our cash flow.

Our customers often place large orders for products, requiring fast delivery, which impacts our working capital. If our customers do not incorporate our products into their products and sell them in a timely fashion, for example, due to excess inventories, sales slowdowns or other issues, they may not pay us in a timely fashion, even on our extended terms. Our customers' failure to pay may force us to defer or delay further product orders, which may adversely affect our cash flows, sales or income in subsequent periods.

We face risks associated with the marketing, distribution and sale of our products internationally, and if we are unable to effectively manage these risks, they could impair our ability to expand our business abroad.

For the years ended December 31, 2017 and December 31, 2018, we derived 1.6% and 12.9%, respectively, of our sales from outside the PRC mainland. We still deem overseas market as an important revenue source for us, and have been actively exploring overseas customers. The marketing, international distribution and sale of our products expose us to a number of risks, including:

- fluctuations in currency exchange rates;
- difficulty in engaging and retaining distributors that are knowledgeable about, and can function effectively in, overseas markets;
- increased costs associated with maintaining marketing efforts in various countries;
- difficulty and cost relating to compliance with the different commercial and legal requirements of the overseas markets in which we offer our products;
- inability to obtain, maintain or enforce intellectual property rights; and
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries.

Our business depends substantially on the continuing efforts of our senior executives and other key personnel, and our business may be severely disrupted if we lost their services.

Our future success heavily depends on the continued service of our senior executives and other key employees. In particular, we rely on the expertise and experience of our Chairman, Chief Executive Officer, President Mr. Yunfei Li, our Chief Financial Officer, Mr. Wenwu Wang. If one or more of our other senior executives are unable or unwilling to continue to work for us in their present positions, we may encounter similar problems, but on a compounded basis. Moreover, if any of our current or former senior executives joins a competitor or forms a competing company, we may lose customers, suppliers, know-how and key personnel. Each of our executive officers has entered into an employment agreement with us, which contains non-competition and confidentiality clauses. However, if any dispute arises between our current or former executive officers and the Company, it is hard to predict the extent to which any of these agreements could be enforced in China, where these executive officers reside, in light of the uncertainties with China's legal system.

We have experienced significant management changes which could increase our control risks and have a material adverse effect on our ability to do business and our results of operations.

Since February 2009, we have had a number of changes in our senior management, including multiple changes in our Chief Financial Officer. The magnitude of these past and expected changes and the short time interval in which they have occurred or are expected to occur, particularly during the ongoing economic and financial crisis, add to the risks of control failures, including a failure in the effective operation of our internal control over financial reporting or our disclosure controls and procedures. Control failures could result in material adverse effects on our financial condition and results of operations. It may take time for the new management team to become sufficiently familiar with our business and each other to effectively develop and implement our business strategies. This turnover of key management positions could further harm our financial performance and results of operations. Management attention may be diverted from regular business concerns by reorganizations.

The success of our business depends on our ability to attract, train and retain highly skilled employees and key personnel.

Because of the highly specialized, technical nature of our business, we must attract, train and retain a sizable workforce comprising highly skilled employees and other key personnel. Since our industry is characterized by high demand and intense competition for talent, we may have to pay higher salaries and wages and provide greater benefits in order to attract and retain highly skilled employees or other key personnel that we will need to achieve our strategic objectives. As we are still a relatively young company and our business has grown rapidly, our ability to train and integrate new employees into our operations may not meet the requirements of our growing business. Our failure to attract, train or retain highly skilled employees and other key personnel in numbers that are sufficient to satisfy our needs would materially and adversely affect our business.

We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could cause our loss of significant rights and inability to continue providing our existing product offerings.

Our success also depends largely on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to lithium-ion battery technology patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly expensive and time-consuming. If there is a successful claim of infringement against us, we may be required to pay substantial damages to the party claiming infringement, develop non-infringing technologies or enter into royalty or license agreements that may not be available on acceptable terms, if at all. Our failure to develop non-infringing technologies or license the proprietary rights on a timely basis would harm our business. Protracted litigation could result in our customers, or potential customers, deferring or limiting their purchase or use of our products until resolution of such litigation. Parties making the infringement claim may also obtain an injunction that can prevent us from selling our products or using technology that contains the allegedly infringing contents. Any intellectual property litigation could have a material adverse effect on our business, results of operation and financial condition.

We can make no assurance that we will continue to get authorization from Shenzhen BAK to use its intellectual property rights when the current intellectual property rights use agreement with Shenzhen BAK expires, nor can we make assurance that we can get the authorization at a favorable price, which could harm our business and competitive position.

We lack intellectual property rights for the business we operate. As of December 31, 2018, CBAK Power only owns 17 patents including 12 utility model patents and 5 patents for invention in the PRC. During fiscal year 2018, CBAK Power obtained 10 patents. On August 25, 2014, we entered into an intellectual property rights use agreement with Shenzhen BAK under which we are authorized to use Shenzhen BAK's registered logo, trademarks and patents for a period of 5 years for free from June 30, 2014. As of June 30, 2014, Shenzhen BAK owned 462 registered patents in PRC and 60 registered patents in other countries, 80 registered trademarks in PRC and 49 registered trademarks in the United States, European Union, Korea, Russia, Taiwan, Canada, India and Hong Kong that cover various categories of goods and services. We cannot provide assurance that we will continue to get authorization from Shenzhen BAK to use its intellectual property rights when the current intellectual property rights use agreement with Shenzhen BAK expires, nor can we make assurance that we can get the authorization at a favorable price, which could harm our business and competitive position.

We do not hold the property ownership rights for facilities located in the PRC. Our manufacturing activities could be adversely affected if we lose the facilities that we do not have property ownership rights.

We have obtained land use rights for our Dalian manufacture facilities, but have not yet obtained the property ownership of the Dalian manufacture facilities including its plants, office building, warehouse, and related supporting facilities. We expect that we will obtain the property ownership rights by June 2019. If we lose our Dalian facility due to the lack of the property ownership, our manufacturing activities will be adversely impacted.

Compliance with environmental regulations can be expensive, and our failure to comply with these regulations may result in adverse publicity and a material adverse effect on our business.

As a manufacturer, we are subject to various PRC environmental laws and regulations on air emission, waste water discharge, solid waste and noise. Although we believe that our operations are in substantial compliance with current environmental laws and regulations, we may not be able to comply with these regulations at all times as the PRC environmental legal regime is evolving and becoming more stringent. Therefore, if the PRC government imposes more stringent regulations in the future, we will have to incur additional substantial costs and expenses in order to comply with new regulations, which may negatively affect our results of operations. If we fail to comply with any of the present or future environmental regulations in material aspects, we may suffer from negative publicity and may be required to pay substantial fines, suspend or even cease operations. Failure to comply with PRC environmental laws and regulations may materially and adversely affect our business, financial condition and results of operations.

To the extent we ship our products outside of the PRC, or to the extent our products are used in products sold outside of the PRC, they may be affected by the following: The transportation of non-rechargeable and rechargeable lithium batteries is regulated by the International Civil Aviation Organization, or ICAO, and corresponding International Air Transport Association, or IATA, Pipeline & Hazardous Materials Safety Administration, or PHMSA, Dangerous Goods Regulations and the International Maritime Dangerous Goods Code, or IMDG, and in the PRC by General Administration of Civil Aviation of China and Maritime Safety Administration of People's Republic of China. These regulations are based on the United Nations, or UN, Recommendations on the Transport of Dangerous Goods Model Regulations and the UN Manual of Tests and Criteria. We currently ship our products pursuant to ICAO, IATA ,IMO and PHMSA hazardous goods regulations. New regulations that pertain to all lithium battery manufacturers went into effect in 2003, 2004, 2009, 2010, 2013 and 2015. The regulations require companies to meet certain testing, packaging, labeling and shipping specifications for safety reasons. We comply with all current PRC and international regulations for the shipment of our products, and will comply with any new regulations that are imposed. We have established our own testing facilities to ensure that we comply with these regulations. If we were unable to comply with the new regulations, however, or if regulations are introduced that limit our ability to transport our products to customers in a cost-effective manner, this could have a material adverse effect on our business, financial condition and results of operations.

We do not have insurance coverage against all the damages or losses of our Dalian facilities.

We currently have insurance for our pledged machinery and equipment and pledged buildings located at our Dalian facilities. We expect we will purchase related insurance for the remaining buildings when we obtain the property ownership certificate after the construction is completed. If we were to suffer any losses or damages to any of the facilities before the purchase of insurance, our business, financial condition and results of operations would be materially and adversely affected.

We have identified material weaknesses in our internal control over financial reporting. If we fail to remediate the material weaknesses or maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our shares may be adversely affected.

To implement Section 404 of the Sarbanes-Oxley Act of 2002, or SOX 404, the SEC adopted rules requiring public companies to include a report of management on the company's internal control over financial reporting in their annual reports on Form 10-K. Under current law, we are subject to the requirement that we maintain internal controls and that management perform periodic evaluation of the effectiveness of the internal controls, assuming our filing status remains as a smaller reporting company. A report of our management is included under Item 9A of this Annual Report on Form 10-K. Our management has 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, and there was insufficient accounting personnel with an appropriate level of technical accounting knowledge and experience in the application of accounting principles generally accepted in the United States of America, or U.S. GAAP, commensurate with our financial reporting requirements. A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. We have taken measures and plan to continue to take measures to remedy this material weakness. In September 2016, we implemented training on internal control and enterprise risk management. In November 2016, we implemented training on U.S. GAAP accounting guidelines. However, the implementation of these measures may not fully address the material weakness in our internal control over financial reporting. Our failure to address any control deficiency could result in inaccuracies in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. Moreover, effective internal control over financial reporting is important to prevent fraud. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our shares, may be materially and adversely affected.

If we become directly subject to the recent scrutiny, criticism and negative publicity involving U.S.-listed Chinese companies, we may have to expend significant resources to investigate and resolve the matter which could harm our business operations, stock price and reputation and could result in a loss of your investment in our stock, especially if such matter cannot be addressed and resolved favorably.

Recently, U.S. public companies that have substantially all of their operations in China, particularly companies like us which have completed so-called reverse merger transactions, have been the subject of intense scrutiny, criticism and negative publicity by investors, financial commentators and regulatory agencies, such as the SEC. Much of the scrutiny, criticism and negative publicity has centered around financial and accounting irregularities and mistakes, a lack of effective internal controls over financial accounting, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result of the scrutiny, criticism and negative publicity, the publicly traded stock of many U.S. listed Chinese companies has sharply decreased in value and, in some cases, has become virtually worthless. Many of these companies are now subject to shareholder lawsuits and SEC enforcement actions, and are conducting internal and external investigations into the allegations. It is not clear what effect this sector-wide scrutiny, criticism and negative publicity will have on our Company, our business and our stock price. If we become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we will have to expend significant resources to investigate such allegations and/or defend our company. This situation will be costly and time consuming and distract our management from growing our company. If such allegations are not proven to be groundless, our company and business operations will be severely and your investment in our stock could be rendered worthless.

The disclosures in our reports and other filings with the SEC and our other public pronouncements are not subject to the scrutiny of any regulatory bodies in the PRC. Accordingly, our public disclosure should be reviewed in light of the fact that no governmental agency that is located in China where substantially all of our operations and business are located have conducted any due diligence on our operations or reviewed or cleared any of our disclosures.

We are regulated by the SEC and our reports and other filings with the SEC are subject to SEC review in accordance with the rules and regulations promulgated by the SEC under the Securities Act and the Exchange Act. Unlike public reporting companies whose operations are located primarily in the United States, however, substantially all of our operations are located in China. Since substantially all of our operations and business take place in China, it may be more difficult for the Staff of the SEC to overcome the geographic and cultural obstacles that are present when reviewing our disclosures. These same obstacles are not present for similar companies whose operations or business take place entirely or primarily in the United States. Furthermore, our SEC reports and other disclosures and public pronouncements are not subject to the review or scrutiny of any PRC regulatory authority. For example, the disclosure in our SEC reports and other filings are not subject to the review of China Securities Regulatory Commission, a PRC regulator that is tasked with oversight of the capital markets in China. Accordingly, you should review our SEC reports, filings and our other public pronouncements with the understanding that no local regulator has done any due diligence on our company and with the understanding that none of our SEC reports, other filings or any of our other public pronouncements has been reviewed or otherwise been scrutinized by any local regulator.

Our auditors, based in Hong Kong, China, like other independent registered public accounting firms operating in China and to the extent their audit clients have operations in China, is not permitted to be subject to full inspection by the Public Company Accounting Oversight Board and, as such, you may be deprived of the benefits of such inspection.

Our independent registered public accounting firms that issued the audit reports included in our annual reports filed with the SEC, as auditors of companies that are traded publicly in the United States and a firm registered with the US Public Company Accounting Oversight Board (United States), or PCAOB, are required by the laws of the United States to undergo regular inspections by the PCAOB to assess their compliance with the laws of the United States and professional standards.

However, our operations are solely located in the PRC, a jurisdiction where PCAOB is currently unable to conduct inspections without the approval of the PRC authorities. Our independent registered public accounting firm, like others operating in China (and Hong Kong, to the extent their audit clients have operations in China), is currently not subject to inspection conducted by the PCAOB. Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of the PCAOB to conduct full inspections of auditors operating in China makes it more difficult to evaluate our auditors' audit procedures or quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

Proceedings instituted by the SEC against five PRC-based accounting firms could result in financial statements being determined to be not in compliance with the requirements of the Securities Exchange Act of 1934.

In December 2012, the SEC instituted proceedings under Rule 102(e)(1)(iii) of the SEC's Rules of Practice against five PRC-based accounting firms, alleging that these firms had violated U.S. securities laws and the SEC's rules and regulations thereunder by failing to provide to the SEC the firms' work papers related to their audits of certain PRC-based companies that are publicly traded in the United States. Rule 102(e)(1)(iii) grants to the SEC the authority to deny to any person, temporarily or permanently, the ability to practice before the SEC who is found by the SEC, after notice and opportunity for a hearing, to have willfully violated, or willfully aided and abetted the violation of, any such laws or rules and regulations. On January 22, 2014, an initial administrative law decision was issued, sanctioning four of these accounting firms and suspending them from practicing before the SEC for a period of six months. The sanction will not take effect until there is an order of effectiveness issued by the SEC. In February 2014, four of these PRC-based accounting firms filed a petition for review of the initial decision. In February 2015, each of these four accounting firms agreed to a censure and to pay fine to the SEC to settle the dispute with the SEC. The settlement stays the current proceeding for four years, during which time the firms are required to follow detailed procedures to seek to provide the SEC with access to Chinese firms' audit documents via the CSRC. If a firm does not follow the procedures, the SEC would impose penalties such as suspensions, or commence a new, expedited administrative proceeding against the non-compliant firm or it could restart the administrative proceeding against all four firms. The four-year mark occurred on February 6, 2019.

While these issues raised by the proceedings are not specific to our auditor or to us, they potentially affect equally all PCAOB-registered audit firms based in China and all businesses based in China (or with substantial operations in China) with securities listed in the United States. Depending upon the final outcome, public companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which may result in SEC's revocation of the registration of their shares under the Exchange Act. Such a determinate would cause the immediate delisting of our Common Stock from the NASDAQ Stock Market, and the effective termination of the trading market for our securities in the United States, which would likely have a significant adverse effect on the value of our securities. Moreover, although our independent registered public accounting firm was not named as a defendant in the above SEC administrative proceedings, any negative news about the proceedings against these audit firms may erode investor confidence in China-based, US public companies, including us, and the market price of our shares may be adversely affected.

We may be adversely affected by the outcome of litigation against us in China.

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 entrusted part of the project of the contract to a third party without their prior consent. The plaintiff sought a total amount of $1,225,705 (RMB 8,430,792), including construction costs of $0.9 million (RMB6.1 million, which we already accrued for at June 30, 2016), interest of $30,689 (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 $1,225,705 (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. 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. On July 24, 2017, CBAK Power filed an appellate petition to the Intermediate Peoples' Court of Dalian ("Court of Dalian)" challenging the lower court's judgement rendered 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 the construction-cost-appraisal report which determined that the construction cost incurred and completed by Shenzhen Huijie for the subject project to be $1,327,340 (RMB9,129,868). As of December 31, 2018, the Company has already paid RMB 10,962,140 (approximately $1,593,724).

In late February 2018, we received a notice from Court of Zhuanghe that Shenzhen Huijie filed another lawsuit against CBAK Power for the failure pursuant to the terms of a fire-control contract. The plaintiff sought a total amount of RMB244,942 ($35,610), including construction costs of RMB238,735 ($34,708) and interest of RMB6,207 ($902).We have accrued for these amounts as of December 31, 2017. The Court of Zhuanghe requested an appraisal to be performed by a third-party appraisal institution on the uncompleted construction cost on the subject project, which should be deducted from the total construction cost of the contract. Based on the appraisal report from the appraisal institution that the uncompleted cost was RMB 170,032 ($24,720).On October 16, 2018, the Court of Zhuanghe made trial that CBAK Power should pay RMB 77,042 ($11,200) to Shenzhen Huijie after deducting the uncompleted cost, as well as other expenses incurred including deferred interest and litigation fee. On January 29, 2019, the Intermediate Peoples' Court of Dalian ("Court of Dalian)" dismissed the appeal by Shenzhen Huijie, and affirmed the original judgement.

Although we believe that the plaintiff's claims in the above lawsuits are without merit and we are vigorously defending ourselves, there is no assurance that we will be successful in the lawsuit. In the event that plaintiff prevails in the lawsuit, unfavorable court judgment could have an adverse effect on our business, financial condition and results of operations.

US federal income tax reform could have unforeseen effects on our financial condition and results of operations.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Tax Cuts and Jobs Act"), which significantly changed U.S. tax law. The Tax Cuts and Jobs Act 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. We are still in the process of analyzing the Tax Cuts and Jobs Act and its possible effects on us. The impact of this tax reform on holders of our common stock is uncertain and could be adverse. In addition, the actual impact of the Tax Cuts and Jobs Act on us may differ from our estimates, and we may update the provisional amount upon obtaining, preparing or analyzing additional information, based on our review of future regulations or guidance issued by the U.S. Department of the Treasury, and specific actions we may take in the future.

RISKS RELATED TO DOING BUSINESS IN CHINA

Changes in the economic and political policies of the PRC government could have a material and adverse effect on our business and operations.

We conduct substantially all our business operations in China. Accordingly, our results of operations, financial condition and prospects are significantly dependent on economic and political developments in China. China's economy differs from the economies of developed countries in many aspects, including the level of development, growth rate and degree of government control over foreign exchange and allocation of resources. While China's economy has experienced significant growth in the past 30 years, the growth has been uneven across different regions and periods and among various economic sectors in China. We cannot assure you that China's economy will continue to grow, or that if there is growth, such growth will be steady and uniform, or that if there is a slowdown, such slowdown will not have a negative effect on its business and results of operations.

The PRC government exercises significant control over China's economic growth through the allocation of resources, control over payment of foreign currency-denominated obligations, implementation of monetary policy, and preferential treatment of particular industries or companies. Certain measures adopted by the PRC government may restrict loans to certain industries, such as changes in the statutory deposit reserve ratio and lending guidelines for commercial banks by the People's Bank of China, or PBOC. These current and future government actions could materially affect our liquidity, access to capital, and ability to operate our business.

The global financial markets experienced significant disruptions in 2008 and the United States, Europe and other economies went into recession. Since 2012, growth of the Chinese economy has slowed down. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy but may also have a negative effect on us. Our financial condition and results of operation could be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. In addition, any stimulus measures designed to boost the Chinese economy, may contribute to higher inflation, which could adversely affect our results of operations and financial condition.

Uncertainties with respect to the PRC legal system could limit the legal protections available to you and us.

We conduct substantially all of our business through our operating subsidiaries in China. Our operating subsidiaries are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to foreign-invested enterprises, or FIEs. The PRC legal system is based on written statutes, and prior court decisions may be cited for reference, but have limited precedential value. Since 1979, a series of new PRC laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties for you and us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. Moreover, most of our executive officers and directors are residents of China and not of the United States, and substantially all the assets of these persons are located outside the United States. As a result, it could be difficult for investors to affect service of process in the United States or to enforce a judgment obtained in the United States against our Chinese operations and subsidiaries.

The PRC government exerts substantial influence over the manner in which we must conduct our business activities.

The PRC government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, import and export tariffs, environmental regulations, land use rights, property, and other matters. We believe that our operations in China are in material compliance with all applicable legal and regulatory requirements. However, the central or local governments of the jurisdictions in which we operate may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations.

Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof and could require us to divest ourselves of any interest we then hold in Chinese properties or joint ventures.

We rely on dividends and other distributions on equity paid by our subsidiaries for our cash needs.

We are a holding company, and we conduct all of our operations through our PRC subsidiaries. We rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash needs, including the funds necessary to pay dividends and other cash distributions to our stockholders, to service any debt we may incur and to pay our operating expenses. Current regulations in the PRC permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. According to the articles of association of our PRC subsidiaries, each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profit based on the PRC accounting standards and regulations each year to its statutory general reserve, until the balance in the reserve reaches 50% of the registered capital of the company. Funds in the reserve are not distributable to us in forms of cash dividends, loans or advances. In addition, if our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us, which in turn will adversely affect our available cash. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

Restrictions on currency exchange may limit our ability to receive and use our sales revenue effectively.

The majority of our sales will be settled in RMB and U.S. dollars, and any future restrictions on currency exchanges may limit our ability to use revenue generated in RMB to fund any future business activities outside China or to make dividend or other payments in U.S. dollars. Although the Chinese government introduced regulations in 1996 to allow greater convertibility of the RMB for current account transactions, significant restrictions still remain, including primarily the restriction that foreign-invested enterprises may only buy, sell or remit foreign currencies after providing valid commercial documents, at those banks in China authorized to conduct foreign exchange business. In addition, conversion of RMB for capital account items, including direct investment and loans, is subject to governmental approval in China, and companies are required to open and maintain separate foreign exchange accounts for capital account items. We cannot be certain that the Chinese regulatory authorities will not impose more stringent restrictions on the convertibility of the RMB in the future.

In addition, the Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, issued by the PRC State Administration of Foreign Exchange (“SAFE”), and effective as of August 29, 2008 (“Circular 142”), regulates the conversion by foreign-invested enterprises of foreign currency into RMB by restricting how the converted RMB may be used. Circular 142 requires that RMB converted from the foreign currency-dominated capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the relevant government authority and may not be used to make equity investments in PRC, unless specifically provided otherwise. SAFE further strengthened its oversight over the flow and use of RMB funds converted from the foreign currency-dominated capital of a foreign-invested enterprise. The use of such RMB may not be changed without approval from SAFE, and may not be used to repay RMB loans if the proceeds of such loans have not yet been used. Any violation of Circular 142 may result in severe penalties, including substantial fines.

Fluctuations in exchange rates could adversely affect our business and the value of our securities.

The value of our securities will be indirectly affected by the foreign exchange rate between the U.S. dollar and RMB and between those currencies and other currencies in which our sales may be denominated. Appreciation or depreciation in the value of the RMB relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. Fluctuations in the exchange rate will also affect the relative value of any dividend we issue that will be exchanged into U.S. dollars, as well as earnings from, and the value of, any U.S. dollar-denominated investments we make in the future.

Since July 2005, the RMB has no longer been pegged to the U.S. dollar. However, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals. Following the removal of the U.S. dollar peg, the RMB appreciated more than 20% against the U.S. dollar over the following three years. From July 2008 to June 2010, the RMB traded within a narrow range against the U.S. dollar. On April 16, 2012, the PBOC announced a policy to expand the maximum daily floating range of RMB trading prices against the U.S. dollar in the inter-bank spot foreign exchange market from 0.5% to 1%. On March 17, 2014, the People’s Bank of China announced a policy to further expand the maximum daily floating range of RMB trading prices against the U.S. dollar in the inter-bank spot foreign exchange market to 2%. In the long term, the RMB may appreciate or depreciate more significantly in value against the U.S. dollar or other foreign currencies, depending on the market supply and demand with reference to a basket of currencies.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions. While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our foreign currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currencies. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

Failure to comply with PRC regulations relating to the investment in offshore special purpose companies by PRC residents may subject our PRC resident stockholders to personal liability, limit our ability to acquire PRC companies or to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us or otherwise materially adversely affect us.

On July 14, 2014, SAFE issued the Circular on Relevant Issues Relating to Domestic Residents' Investment and Financing and Roundtrip Investment through Special Purpose Vehicles ("Circular 37"), which replaced the Circular 75, promulgated by SAFE on October 21, 2005. Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in Circular 37 as a "special purpose vehicle."

We have notified substantial beneficial owners of our company who we know are PRC residents to comply with the registration obligation. However, we may not be aware of the identities of all our beneficial owners who are PRC residents. In addition, we do not have control over our beneficial owners and cannot assure you that all of our PRC resident beneficial owners will comply with Circular 37. The failure of our beneficial owners who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to Circular 37 or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in Circular 37 may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions. Failure to register or amend the registration may also limit our ability to contribute additional capital to our PRC subsidiaries or receive dividends or other distributions from our PRC subsidiaries or other proceeds from disposal of our PRC subsidiaries, or we may be penalized by SAFE. These risks may have a material adverse effect on our business, financial condition and results of operations.

The M&A Rule establishes more complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

On August 8, 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission, promulgated the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rule, which became effective on September 8, 2006. The M&A Rule establishes additional procedures and requirements that could make some acquisitions of Chinese companies by foreign investors more time-consuming and complex, including requirements in some instances that the PRC Ministry of Commerce be notified in advance of any change-of-control transaction and in some situations, require approval of the PRC Ministry of Commerce when a foreign investor takes control of a Chinese domestic enterprise. The regulations prohibit a transaction at an acquisition price obviously lower than the appraised value of the PRC business or assets and in certain transaction structures, require that consideration must be paid within defined periods, generally not in excess of a year. The regulation also limits our ability to negotiate various terms of the acquisition, including aspects of the initial consideration, contingent consideration, holdback provisions, indemnification provisions and provisions relating to the assumption and allocation of assets and liabilities. Transaction structures involving trusts, nominees and similar entities are prohibited. Government approvals will have expiration dates by which a transaction must be completed and reported to the government agencies. In the future, we may grow our business in part by acquiring complementary businesses, although we do not have any plans to do so at this time. The M&A Rule also requires PRC Ministry of Commerce anti-trust review of any change-of-control transactions involving certain types of foreign acquirers. On February 3, 2011, the Circular on Establishing the Security Review System for Merger and Acquisition of Domestic Enterprises by Foreign Investors was promulgated by the General Office of the State Council, which went into effect on March 4, 2011. On August 25, 2011, the Ministry of Commerce issued the corresponding implementation rules. According to these rules, a foreign investor's acquisitions of Chinese companies in the fields of military, important agricultural products, energy and resources, infrastructure, transport service, key technology and major equipment manufacturing, and other restricted fields requires security review by a ministerial panel established and governed under the direction of the State Council and led by the National Development and Reform Commission and Ministry of Commerce. Complying with the requirements of the M&A Rule to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the PRC Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Investors may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based upon U.S. laws, including the federal securities laws or other foreign laws against us or our management.

All of our current operations are conducted in China. Moreover, most of our current directors and officers are nationals or residents of China. All or a substantial portion of the assets of these persons are located outside the United States and in the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon these persons. In addition, uncertainty exists as to whether the courts of China would recognize or enforce judgments of U.S. courts obtained against us or such officers and/or directors predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or be competent to hear original actions brought in China against us or such persons predicated upon the securities laws of the United States or any state thereof.

Under the Enterprise Income Tax Law, we may be classified as a "resident enterprise" of China. Such classification will likely result in unfavorable tax consequences to us and our non-PRC shareholders.

On March 16, 2007, the National People's Congress of China passed a new Enterprise Income Tax Law, or the EIT Law, and on November 28, 2007, the State Council of China passed its implementing rules, which took effect on January 1, 2008. Under the EIT Law, an enterprise established outside of China with "de facto management bodies" within China is considered a "resident enterprise," meaning that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define de facto management as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise.

On April 22, 2009, the State Administration of Taxation issued the Notice Concerning Relevant Issues Regarding Cognizance of Chinese Investment Controlled Enterprises Incorporated Offshore as Resident Enterprises pursuant to Criteria of de facto Management Bodies, or the Notice, further interpreting the application of the EIT Law and its implementation non-Chinese enterprise or group controlled offshore entities. Pursuant to the Notice, an enterprise incorporated in an offshore jurisdiction and controlled by a Chinese enterprise or group will be classified as a "non-domestically incorporated resident enterprise" if (i) its senior management in charge of daily operations reside or perform their duties mainly in China; (ii) its financial or personnel decisions are made or approved by bodies or persons in China; (iii) its substantial assets and properties, accounting books, corporate chops, board and shareholder minutes are kept in China; and (iv) at least half of its directors with voting rights or senior management often resident in China. A resident enterprise would be subject to an enterprise income tax rate of 25% on its worldwide income and must pay a withholding tax at a rate of 10% when paying dividends to its non-PRC shareholders. However, it remains unclear as to whether the Notice is applicable to an offshore enterprise incorporated by a Chinese natural person. Nor are detailed measures on imposition of tax from non-domestically incorporated resident enterprises are available. Therefore, it is unclear how tax authorities will determine tax residency based on the facts of each case.

We may be deemed to be a resident enterprise by Chinese tax authorities. If the PRC tax authorities determine that we are a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to the enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income such as interest on financing proceeds and non-China source income would be subject to PRC enterprise income tax at a rate of 25%. Second, although under the EIT Law and its implementing rules dividends paid to us from our PRC subsidiaries would qualify as "tax-exempt income," we cannot guarantee that such dividends will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes. Finally, it is possible that future guidance issued with respect to the new "resident enterprise" classification could result in a situation in which a 10% withholding tax is imposed on dividends we pay to our non-PRC shareholders and with respect to gains derived by our non-PRC stockholders from transferring our shares. If we were treated as a "resident enterprise" by the PRC tax authorities, we would be subject to taxation in both the U.S. and China, and our PRC tax may not be used as a credit to reduce our U.S. tax.

We and our stockholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies.

In October 2017, the State Administration of Taxation issued the Bulletin on Issues Concerning the Withholding of Non-PRC Resident Enterprise Income Tax at Source, or Bulletin 37, which replaced the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued by the State Administration of Taxation on December 10, 2009, and partially replaced and supplemented rules under the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or Bulletin 7, issued by the State Administration of Taxation on February 3, 2015. Pursuant to Bulletin 7, an "indirect transfer" of PRC assets, including a transfer of equity interests in an unlisted non-PRC holding company of a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of the underlying PRC assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to Bulletin 7, "PRC taxable assets" include assets attributed to an establishment in China, immoveable properties located in China, and equity investments in PRC resident enterprises and any gains from the transfer of such asset by a direct holder, who is a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining whether there is a "reasonable commercial purpose" of the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In the case of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and may consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to immoveable properties located in China or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Pursuant to Bulletin 37, the withholding agent shall declare and pay the withheld tax to the competent tax authority in the place where such withholding agent is located within 7 days from the date of occurrence of the withholding obligation, while the transferor is required to declare and pay such tax to the competent tax authority within the statutory time limit according to Bulletin 7. Late payment of applicable tax will subject the transferor to default interest. Both Bulletin 37 and Bulletin 7 do not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange.

There is uncertainty as to the application of Bulletin 37 or previous rules under Bulletin 7. We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries or investments. Our company may be subject to filing obligations or taxes if our company is transferor in such transactions, and may be subject to withholding obligations if our company is transferee in such transactions, under Bulletin 37 and Bulletin 7. For transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiary may be requested to assist in the filing under Bulletin 37 and Bulletin 7. As a result, we may be required to expend valuable resources to comply with Bulletin 37 and Bulletin 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

We may be exposed to liabilities under the Foreign Corrupt Practices Act and Chinese anti-corruption laws, and any determination that we violated these laws could have a material adverse effect on our business.

We are subject to the Foreign Corrupt Practice Act ("FCPA"), and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. persons and issuers as defined by the statute, for the purpose of obtaining or retaining business. We have operations, have agreements with third parties, and make most of our sales in China. The PRC also strictly prohibits bribery of government officials. Our activities in China create the risk of unauthorized payments or offers of payments by the employees, consultants, sales agents, or distributors of our subsidiaries, even though they may not always be subject to our control. It is our policy to implement safeguards to discourage these practices by our employees. However, our existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants, sales agents, or distributors of our subsidiaries may engage in conduct for which we might be held responsible. Violations of the FCPA or Chinese anti-corruption laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the U.S. government may seek to hold our subsidiaries liable for successor liability FCPA violations committed by companies in which we invest or that we acquire.

RISKS RELATED TO OUR COMMON STOCK

Numerous factors, many of which are beyond our control, may cause the market price of our common stock to fluctuate significantly.

There are numerous factors, many of which are beyond our control, may cause the market price of our common stock to fluctuate significantly. These factors include:

- our earnings releases, actual or anticipated changes in our earnings, fluctuations in our operating results or our failure to meet the expectations of financial market analysts and investors;
- changes in financial estimates by us or by any securities analysts who might cover our shares;
- speculation about our business in the press or the investment community;
- significant developments relating to our relationships with our customers or suppliers;
- stock market price and volume fluctuations of other publicly traded companies and, in particular, those that are in the our industries;
- customer demand for our products;
- investor perceptions of the our industry in general and our company in particular;
- the operating and stock performance of comparable companies;
- general economic conditions and trends;
- major catastrophic events;
- announcements by us or our competitors of new products, significant acquisitions, strategic partnerships or divestitures;
- changes in accounting standards, policies, guidance, interpretation or principles;
- loss of external funding sources;
- sales of our shares, including sales by our directors, officers or significant shareholders; and
- additions or departures of key personnel.

Securities class action litigation is often instituted against companies following periods of volatility in their share price. This type of litigation could result in substantial costs to us and divert our management's attention and resources. Moreover, securities markets may from time to time experience significant price and volume fluctuations for reasons unrelated to operating performance of particular companies. For example, in July 2008, the securities markets in the United States, China and other jurisdictions experienced the largest decline in share prices since September 2001. These market fluctuations may adversely affect the price of our shares and other interests in our company at a time when you want to sell your interest in us.

If we fail to comply with the continued listing requirements of NASDAQ, we would face possible delisting, which would result in a limited public market for our shares and make obtaining future debt or equity financing more difficult for us.

Our common stock is traded and listed on the NASDAQ Global Market under the symbol "CBAT", which was changed from "CBAK" on November 30, 2018. The common stock may be delisted if we fail to maintain certain NASDAQ listing requirements.

On August 9, 2018, we received a letter from the Listing Qualifications staff of The Nasdaq Stock Market LLC ("Nasdaq") indicating that for the last 30 consecutive business days, the bid price of our common stock closed below the minimum $1.00 per share. On January 15, 2019, we received another notice from the Nasdaq notifying us that for the last 30 consecutive business days prior to the date of the notice, the market value of publicly held shares of our common stock was less than $15 million, which does not meet the requirement for continued listing on The Nasdaq Global Market. On February 4, 2019, we received notification from staff of Nasdaq notifying us that we have regained compliance with the minimum bid price and the minimum market value of publicly held shares requirements for continued listing set forth in NASDAQ Listing Rules 5450(a)(1) and 5450(b)(3)(c), respectively. As a result, the matters of the Company's noncompliance with the minimum bid price and the minimum market value of publicly held shares requirements under NASDAQ Listing Rules have been closed. As of April 12, 2019, the closing price of our common stock was $1.02 per share.

We cannot ensure you that the Company will continue to comply with the requirements for continued listing on the NASDAQ Global Market in the future. If our common stock loses its status on The NASDAQ Global Market and we are not successful in obtaining a listing on The NASDAQ Capital Market, our common stock would likely trade in the over-the-counter market. If our shares were to trade on the over-the-counter market, selling our common stock could be more difficult because smaller quantities of shares would likely be bought and sold, transactions could be delayed, and security analysts' coverage of us may be reduced. In addition, in the event our common stock is delisted, broker-dealers have certain regulatory burdens imposed upon them, which may discourage broker-dealers from effecting transactions in our common stock, further limiting the liquidity of our common stock. These factors could result in lower prices and larger spreads in the bid and ask prices for our common stock. Such delisting from the NASDAQ Global Market and continued or further declines in our share price could also greatly impair our ability to raise additional necessary capital through equity or debt financing, and could significantly increase the ownership dilution to shareholders caused by our issuing equity in financing or other transactions.

If we were delisted from NASDAQ, we may become subject to the trading complications experienced by "Penny Stocks" in the over-the-counter market.

Delisting from NASDAQ may cause our shares of common stock to become the SEC's "penny stock" rules. The SEC generally defines a penny stock as an equity security that has a market price of less than $5.00 per share or an exercise price of less than $5.00 per share, subject to specific exemptions. One such exemption is to be listed on NASDAQ. Therefore, were we to be delisted from NASDAQ, our common stock may become subject to the SEC's "penny stock" rules. These rules require, among other things, that any broker engaging in a purchase or sale of our securities provide its customers with: (i) a risk disclosure document, (ii) disclosure of market quotations, if any, (iii) disclosure of the compensation of the broker and its salespersons in the transaction and (iv) monthly account statements showing the market values of our securities held in the customer's accounts. A broker would be required to provide the bid and offer quotations and compensation information before effecting the transaction. This information must be contained on the customer's confirmation. Generally, brokers are less willing to effect transactions in penny stocks due to these additional delivery requirements. These requirements may make it more difficult for shareholders to purchase or sell our shares. Because the broker, not us, prepares this information, we would not be able to assure that such information is accurate, complete or current.

Our directors and executive officers, collectively, own approximately 17.44% of our outstanding common stock and may possess significant influence in or control over our management and affairs.

Mr. Yunfei Li, our president and chief executive officer and chairman of our board, and our other executive officers and directors beneficially owns an aggregate of 17.44% of our outstanding common stock. As a result, our directors and executive officers, acting together, may have significant influence in or control over our management and affairs, including the election of directors and approval of significant corporate transactions, such as mergers, consolidation, and sale of all or substantially all of our assets. Consequently, this concentration of ownership may have the effect of delaying or preventing a change of control, including a merger, consolidation or other business combination involving us, even if such a change of control would benefit our stockholders.

We do not intend to pay dividends for the foreseeable future.

For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. Accordingly, investors must be prepared to rely on sales of their common stock after price appreciation to earn an investment return, which may never occur. Investors seeking cash dividends should not purchase our common stock. Any determination to pay dividends in the future will be made at the discretion of our board of directors and will depend on our results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our board deems relevant.

Provisions in our articles of incorporation and bylaws could entrench our board of directors and prevent a change in control.

Our articles of incorporation provide that special meetings of the stockholders can only be called by our president or any other executive officer, or the board of directors, or any member thereof, the record holder or holders of at least 10% of all shares entitled to vote at the meeting, or the president or secretary at the written request of our stockholders holding not less than 30% of all shares issued, outstanding and entitled to vote. In addition, our bylaws and/or our articles of incorporation (i) allow vacancies in the board of directors to be filled by a majority of the remaining directors, though less than a quorum, (ii) provide that no contract or transaction between us and one or more of our directors or officers is void if certain criteria are met, (iii) provide that our bylaws may be amended or appealed at any meeting of the board of directors at which a quorum is present, by the affirmative vote of a majority of the directors present at such meeting, and (iv) provide that at an annual meeting, our stockholders elect a board of directors and transact such other business as may properly be brought before the meeting; by contrast, at a special meeting, our stockholders may transact only the business for the purposes specified in the notice of the meeting unless all of our stockholders entitled to vote are present at the special meeting and consent.

In addition, our board of directors may cause us to issue our authorized but unissued shares of common stock in the future without stockholders' approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock could render more difficult or discourage an attempt to obtain control of a majority of our common stock by means of a proxy contest, tender offer, merger or otherwise.

Collectively, these provisions may have the effect of entrenching our existing board members, discouraging or preventing a transaction including a change in control transaction where such transaction would be beneficial to our stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

We have completed the construction of the facilities in our Dalian site with a total area of 41,700 square meters comprising manufacturing facilities, warehousing and packaging facilities and administrative offices at the BAK Industrial Park in Dalian. Of that space, approximately 32,802 square meters are manufacturing facilities. We have completed the construction of a power battery manufacturing plant and a power battery packing plant in Dalian which started commercial production in July 2015. We are also in the progress to construct two more buildings with a total area of 32,543 square meters including a manufacturing plant and a warehouse of finished goods. We believe that these facilities will meet our recent business needs as well as the needs of our expanded operations in the future.

The following table sets forth the breakdown of our facilities as of December 31, 2018 based on use:

Facility	Usage	Area (m^2)
Constructions completed	Manufacturing	32,802
	R&D and administrative	3,231
	Warehousing	4,765
	Other facilities	902
	Subtotal	**41,700**
Constructions in progress	Manufacturing	19,543
	Warehousing	13,000
	Subtotal	**32,543**
Dalian CBAK Power facilities	**Total**	**74,243**

We currently have insurance for the completed constructions. We expect we will purchase related insurance for the remaining buildings after the construction is completed and the property ownership certificates are obtained.

We have not yet obtained the property ownership certificates of the buildings in our Dalian manufacturing facilities. As of December 31, 2018, we have 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.

ITEM 3. 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 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 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 $1,225,705 (RMB 8,430,792), including construction costs of $0.9 million (RMB6.1 million, which we already accrued for at June 30, 2016), interest of $30,689 (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 $1,225,705 (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. 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. On July 24, 2017, CBAK Power filed an appellate petition to the Intermediate Peoples' Court of Dalian ("Court of Dalian)" challenging the lower court's judgement rendered 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 $1,327,340 (RMB9,129,868). As of December 31, 2018, the Company has already paid RMB 10,962,140 (approximately $1,593,724).

In late February 2018, we received notice from Court of Zhuanghe that Shenzhen Huijie filed another lawsuit against CBAK Power for the failure pursuant to the terms of a fire-control contract. The plaintiff sought a total amount of RMB244,942 ($35,610), including construction costs of RMB238,735 ($34,708) and interest of RMB6,207 ($902).We have accrued for these amounts as of December 31, 2017.The Court of Zhuanghe requested an appraisal to be performed by a third-party appraisal institution on the uncompleted construction cost on the subject project, which should be deducted from the total construction cost of the contract. Based on the appraisal report from the appraisal institution, the uncompleted cost was RMB 170,032 ($24,720).On October 16, 2018, the Court of Zhuanghe determined that CBAK Power should pay RMB 77,042 ($11,200) to Shenzhen Huijie after deducting the uncompleted cost, as well as other expenses incurred including deferred interest and litigation fee. On January 29, 2019, the Intermediate Peoples' Court of Dalian ("Court of Dalian)" dismissed the appeal by Shenzhen Huijie, and affirmed the original judgment.

Although we believe that the plaintiff's claims in the above lawsuits are without merit and we are vigorously defending ourselves, there is no assurance that we will be successful in the lawsuit. In the event that plaintiff prevails in the lawsuit, unfavorable court judgment could have an adverse effect on our business, financial condition and results of operations.

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 ($2,657,605), including goods amount of RMB17,428,000 ($2,533,759) and interest of RMB851,858 ($123,847). On December 19, 2017, the Court of Zhuanghe rendered the judgement that Anyuan Bus should pay the goods amount of RMB17,428,000 ($2,533,759) and the interest until the goods amount was paid off, and litigation fee of RMB131,480 ($19,115). 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' 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 our petition that all the Anyuan Bus' 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. 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 appellate petition to the Intermediate Peoples' Court of Dalian challenging the judgment from the Court of Zhuanghe.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our common stock is listed on The NASDAQ Global Market under the symbol "CBAT", which was changed from "CBAK" on November 30, 2018.

Approximate Number of Holders of Our Common Stock

As of April 12, 2019, there were approximately 52 holders of record of our common stock, which does not include the number of stockholders holding shares of our common stock in "street name".

Dividend Policy

We have never declared or paid any dividends, nor do we have any present plan to pay any cash dividends on our common stock in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

As we are a holding company, we rely on dividends paid to us by our subsidiaries in the PRC through our Hong Kong subsidiary, BAK Asia. In accordance with its articles of association, each of our subsidiaries in the PRC is required to allocate to its statutory general reserve at least 10% of its respective after-tax profits determined in accordance with the PRC accounting standards and regulations. Each of our subsidiaries in the PRC may stop allocations to its general reserve if such reserve has reached 50% of its registered capital. Allocations to the reserve can only be used for making up losses and other specified purposes and may not be paid to us in the form of loans, advances, or cash dividends. Dividends paid by our PRC subsidiaries to BAK Asia, our Hong Kong subsidiary, will not be subject to Hong Kong capital gains or other income tax under current Hong Kong laws and regulations because they will not be deemed to be assessable income derived from or arising in Hong Kong. Such dividends, however, may be subject to a 10% withholding tax in the PRC.

Our board of directors has discretion on whether to pay dividends unless the distribution would render us unable to repay our debts as they become due, as provided in Chapter 78.288 of the Nevada Revised Statutes. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

Securities Authorized for Issuance Under Equity Compensation Plans

See Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters — Securities Authorized for Issuance Under Equity Compensation Plans."

Recent Sales of Unregistered Securities

We have not sold any equity securities during the 2018 fiscal year that were not previously disclosed in a quarterly report on Form 10-Q or a current report on Form 8-K that was filed during the 2018 fiscal year.

Purchases of Equity Securities

No repurchases of our common stock were made during the fiscal year of 2018.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.

ITEM 7. 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. In addition to historical information, the following discussion contains certain forward-looking information. See "Special Note Regarding Forward Looking Statements" above for certain information concerning those forward looking statements. Our financial statements are prepared in U.S. dollars and in accordance with U.S. GAAP.

Overview

We are engaged in the developing, manufacturing and selling of 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 generated revenues from the manufacture and sale of high power lithium batteries of $24.4 million and $58.4 million for the fiscal years ended December 31, 2018 and 2017, respectively. We incurred a net loss of $2.0 million and $21.5 million during the fiscal years ended December 31, 2018 and 2017, respectively. Our revenues are adversely impacted by the reduction of government subsidies to new energy vehicles, pursuant to the "Notice on Adjusting and Improving the Policy of Financial Subsidy for the Promotion and Application of New Energy Vehicles" 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 February 12, 2018. Given the new subsidy policy's negative impact on electric vehicle manufactures, as a temporary measure, we reduced our production of batteries used in EV and focused more on batteries of uninterruptable supplies. Accordingly, net revenues from sales of batteries for uninterruptable supplies was $16.2 million for the fiscal year ended December 31, 2018, as compared to $2.9 million for fiscal year ended December 31, 2017, an increase of $13.3 million, or 464%.

We have completed the construction of a cylindrical power battery manufacturing plant and a power battery packing plant of our Dalian facilities which started commercial production in July 2015. We have received and been utilizing most of BAK Tianjin's operating assets relocated to our Dalian facilities, including its machinery and equipment for battery production and battery pack production, customers, management team and technical staff, patents and technologies. We have also purchased machinery and equipment to expand our manufacturing capabilities.

In 2016, we received advances of approximately $5.5 million from certain investors and on July 28, 2016, we entered into securities purchase agreements with these investors and converted such loans into equity interests by issuing 2.2 million shares of our common stock to these investors on August 17, 2016.

On February 17, 2017, we signed a letter of understanding with each of eight individual investors, who are also our current shareholders, including our CEO, Mr. Yunfei Li, whereby these shareholders agreed to subscribe for new shares of our common stock totaling $10 million. In April and May 2017, we received cash of $9.6 million from these shareholders. On May 31, 2017, we entered into a securities purchase agreement with these investors, pursuant to which we agreed to issue an aggregate of 6,403,518 shares of common stock, par value $0.001 per share to these investors, at a purchase price of $1.50 per share, for an aggregate price of $9.6 million, including 746,018 shares issued to Mr. Yunfei Li, our CEO. On June 22, 2017, we issued the shares to the 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 $3.5 million (RMB23,980,950) and $1.7 million (RMB11,647,890) (totaled $5.2 million, the "Debts") to Mr. Dawei Li and Mr. Yunfei Li, respectively.

On January 7, 2019, the Company entered into a Cancellation Agreement (the "Cancellation Agreement") with Mr. Dawei Li and Mr. Yunfei Li (the creditors). Pursuant to the terms of the Cancellation Agreement, Mr. Dawei Li and Mr. Yunfei Li agreed to cancel the Debts in exchange for 3,431,373 and 1,666,667 shares of common stock of the Company, respectively, (collectively, the "Shares") 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 Debts. The Cancellation Agreement contains customary representations and warranties of the creditors. The creditors do not have registration rights with respect to the Shares.

As of December 31, 2018, we had unutilized committed banking facilities of $15.0 million. We plan to renew these loans upon maturity, and intend to raise additional funds through bank borrowings and equity financing in the future to meet our daily cash demands, if required.

In the meanwhile, due to the growing environmental pollution problem, the Chinese government is currently providing vigorous support to the development of new energy facilities and vehicles. It is expected that we will be able to secure more potential orders from the new energy 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.

These 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 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.

Financial Statement Presentation

Net revenues. The new revenue standards become effective for the Company on January 1, 2018, and were adopted using the modified retrospective method. The adoption of the new revenue standards as of January 1, 2018 did not change our revenue recognition as the majority of its revenues continue to be recognized when the customer takes control of its products. As we did not identify any accounting changes that impacted the amount of reported revenues with respect to its product revenues, no adjustment to accumulated deficit was required upon adoption.

Under the new revenue standards, we recognize revenues when our 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. We recognize the 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 expenses incremental costs of obtaining a contract as and when incurred it the expected amortization period of the asset that it would have recognized is on year or less or the amount is immaterial.

Revenue from product sales 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, warranty expenses, advertising cost, depreciation, share-based compensation and travel and entertainment expenses. We do not pay slotting fees to retail companies for displaying our products, engage in cooperative advertising programs, participate in buy-down programs or similar arrangements.

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

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

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

Results of Operations

Comparison of Years Ended December 31, 2017 and December 31, 2018

The following table sets forth key components of our results of operations for the years indicated, both in dollars and as a percentage of our revenue.

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

	Years Ended		Change	
	December 31, 2017	December 31, 2018	$	%
Net revenues	$ 58,375	$ 24,433	(33,942)	(58)
Cost of revenues	(68,571)	(27,732)	40,839	60
Gross loss	(10,196)	(3,299)	6,897	68
Operating expenses:				
Research and development expenses	1,739	2,481	742	43
Sales and marketing expenses	3,217	2,081	(1,136)	(35)
General and administrative expenses	4,329	4,497	168	4
Impairment charge on property, plant and equipment	972	918	(54)	(6)
Provision for doubtful accounts	725	163	(562)	(78)
Total operating expenses	10,982	10,140	(842)	(8)
Operating loss	(21,178)	(13,439)	7,739	37
Finance expense, net	(245)	(834)	(589)	(240)
Other (expenses) income, net	(44)	12,316	12,360	28,091
Loss before income tax	(21,467)	(1,957)	19,510	91
Income tax expenses	-	-	-	-
Net loss	$ (21,467)	$ (1,957)	19,510	91
Less: Net loss attributable to non-controlling interests	-	14	14	100
Net loss attributable to shareholders of CBAK Energy Technology, Inc.	(21,467)	(1,943)	19,524	90

Net revenues. Net revenues were $24.4 million for the fiscal year ended December 31, 2018, as compared to $58.4 million for the fiscal year ended December 31, 2017, a decrease of $33.9 million, or 58%.

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

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

	Years Ended		Change	
	December 31, 2017	December 31, 2018	$	%
High-power lithium batteries used in:				
Electric vehicles	$ 55,007	$ 8,169	(46,838)	(85)
Light electric vehicles	496	64	(432)	(87)
Uninterruptable supplies	2,872	16,200	13,328	464
	58,375	24,433	(33,942)	(58)

Net revenues from sales of batteries for electric vehicles were $8.2 million for the fiscal year ended December 31, 2018, as compared to $55.0 million for 2017, a decrease of $46.8 million, or 85%. Pursuant to the "Notice on Adjusting and Improving the Policy of Financial Subsidy for the Promotion and Application of New Energy Vehicles" 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 February 12, 2018, new energy vehicles will receive different subsidies based on their driving range and technical performance. Vehicles having long driving range and high technical performance will get higher subsidies. New subsidy standards took effect officially on June 12, 2018. Given the new subsidy policy's negative impact on electric vehicle manufacturers, as a temporary measure, we reduced our production of batteries used in EV and focused more on batteries of uninterruptable supplies. However, 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 light electric vehicles was approximately $64,000 for the fiscal year ended December 31, 2018, as compared approximately $496,000 for 2017, representing a decrease of $432,000, or 87% . As we focused more on electric vehicle market, our sales of batteries for light electric vehicles remains at a small-scale level in recent years.

Net revenues from sales of batteries for uninterruptable supplies was $16.2 million for the fiscal year ended December 31, 2018, as compared to $2.9 million for fiscal year ended December 31, 2017, an increase of $13.3 million, or 464%. As we focused more on this market in 2018, sale of batteries for uninterruptable power supplies increased significantly.

Cost of revenues. Cost of revenues decreased to $27.7 million for the fiscal year ended December 31, 2018, as compared to $68.6 million for 2017, a decrease of $40.9 million, or 60%. The decrease in cost of revenues was mainly due to decreased net revenues. Included in cost of revenues were write down of obsolete inventories of $5.8 million for the year ended December 31, 2017, while it was $0.1 million for the year ended 2018. We write down the inventory value whenever there is an indication that it is impaired. The increase in provision of inventory is mainly due to the increase of inventory with ageing over 1 year. However, further write-down may be necessary if market conditions continue to deteriorate.

Gross loss. Gross loss for the year ended December 31, 2018 was $3.3 million, or 13.5% of net revenues as compared to gross loss of $10.2 million, or 17.5% of net revenues, for the fiscal year ended December 31, 2017. Our new Dalian facilities commenced manufacturing activities in July 2015. Inefficiency was inevitably caused by the operation of the newly installed machinery and newly hired production staff. We continued our efforts to improve our efficiency and tried to reduce gross loss both in dollar term and percentage term through improvement in quality control and product mix to meet market demand.

Research and development expenses. Research and development expenses increased to $2.5 million for the year ended December 31, 2018, as compared to $1.7 million for 2017, an increase of $0.8 million, or 43%. We continued to hire more R&D personnel and incur more R&D activities on testing new materials with an aim to diversify our raw material supply sources, reduce our exposure to possible price fluctuations and to improve our product quality.

Sales and marketing expenses. Sales and marketing expenses decreased to $2.1 million for the year ended December 31, 2018, as compared to $3.2 million for 2017, a decrease of $1.1 million, or 35%, primarily due to a decrease of $2.0 million in provision for warranty expenses. For the year ended December 31, 2018, we sold more uninterruptable supplies with shorter warranty period requirements than electric vehicle batteries. On the other hand, in order to secure orders from new customers, we paid more on product quality certification.

General and administrative expenses. General and administrative expenses increased to $4.5 million for the year ended December 31, 2018, as compared to $4.3 million for 2017, an increase of $0.2 million, or 4%.

Property, plant and equipment impairment charge. The property, plant and equipment impairment charge was $1 million and $0.9 million for the years ended December 31, 2017 and 2018, respectively. During the course of our strategic review of our operations for the years ended December 31, 2017 and 2018, we assessed the recoverability of the carrying value of certain property, plant and equipment which resulted in impairment losses of $1 million and $0.9 million, respectively. The impairment charge considered by us in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors.

Provision for doubtful accounts. Provision for doubtful accounts decreased to $0.2 million for the year ended December 31, 2018, as compared to $0.7 million for 2017.

Operating loss. As a result of the above, our operating loss totaled $13.4 million for the year ended December 31, 2018, as compared to $21.2 million for 2017, a decrease of $7.7 million or 37%.

Finance expense, net. Finance expense, net was $0.8 million for the year ended December 31, 2018, as compared to $0.2 million for 2017. Interest expenses in 2018 increased as result of our higher average bank loan balances.

Other (expenses) income. Other income was $12.3 million for the year ended December 31, 2018, as compared to other expenses of approximately $44,000 for 2017. We recorded a gain on the transfer of our patented proprietary technology to BAK Shenzhen (net of VAT) of $12.1 million in the third quarter of 2018.

Net loss. As a result of the foregoing, we had a net loss of $2.0 million for the year ended December 31, 2018, compared to a net loss of $21.5 million for 2017.

Liquidity and Capital Resources

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

We incurred a net loss of $2.0 million in the fiscal year ended December 31, 2018. As of December 31, 2018, we had cash and cash equivalents of $0.4 million. Our total current assets were $56.4 million and our total current liabilities were $92.9 million, resulting in a net working capital deficiency of $36.6 million. These factors raise substantial doubts about our ability to continue as a going concern.

As disclosed under Item 1 of PART I, “BUSINESS—Overview of Our Business”, we have obtained $9.6 million and nil through equity financing in the years ended December 31, 2017 and 2018, respectively, and we also have obtained banking facilities from various local banks in China. As of December 31, 2018, we had unutilized committed banking facilities of $15.0 million.

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

In the meanwhile, due to the growing environmental pollution problem, the Chinese government is currently providing vigorous support to the new energy facilities and vehicle. It is expected that we will be able to secure more potential orders from the new energy market. 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 following table sets forth a summary of our cash flows for the periods indicated:

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

	Year Ended	
	December 31, 2017	December 31, 2018
Net cash provided by operating activities	$ 6,217	$ 8,726
Net cash used in investing activities	(12,048)	(7,327)
Net cash provided by financing activities	11,407	6,395
Effect of exchange rate changes on cash and cash equivalents and restricted cash	486	(854)
Net increase in cash and cash equivalents and restricted cash	6,062	6,940
Cash and cash equivalents and restricted cash at the beginning of the year	4,687	10,749
Cash and cash equivalents and restricted cash at the end of the year	$ 10,749	$ 17,689

Operating Activities

Net cash provided by operating activities was $8.7 million in the year ended December 31, 2018, as compared with $6.2 million in 2017. The net cash provided by operating activities in 2018 was mainly attributable to a decrease in trade accounts and bills receivable of $33.7 million, partially offset by our net loss (before gain on transfer of our patented proprietary technology, and excluding non-cash depreciation and amortization) of $11.6 million, a decrease in trade accounts and bills payable of $9.8 million, and a decrease in payables to our former subsidiaries of $5.3 million.

Investing Activities

Net cash used in investing activities decreased to $7.3 million in the fiscal year ended December 31, 2018, from $12.0 million in 2017. The net cash used in investing activities in 2018 and 2017 mainly included purchases of property, plant and equipment and construction in progress.

Financing Activities

Net cash provided by financing activities was $6.4 million in the fiscal year ended December 31, 2018, compared with $11.4 million in 2017. In fiscal 2018, we borrowed $25.3 million from banks and $17.9 million from related parties, partially offset by repayment of bank borrowings of $19.3 million and repayment to related parties totaled $17.6 million. In fiscal 2017, we borrowed $25.0 million in aggregate from related and unrelated parties, issued common stock for $9.6 million, and obtained advances from investors of $2.1 million, partially offset by repayment of short term bank borrowings of $1.5 million and repayment to related and unrelated parties totaled $23.8 million.

As of December 31, 2018, 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	$ 28,955	$ 24,274
Other lines of credit:		
Industrial Bank Co., Ltd	$ 2,185	$ 2,184
China Everbright Bank	36,859	26,511
	39,044	28,695
Total	$ 67,999	$ 52,969

Capital Expenditures

We incurred capital expenditures of $7.4 million and $12.0 million in fiscal years ended December 31, 2018 and December 31, 2017, respectively. Our capital expenditures in 2018 were used primarily to construct our Dalian facility. The table below sets forth the breakdown of our capital expenditures by use for the periods indicated.

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

	Year Ended	
	December 31, 2017	December 31, 2018
Purchase of property, plant and equipment and construction in progress	$ 12,048	$ 7,359

We estimate that our total capital expenditures in fiscal year 2019 will reach approximately $6.0 million. Such funds will be used to renovate the current product lines and construct a new plant with one product lines and a new warehouse and battery module packing lines.

Contractual Obligations and Commercial Commitments

The following table sets forth our contractual obligations and commercial commitments as of December 31, 2018:

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

	Payments Due by Period			
	Total	Less than 1 year	1 - 3 years	More than 3 years
Contractual Obligations				
Current maturities of long-term bank loans	$ 3,659	$ 3,659	$ -	$ -
Long-term bank loans	20,614	-	20,614	-
Bills payables	29,361	29,361	-	-
Payable to former subsidiaries	4,302	4,302	-	-
Other short-term loans	14,148	14,148	-	-
Capital injection to CBAK Trading	400	400	-	-
Capital injection to CBAK Power	20,000	20,000	-	-
Capital commitments for construction of buildings	3,440	3,440	-	-
Capital commitments for purchase of equipment	2,227	2,227	-	-
Future interest payment on bank loans	2,576	1,378	1,198	-
Total	$ 100,727	$ 78,915	$ 21,812	$ -

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 December 31, 2018.

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 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.

When reviewing our financial statements, the following should also be considered: (1) our selection of critical accounting policies, (2) the judgment and other uncertainties affecting the application of those policies, and (3) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgment and estimates used in the preparation of our financial statements.

We consider the following to be the most critical accounting policies:

Revenue Recognition

Under the new revenue standards, we recognize revenues when our 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. We recognize 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 our customer.

Impairment of Long-lived Assets

Long-lived assets, which include property, plant and equipment, prepaid land use rights and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Trade Accounts and Bills Receivable

Trade accounts and bills receivable are recorded at the invoiced amount, net of allowances for doubtful accounts and sales returns. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing trade accounts receivable. We determine the allowance based on historical write-off experience, customer specific facts and economic conditions.

Outstanding accounts receivable balances are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventories

Inventories are stated at the lower of cost or net realizable value. The cost of inventories is determined using the weighted average cost method, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In case of finished goods and work in progress, cost includes an appropriate share of production overhead based on normal operating capacity. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

We record adjustments to its inventory for estimated obsolescence or diminution in net realizable value equal to the difference between the cost of the inventory and the estimated net realizable value. At the point of loss recognition, a new cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Warranties

We provide a manufacturer's warranty on all our products. We accrue a warranty reserve for the products sold, which includes our best estimate of the projected costs to repair or replace items under warranty. These estimates are based on actual claims incurred to date and an estimate of the nature, frequency and costs of future claims. These estimates are inherently uncertain given our relatively short history of sales of our current products, and changes to our historical or projected warranty experience may cause material changes to the warranty reserve in the future. The portion of the warranty reserve expected to be incurred within the next 12 months is included within accrued liabilities and other while the remaining balance is included within other long-term liabilities on the consolidated balance sheets.

Government Grants

Our subsidiaries in China receive government subsidies from local Chinese government agencies in accordance with relevant Chinese government policies. In general, we present the government subsidies received as income unless the subsidies received are earmarked to compensate a specific expense, which have been accounted for by offsetting the specific expense, such as research and development expense, interest expenses and removal costs. Unearned government subsidies received are deferred for recognition until the criteria for such recognition could be met.

Grants applicable to land are amortized over the life of the depreciable facilities constructed on it. For research and development expenses, we match and offset the government grants with the expenses of the research and development activities as specified in the grant approval document in the corresponding period when such expenses are incurred.

Share-based Compensation

We adopted the provisions of ASC Topic 718 which requires us to measure and recognize compensation expenses for an award of an equity instrument based on the grant-date fair value. The cost is recognized over the vesting period (or the requisite service period). ASC Topic 718 also requires us to measure the cost of a liability classified award based on its current fair value. The fair value of the award will be remeasured subsequently at each reporting date through the settlement date. Changes in fair value during the requisite service period are recognized as compensation cost over that period. Further, ASC Topic 718 requires us to estimate forfeitures in calculating the expense related to stock-based compensation.

The fair value of each option award is estimated on the date of grant using the Black-Scholes Option Valuation Model. The expected volatility was based on the historical volatilities of our listed common stocks in the United States and other relevant market information. We use historical data to estimate share option exercises and employee departure behavior used in the valuation model. The expected terms of share options granted is derived from the output of the option pricing model and represents the period of time that share options granted are expected to be outstanding. Since the share options once exercised will primarily trade in the U.S. capital market, the risk-free rate for periods within the contractual term of the share option is based on the U.S. Treasury yield curve in effect at the time of grant.

Changes in Accounting Standards

Please refer to note 2 to our consolidated financial statements, "Summary of Significant Accounting Policies and Practices –Recently Issued Accounting Standards," for a discussion of relevant pronouncements.

Exchange Rates

The financial records of our PRC subsidiaries are maintained in RMB. In order to prepare our financial statements, we have translated amounts in RMB into amounts in U.S. dollars. The amounts of our assets and liabilities on our balance sheets are translated using the closing exchange rate as of the date of the balance sheet. Revenues, expenses, gains and losses are translated using the average exchange rate prevailing during the period covered by such financial statements. Adjustments resulting from the translation, if any, are included in our cumulative other comprehensive income in our stockholders' equity section of our balance sheet. All other amounts that were originally booked in RMB and translated into U.S. dollars were translated using the closing exchange rate on the date of recognition. Consequently, the exchange rates at which the amounts in those comparisons were computed varied from year to year.

The exchange rates used to translate amounts in RMB into U.S. dollars in connection with the preparation of our financial statements were as follows:

	RMB per U.S. Dollar	
	Fiscal Year Ended	
	December 31, 2017	December 31, 2018
Balance sheet items, except for equity accounts	6.5060	6.8783
Amounts included in the statement of income and comprehensive loss and statement of cash flows	6.7591	6.6282

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

FINANCIAL STATEMENTS
CBAK ENERGY TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2018

CBAK ENERGY TECHNOLOGY, INC.
AND SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors and of
CBAK Energy Technology, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CBAK Energy Technology, Inc. and subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has a working capital deficiency, accumulated deficit from recurring net losses and significant short-term debt obligations maturing in less than one year as of December 31, 2018. All these factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 1 to the consolidated financial statements. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Centurion ZD CPA& Co.

Centurion ZD CPA & Co.
(successor to Centurion ZD CPA Limited)

We have served as the Company's auditor since 2016.
Hong Kong, China
April 16, 2019

CBAK Energy Technology, Inc. and Subsidiaries
Consolidated Balance Sheets
As of December 31, 2017 and 2018
(In US$ except for number of shares)

	Note	*December 31, 2017*	*December 31, 2018*
Assets			
Current assets			
Cash and cash equivalents		$ 1,644,535	$ 449,670
Pledged deposits	3	9,104,178	17,239,823
Trade accounts and bills receivable, net	4	57,518,612	21,751,032
Inventories	5	9,832,405	9,622,361
Prepayments and other receivables	6	6,971,810	7,143,454
Prepaid land use rights, current portion	10	172,700	163,352
Total current assets		85,244,240	56,369,692
Property, plant and equipment, net	8	34,965,510	38,908,503
Construction in progress	9	25,029,290	25,001,813
Prepaid land use rights, non-current	10	7,872,235	7,282,765
Intangible assets, net	11	20,049	20,869
Total assets		$ 153,131,324	$ 127,583,642
Liabilities			
Current liabilities			
Trade accounts and bills payable	12	$ 65,616,543	$ 52,495,063
Current maturities of long-term bank loans	13	-	3,659,324
Other short-term loans	13	14,636,450	14,147,801
Accrued expenses and other payables	14	14,208,947	18,201,351
Payables to former subsidiaries, net	7	22,302,721	4,301,646
Deferred government grants, current	15	152,003	143,775
Total current liabilities		116,916,664	92,948,960
Long-term bank loans	13	19,489,702	20,614,194
Deferred government grants, non-current	15	4,712,128	4,313,289
Product warranty provisions	16	2,279,831	2,250,615
Long term tax payable		7,537,273	7,129,285
Total liabilities		150,935,598	127,256,343
Commitments and contingencies	21		
Shareholders' equity			
Common stock $0.001 par value; 500,000,000 authorized; 26,367,523 issued and 26,223,317 outstanding as of December 31, 2017; and 26,791,684 issued and 26,647,478 outstanding as of December 31, 2018		26,368	26,792
Donated shares		14,101,689	14,101,689
Additional paid-in capital		155,711,014	155,931,770
Statutory reserves		1,230,511	1,230,511
Accumulated deficit		(163,466,713)	(165,409,890)
Accumulated other comprehensive loss		(1,340,533)	(1,498,940)
		6,262,336	4,381,932
Less: Treasury shares		(4,066,610)	(4,066,610)
Total shareholders' equity		2,195,726	315,322
Non-controlling interests		-	11,977
Total equity		2,195,726	327,299
Total liabilities and shareholder's equity		$ 153,131,324	$ 127,583,642

See accompanying notes to the consolidated financial statements.

CBAK Energy Technology, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income (Loss)
For the years ended December 31, 2017 and 2018
(In US$ except for number of shares)

	Note	*Year ended December 31, 2017*	*Year ended December 31, 2018*
Net revenues	23	$ 58,375,399	$ 24,433,304
Cost of revenues		(68,570,871)	(27,731,901)
Gross loss		(10,195,472)	(3,298,597)
Operating expenses:			
Research and development expenses		(1,738,767)	(2,481,038)
Sales and marketing expenses		(3,217,016)	(2,081,138)
General and administrative expenses		(4,328,652)	(4,497,338)
Impairment charge on property, plant and equipment	8	(972,387)	(918,461)
Provision for doubtful accounts	4	(725,375)	(162,488)
Total operating expenses		(10,982,197)	(10,140,463)
Operating loss		(21,177,669)	(13,439,060)
Finance expenses, net		(245,015)	(834,391)
Other (expenses) income, net	7	(44,657)	12,315,969
Loss before income tax		(21,467,341)	(1,957,482)
Income tax expense	17	-	-
Net loss		(21,467,341)	(1,957,482)
Less: Net loss attributable to non-controlling interests		-	14,305
Net loss attributable to shareholders of CBAK Energy Technology, Inc.		$ (21,467,341)	$ (1,943,177)
Net loss		(21,467,341)	(1,957,482)
Other comprehensive income (loss)			
– Foreign currency translation adjustment		620,928	(158,948)
Comprehensive loss		(20,846,413)	(2,116,430)
Less: Comprehensive loss attributable to non-controlling interests		-	14,846
Comprehensive loss attributable to CBAK Energy Technology, Inc.		$ (20,846,413)	$ (2,101,584)
Loss per share	19		
– Basic and diluted		$ (0.92)	$ (0.07)
Weighted average number of shares of common stock:	19		
– Basic and diluted		23,237,205	26,596,263

See accompanying notes to the consolidated financial statements.

CBAK Energy Technology, Inc. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
For the years ended 2017 and 2018
(In US$ except for number of shares)

	Common stock issued								*Treasury shares*		
	Number of shares	*Amount*	*Donated shares*	*Additional paid-in capital*	*Statutory reserves (Note 24)*	*Accumulated deficit*	*Accumulated other comprehensive (loss) income*	*Non-controlling interests*	*Number of shares*	*Amount*	*Total shareholders' equity*
Balance as of January 1, 2017	**19,744,675**	**$19,745**	**$14,101,689**	**$145,353,067**	**$1,230,511**	**$(141,999,372)**	**$ (1,961,461)**	$ -	**(144,206)**	**$(4,066,610)**	**$ 12,677,569**
Net loss	-	-	-	-	-	(21,467,341)	-	-	-	-	(21,467,341)
Common stock issued to new investors	6,403,518	6,404	-	9,598,874	-	-	-	-	-	-	9,605,278
Share-based compensation for employee and director stock awards	-	-	-	759,292	-	-	-	-	-	-	759,292
Common stock issued to employees and directors for stock award	219,330	219	-	(219)	-	-	-	-		-	-
Foreign currency translation adjustment	-	-	-	-	-	-	620,928	-	-	-	620,928
Balance as of December 31, 2017	**26,367,523**	**$26,368**	**$14,101,689**	**$155,711,014**	**$1,230,511**	**$(163,466,713)**	**$ (1,340,533)**	**$ -**	**(144,206)**	**$(4,066,610)**	**$ 2,195,726**
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	26,823	-	-	26,823
Net loss	-	-	-	-	-	(1,943,177)	-	(14,305)	-	-	(1,957,482)
Share-based compensation for employee and director stock awards	-	-	-	221,180	-	-	-	-	-	-	221,180
Common stock issued to employees and directors for stock award	424,161	424	-	(424)	-	-	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	(158,407)	(541)	-	-	(158,948)
Balance as of December 31, 2018	**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**

See accompanying notes to the consolidated financial statements.

CBAK Energy Technology, Inc. and subsidiaries
Consolidated statements of cash flows
For the years ended December 31, 2017 and 2018
(In US$)

	Year Ended December 31, 2017	*Year Ended December 31, 2018*
Cash flows from operating activities		
Net loss	$ (21,467,341)	$ (1,957,482)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,592,322	2,466,127
Provision for doubtful accounts	725,375	162,488
Write-down of inventories	5,776,891	160,469
Share-based compensation	759,293	221,180
Gain on disposal of property, plant and equipment	-	(10,177)
Gain on disposal of patented proprietary technology (Note 7)	-	(12,118,675)
Impairment charge	972,387	918,461
Exchange loss	80,546	-
Changes in operating assets and liabilities:		
Trade accounts and bills receivable	(53,553,988)	33,723,869
Inventories	2,323,308	(475,664)
Prepayments and other receivables	(423,140)	(739,871)
Trade accounts and bills payable	47,722,036	(9,760,687)
Accrued expenses and other payables and product warranty provisions	2,751,700	1,486,223
Trade receivable from and payables to former subsidiaries	18,957,525	(5,349,699)
Net cash provided by operating activities	6,216,914	8,726,562
Cash flows from investing activities		
Proceeds on disposal of property, plant and equipment	-	31,594
Purchases of property, plant and equipment and construction in progress	(12,047,863)	(7,359,041)
Net cash used in investing activities	(12,047,863)	(7,327,447)
Cash flows from financing activities		
Advances from investors	2,071,282	-
Advances from former subsidiaries	2,367,179	-
Capital injection from non-controlling interests	-	26,823
Proceeds from bank borrowings	-	25,316,074
Repayment of bank borrowings	(1,479,487)	(19,256,963)
Borrowings from unrelated parties	6,055,838	-
Repayment of borrowings from unrelated parties	(6,402,906)	-
Borrowings from related parties	18,964,063	17,903,224
Repayment to related parties	(17,407,191)	(17,593,772)
Repayment to former subsidiaries	(2,367,179)	-
Proceeds from issuance of common stock (Note 1)	9,605,277	-
Net cash provided by financing activities	11,406,876	6,395,386
Effect of exchange rate changes on cash and cash equivalents and restricted cash	485,929	(853,721)
Net increase in cash and cash equivalents and restricted cash	**6,061,856**	**6,940,780**
Cash and cash equivalents and restricted cash at the beginning of year	**4,686,857**	10,748,713
Cash and cash equivalents and restricted cash at the end of year	**$ 10,748,713**	**$ 17,689,493**
Non-cash transactions:		
Transfer of construction in progress to property, plant and equipment	$ 15,637,965	$ 8,617,337
Proceeds on disposal of patented proprietary technology offset against amount due to a former subsidiary (Note 7)	$ -	$ 12,845,795
Cash paid during the year for:		
Interest, net of amounts capitalized	$ 95,903	$ 1,013,335

See accompanying notes to the 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 January 16, 2017, the name of the Company was changed to CBAK Energy Technology, Inc.

On January 16, 2017, the Board of Directors of the Company approved a change in the Company's fiscal year end from September 30 to December 31.

Effective November 30, 2018, the trading symbol for common stock of the Company, which trades on the Nasdaq Global Market, was changed from CBAK to CBAT.

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 December 31, 2018, 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 (Note 21(i)). Pursuant to CBAK Trading's articles of association and relevant PRC regulations, BAK Asia was required to contribute the capital to CBAK Trading on or before August 14, 2015. On March 7, 2017, the name of Dalian BAK Trading Co., Ltd was changed to Dalian CBAK Trading Co., Ltd ("CBAK Trading"). Up to the date of this report, the Company has contributed $100,000 to CBAK Trading in cash.

On December 27, 2013, Dalian BAK Power Battery Co., Ltd 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. Pursuant to CBAK Power's articles pf association and relevant PRC regulations, BAK Asia was required to contribute the remaining capital to CBAK Power on or before June 30, 2019. Up to the date of this report, the Company has contributed $29,999,978 to CBAK Power through injection of a series of patents and cash of $24,999,978.

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 RMB184,500 ($26,823) to CBAK Suzhou through injection of a series of cash. CBAK Suzhou is intended to be engaged in development and manufacture of new energy high power battery packs.

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

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

After the disposal of BAK International Limited and its subsidiaries, namely Shenzhen BAK, Shenzhen BAK Power Battery Co., Ltd (formerly BAK Battery (Shenzhen) Co., Ltd.) ("BAK Shenzhen"), BAK International (Tianjin) Ltd. ("BAK Tianjin"), Tianjin Chenhao Technological Development Limited (a subsidiary of BAK Tianjin established on May 8, 2014,"Tianjin Chenhao"), BAK Battery Canada Ltd. ("BAK Canada"), BAK Europe GmbH ("BAK Europe") and BAK Telecom India Private Limited ("BAK India"), effective on June 30, 2014, and as of December 31, 2018, 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.

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.

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

Basis of Presentation and Organization (continued)

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 December 31, 2018, Mr. Yunfei Li held 3,868,518 shares or 14.52% 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, 2017 and 2018. These factors raise substantial doubts about the Company's ability to continue as a going concern.

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

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

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

At December 31, 2018, the Company had aggregate interest-bearing bank loans of approximately $24.3 million, due in 2019 to 2021, in addition to approximately $89.3 million of other current liabilities.

As of December 31, 2018, the Company had unutilized committed banking facilities of $15.0 million.

On January 9, 2019, the Company entered into cancellation agreement with two creditors whereby other loans of $5.2 million were canceled in exchange for an aggregate of 5,098,040 shares of common stock of the Company at an exchange price of $1.02 per share.

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.

2. Summary of Significant Accounting Policies and Practices

(a) Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries up to the date of disposal. All significant intercompany balances and transactions have been eliminated prior to consolidation.

(b) Cash and Cash Equivalents

Cash consists of cash on hand and in banks excluding pledged deposits. The Company considers all highly liquid debt instruments, with initial terms of less than three months to be cash equivalents.

(c) Trade Accounts and Bills Receivable

Trade accounts and bills receivable are recorded at the invoiced amount, net of allowances for doubtful accounts and sales returns. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing trade accounts receivable. The Company determines the allowance based on historical write-off experience, customer specific facts and economic conditions.

Outstanding accounts receivable balances are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

(d) Inventories

Inventories are stated at the lower of cost or net realizable value. The cost of inventories is determined using the weighted average cost method, and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In case of finished goods and work in progress, the cost includes an appropriate share of production overhead based on normal operating capacity. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

The Company records adjustments to its inventory for estimated obsolescence or diminution in net realizable value equal to the difference between the cost of the inventory and the estimated net realizable value. At the point of loss recognition, a new cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

(e) Property, Plant and Equipment

Property, plant and equipment (except construction in progress) are stated at cost less accumulated depreciation and impairment charges. Depreciation is calculated based on the straight-line method (after taking into account their respective estimated residual values) over the estimated useful lives of the assets as follows:

Buildings	5 – 35 years
Machinery and equipment	1 – 15 years
Office equipment	1 – 5 years
Motor vehicles	5 – 10 years

The cost and accumulated depreciation of property, plant and equipment sold are removed from the consolidated balance sheets and resulting gains or losses are recognized in the consolidated statements of operations and comprehensive loss.

Construction in progress mainly represents expenditures in respect of the Company's corporate campus, including offices, factories and staff dormitories, under construction. All direct costs relating to the acquisition or construction of the Company's corporate campus and equipment, including interest charges on borrowings, are capitalized as construction in progress. No depreciation is provided in respect of construction in progress.

A long-lived asset to be disposed of by abandonment continues to be classified as held and used until it is disposed of.

(f) Prepaid Land Use Rights

Land use rights are carried at cost and amortized on a straight-line basis over the period of rights of 50 years.

2. Summary of Significant Accounting Policies and Practices (Continued)

(g) Foreign Currency Transactions and Translation

The reporting currency of the Company is the United States dollar ("US dollar"). The financial records of the Company's PRC operating subsidiaries are maintained in their local currency, the Renminbi ("RMB"), which is the functional currency. The financial records of the Company's subsidiaries established in other countries are maintained in their local currencies. Assets and liabilities of the subsidiaries are translated into the reporting currency at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates, and income and expense items are translated using the average rate for the period. The translation adjustments are recorded in accumulated other comprehensive income under shareholders' equity.

Monetary assets and liabilities denominated in currencies other than the applicable functional currencies are translated into the functional currencies at the prevailing rates of exchange at the balance sheet date. Nonmonetary assets and liabilities are remeasured into the applicable functional currencies at historical exchange rates. Transactions in currencies other than the applicable functional currencies during the period are converted into the functional currencies at the applicable rates of exchange prevailing at the transaction dates. Transaction gains and losses are recognized in the consolidated statements of operations.

RMB is not a fully convertible currency. All foreign exchange transactions involving RMB must take place either through the People's Bank of China (the "PBOC") or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC, which are determined largely by supply and demand. Translation of amounts from RMB into US dollars has been made at the following exchange rates for the respective periods:

Year ended December 31, 2017	
Balance sheet, except for equity accounts	RMB 6.5060 to US$1.00
Income statement and cash flows	RMB 6.7591 to US$1.00
Year ended December 31, 2018	
Balance sheet, except for equity accounts	RMB 6.8783 to US$1.00
Income statement and cash flows	RMB 6.6282 to US$1.00

(h) Intangible Assets

Intangible assets are stated in the balance sheet at cost less accumulated amortization and impairment, if any. The costs of the intangible assets are amortized on a straight-line basis over their estimated useful lives. The respective amortization periods for the intangible assets are as follows:

Computer software	10 years

(i) Impairment of Long-lived Assets

Long-lived assets, which include property, plant and equipment, prepaid land use rights and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Fair value is generally measured based on either quoted market prices, if available, or discounted cash flow analyses.

(j) Revenue Recognition

In May 2014 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes all existing revenue recognition requirements, including most industry specific guidance. This new standard requires a company to recognize revenues when it transfers goods or services to customers in an amount that reflects the consideration that the company expects to receive for those goods or services. The FASB subsequently issued the following amendments to ASU No. 2014-09 that have the same effective date and transition date: ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations; ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing; ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients; and ASU No. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers. The Company adopted these amendments with ASU 2014-09 (collectively, the new revenue standards).

2 Summary of Significant Accounting Policies and Practices (Continued)

(j) Revenue Recognition (continued)

The new revenue standards became effective for the Company on January 1, 2018, and were adopted using the modified retrospective method. The adoption of the new revenue standards as of January 1, 2018 did not change the Company's revenue recognition as the majority of its revenues continue to be recognized when the customer takes control of its product. As the Company did not identify any accounting changes that impacted the amount of reported revenues with respect to its product revenues, no adjustment to accumulated deficit was required upon adoption.

Under the new revenue standards, 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.

(k) Cost of Revenues

Cost of revenues consists primarily of material costs, employee compensation, depreciation and related expenses, which are directly attributable to the production of products. Write-down of inventories to lower of cost or market is also recorded in cost of revenues.

(l) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of operations and comprehensive loss in the period that includes the enactment date.

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

The significant uncertain tax position arose from the subsidies granted by the local government for the Company's PRC subsidiary, which may be modified or challenged by the central government or the tax authority. A reconciliation of January 1, 2017, through December 31, 2018 amount of unrecognized tax benefits excluding interest and penalties ("Gross UTB") is as follows:

	Gross UTB	*Surcharge*	*Net UTB*
Balance as of January 1, 2017	$ 7,061,140	$ -	$ 7,061,140
Increase in unrecognized tax benefits taken in current period	476,133	-	476,133
Balance as of December 31, 2017	7,537,273	-	7,537,273
Decrease in unrecognized tax benefits taken in current year	(407,988)	-	(407,988)
Balance as of December 31, 2018	$ 7,129,285	$ -	$ 7,129,285

As of December 31, 2018, and 2017, the Company had not accrued any interest and penalties related to unrecognized tax benefits.

The Company's Chinese subsidiaries are subject to taxation in the PRC. The PRC income tax returns are generally not subject to examination by the tax authorities for tax years before calendar (tax) year 2012. With a few exceptions, the calendar (tax) years 2013-2017 remain open to examination by tax authorities in the PRC.

2. Summary of Significant Accounting Policies and Practices (Continued)

(m) Research and Development and Advertising Expenses

Research and development and advertising expenses are expensed as incurred. Research and development expenses consist primarily of remuneration for research and development staff, depreciation and material costs for research and development.

(n) Bills Payable

Bills payable represent bills issued by financial institutions to the Company's vendors. The Company's vendors receive payments from the financial institutions directly upon maturity of the bills and the Company is obliged to repay the face value of the bills to the financial institutions.

(o) Warranties

The Company provides a manufacturer's warranty on all its products. It accrues a warranty reserve for the products sold, which includes management's best estimate of the projected costs to repair or replace items under warranty. These estimates are based on actual claims incurred to date and an estimate of the nature, frequency and costs of future claims. These estimates are inherently uncertain given the Company's relatively short history of sales of its current products, and changes to its historical or projected warranty experience may cause material changes to the warranty reserve in the future. The portion of the warranty reserve expected to be incurred within the next 12 months is included within accrued liabilities and other while the remaining balance is included within other long-term liabilities on the consolidated balance sheets.

(p) Government Grants

The Company's subsidiaries in China receive government subsidies from local Chinese government agencies in accordance with relevant Chinese government policies. In general, the Company presents the government subsidies received as part of other income unless the subsidies received are earmarked to compensate a specific expense, which have been accounted for by offsetting the specific expense, such as research and development expense, interest expenses and removal costs. Unearned government subsidies received are deferred for recognition until the criteria for such recognition could be met.

Grants applicable to land are amortized over the life of the depreciable facilities constructed on it. For research and development expenses, the Company matches and offsets the government grants with the expenses of the research and development activities as specified in the grant approval document in the corresponding period when such expenses are incurred.

(q) Share-based Compensation

The Company adopted the provisions of ASC Topic 718 which requires the Company to measure and recognize compensation expenses for an award of an equity instrument based on the grant-date fair value. The cost is recognized over the vesting period (or the requisite service period). ASC Topic 718 also requires the Company to measure the cost of a liability classified award based on its current fair value. The fair value of the award will be remeasured subsequently at each reporting date through the settlement date. Changes in fair value during the requisite service period are recognized as compensation cost over that period. Further, ASC Topic 718 requires the Company to estimate forfeitures in calculating the expense related to stock-based compensation.

The fair value of each option award is estimated on the date of grant using the Black-Scholes Option Valuation Model. The expected volatility was based on the historical volatilities of the Company's listed common stocks in the United States and other relevant market information. The Company uses historical data to estimate share option exercises and employee departure behavior used in the valuation model. The expected terms of share options granted is derived from the output of the option pricing model and represents the period of time that share options granted are expected to be outstanding. Since the share options once exercised will primarily trade in the U.S. capital market, the risk-free rate for periods within the contractual term of the share option is based on the U.S. Treasury yield curve in effect at the time of grant.

2. Summary of Significant Accounting Policies and Practices (Continued)

(r) Retirement and Other Postretirement Benefits

Contributions to retirement schemes (which are defined contribution plans) are charged to cost of revenues, research and development expenses, sales and marketing expenses and general and administrative expenses in the statement of operations and comprehensive loss as and when the related employee service is provided.

(s) Loss per Share

Basic and diluted loss per share is computed by dividing net loss by the weighted average number of ordinary shares outstanding during the year.

(t) Use of Estimates

The preparation of the consolidated financial statements in accordance with US GAAP requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include revenue recognition, the recoverability of the carrying amount of long-lived assets, unrecognized tax benefits, impairment on inventories, valuation allowance for receivables and deferred tax assets, provision for warranty and sales returns, and valuation of share-based compensation expense. Actual results could differ from those estimates.

(u) Segment Reporting

The Company uses the “management approach” in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company’s chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company’s reportable segments. Management, including the chief operating decision maker, reviews operating results solely by monthly revenue of li-ion rechargeable batteries (but not by sub product type or geographic area) and operating results of the Company and, as such, the Company has determined that the Company has one operating segment as defined by ASC Topic 280 “Segment Reporting”.

(v) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

(w) Recently Issued Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application will be permitted for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the impact that the standard will have on its consolidated financial statements and related disclosures.

2. Summary of Significant Accounting Policies and Practices (Continued)

(w) Recently Issued Accounting Standards (Continued)

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 clarifies the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. This ASU is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2017, on a retrospective transition method to each period presented. Early adoption is permitted. The Company adopted this guidance for the reporting period beginning January 1, 2018, which did not have a material impact on its financial statements or disclosures.

In October 2016, the FASB issued ASU No. 2016-16—Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. This ASU improves the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. This ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2017. Early adoption is permitted. The Company adopted this guidance for the reporting period beginning January 1, 2018, which did not have a material impact on its financial statements or disclosures.

In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill Impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The guidance should be adopted on a prospective basis for the annual or any interim goodwill impairment tests beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company currently intends to adopt this guidance for the fiscal year beginning January 1, 2020, and does not anticipate that the adoption of this guidance will have a material impact on its financial statements or disclosures because the Company does not currently have any recorded goodwill.

In June 2018, the FASB issued ASU 2018-07, "Compensation — Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting," which expands the scope of ASC 718 to include share-based payment transactions for acquiring goods and services from non-employees. An entity should apply the requirements of ASC 718 to non-employee awards except for specific guidance on inputs to an option pricing model and the attribution of cost. The amendments specify that ASC 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The new guidance is effective for SEC filers for fiscal years, and interim reporting periods within those fiscal years, beginning after December 15, 2019 (i.e., January 1, 2020, for calendar year entities). Early adoption is permitted. The Company is evaluating the effects of the adoption of this guidance and currently believes that it will impact the accounting of the share-based awards granted to non-employees.

3. Pledged deposits

Pledged deposits as of December 31, 2017 and 2018 consisted of the following:

	December 31, 2017	*December 31, 2018*
Pledged deposits with banks for:		
Bills payable	$ 123,116	$ 16,014,118
Letters of credit	7,685,213	-
Others*	1,295,849	1,225,705
	$ 9,104,178	$ 17,239,823

* 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 entrusted part of the project of the contract to a third party without their prior consent. The plaintiff sought a total amount of $1,225,709 (RMB 8,430,792), including construction costs of $0.9 million (RMB6.1 million), interest of $29,766 (RMB0.2 million) and compensation of $0.3 million (RMB1.9 million), which the Company already accrued for as of September 30, 2016. On September 7, 2016, upon the request of Shenzhen Huijie, the Court froze CBAK Power's bank deposits totaling $1,225,709 (RMB 8,430,792) 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 one year until August 31, 2018. The Court froze the bank deposits for another one year until August 27, 2019 upon the request of Shenzhen Huijie on August 27, 2018.

4. Trade Accounts and Bills Receivable, net

Trade accounts and bills receivable as of December 31, 2017 and 2018:

	December 31, 2017	*December 31, 2018*
Trade accounts receivable	$ 42,095,211	$ 19,054,863
Less: Allowance for doubtful accounts	(3,700,922)	(3,657,173)
	38,394,289	15,397,690
Bills receivable	19,124,323	6,353,342
	$ 57,518,612	$ 21,751,032

Included in trade accounts and bills receivables are retention receivables of nil and $1,119,490 as of December 31, 2017 and 2018. 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:

	December 31, 2017	*December 31, 2018*
Balance at beginning of year	$ 2,761,144	$ 3,700,922
Provision for the year	839,917	474,950
Reversal - recoveries by cash	(114,542)	(312,462)
Charged to consolidated statements of operations and comprehensive (loss) income	$ 725,375	$ 162,488
Foreign exchange adjustment	214,403	(206,237)
Balance at end of year	$ 3,700,922	$ 3,657,173

5. Inventories

Inventories as of December 31, 2017 and 2018 consisted of the following:

	December 31, 2017	*December 31, 2018*
Raw materials	$ 1,814,704	$ 1,675,383
Work in progress	2,188,193	2,737,415
Finished goods	5,829,508	5,209,563
	$ 9,832,405	$ 9,622,361

During the years ended December 31, 2017 and 2018, write-downs of obsolete inventories to lower of cost or net realizable value of $5,776,891 and $160,469, respectively, were charged to cost of revenues.

6. Prepayments and Other Receivables

Prepayments and other receivables as of December 31, 2017 and 2018 consisted of the following:

	December 31, 2017	*December 31, 2018*
Value added tax recoverable	$ 5,963,506	$ 5,359,275
Prepayments to suppliers	706,488	1,157,966
Deposits	25,922	56,974
Staff advances	59,942	54,207
Prepaid operating expenses	185,690	309,415
Others	37,262	212,617
	6,978,810	7,150,454
Less: Allowance for doubtful accounts	(7,000)	(7,000)
	$ 6,971,810	$ 7,143,454

7. Payables to former subsidiaries, net

Payables to former subsidiaries as of December 31, 2017 and 2018 consisted of the following:

	December 31, 2017	*December 31, 2018*
BAK Tianjin	$ 282,682	$ 972,913
BAK Shenzhen	22,020,039	3,328,733
	$ 22,302,721	$ 4,301,646

Balance as of December 31, 2017 and 2018 consisted of payables for purchase of inventories from BAK Tianjin and BAK Shenzhen. From time to time, the Company purchased from these former subsidiaries products that it did not produce to meet the needs of its customers.

In the third quarter of 2018, the Company disposed of its patented proprietary technology of high capacity prismatic batteries to BAK Shenzhen at a cash consideration of $12,845,795 (approximately RMB85.1 million). The Company recognized a net gain of $12,118,675, which was included in other income for year ended December 31, 2018. The Company and BAK Shenzhen agreed to offset the cash consideration of $12,845,795 against the amount owed by the Company to BAK Shenzhen.

8. Property, Plant and Equipment, net

Property, plant and equipment as of December 31, 2017 and 2018 consisted of the following:

	December 31, 2017	*December 31, 2018*
Buildings	$ 24,979,022	$ 23,626,924
Machinery and equipment	13,977,734	22,159,752
Office equipment	184,014	218,581
Motor vehicles	206,190	204,368
	39,346,960	46,209,625
Impairment	(1,010,216)	(1,840,596)
Accumulated depreciation	(3,371,234)	(5,460,526)
Carrying amount	$ 34,965,510	$ 38,908,503

During the years ended December 31, 2017 and 2018, the Company incurred depreciation expense of $1,569,768 and $2,442,428, respectively.

The Company has not yet obtained the property ownership certificates of the buildings in its Dalian manufacturing facilities with a carrying amount of $23,670,773 and $21,749,145 as of December 31, 2017 and 2018, 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 in the years ended December 31, 2017 and 2018, the Company assessed the recoverability of the carrying value of certain property, plant and equipment which resulted in impairment losses of approximately $1.0 million and $0.9 million, respectively.

9. Construction in Progress

Construction in progress as of December 31, 2017 and 2018 consisted of the following:

	December 31, 2017	*December 31, 2018*
Construction in progress	$ 24,288,889	$ 23,562,557
Prepayment for acquisition of property, plant and equipment	740,401	1,439,256
Carrying amount	$ 25,029,290	$ 25,001,813

Construction in progress as of December 31, 2017 and 2018 mainly comprised capital expenditures for the construction of the facilities and production lines of CBAK Power.

For the years ended December 31, 2017 and 2018, the Company capitalized interest of $1,406,456 and $1,257,136, respectively, to the cost of construction in progress.

10. Prepaid Land Use Rights, net

Prepaid land use rights as of December 31, 2017 and 2018 consisted of the followings:

	December 31, 2017	*December 31, 2018*
Prepaid land use rights	$ 8,634,993	$ 8,167,587
Accumulated amortization	(590,058)	(721,470)
	$ 8,044,935	$ 7,446,117
Less: Classified as current assets	(172,700)	(163,352)
	$ 7,872,235	$ 7,282,765

Pursuant to a land use rights acquisition agreement dated August 10, 2014, the Company acquired the rights to use a piece of land with an area of 153,832m^2 in Dalian Economic Zone for 50 years up to August 9, 2064, at a total consideration of $7,715,548 (RMB53.1 million). Other incidental costs incurred totaled $452,039 (RMB3.1 million).

Amortization expenses of the prepaid land use rights were $166,233 and $169,516 for the years ended December 31, 2017 and 2018, respectively.

11. Intangible Assets, net

Intangible assets as of December 31, 2017 and 2018 consisted of the followings:

	December 31, *2017*	December 31, *2018*
Computer software at cost	$ 27,340	31,025
Accumulated amortization	(7,291)	(10,156)
	$ 20,049	20,869

Amortization expenses were $2,631 and $3,383 for the years ended December 31, 2017 and 2018, respectively.

12. Trade Accounts and Bills Payable

Trade accounts and bills payable as of December 31, 2017 and 2018 consisted of the followings:

	December 31, 2017	*December 31, 2018*
Trade accounts payable	$ 29,805,350	$ 23,134,269
Bills payable		
– Bank acceptance bills	34,025,080	28,911,556
– Commercial acceptance bills	1,786,113	449,238
	$ 65,616,543	$ 52,495,063

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

The bank acceptance bills were pledged by:

(i) the Company's bank deposits (Note 3); and

(ii) $19,047,471 and $6,353,342 of the Company's bills receivable as of December 31, 2017 and 2018, respectively (Note 4).

13. Loans

Bank loans:

Bank borrowings as of December 31, 2017 and 2018 consisted of the followings:

	December 31, 2017	*December 31, 2018*
Current maturities of long-term bank loans	$ -	$ 3,659,324
Long-term bank borrowings	19,489,702	20,614,194
	$ 19,489,702	$ 24,273,518

On June 14, 2016, the Company renewed its banking facilities from Bank of Dandong for loans with a maximum amount of RMB130 million (approximately $18.9 million), including three-year long-term loans and three-year revolving bank acceptance and letters of credit bills for the period from June 13, 2016 to June 12, 2019. The banking facilities were guaranteed by Mr. Yunfei Li ("Mr. Li"), the Company's CEO, and Ms. Qinghui Yuan, Mr. Li's wife, Mr. Xianqian Li, the Company's former CEO, Ms. Xiaoqiu Yu, the wife of the Company's former CEO and Shenzhen BAK Battery Co., Ltd., the Company's former subsidiary ("Shenzhen BAK"). Under the banking facilities, the Company borrowed various three-year term bank loans that totaled RMB126.8 million (approximately $18.4 million and), bearing fixed interest at 7.2% per annum. The Company also borrowed various bank acceptance of RMB3.2 million (approximately $0.5 million) under the facilities. The Company repaid the loan and bank acceptance bills on June 12, 2018.

In the second quarter of 2018, the Company obtained additional banking facilities from Bank of Dandong with bank acceptance bills of RMB5.0 million (approximately $0.7 million) for a term until October 17, 2018. The Company has borrowed a series of bank acceptance bills totaled RMB5.0 million (approximately $0.7 million) for a term until October 17, 2018. The Company repaid the bank acceptance bills on October 17, 2018.

On July 6, 2016, the Company obtained banking facilities from Bank of Dalian for loans with a maximum amount of RMB10 million (approximately $1.5 million) and bank acceptance bills of RMB40 million (approximately $5.8 million) to July 5, 2017. The banking facilities were guaranteed by Mr. Li, the Company's CEO, and Ms. Qinghui Yuan, Mr. Li's wife, and Shenzhen BAK. Under the banking facilities, on July 6, 2016 the Company borrowed one year short-term loan of RMB10 million (approximately $1.5 million), bearing a fixed interest rate at 6.525% per annum. The Company also borrowed revolving bank acceptance totaled $5.8 million, and bank deposit of 50% was required to secure against these bank acceptance bills. The Company repaid the loan and bank acceptance bills in July and August 2017.

On November 9, 2017, the Company obtained banking facilities from China Everbright Bank Dalian Branch with a maximum amount of RMB100 million (approximately $14.5 million) with the term expiring on November 7, 2018. The banking facilities were secured by the 100% equity in CBAK Power held by BAK Asia. Under the facilities, bank deposits of approximately 50% were required to secure against this letter of credit. The Company borrowed a net letter of credit of RMB96.1 million (approximately $14.0 million) to November 7, 2018. The Company repaid the letter of credit on November 7, 2018.

On June 4, 2018, the Company obtained banking facilities from China Everbright Bank Dalian Branch with a maximum amount of RMB200 million (approximately $29.1 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. Under the facilities, the Company borrowed RMB167.0 million (approximately $24.3 million) as of December 31, 2018. The loans are repayable in six installments of RMB0.8 million ($0.12 million) on December 10, 2018, RMB24.0 million ($3.54 million) on June 10, 2019, RMB0.8 million ($0.12 million) on December 10, 2019, RMB74.7 million ($10.86 million) on June 10, 2020, RMB0.8 million ($0.12 million) on December 10, 2020 and RMB66.3 million ($9.64 million) on June 10, 2021. 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 ($0.12 million) on December 10, 2018.

Further, in August 2018, the Company borrowed a total of RMB60 million (approximately $8.7 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 $8.7 million. The Company discounted these two bills payable of even date to China Everbright Bank at a rate of 4.0%.

13. Loans (Continued)

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 $14.5 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 $4.2 million) for a term until March 7, 2019, which was secured by bills receivable of $4.2 million. The Company repaid the bank acceptance bills on March 7, 2019.

In November 2018, the Company borrowed a total of RMB100 million (approximately $14.5 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 $7.3 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%.

On August 2, 2017, the Company obtained one-year term facilities from China Merchants Bank with a maximum amount of RMB100 million (approximately $14.5 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 receivable of at least the same amount. Under the facilities, the Company borrowed a series of bank acceptance bills from China Merchants Bank totaled RMB21.3 million (approximately $3.1 million) for a term until October 25, 2018. The facilities expired on August 1, 2018 and the Company repaid the bills on October 25, 2018.

The Company also borrowed a series of acceptance bills from Industrial Bank Co., Ltd. Dalian Branch totaled RMB15.0 million (approximately $2.2 million) for various terms through May 21, 2019, which was secured by bank deposits of RMB0.15 million (approximately $0.02 million) and bills receivable of RMB14.9 million (approximately $2.2 million).

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 $5.8 million), which was secured by land use rights and buildings of Eodos Liga Energy Co., Ltd. Under the facilities, the Company borrowed RMB16.4 million ($2.4 million), RMB15.4 million ($2.2 million), RMB6.6 million ($1.0 million) and RMB1.2 million ($0.2 million) on February 1, 2019, February 22, 2019, March 8, 2019 and March 21, 2019 respectively.

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

	December 31, 2017	*December 31, 2018*
Pledged deposits (note 3)	$ 7,808,329	$ 16,014,118
Prepaid land use rights (note 10)	8,044,935	7,446,117
Buildings	18,391,993	17,501,902
Machinery and equipment	2,374,748	10,206,100
Bills receivable (note 4)	19,047,471	6,353,342
	$ 55,667,476	$ 57,521,579

As of December 31, 2018, the Company had unutilized committed banking facilities of $15.0 million.

During the years ended December 31, 2017 and 2018, interest of $1,494,275 and $2,270,593 were incurred on the Company's bank borrowings, respectively.

13. Loans (Continued)

Other short-term loans:

Other short-term loans as of December 31, 2017 and 2018 consisted of the following:

	Note	*December 31, 2017*	*December 31, 2018*
Advance from related parties			
– Tianjin BAK New Energy Research Institute Co., Ltd ("Tianjin New Energy")	(a)	$ 11,493,437	$ 11,095,070
– Mr. Xiangqian Li, the Company's Former CEO	(b)	100,000	100,000
– Mr. Yunfei Li	(c)	-	116,307
– Shareholders	(d)	2,151,860	2,035,381
		13,745,297	13,346,758
Advances from unrelated third parties			
– Mr. Wenwu Yu	(e)	155,215	146,813
– Mr. Mingzhe Li	(e)	44,269	-
– Ms. Longqian Peng	(e)	691,669	654,230
		891,153	801,043
		$ 14,636,450	$ 14,147,801

(a) The Company received advances from Tianjin New Energy, a related company under the control of Mr. Xiangqian Li, the Company's former CEO, which was unsecured, non-interest bearing and repayable on demand. On November 1, 2016, Mr. Xiangqian Li ceased to be a shareholder but remained as a general manager of Tianjin New Energy.

On January 7, 2019, each of Mr. Dawei Li and Mr. Yunfei Li (the Company's CEO) 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 $3.5 million (RMB23,980,950) and $1.7million (RMB11,647,890) (collectively $5.2 million, the "Debts") to Mr. Dawei Li and Mr. Yunfei Li, respectively.

On January 7, 2019, the Company entered into a Cancellation Agreement (the "Cancellation Agreement") with Mr. Dawei Li and Mr. Yunfei Li (the creditors). Pursuant to the terms of the Cancellation Agreement, Mr. Dawei Li and Mr. Yunfei Li agreed to cancel the Debts in exchange for 3,431,373 and 1,666,667 shares of common stock of the Company, respectively, (collectively, the "Shares") at an exchange price of $1.02 per share. Upon receipt of the Shares, the creditors will release the Company from any claims, demands and other obligations relating to the Debts. The Cancellation Agreement contains customary representations and warranties of the creditors. The creditors do not have registration rights with respect to the Shares.

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

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

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

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

14. Accrued Expenses and Other Payables

Accrued expenses and other payables as of December 31, 2017 and 2018 consisted of the following:

	December 31, 2017	*December 31, 2018*
Construction costs payable	$ 1,405,651	$ 5,950,746
Equipment purchase payable	8,241,844	6,510,571
Liquidated damages (note a)	1,210,119	1,210,119
Accrued staff costs	1,804,546	2,362,466
Compensation costs (note 21(ii))	116,989	110,657
Customer deposits	270,923	192,113
Other payables and accruals	1,158,875	1,864,679
	$ 14,208,947	$ 18,201,351

(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, 2017 and 2018, 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, 2017 and 2018, 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.

15. Deferred Government Grants

Deferred government grants as of December 31, 2017 and 2018 consist of the following:

	December 31, 2017	*December 31, 2018*
Total government grants	$ 4,864,131	$ 4,457,064
Less: Current portion	(152,003)	(143,775)
Non-current portion	$ 4,712,128	$ 4,313,289

In September 2013, the Management Committee of Dalian Economic Zone Management Committee (the "Management Committee") provided a subsidy of RMB150 million to finance the costs incurred in moving our facilities to Dalian, including the loss of sales while the new facilities were being constructed. For the year ended September 30, 2015, the Company recognized $23,103,427 as income after offset of the related removal expenditures of $1,004,027. No such income or offset was recognized in years ended December 31, 2017 and 2018.

On October 17, 2014, the Company received a subsidy of RMB46.2 million (approximately $6.7 million) pursuant to an agreement with the Management Committee dated July 2, 2013 for costs of land use rights and to be used to construct the new manufacturing site in Dalian. Part of the facilities had been completed and was operated in July 2015 and the Company has initiated amortization on a straight-line basis over the estimated useful lives of the depreciable facilities constructed thereon.

The Company offset government grants of $146,311 and $149,200 for the years ended December 31, 2017 and 2018, respectively, against depreciation expenses of the Dalian facilities.

16. Product Warranty Provisions

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

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

	December 31, 2017	*December 31, 2018*
Balance at beginning of year	$ 205,404	$ 2,279,831
Warranty costs incurred	(167,685)	(47,180)
Provision for the year	2,151,101	145,804
Foreign exchange adjustment	91,011	(127,840)
Balance at end of year	$ 2,279,831	$ 2,250,615

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

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

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

	December 31, 2017	*December 31, 2018*
PRC income tax	$ -	$ -
Current	-	-
Deferred	$ -	$ -

United States Tax

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

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 has been made as CBAK had no taxable income for the years ended December 31, 2017 and 2018.

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 years ended December 31, 2017 and 2018 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:

	Year ended December 31, 2017	*Year ended December 31, 2018*
Loss before income taxes	$ (21,467,341)	$ (1,957,482)
United States federal corporate income tax rate	35%	21%
Income tax credit computed at United States statutory corporate income tax rate	(7,513,570)	(411,071)
Reconciling items:		
Over provision of deferred taxation in prior year		
Rate differential for PRC earnings	2,019,848	(44,325)
Non-deductible expenses	107,248	131,888
Share based payments	265,752	46,448
Recognition of tax losses previously not recognized	(188,647)	(132,104)
Provisional re-measurement of deferred taxes – TCJ Act	14,572,726	-
Valuation allowance on deferred tax assets	(9,263,357)	409,164
Income tax expenses	**$ -**	$ -

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

(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, 2017 and 2018 are presented below:

	December 31, 2017	*December 31, 2018*
Deferred tax assets		
Trade accounts receivable	$ 1,098,183	$ 1,031,389
Inventories	1,772,444	1,751,161
Property, plant and equipment	781,227	618,416
Provision for product warranty	569,958	562,654
Net operating loss carried forward	25,892,299	26,595,654
Valuation allowance	(30,114,111)	(30,559,274)
Deferred tax assets, non-current	$ -	$ -
Deferred tax liabilities, non-current	$ -	$ -

As of December 31, 2018, the Company's U.S. entity had net operating loss carry forwards of $103,580,741, of which $102,293 available to reduce future taxable income which will expire in various years through 2035 and $103,478,448 available to offset capital gains recognized in the succeeding 5 tax years. As of December 31, 2018, the Company's PRC subsidiaries had net operating loss carry forwards of $19,374,795, 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.

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.

The Company recorded non-cash share-based compensation expense of $264,105 for the year ended December 31, 2017, in respect of the restricted shares granted on June 30, 2015, of which $216,260, $30,621 and $17,224 were allocated to general and administrative expenses, research and development expenses and sales and marketing expenses, respectively.

The Company recorded non-cash share-based compensation expense of $17,160 for the year ended December 31, 2018, in respect of the restricted shares granted on June 30, 2015, of which $14,051, $1,990 and $1,119 were allocated to general and administrative expenses, research and development expenses and sales and marketing expenses, respectively.

18. Share-based Compensation (Continued)

As of December 31, 2018, non-vested restricted shares granted on June 30, 2015 are as follows:

Non-vested shares as of January 1, 2018	55,000
Granted	-
Vested	(55,000)
Non-vested shares as of December 31, 2018	-

As of December 31, 2018, there was no unrecognized stock-based compensation associated with the above restricted shares. As of December 31, 2018, 1,667 vested shares were to be issued.

Restricted shares granted on April 19, 2016

On April 19, 2016, pursuant to the Company's 2015 Equity Incentive Plan, the Compensation Committee 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 $495,188 for the year ended December 31, 2017, in respect of the restricted shares granted on April 19, 2016 of which $375,352, $64,375, $30,702 and $24,759 were allocated to general and administrative expenses, research and development expenses, sales and marketing expenses and cost of revenues, respectively.

The Company recorded non-cash share-based compensation expense of $204,020 for the year ended December 31,2018, in respect of the restricted shares granted on April 19, 2016 of which $154,647, $26,523, $12,649 and $10,201 were allocated to general and administrative expenses, research and development expenses, sales and marketing expenses and cost of revenues, respectively.

As of December 31, 2018, non-vested restricted shares granted on April 19, 2016 are as follows:

Non-vested shares as of January 1, 2018	255,500
Granted	-
Vested	(157,165)
Forfeited	(13,505)
Non-vested shares as of December 31, 2018	84,830

As of December 31, 2018, there was unrecognized stock-based compensation of $36,641 associated with the above restricted shares. As of December 31, 2018, 56,165 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 years ended December 31, 2017 and 2018.

19. Loss Per Share

The following is the calculation of loss per share:

	Year ended December 31, 2017	*Year ended December 31, 2018*
Net loss	$ (21,467,341)	$ (1,957,482)
Less: Net loss attributable to non-controlling interests	-	14,305
Net loss attributable to shareholders of CBAK Energy Technology, Inc.	(21,467,341)	(1,943,177)
Weighted average shares used in basic and diluted computation	23,237,205	26,596,263
Loss per share - basic and diluted	$ (0.92)	$ (0.07)

Note: Including 278,168 and 57,832 vested restricted shares granted pursuant to the 2015 Plan that were not yet issued as of December 31, 2017 and 2018, respectively.

For the years ended December 31, 2017 and 2018, 310,500 and 84,830 unvested restricted shares, respectively, 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, trade accounts and bills receivable, 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, 2017 and 2018, the Company had the following contracted capital commitments:

	December 31, 2017	*December 31, 2018*
For construction of buildings	$ 2,053,489	$ 3,439,794
For purchases of equipment	-	2,226,776
Capital injection to CBAK Trading and CBAK Power (Note 1)	400,000	20,400,000
	$ 2,453,489	$ 26,066,570

(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, 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 $1,225,705 (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 $30,689 (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 $1,225,705 (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 one year until August 27, 2019. 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 $1,327,340 (RMB9,129,868). As of December 31, 2018, the Company has already paid RMB 10,962,140 (approximately $1,593,724) and accrued $0.9 million (RMB 6.1 million) for the construction cost incurred and completed by Shenzhen Huijie.

In late February 2018, CBAK Power received a notice from Court of Zhuanghe that Shenzhen Huijie filed another lawsuit against CBAK Power for the failure pursuant to the terms of a fire-control contract. The plaintiff sought a total amount of RMB244,942 ($35,610), including construction costs of RMB238,735 ($34,708) and interest of RMB6,207 ($902), the Company has accrued for these amounts as of December 31, 2017. The Court of Zhuanghe requested an appraisal to be performed by a third-party appraisal institution on the uncompleted construction cost on the subject project, which should be deducted from the total construction cost of the contract. Based on the appraisal report from the appraisal institution, the uncompleted cost was RMB 170,032 ($24,720). On October 16, 2018, the Court of Zhuanghe determined that CBAK Power should pay RMB 77,042 ($11,200) to Shenzhen Huijie after deducting the uncompleted cost, as well as other expenses incurred including deferred interest and litigation fee. On January 29, 2019, the Intermediate Peoples' Court of Dalian ("Court of Dalian)" dismissed the appeal by Shenzhen Huijie and affirmed the original judgement.

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 ($2,657,605), including goods amount of RMB17,428,000 ($2,533,759) and interest of RMB851,858 ($123,847). On December 19, 2017, the Court of Zhuanghe determined that Anyuan Bus should pay the goods amount of RMB17,428,000 ($2,533,759) and the interest until the goods amount was paid off, and a litigation fee of RMB131,480 ($19,115). Anyuan Bus did not appeal and as a result, the judgment is currently in the enforcement phase. On June 29, 2018, the Company filed application petition with the Court of Zhuanghe for enforcement of the judgement against all of Anyuan Bus' shareholders, including Jiangxi Zhixin Automobile Co., Ltd, Anyuan Bus Manufacturing Co., Ltd, Anyuan Coal Group Co., Ltd, Qian Ronghua, Qian Bo and Li Junfu. On October 22, 2018, the Court of Zhuanghe issued a judgment supporting the Company's petition that all the Anyuan Bus' 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.

As of December 31, 2017 and 2018, the Company had made a full provision against the receivable from Anyuan Bus of RMB 17,428,000 ($2,533,759).

22. Concentrations and Credit Risk

(a) Concentrations

The Company had the following customers that individually comprised 10% or more of net revenue for the years ended December 31, 2017 and 2018 as follows:

	Year ended December 31, 2017		*Year ended December 31, 2018*	
Customer A	$ 12,869,446	22.05%	$ *	*
Customer B	29,837,878	51.11%	*	*
Customer C	*	*	6,330,608	25.91%
Customer D	*	*	3,807,854	15.58%

* 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, 2017 and 2018 as follows:

	December 31, 2017		*December 31, 2018*	
Customer A	$ *	*	$ *	*
Customer B	23,835,201	62.08%	*	*
Customer C	*	*	1,769,416	11.49%
Customer D	*	*	4,283,023	27.82%
Customer E	4,855,518	12.65%	*	*
Customer F	4,664,285	12.15%	*	*
Customer G	*	*	2,293,257	14.89%

For the years ended December 31, 2017 and 2018, the Company recorded the following transactions:

	December 31, 2017	*December 31, 2018*
Purchase of inventories from		
BAK Tianjin	$ 126,567	$ 716,997
BAK Shenzhen**	27,903,206	107,280
Zhengzhou BAK Battery Co., Ltd*	-	2,032,756
Sales of finished goods to		
BAK Tianjin	141,117	36,766
BAK Shenzhen	61,961	-
Zhengzhou BAK Battery Co., Ltd*	29,867	-
Proceeds on disposal of patented proprietary technology offset against amount due to BAK Shenzhen (Note 7)**	-	12,845,795

* Mr. Xiangqian Li, the former CEO, is a director of this company. As of December 31, 2018 and December 31, 2017, payable to Zhengzhou BAK Battery Co., Ltd were $2,291,621 and nil, respectively, was included in trade accounts and bills payable.

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

(b) Credit Risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents and pledged deposits. As of December 31, 2017 and 2018, 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.

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: aluminum-case cell, battery pack, cylindrical cell, lithium polymer cell and high-power lithium battery cell. The Company's products are sold to packing plants operated by third parties primarily for use in mobile phones and other electronic devices.

After the disposal of BAK International, the Company focused on producing high-power lithium battery cells. Net revenues from continuing operations for the years ended December 31, 2017 and 2018 were as follows:

Net revenues by product:

	Year ended December 31, 2017	*Year ended December 31, 2018*
High power lithium batteries used in:		
Electric vehicles	$ 55,007,370	$ 8,169,195
Light electric vehicles	495,769	64,140
Uninterruptable supplies	2,872,260	16,199,969
Total	$ 58,375,399	$ 24,433,304

Net revenues by geographic area:

	Year ended December 31, 2017	*Year ended December 31, 2018*
Mainland China	$ 57,425,420	21,292,111
Europe	294,322	99,996
PRC Taiwan	221,777	103,256
Israel	363,845	990,953
USA	-	1,833,837
Others	70,035	113,151
Total	$ 58,375,399	$ 24,433,304

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

24. CBAK Energy Technology, Inc. (Parent Company)

Under PRC regulations, subsidiaries in PRC ("the PRC subsidiaries") may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC GAAP. In addition, the PRC subsidiaries are required to set aside at least 10% of their after tax net profits each year, if any, to fund the statutory general reserve until the balance of the reserves reaches 50% of their registered capital. The statutory general reserves are not distributable in the form of cash dividends to the Company and can be used to make up cumulative prior year losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings, or by increasing the par value of the shares currently held by them, provided that the reserve balance after such issue is not less than 25% of the registered capital. As of December 31, 2017 and 2018, additional transfers of $24,019,489 were required for CBAK Power and CBAK Trading before the statutory general reserve reached 50% of the registered capital of the PRC subsidiaries. As of December 31, 2017 and 2018 there was $1,230,511 appropriation from retained earnings and set aside for statutory general reserves by the PRC subsidiaries. CBAK Trading did not have after tax net profits since its incorporation and therefore no appropriation was made to fund its statutory general reserve as of December 31, 2017 and 2018. CBAK Power had after tax loss of $20,035,942 and $392,959 for the years ended December 31, 2017 and 2018, respectively.

Schedule I of Article 504 of Regulation SX requires the condensed financial information of the registrant (Parent Company) to be filed when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. For purposes of this test, restricted net assets of consolidated subsidiaries shall mean that amount of the registrant's proportionate share of net assets of consolidated subsidiaries (after intercompany eliminations) which as of the end of the most recent fiscal year may not be transferred to the parent company by subsidiaries in the form of loans, advances or cash dividends without the consent of a third party (i.e., lender, regulatory agency, foreign government, etc.).

24. CBAK Energy Technology, Inc. (Parent Company) (continued)

SCHEDULE I – CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CBAK ENERGY TECHNOLOGY, INC.
PARENT COMPANY STATEMENTS OF OPERATIONS
For the years ended December 31, 2017 and 2018
(Unaudited)

	Year ended December 31, 2017	*Year ended December 31, 2018*
REVENUE, net	$ -	$ -
OPERATING EXPENSES:		
Salaries and consulting expenses	966,592	451,036
General and administrative	302,861	398,101
Total operating expenses	(1,269,453)	(849,137)
LOSS FROM OPERATIONS	(1,269,453)	(849,137)
OTHER INCOME:	-	-
LOSS ATTRIBUTABLE TO PARENT COMPANY	(1,269,453)	(849,137)
EQUITY IN LOSS OF SUBSIDIARIES	(20,197,888)	(1,094,040)
NETLOSS ATTRIBUTABLE TO SHAREHOLDERS	$ (21,467,341)	$ (1,943,177)

CBAK ENERGY TECHNOLOGY, INC.
PARENT COMPANY BALANCE SHEETS
As of December 31, 2017 and 2018
(Unaudited)

	December 31, 2017	*December 31, 2018*
ASSETS		
Interests in subsidiaries	$ 3,744,185	$ 1,957,493
Total assets	$ 3,744,185	$ 1,957,493
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accrued expenses and other payables	$ 1,548,209	$ 1,642,171
Total current liabilities	1,548,209	1,642,171
SHAREHOLDERS' EQUITY	2,195,976	315,322
Total liabilities and shareholders' equity	$ 3,744,185	$ 1,957,493

24. CBAK Energy Technology, Inc. (Parent Company) (continued)

CBAK ENERGY TECHNOLOGY, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2018
(Unaudited)

	Year ended December 31, 2017	*Year ended December 31, 2018*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (21,467,341)	$ (1,943,177)
Adjustments to reconcile net loss to net cash used in operating activities:		
Equity in loss of subsidiaries	20,197,888	1,094,040
Share based compensation	759,292	221,180
Change in operating assets and liabilities		
Accrued expenses and other payable	(27,685)	93,962
Net cash used in operating activities	(537,846)	(533,995)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in interest in subsidiaries	(9,067,432)	533,995
Net cash provided by (used in) investing activities	(9,067,432)	533,995
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	9,605,278	-
Net cash provided by financing activities	9,605,278	-
CHANGE IN CASH	-	-
CASH, beginning of year	-	-
CASH, end of year	$ -	$ -

The condensed parent company financial statements have been prepared using the equity method to account for its subsidiaries. Refer to the consolidated financial statements and notes presented above for additional information and disclosures with respect to these financial statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. 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 Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2018. 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 our 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 Chief Financial Officer. Based upon, and as of the date of this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were ineffective as of December 31, 2018.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and our Chief Financial Officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP, and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2018. In making this assessment, management used the framework set forth in the report entitled Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. The COSO framework summarizes each of the components of a company's internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v) monitoring.

Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that the Company's internal control over financial reporting as of December 31, 2018 were not effective because of the following material weaknesses in our internal control over financial reporting has been identified:

– 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:

- Mr. Wenwu Wang was appointed by the Board of Directors of the Company as the Chief Financial Officer on August 21, 2017.

- 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 fourth quarter of our fiscal year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

We have no information to disclose that was required to be disclosed in a report on Form 8-K during the fourth quarter of fiscal year 2018, but was not reported.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Directors and Executive Officers

The following sets forth the name and position of each of our current executive officers and directors.

NAME	AGE	POSITION
Yunfei Li	52	Chairman of the Board and Chief Executive Officer
J. Simon Xue	64	Director
Martha C. Agee	63	Director
Jianjun He	46	Director
Guosheng Wang	46	Director
Wenwu Wang	37	Chief Financial Officer

Yunfei Li has served as the chairman of our board, our president and chief executive officer since March 1, 2016. Mr. Li has more than 20 years management experience in industries of real estate development, battery and new energy. Since May 2014, he has been Vice President of the Company's subsidiary, CBAK Power in charge of the company's construction of manufacturing facilities, government relationship and development of new customers. From May 2010 to May 2014, Mr. Li held management positions of various new energy development and real estate development companies in China. Prior to that, he was Director of Construction Department, Director of Comprehensive Management Department and Assistant to President of Shenzhen BAK Battery Co., Ltd., a former subsidiary of the Company, from March 2003 to May 2010. Mr. Li holds a Bachelor's degree in Civil Engineering from Liao Yuan Vocational Technical College.

J. Simon Xue has served as our director since February 1, 2016. Dr. Xue has approximately 40 years' experience in nuclear chemistry, solid state chemistry, superconductivity and materials for Lithium ion batteries. Within his research career, he has spent 21 years in the research and development of Lithium ion battery. Dr. Xue is currently the Senior Director of National Institute for Low-&-Clean Energy in China and a member of National "Thousand Talent" Plan and a member of Expert Committee for "Chinese Industrial Association of Power Sources." Prior to that, Dr. Xue was a director of Altair Nanotechnologies Inc., a Delaware company, between August 2011 and April 2012. From 2010 to 2011, he served as the chief executive officer of Yintong Energy Co., Ltd., a subsidiary of Canon Investment Holdings Ltd. Dr. Xue has also held positions at Ultralife, Duracell, B&K Electronics Co., Ltd., Valence Energy-Tech (Suzhou) Co., A123 Systems Inc. and International Battery Inc. He enjoys an extensive reputation in the whole product chain of lithium ion battery in China, including materials, equipment, cell manufacturing and testing. He has authored or co-authored over 50 scientific articles, 12 patents relevant to battery chemistry and materials and participated, presented and hosted more than 30 battery or material related international conferences. Dr. Xue completed his Ph.D. program in Solid State Chemistry in McMaster University in 1992.

Martha C. Agee has served as our director since November 15, 2012. Since 1997, Ms. Agee has been a senior lecturer of business law at Hankamer School of Business of Baylor University where she teaches courses in the Legal Environment of Business, International Business Law, and Healthcare Law & Ethics for graduate and undergraduate students. Prior to that, Ms. Agee practiced law from 1988 to 1996. Ms. Agee obtained her bachelor's degree in Accounting in 1976 and Juris Doctorate degree in 1988 from Baylor University.

Jianjun He has served as our director since November 4, 2013. Mr. He has more than 15 years' experience in accounting and finance and is an associate member of the Chinese Institute of Certificate Public Accounts. Mr. He has been the Managing Director of Jilin CybernautLvke Investment and Management Co., Ltd., an investment consulting firm in China, since January 1, 2013. From June 30, 2009 to December 31, 2012, Mr. He served as the Chief Financial Officer of THT Heat Transfer Technology, Inc. (Nasdaq: THTI) ("THT Heat"), a provider of heat exchangers and heat exchange solutions in China. Mr. He was the Chief Financial Officer of Siping City JuyuanHanyang Plate Heat Exchanger Co. Ltd, a wholly owned subsidiary of THT Heat from 2007 to December 2012. From 1999 to 2007, Mr. He worked as senior financial officer in Jilin Grain Group, a state-owned enterprise engaged in the grain processing and trading business. Mr. He graduated from Changchun Taxation College in 1995 with a Bachelor's degree in Auditing and obtained a Master's degree from Jilin University in 2005.

Guosheng Wang has served as our director since August 1, 2014. Since June 2014, Mr. Wang has been in charge of the construction of facilities of the Company's subsidiary, CBAK Power and the relocation of assets and equipment of BAK International (Tianjin) Limited ("BAK Tianjin") to CBAK Power. Prior to that, Mr. Wang served as vice president of operations of BAK Tianjin since May 2013, where he was managing the Quality Department, Purchase Department, Equipment Department and HR Department. From May 2010 to May 2013, Mr. Wang served as manager of Equipment Department of BAK Tianjin. From March 2008 to May 2010, he served as Director of No. 1 Manufacture Department of BAK Tianjin. Mr. Wang began his career working as an engineer at Harbin Railway Transportation Equipment Co., Ltd in 1994. Mr. Wang obtained his bachelor's degree in mechanical manufacturing engineering and equipment from Lanzhou Jiaotong University in July 1994.

Wenwu Wang has served as our Chief Financial Officer since August 21, 2017. Prior to that, Mr. Wang was our Interim Chief Financial Officer since August 28, 2014. He served as the financial controller of CBAK Power since April 2014, and was the vice financial manager of Shenzhen BAK from August 2013 to June 2014. Mr. Wang has been our consolidation and financial reporting manager since September 2012. From November 2010 to September 2012, he served as the financial manager of BAK India. From October 2008 to November 2010, Mr. Wang was account receivable supervisor of Shenzhen BAK and consolidation and financial reporting assistant of the Company. Mr. Wang received a bachelor's degree in Accounting from Southwest University in China.

There are no agreements or understandings for any of our executive officers or director to resign at the request of another person and no officer or director is acting on behalf of nor will any of them act at the direction of any other person.

Directors are elected until their successors are duly elected and qualified.

Director Qualifications

Directors are responsible for overseeing the Company's business consistent with their fiduciary duty to shareholders. This significant responsibility requires highly-skilled individuals with various qualities, attributes and professional experience. The Board believes that there are general requirements for service on the Company's Board of Directors that are applicable to all directors and that there are other skills and experience that should be represented on the Board as a whole but not necessarily by each director. The Board and the Nominating and Corporate Governance Committee of the Board consider the qualifications of directors and director candidates individually and in the broader context of the Board's overall composition and the Company's current and future needs.

Qualifications for All Directors

In identifying and evaluating nominees, the Nominating and Corporate Governance Committee may consult with the other Board members, management, consultants, and other individuals likely to possess an understanding of the Company's business and knowledge of suitable candidates. In making its recommendations, the Nominating and Corporate Governance Committee assesses the requisite skills and qualifications of nominees and the composition of the Board as a whole in the context of the Board's criteria and needs. In evaluating the suitability of individual Board members, the Nominating and Corporate Governance Committee may take into account many factors, including general understanding of marketing, finance and other disciplines relevant to the success of a publicly traded company in today's business environment; understanding of the Company's business and technology; the international nature of the Company's operations; educational and professional background; and personal accomplishment. The Nominating and Corporate Governance Committee evaluates each individual in the context of the Board as a whole, with the objective of recommending a group that can best perpetuate the success of the Company's business and represent stockholder interests through the exercise of sound judgment, using its diversity of experience. The Nominating and Corporate Governance Committee also ensures that a majority of nominees would be "independent directors" as defined under the applicable rules of the SEC and The NASDAQ Stock Market LLC.

Qualifications, Attributes, Skills and Experience to be Represented on the Board as a Whole

In its assessment of each potential candidate, including those recommended by stockholders, the Nominating and Corporate Governance Committee considers the nominee's judgment, integrity, experience, independence, understanding of the Company's business or other related industries and such other factors the Nominating and Corporate Governance Committee determines are pertinent in light of the current needs of the Board. The Nominating and Corporate Governance Committee also takes into account the ability of a Director to devote the time and effort necessary to fulfill his or her responsibilities to the Company.

The Board and the Nominating and Corporate Governance Committee require that each Director be a recognized person of high integrity with a proven record of success in his or her field. Each Director must demonstrate innovative thinking, familiarity with and respect for corporate governance requirements and practices, an appreciation of multiple cultures and a commitment to sustainability and to dealing responsibly with social issues. In addition to the qualifications required of all Directors, the Board assesses intangible qualities including the individual's ability to ask difficult questions and, simultaneously, to work collegially.

The Board has identified particular qualifications, attributes, skills and experience that are important to be represented on the Board as a whole, in light of the Company's current needs and business priorities. The Company's services are performed in various countries and in significant areas of future growth located outside of the United States. Accordingly, the Board believes that international experience or specific knowledge of key geographic growth areas and diversity of professional experiences should be represented on the Board. In addition, the Company's business is multifaceted and involves complex financial transactions. Therefore, the Board believes that the Board should include some Directors with a high level of financial literacy and some Directors who possess relevant business experience as a Chief Executive Officer or President. Our business involves complex technologies in a highly specialized industry. Therefore, the Board believes that extensive knowledge of the Company's business and industry should be represented on the Board.

The Board and the Nominating and Corporate Governance Committee do not have a specific diversity policy, but consider diversity of race, ethnicity, gender, age, cultural background and professional experiences in evaluating candidates for Board membership. Diversity is important because a variety of points of view contribute to a more effective decision-making process.

Summary of Qualifications of Directors

Set forth below is a narrative disclosure that summarizes some of the specific qualifications, attributes, skills and experiences of our directors. For more detailed information, please refer to the biographical information for each director set forth above.

Mr. Li, has extensive senior management experience in the industry in which we operate and has held management positions of various new energy development and real estate development companies in China.

Dr. Xue, Chair of the Compensation Committee, has approximately 40 years' experience in nuclear chemistry, solid state chemistry, superconductivity and materials for Lithium ion batteries. Within his research career, he has spent 21 years in the research and development of Lithium ion battery.

Ms. Agee, Chair of the Audit Committee, was previously a Certified Public Accountant, worked as Chief Accountant for political sub-division for five and a half years and worked as Supervisor of Accounting for a large retail chain where the responsibilities included hiring, training, and supervision of accounting staff; preparation and analysis of 17 monthly financial statements and quarterly consolidated financial statements; budgeting, and internal auditing.

Mr. He, Chair of the Nominating and Corporate Governance Committee, has more than 15-year experience in accounting and finance and is an associate member of the Chinese Institute of Certificate Public Accounts.

Mr. Wang, has served with the Company since 2003 and brings to the Board extensive experience in all aspects of our business and industry and strong management and technical skills.

Family Relationships

There are no family relationships among our directors or officers.

Involvement in Certain Legal Proceedings

To the best of our knowledge, none of our directors or executive officers has, during the past ten years:

- been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offences);

- had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;
- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;
- been found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease- and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self- regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Board Composition and Committees

Our board of directors is comprised of Yunfei Li, J. Simon Xue, Martha C. Agee, Jianjun He and Guosheng Wang.

J. Simon Xue, Martha Agee and Jianjun He each serves on our board of directors as an "independent director" as defined by as defined by Rule 5605(a)(2) of the NASDAQ Listing Rules. Our board of directors has determined that Martha Agee possesses the accounting or related financial management experience that qualifies her as financially sophisticated within the meaning of Rule 5605(c)(2)(A) of the NASDAQ Listing Rule and that she is an "audit committee financial expert" as defined by the rules and regulations of the SEC.

Our board of directors currently has three standing committees which perform various duties on behalf of and report to the board of directors: (i) audit committee, (ii) compensation committee and (iii) nominating and corporate governance committee. Each of the three standing committees is comprised entirely of independent directors. From time to time, the board of directors may establish other committees.

Audit Committee

Our Audit Committee consists of three members: Martha C. Agee, J. Simon Xue and Jianjun He. Pursuant to the determination of our Board of Directors, Ms. Agee serves as the chair of the Audit Committee and as our Audit Committee financial expert as that term is defined by the applicable SEC rules. Each director who has served or is serving on our Audit Committee was or is "independent" as that term is defined under the NASDAQ listing rules for Audit Committee members at all times during their service on such Committee.

The Audit Committee oversees our accounting and financial reporting processes and the audits of the financial statements of our Company. The Audit Committee is responsible for, among other things:

- the appointment, compensation, retention and oversight of the work of the independent auditor;
- reviewing and pre-approving all auditing services and permissible non-audit services (including the fees and terms thereof) to be performed by the independent auditor;
- reviewing and approving all proposed related-party transactions;
- discussing the interim and annual financial statements with management and our independent auditors;
- reviewing and discussing with management and the independent auditor (a) the adequacy and effectiveness of the Company's internal controls, (b) the Company's internal audit procedures, and (c) the adequacy and effectiveness of the Company's disclosure controls and procedures, and management reports thereon;
- reviewing reported violations of the Company's code of conduct and business ethics; and

- reviewing and discussing with management and the independent auditor various topics and events that may have significant financial impact on the Company or that are the subject of discussions between management and the independent auditors.

Compensation Committee

Our Compensation Committee consists of three members: Martha C. Agee, J. Simon Xue and Jianjun He, with Mr. Xue serving as chair. Each director who has served or is serving on our Compensation Committee was or is "independent" as that term is defined under the NASDAQ listing rules at all times during their service on such Committee.

The purpose of our Compensation Committee discharge the responsibilities of the Company's Board of Directors relating to compensation of the Company's executives, to produce an annual report on executive compensation for inclusion in the Company's proxy statement, if required, and to oversee and advise the Board on the adoption of policies that govern the Company's compensation programs, including stock and benefit plans. Our chief executive officer may not be present at any Compensation Committee meeting during which his compensation is deliberated. The Compensation Committee is responsible for, among other things:

- reviewing and approving the compensation structure for corporate officers at the level of corporate vice president and above;
- overseeing an evaluation of the performance of the Company's executive officers and approve the annual compensation, including salary, bonus, incentive and equity compensation, for the executive officers;
- reviewing and approving chief executive officer goals and objectives, evaluate chief executive officer performance in light of these corporate objectives, and set chief executive officer compensation consistent with Company philosophy;
- making recommendations to the Board regarding the compensation of board members;
- reviewing and making recommendations concerning long-term incentive compensation plans, including the use of equity-based plans. Except as otherwise delegated by the Board of Directors, the Compensation Committee will act on behalf of the Board of Directors as the "Committee" established to administer equity-based and employee benefit plans, and as such will discharge any responsibilities imposed on the Compensation Committee under those plans, including making and authorizing grants, in accordance with the terms of those plans.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee consists of three members: Martha C. Agee, J. Simon Xue and Jianjun He, with Mr. He serving as chair. Each director who has served or is serving on our Nominating and Corporate Governance Committee was or is "independent" as that term is defined under the NASDAQ listing standards at all times during their service on such Committee.

The purpose of the Nominating and Corporate Governance Committee is to determine the slate of director nominees for election to the Company's Board of Directors, to identify and recommend candidates to fill vacancies occurring between annual shareholder meetings, and to review the Company's policies and programs that relate to matters of corporate responsibility, including public issues of significance to the Company and its members. The Nominating and Corporate Governance Committee is responsible for, among other things:

- annually presenting to the Board a list of individuals recommended for nomination for election to the Board at the annual meeting of stockholders, and for appointment to the committees of the Board;
- annually reviewing the composition of each committee and present recommendations for committee memberships to the Board as needed; and
- annually evaluating and reporting to the Board of Directors on the performance and effectiveness of the Board of Directors to facilitate the directors fulfillment of their responsibilities in a manner that serves the interests of the Company's shareholders.

Code of Business Ethics and Conduct

We have adopted a Code of Business Ethics and Conduct relating to the conduct of our business by our employees, officers and directors. We intend to maintain the highest standards of ethical business practices and compliance with all laws and regulations applicable to our business, including those relating to doing business outside the United States. A copy of the Code of Business Conduct and Ethics has been filed as Exhibit 14.1 to our Quarterly Report on Form 10-Q filed on August 22, 2006 and is hereby incorporated by reference into this annual report. The Code of Business Conduct and Ethics is also available on our website at www.cbak.com.cn. During the fiscal year ended December 31, 2018, there were no amendments to or waivers of our Code of Business Ethics and Conduct. If we effect an amendment to, or waiver from, a provision of our Code of Business Ethics and Conduct, we intend to satisfy our disclosure requirements by posting a description of such amendment or waiver on our Internet website at www.cbak.com.cn or via a current report on Form 8-K.

Section 16(A) Beneficial Ownership Reporting Compliance

Under U.S. securities laws, directors, certain executive officers and persons beneficially owning more than 10% of our Common Stock must report their initial ownership of the Common Stock, and any changes in that ownership, to the SEC. The SEC has designated specific due dates for these reports. Based solely on our review of copies of such reports filed with the SEC and written representations of our directors and executive offers, we believe that all persons subject to reporting filed the required reports on time in fiscal year 2018, except that Mr. Yunfei Li filed a late one Form 4 reporting one transaction.

ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation Table

The following table sets forth information concerning all cash and non-cash compensation awarded to, earned by or paid to the named persons for services rendered in all capacities during the noted periods. No other executive officer received total annual salary and bonus compensation in excess of $100,000.

Name and Principal Position	Period	Salary ($)(1)	Stock Awards ($)(2)	Option Awards ($)	Total ($)
Yunfei Li, President, Chief Executive Officer	Year ended December 31, 2018	119,833	142,100	-	261,933
	Year ended December 31, 2017	119,749	166,400	-	286,149
Wenwu Wang, Chief Financial Officer	Year ended December 31, 2018	63,627	31,367	-	94,994
	Year ended December 31, 2017	53,931	71,867	-	125,798

(1) The amounts reported in this table have been converted from RMB to U.S. dollars based on the average conversion rate between the U.S. dollar and RMB for the applicable fiscal year, or $1.00 to RMB 6.7591 (fiscal year 2017 exchange rate), $1.00 to RMB 6.6282 (fiscal year 2018 exchange rate).

(2) The stock awards consisted of: 1) restrict shares granted on June 30, 2015, which are vested and exercisable in twelve equal quarterly installment with the first vesting date of June 30, 2015 and with a fair value of $3.24, and 2) restrict shares granted on April 19, 2016 with a fair value of $2.68 per share, which are vested and exercisable under 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.

Summary of Employment Agreements

The base salary shown in the Summary Compensation Table is described in each named executive officer’s respective employment agreement. The material terms of those employment agreements are summarized below.

We entered into employment agreements with three-year initial terms with our named executive officers with standard employment agreements. We entered into the employment agreements with Mr. Yunfei Li and Mr. Wenwu Wang on March 1, 2016 and September 30, 2014, respectively. On July 1, 2017, we entered into a new agreement with Mr. Wenwu Wang for another three-year terms from July 1, 2017 to June 30, 2020. Each of our standard employment agreements is automatically extended by a year at the expiration of the initial term and at the expiration of every one-year extension, until terminated in accordance with the termination provisions of the agreements, which are described below.

Our standard employment agreement permits us to terminate the executive's employment for cause, at any time, without notice or remuneration, for certain acts of the executive, including but not limited to a conviction or plea of guilty to a felony, negligence or dishonesty to our detriment and failure to perform agreed duties after a reasonable opportunity to cure the failure. An executive may terminate his employment upon one month's written notice if there is a material reduction in his authority, duties and responsibilities or if there is a material reduction in his annual salary before the next annual salary review. Furthermore, we may terminate the executive's employment at any time without cause by giving one month's advance written notice to the executive officer. If we terminate the executive's employment without cause, the executive will be entitled to a termination payment of up to three months of his or her then base salary, depending on the length of such executive's employment with us. Specifically, the executive will receive salary continuation for: (i) one month following a termination effective prior to the first anniversary of the effective date of the employment agreement; (ii) two months following a termination effective prior to the second anniversary of the effective date; and (iii) three months following a termination effective prior to or any time after the third anniversary of the effective date. The employment agreements provide that the executive will not participate in any severance plan, policy, or program of the Company.

Our standard employment agreement contains customary non-competition, confidentiality, and non-disclosure covenants. Each executive officer has agreed to hold, both during and after the employment agreement expires or is earlier terminated, in strict confidence and not to use, except as required in the performance of his duties in connection with the employment, any confidential information, technical data, trade secrets and know-how of our company or the confidential information of any third party, including our affiliated entities and our subsidiaries, received by us. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice and to assign all right, title and interest in them to us. In addition, each executive officer has agreed to be bound by non-competition restrictions set forth in his or her employment agreement. Specifically, each executive officer has agreed not to, while employed by us and for a period of one year following the termination or expiration of the employment agreement,

- approach our clients, customers or contacts or other persons or entities, and not to interfere with the business relationship between us and such persons and/or entities;
- assume employment with or provide services as a director for any of our competitors, or engage in any business which is in direct or indirect competition with our business; or
- solicit the services of any of our employees.

Outstanding Equity Awards at Fiscal Year-End 2018

The following table sets forth the equity awards outstanding at December 31, 2018 for each of our named executive officers.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards					Stock Awards			
Name	**Number of securities underlying unexercised options (#) exercisable**	**Number of securities underlying unexercised options (#) unexercisable**	**Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)**	**Option exercise price ($)**	**Option expiration date**	**Number of shares or units of stock that have not vested (#)**	**Market value of shares or units of stock that have not vested (#)**	**Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)**	**Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested ($)**
Yunfei Li, President, Chief Executive Officer						-	-	25,000*	67,000
Wenwu Wang, Chief Financial Officer						-	-	3,335**	8,938

* On June 30, 2015, Mr. Li was granted 30,000 restricted shares of the Company's common stock, par value $0.001, under the 2015 Equity Incentive Plan of the Company (the "2015 Plan"). The restricted shares vest over a three year period in 12 equal quarterly installments with the first vesting date on June 30, 2015. On April 19, 2016, pursuant to the 2015 Plan, the Company granted Mr. Li an aggregate of 150,000 restricted shares of the Company's common stock. The restricted shares vest semi-annually in 6 equal installments over a three year period with the first vesting on December 31, 2016.

** On June 30, 2015, Mr. Wang was granted 50,000 restricted shares of the Company's common stock, par value $0.001, under the 2015 Plan. The restricted shares vest over a three year period in 12 equal quarterly installments with the first vesting date on June 30, 2015. On April 19, 2016, pursuant to the 2015 Plan, the Company granted Mr. Wang an aggregate of 20,000 restricted shares of the Company's common stock. The restricted shares vest semi-annually in 6 equal installments over a three year period with the first vesting on December 31, 2016.

Compensation of Directors

Under our Compensation Plan for Non-Employee Directors, or the Directors Plan, each eligible non-employee director of the Company may receive an annual retainer fee. Pursuant to the Directors Plan, the annual retainer fee under the Directors Plan is subject to adjustments determined by our Board from time to time. Each independent director is also eligible to be granted 5,000 restricted shares of our common stock for serving as a director.

In December 2010, our Board of Directors unanimously approved a change in the annual retainer fee for independent directors in accordance with the Directors Plan. Effective January 1, 2011, our independent directors will be paid an annual retainer fee of $45,000. As was previously our policy, the chair of the Audit Committee will continue to receive an additional $5,000 in recognition of the added responsibility of this position. In connection with this change, the Board unanimously determined that the independent directors will no longer receive an annual issuance of restricted shares under the Directors Plan. Each of the independent directors has waived all rights to such annual issuances, including with respect to 2,500 of the shares that were to be issued to each of the independent directors during calendar year 2011 in connection with their grants on July 1, 2010.

Effective October 1, 2012, each of our independent directors will be paid an annual retainer fee of $61,000. The chair of the Audit Committee will receive an additional $9,000 in recognition of the added responsibility of this position.

In June 2013, due to the financial situation of the Company, each of the independent directors agreed to reduce their annual retainer fee to $20,000, effective from the quarter ended June 30, 2013.

On June 30, 2015, each of our independent directors was granted 30,000 restricted shares of the Company's common stock, par value $0.001, under the 2015 Plan. The restricted shares vest over a three year period in 12 equal quarterly installments with the first vesting date on June 30, 2015.

On April 19, 2016, pursuant to the 2015 Plan, the Company granted Dr. Xue an aggregate of 30,000 restricted shares of the Company's common stock. The restricted shares vest semi-annually in 6 equal installments over a three year period with the first vesting on December 31, 2016.

The following table sets forth the total compensation earned by our non-employee directors during our fiscal year ended December 31, 2018:

Name	Fees Earned or Paid in Cash ($)	Stock Awards($)	Total ($)
J. Simon Xue	20,000	26,800	46,800
Martha C. Agee	20,000	8,125	28,125
Jianjun He	20,000	8,125	28,125

We do not maintain a medical, dental or retirement benefits plan for the directors.

Except as disclosed in this annual report, we have not compensated, and will not compensate, our non-independent directors, Mr. Yunfei Li and Mr. Guosheng Wang, for serving as our directors, although they are entitled to reimbursements for reasonable expenses incurred in connection with attending our board meetings.

The directors may determine remuneration to be paid to the directors with interested members of the Board refraining from voting. The Compensation Committee will assist the directors in reviewing and approving the compensation structure for the directors.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Securities Ownership of Certain Beneficial Owners and Management

The following table sets forth information known to us with respect to the beneficial ownership of our Common Stock as of the close of business on April 12, 2019 (the "Reference Date") for: (i) each person known by us to beneficially own more than 5% of our voting securities, (ii) each named executive officer, (iii) each of our directors and nominees, and (iv) all of our executive officers and directors as a group:

Names of Management and Names of Certain Beneficial Owners (1)	**Amount and Nature of Beneficial Ownership** [(1)]	
	Number [(2)]	**Percent** [(3)]
Yunfei Li[(7)]	5,535,185	17.44%
J. Simon Xue[(8)]	20,000	*
Martha C. Agee [(4)]	30,000	*
Jianjun He [(4)]	30,000	*
Guosheng Wang [(5)]	59,165	*
Wenwu Wang [(6)]	63,332	*
All executive officers and directors as a group (6 persons)	5,737,682	18.07%
Principal Shareholders		
Dawei Li[(7)]	5,348,642	16.85%

* Denotes less than 1% of the outstanding shares of Common Stock.

(1) The number of shares beneficially owned is determined under Securities and Exchange Commission ("SEC") rules, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under those rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power, and also any shares which the individual has the right to acquire within 60 days of the Reference Date, through the exercise or conversion of any stock option, convertible security, warrant or other right (a "Presently Exercisable" security). Including those shares in the table does not, however, constitute an admission that the named stockholder is a direct or indirect beneficial owner of those shares.

(2) Unless otherwise indicated, each person or entity named in the table has sole voting power and investment power (or shares that power with that person's spouse) with respect to all shares of Common Stock listed as owned by that person or entity.

(3) A total of 31,745,518 shares of Common Stock are considered to be outstanding on the Reference Date. For each beneficial owner above, any Presently Exercisable securities of such beneficial owner have been included in the denominator, pursuant to Rule 13d-3(d)(1) under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

(4) On June 30, 2015, each of our independent directors was granted 30,000 restricted shares of the Company's common stock, par value $0.001, under the 2015 Plan. The restricted shares vest over a three year period in 12 equal quarterly installments with the first vesting date on June 30, 2015.

(5) On June 30, 2015, Mr. Guosheng Wang was granted 50,000 restricted shares of the Company's common stock, par value $0.001, under the 2015 Plan. The restricted shares vest over a three year period in 12 equal quarterly installments with the first vesting date on June 30, 2015. On April 19, 2016, Mr. Wang was granted an additional 20,000 restricted shares under the 2015 Plan. Such shares vest semi-annually in 6 equal installments over a three year period with the first vesting on December 31, 2016.

(6) On June 30, 2015, Mr. Wenwu Wang was granted 50,000 restricted shares of the Company's common stock, par value $0.001, under the 2015 Plan. The restricted shares vest over a three year period in 12 equal quarterly installments with the first vesting date on June 30, 2015. On April 19, 2016, Mr. Wang was granted an additional 20,000 restricted shares under the 2015 Plan. Such shares vest semi-annually in 6 equal installments over a three year period with the first vesting on December 31, 2016.

(7) On June 30, 2015, Mr. Yunfei Li was granted 30,000 restricted shares of the Company's common stock, par value $0.001, under the 2015 Plan. The restricted shares vest over a three year period in 12 equal quarterly installments with the first vesting date on June 30, 2015.On April 19, 2016, pursuant to the 2015 Plan, the Company granted Mr. Li an aggregate of 150,000 restricted shares of the Company's common stock. The restricted shares vest semi- annually in 6 equal installments over a three year period with the first vesting on December 31, 2016. On February 17, 2017, we signed a letter of understanding with each of eight individual investors, including our CEO, Mr. Yunfei Li, whereby these shareholders agreed in principle to subscribe for new shares of our common stock totaling $10 million. The issue price will be determined with reference to the market price prior to the issuance of new shares. In January 2017, the shareholders paid us a total of $2.1 million as refundable deposits, among which, Mr. Yunfei Li agreed to subscribe new shares totaling $1.12 million and pay a refundable deposit of $0.2 million. In April and May 2017, we received cash of $9.6 million from these shareholders. On May 31, 2017, we entered into a securities purchase agreement with these investors, pursuant to which we agreed to issue an aggregate of 6,403,518 shares of common stock, par value $0.001 per share to these investors, at a purchase price of $1.50 per share, for an aggregate price of $9.6 million, including 746,018 shares were issued to Mr. Yunfei Li, our CEO. On June 22, 2017, we issued the shares to the investors. On January 7, 2019, the Company entered into a Cancellation Agreement (the "Cancellation Agreement") with two individual creditors, Mr. Yunfei Li and Mr. Dawei Li, who loaned an aggregate of approximately $5.2 million to CBAK (the "Debts"). Pursuant to the terms of the Cancellation Agreement, the creditors agreed to cancel the Debts in exchange for an aggregate of 5,098,040 shares of common stock of the Company at an exchange price of $1.02 per share. According to the amount of loan, 3,431,373 and 1,666,667 shares were issued to Mr. Dawei Li and Mr. Yunfei Li, respectively. Upon receipt of the Shares, the creditors released the Company from any claims, demands and other obligations relating to the Debts.

(8) On April 19, 2016, pursuant to the 2015 Plan, the Company granted Dr. Xue an aggregate of 30,000 restricted shares of the Company's common stock. The restricted shares vest semi-annually in 6 equal installments over a three year period with the first vesting on December 31, 2016.

Changes in Control

There are no arrangements known to us, including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in control of the Company.

Securities Authorized for Issuance Under Equity Compensation Plans

Stock Option Plan and Compensation Plan for Non-Employee Directors

The following table sets forth certain information about the securities authorized for issuance under our Stock Option Plan and our Compensation Plan for Non-Employee Directors as of December 31, 2018. Options exercisable for all of the securities shown in column (a) below were granted under our Stock Option Plan.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	-	-	222,401[(1)]
Equity compensation plans not approved by security holders		-	-
Total	-	-	222,401[(1)]

* All information in and below this table gives retroactive effect to our one-for-five reverse stock split effected on October 26, 2012.

(1) Includes 86,500 shares of restricted stock that were available for future issuance under our Compensation Plan for Non-Employee Directors and 135,901 shares of restricted stock that were available for future issuance under our Stock Option Plan, as of December 31, 2018.

2015 Equity Incentive Plan

The following table sets forth certain information about the securities authorized for issuance under our 2015 Plan as of December 31, 2018. Options exercisable for all of the securities shown in column (a) below were granted under our 2015 Plan.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	142,662	$ 2.94	8,876,352(1)
Equity compensation plans not approved by security holders	-		
Total	142,662	$ 2.94	8,876,352(1)

On June 12, 2015, shareholders of the Company approved 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 2015 Plan is ten million (10,000,000).

On June 30, 2015, pursuant to the 2015 Plan, the Company granted an aggregate of 690,000 restricted shares of the Company's common stock to certain employees, officers and directors of the Company. 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 and ending on March 31, 2018.

On April 19, 2016, pursuant to the 2015 Plan, the Company granted an aggregate of 500,000 restricted shares of the Company's common stock to certain employees, officers and directors of the Company. The restricted shares vest semi-annually in 6 equal installments over a three year period with the first vesting on December 31, 2016.

As of December 31, 2018, 980,986 vested shares were issued, and 142,662 shares were to be issued upon vesting. Under the 2015 Plan, 8,854,500 shares are available for future issuance.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Transactions with Related Persons

We obtained a three-year banking facilities of $19.5 million from Bank of Dandong. The banking facilities were guaranteed by Mr. Yunfei Li ("Mr. Li"), our CEO, and Ms. Qinghui Yuan, Mr. Li's wife, Mr. Xianqian Li, our former CEO, Ms. Xiaoqiu Yu, the wife of our former CEO, and Shenzhen BAK, our former subsidiary. We also obtained a one-year banking facilities of $7.5 million from Bank of Dalian. The banking facilities were guaranteed by Mr. Li, Ms. Qinghui Yuan, and Shenzhen BAK. Mr. Yunfei Li did not receive and is not entitled to receive any consideration for the above-referenced guarantees. We are not independently obligated to indemnify any of those guarantors for any amounts paid by them pursuant to any guarantee.

After the disposal of BAK International and prior to the completion of construction of the new manufacturing site in Dalian, we generated our revenues from sale of batteries via subcontracting the production to BAK Tianjin, a former subsidiary. Also, from time to time, in order to meet the needs of our customers, we purchased products from these former subsidiaries that we did not produce.

For the year ended year ended December 31, 2017 and 2018, we purchased inventories of (i) $0.1 million and $0.7 million from BAK Tianjin, respectively; (ii) $27.9 million and $0.1 million from BAK Shenzhen, respectively and (iii) nil and $2 million from Zhengzhou BAK, respectively.

For the year ended December 31, 2017 and 2018, we generated revenue of

- $141,117and $36,766 from BAK Tianjin, respectively;
- $61,961 and nil from BAK Shenzhen, respectively;
- $29,867 and nil, respectively from Zhengzhou BAK Battery Co., Ltd. Mr. Xiangqian Li, our former CEO, is director of this company. In September 2018, we transferred a patented proprietary high capacity prismatic battery technology, which we had been developing since 2017, to BAK Shenzhen with a consideration of RMB85,144,500 (approximately $12.8 million).

Promoters and Certain Control Persons

We did not have any promoters at any time during the past five fiscal years.

Director Independence

J. Simon Xue, Martha C. Agee and Jianjun He each serves on our board of directors as an “independent director” as defined by Rule 5605(a)(2) of the NASDAQ Listing Rule.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Independent Registered Public Accounting Firm’s Fees and Services

Audit Fees

Centurion ZD CPA & Co. has billed us $113,598 and $254,000 for the fiscal years ended December 31, 2017 and 2018, respectively, for professional services rendered for the audit of our annual financial statements, including reviews of the interim financial statements included in our quarterly reports on Form 10-Q and assistance with the Securities Act filings.

Audit-Related Fees

We did not engage our principal accountants to provide assurance or related services during the last two fiscal years and three months transition period.

Tax Fees

We did not engage our principal accountants to provide tax compliance, tax advice or tax planning services during the last two fiscal years and three months transition period.

All Other Fees

We did not engage our principal accountants to render services to us during the last two fiscal years and three months transition period, other than as reported above.

Pre-Approval Policies and Procedures

All auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by our independent auditor must be approved by the Audit Committee in advance, except non-audit services (other than review and attestation services) if such services fall within exceptions established by the SEC. The Audit Committee will pre-approve any permissible non-audit services to be provided by the Company’s independent auditors on behalf of the Company that do not fall within any exception to the pre-approval requirements established by the SEC. The Audit Committee may delegate to one or more members the authority to pre-approve permissible non-audit services, but any such delegate or delegates must present their pre-approval decisions to the Audit Committee at its next meeting. All of our accountants’ services described above were pre-approved by the Audit Committee or by one or more members under the delegate authority described above.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

Financial Statements and Schedules

The financial statements are set forth under Item 8 of this annual report on Form 10-K. Financial statement schedules have been omitted since they are either not required, not applicable, or the information is otherwise included.

Exhibit List

(a) List of Documents Filed as a Part of This Report:

(1) Index to Consolidated Financial Statements:

- Report of Centurion ZD CPA & Co., Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of December 31, 2018 and 2017
- Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2018 and 2017
- Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2018 and 2017
- Consolidated Statements of Cash Flows for the years ended December 31, 2018 and 2017
- Notes to Consolidated Financial Statements

(2) Index to Financial Statement Schedules:

All schedules have been omitted because the required information is included in the consolidated financial statements or the notes thereto, or because it is not required.

(3) Index to Exhibits

See exhibits listed under Part (b) below.

(b) Exhibits:

Exhibit No.	Description
2.1	Articles of Merger (incorporated by reference to Exhibit 2.1 to the registrant's Current Report on Form 8- K filed on January 17, 2017)
3.1	Articles of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the registrant's Annual Report on Form 10-K filed on December 8, 2006)
3.2	By-laws of the registrant (incorporated by reference to Exhibit 3.2 to the registrant's Annual Report on Form 10-K filed on December 19, 2007)
3.3	Certificate of Change Pursuant to NRS 78.209 filed by the Company on October 22, 2012 (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on October 26, 2012)
3.4	Certificate of Amendment to Articles of Incorporation filed by the Company on June 23, 2015 (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on June 26, 2015)

Exhibit No.	Description
4.1	CBAK Energy Technology, Inc. 2015 Equity Incentive Plan (incorporated by reference to Appendix D to the registrant's Definitive Proxy Statement on Schedule 14A filed April 24, 2015).
10.1	Form of Debt Conversion Agreement (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on October 5, 2015)
10.2	Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on January 3, 2011)
10.3	English Translation of Loan Agreement, dated December 17, 2013, by and between Shenzhen BAK and Mr. Jinghui Wang (incorporated by reference to Exhibit 10.12 to the registrant's Annual Report on Form 10-K filed on January 14, 2014)
10.4	Corporate Guarantee, dated January 14, 2014, by and between BAK International and Mr. Jinghui Wang (incorporated by reference to Exhibit 10.13 to the registrant's Annual Report on Form 10-K filed on January 14, 2014).
10.5	Corporate Guarantee, dated January 14, 2014, by and between CBAK Energy Technology, Inc. and Mr. Jinghui Wang (incorporated by reference to Exhibit 10.14 to the registrant's Annual Report on Form 10-K filed on January 14, 2014).
10.6	Share Mortgage, dated January 14, 2014, by and among CBAK Energy Technology, Inc., BAK International and Mr. Jinghui Wang (incorporated by reference to Exhibit 10.15 to the registrant's Annual Report on Form 10-K filed on January 14, 2014).
10.7	English Translation of Loan Agreement, dated January 8, 2014, by and between Shenzhen BAK and Mr. Jinghui Wang (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on March 14, 2014).
10.8	Corporate Guarantee, dated March 10, 2014, by and between BAK International and Mr. Jinghui Wang (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on March 14, 2014).
10.9	Corporate Guarantee, dated March 10, 2014, by and between CBAK Energy Technology, Inc. and Mr. Jinghui Wang (incorporated by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K filed on March 14, 2014).
10.10	Further Share Mortgage, dated March 10, 2014, by and among CBAK Energy Technology, Inc., BAK International, Shenzhen BAK and Mr. Jinghui Wang (incorporated by reference to Exhibit 10.4 to the registrant's Current Report on Form 8-K filed on March 14, 2014).
10.11	Summary of Intellectual Property Rights License Agreement entered into by and among Shenzhen BAK Battery Co., Ltd. (the "Licensor"), CBAK Energy Technology, Inc. (the "Licensee 1") and Dalian BAK Power Battery Co., Ltd (the "Licensee 2"), dated August 25, 2014 (incorporated by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K filed on January 13, 2015).

Exhibit No.	Description
10.12	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on June 1, 2017)
10.13	English Translation of Termination Agreement of Intellectual Property License by and among CBAK Energy Technology, Inc., Dalian CBAK Power Battery Co., Ltd and Shenzhen BAK Battery Co., Ltd, dated March 21, 2017 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on March 23, 2017)
10.14	Cancellation Agreement, by and among CBAK Energy Technology, Inc., Yunfei Li and Dawei Li, dated January 7, 2019 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on January 11, 2019)
10.15	Summary of Technology Transfer Agreement by and between Dalian CBAK Power Battery Co., LTD. and Shenzhen BAK Power Battery Co., LTD., dated as of September 30, 2018 (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q filed on November 19, 2018)
14.1	Code of Business Conduct and Ethics of the registrant (incorporated by reference to Exhibit 14.1 to the registrant's Quarterly Report on Form 10-Q filed on August 22, 2006)
21.1	List of subsidiaries of the registrant (incorporated by reference to Exhibit 21.1 to the registrant's Annual Report on Form 10-K filed on January 13, 2015).
23.1	Consent of Centurion ZD CPA & Co.
31.1	Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certifications of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certifications of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Deed of Waiver and Release, dated July 4, 2014, by and among, Shenzhen BAK, the Company, BAK International and Mr. Wang (incorporated by reference to Exhibit 99.1 to the registrant's Quarterly Report on Form 10-Q filed on August 19, 2014).
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

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: April 16, 2019

CBAK ENERGY TECHNOLOGY, INC.

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

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

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Yunfei Li Yunfei Li	Chairman and Chief Executive Officer (Principal Executive Officer)	April 16, 2019
/s/ Wenwu Wang Wenwu Wang	Chief Financial Officer (Principal Financial and Accounting Officer)	April 16, 2019
/s/ Guosheng Wang Guosheng Wang	Director	April 16, 2019
/s/ J. Simon Xue J. Simon Xue	Director	April 16, 2019
/s/ Martha C. Agee Martha C. Agee	Director	April 16, 2019
/s/ Jianjun He Jianjun He	Director	April 16, 2019

中正達會計師事務所
Centurion ZD CPA & Co.
Certified Public Accountants (Practising)
Unit 1304, 13/F, Two Harbourfront, 22 Tak Fung Street, Hunghom, Hong Kong.
香港 紅磡 德豐街22號 海濱廣場二期 13樓1304室
Tel 電話: (852) 2126 2388 Fax 傳真: (852) 2122 9078
Email 電郵: info@czdcpa.com

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-148253, No. 333-151678 and No. 333-151985) and the Registration Statements on Form S-8 (No. 333-137747, No. 333-153649, No. 333-153650 and No. 333-205218) of CBAK Energy Technology, Inc. (the "Company") of our report dated April 16, 2019, relating to the Company's consolidated financial statements (which report expresses an unqualified opinion with an emphasis paragraph on the substantial doubt about the Company's ability to continue as a going concern), which appears in this Annual Report on Form 10-K.

/s/ Centurion ZD CPA & Co.
Centurion ZD CPA & Co.
(successor to Centurion ZD CPA Limited)
Hong Kong, China
April 16, 2019

EXHIBIT 31.1

CERTIFICATIONS

I, Yunfei Li, certify that:

1. I have reviewed this annual report on Form 10-K 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: April 16, 2019

/s/ Yunfei Li

Yunfei Li
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, Wenwu Wang, certify that:

1. I have reviewed this annual report on Form 10-K 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: April 16, 2019

/s/ Wenwu Wang

Wenwu Wang
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 Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (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 16th day of April, 2019.

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

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

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

EXHIBIT 32.2

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

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

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (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 16th day of April, 2019.

/s/ Wenwu Wang
Wenwu Wang
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.