

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, 2020**

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

For the transition period from _____ to _____

Commission File No. **001-32898**

CBAK ENERGY TECHNOLOGY, INC.

(Exact Name of Registrant as Specified in Its Charter)

Nevada

(State or Other Jurisdiction of
Incorporation or Organization)

88-0442833

(I.R.S. Employer
Identification No.)

**CBAK Industrial Park, Meigui Street
Huayankou 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	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value	CBAT	Nasdaq Capital 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 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 such files). Yes No

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

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

As of June 30, 2020 (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 \$0.76 per share) was approximately \$21 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 was a total of 88,106,019 shares of the registrant's common stock outstanding as of April 9, 2021.

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.;
- “CBAK Suzhou” are to our PRC subsidiary, CBAK New Energy (Suzhou) Co., Ltd.;
- “CBAK Energy” are to our PRC subsidiary, Dalian CBAK Energy Technology Co., Ltd.;
- “BAK Investments” are to our Hong Kong subsidiary, BAK Asia Investments Limited;
- “CBAK Nanjing” are to our PRC subsidiary, CBAK New Energy (Nanjing) Co., Ltd.;
- “Nanjing CBAK” are to our PRC subsidiary, Nanjing CBAK New Energy Technology Co., Ltd.;
- “Nanjing Daxin” are to our PRC subsidiary, Nanjing Daxin New Energy Automobile Industry Co., Ltd.;
- “China” and “PRC” are to the People’s Republic of China;
- “RMB” are to Renminbi, the legal currency of China;
- “U.S. dollar”, “\$” and “US\$” are to the legal currency of the United States;
- “SEC” are to the United States Securities and Exchange Commission;
- “Securities Act” is to the Securities Act of 1933, as amended; and
- “Exchange Act” are to the Securities Exchange Act of 1934, as amended.

Special Note Regarding Forward Looking Statements and Summary of Risk Factors

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 independent auditors have expressed substantial doubt about our ability to continue as a going concern.
- There are inherent risks associated with new product development and our efforts to develop and market new products could fail.
- Our failure, if any, 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.
- Our efforts to enter into the light electric vehicle business could fail.
- Maintaining our R&D activities and manufacturing operations require significant capital expenditures, and our inability or failure to maintain our operations could have a material adverse impact on our market share and ability to generate revenue.
- We face intense competition from other battery manufacturers, many of which have significantly greater resources.
- We are dependent on a limited number of customers for a significant portion of our revenues and this dependence is likely to continue.

- Our business depends on the growth in demand for light electric vehicles, electric vehicles, electric tools, energy storage including but not limited to UPS application, and other high-power electric devices.
- Our success, in part, depends on the success of manufacturers of the end applications that use our products, and our failure to gain acceptance of our products from such manufacturers could materially and adversely affect our results of operations and profitability.
- 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 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 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.
- 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. In addition, as a result of the enactment of the Holding Foreign Companies Accountable Act, we could be delisted if we were unable to cure the situation to meet the PCAOB inspection requirement in time.
- We may be adversely affected by the outcome of litigation against us in China.
- Numerous factors, many of which are beyond our control, may cause the market price of our common stock to fluctuate significantly.
- Techniques employed by short sellers may drive down the market price of our common stock.
- 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

We are a manufacturer of new energy high power lithium batteries that are mainly used in light electric vehicles, electric vehicles, electric tools, energy storage including but not limited to uninterruptible power supply (UPS) application, and other high-power applications. Our primary product offering consists of new energy high power lithium batteries, but we are also seeking to expand into the production and sale of light electric vehicles.

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

As of December 31, 2020, we report financial and operational information in one segment, producing high-power lithium battery cells.

Although the COVID-19 pandemic has caused disruptions to our operations, it has had limited adverse impacts on our operating results for the fiscal year ended December 31, 2020. We generated revenues of \$37.6 million and \$22.2 million for the fiscal years ended December 31, 2020 and 2019, respectively. We had a net loss of \$7.8 million and \$10.9 million in the fiscal years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, we had an accumulated deficit of \$184.0 million and net assets of \$52.4 million. We had a working capital deficiency, accumulated deficit from recurring net losses from operations and short-term debt obligations maturing in less than one year as of December 31, 2020.

In the second half of 2020, we commenced capital intensive construction undertakings to expand the Company’s manufacturing capabilities. In addition, we have been expanding our business by developing new products, fostering new partnerships and launching the light electric vehicle business.

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

In 2015, to promote the development of electric vehicles industry, the Chinese 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 the central government and local governments. The policy sets forth subsidy standards for various types of electric vehicles based upon the endurance mileage, battery pack energy density, energy consumption level and others, which means new energy vehicles providing long driving range and high technical performance will get higher subsidies. From 2017 to 2020, the Chinese government has gradually reduced the subsidy standards for electric vehicles year by year. On April 23, 2020, the Chinese government extended the subsidy for another two years and the subsidy standards will continue to fall by 10%, 20% and 30% in 2020, 2021 and 2022, respectively.

In addition, for the purposes of establishing a long-term mechanism for the administration of energy conservation and new energy vehicles, and promoting the development of the automobile industry, the Chinese government has implemented several policies to stimulate the increase of new energy vehicles. On December 26, 2017, the Chinese government issued a policy for exemption of purchase tax for electric vehicles for another three years until 2020. In March 2020, the Chinese government extended the purchase tax exemption from 2020 to 2022.

On September 28, 2017, the 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, the Chinese government will calculate and examine the Average Fuel Consumption Credits and New Energy Vehicle Credits of enterprises manufacturing passenger vehicles. If the enterprises get negative credits on the declaration day, their production of high-fuel consumption vehicles will be suspended. The positive credits of average fuel consumption of passenger vehicle makers may be carried forward or transferred among affiliated enterprises. A passenger vehicle manufacturer’s negative credits with respect to new energy vehicles shall subject the manufacturer to compensation obligations and need to be zeroing through purchasing positive credits of new energy vehicles. Accordingly, the automobile makers are required to 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.

On October 20, 2020, the State Council of PRC issued a new round of “Development Plan for New Energy Vehicles Industry (2021-2035)” (“Plan”), which is a successor to the previously published “Development Plan for Energy Conservation and New Energy Vehicles Industry (2012-2020)”. The Plan admits several key problems facing Chinese new energy vehicle manufacturers and stresses that these manufacturers should be committed to improving their R&D ability, building more infrastructure and promoting the integration of the whole industry. The Plan further outlined the policy and administrative supports that would be given to the industry, and again certified the importance of the development of new energy vehicles for China.

We believe these energy efficiency policies in the long term will result in a healthy development of the new energy vehicles market as a whole. In the short term, the extension of subsidies, to some extent, helps ease the pressure on electric vehicle manufacturers and as a result, will be beneficial to the market of EV batteries in China. However, the Chinese government has significantly reduced the amount of subsidies available to electric vehicle makers over the years and we believe this trend will continue in the next two years. Given the changing market environment, we plan to continue to focus our resources on the existing cylindrical batteries for UPS market, temporarily reduce the sales on EV market. We are also researching new products which have higher energy density for electric vehicle market to cater to the EV market demand. We will closely monitor market changes and adjust our operations accordingly.

Expansion of Manufacturing Capabilities

In June 2020, our wholly-owned subsidiary, BAK Asia entered into a framework investment agreement with Jiangsu Gaochun Economic Development Zone Development Group Company (“Gaochun EDZ”), pursuant to which we intend to develop certain lithium battery projects which are expected to have a total production capacity of 8 GWh per year. As of December 31, 2020, we had received government subsidies in an amount of RMB20 million (approximately \$3.06 million) from Gaochun EDZ. We plan to attain a total capacity of 8 GWh per year to produce lithium batteries for the light electric vehicle (LEV), electric vehicle, and energy storage industries. The Company expects to achieve such capacity expansion through two phases of construction: Phase I is to be completed by the end of 2022 to reach an annual production capacity of 2 GWh. Phase II is to be completed by the end of 2023 to reach the remaining 6 GWh of the planned annual production capacity expansion. The actual production capacity and construction timelines of such battery projects are subject to revision and adjustment based on the market acceptance of our new battery products. We are currently in the first phase construction of facilities, which occupy an area of approximately 10,260 square meters and the second-phase construction is at the design stage. As part of the first phase, we are constructing the production lines of model 18650 battery and 32140 battery, a new battery model as further described below.

Further, we are constructing a new production line with an annual capacity of 0.4 GWh to produce additional 100,000 model 26650 batteries per day in Dalian due to increased demands for our model 26650 batteries. We expect that the production line construction will be completed in 2021. At the same time, the Company continues to renovate its existing facilities, upgrade its equipment, add new equipment, improve its product functionality, and enhance the raw materials and components used for production.

Development of a New Battery Model

Currently, our primary product offering consists of model 26650 lithium cells which account for approximately 50% of our sales in 2020. Model 26650 batteries can be used in light electric vehicles, electric vehicles, electric tools, energy storage such as uninterruptible power supply (UPS) application, and other high-power applications.

To maintain our competitive position, we are developing model 32140 large-sized cylindrical “tabless” battery which has passed internal technical and pilot plant tests. Model 32140 batteries can be used in end applications such as light electric vehicles, electric vehicles, electric tools and energy storage.

We also announced in February 2021 that we have started the trial production of special 26650 lithium battery, which was designed for application in ultra-low temperature. Capable of operating with high efficiency in low-temperature environments, the special 26650 battery has several use cases in high-latitude and high-altitude low temperature environments, such as energy storage in ultra-low-temperature environment, base stations, transportation, unmanned drones, aviation and aerospace areas, as well as other specific circumstances that require ultra-low-temperature cells.

Launch of the Light Electric Vehicle Business

On September 24, 2020, BAK Asia entered into a framework investment agreement with Gaochun EDZ, under which we intend to develop light electric vehicle projects. On November 9, 2020, we established our subsidiary, Nanjing Daxin to launch and develop our light electric vehicle business. Nanjing Daxin is in the process of registering its branch in Tianjin City which has eight employees and has rented a manufacturing facility of approximately 4,800 square meters in Tianjin in January, 2021. Nanjing Daxin is currently building a production line at the Tianjin branch to produce electric bicycles. We expect that the Tianjin production line construction will be completed in 2021. Upon completion of the construction of the Tianjin production line, we plan to utilize this facility to manufacture electric bicycles under our own brand and sell them through distributors and sales representatives. We may provide contract manufacturing services to other electric bicycle producers if we can secure such orders.

Trends in End Applications of Our Products

Our business, financial condition and results of operations depend on whether end-application manufacturers are willing to use our products. We target the battery markets for light electric vehicles, electric vehicles, electric tools, energy storage including but not limited to UPS application, and other high-power electric devices. However, our revenues derived from a specific end-application have been fluctuating depending on various factors such as governmental policies, technological changes, evolving industry standards and customer needs and preferences.

During the period from 2017 to 2019, our largest electric vehicle customers included Dongfeng Autos, Dayun Motor and Yema Auto. Our battery sales in the electric vehicle market have decreased significantly during the period of 2018–2020 as a result of changes to the Chinese government’s new energy vehicle subsidy policies. More specifically, under the subsidy policies, new energy vehicles receive different subsidies based on their driving range and technical performance. New energy vehicles providing long driving range and high technical performance qualify for higher subsidies and the Chinese government has gradually raised the performance thresholds for electric vehicles to receive subsidies over the years. Since 2019, as the battery packs comprising our primary model 26650 batteries were only able to support energy vehicles that qualify for the lowest level of subsidies, electric vehicle producers do not have the incentive to purchase batteries from us. As a result, we had only generated approximately \$0.3 million in revenues from electric vehicle customers in 2020. The market where we mainly sell now is the energy storage market. However, we have been looking for opportunities to re-enter the electric vehicle battery market by continuing to develop batteries suitable for electric vehicles and actively cooperating with previous electric vehicle customers in battery pack after-sales service and technical support.

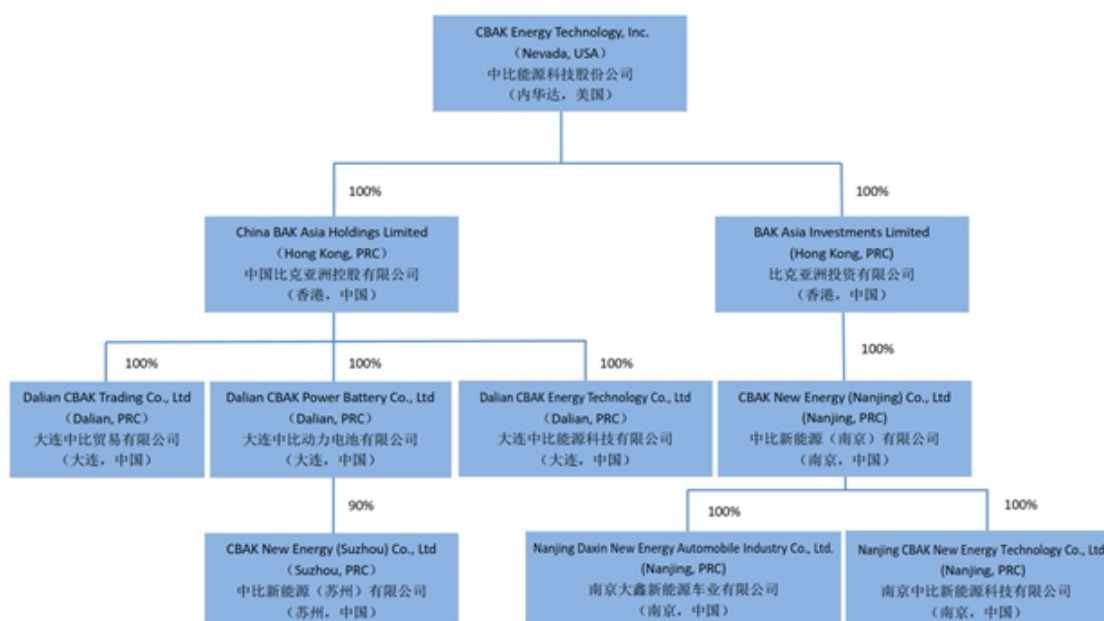
Our Corporate History and Structure

The Company was incorporated in the State of Nevada on October 4, 1999. 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, the date 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." Effective January 16, 2017, the Company changed its name to CBAK Energy Technology, Inc. Effective November 30, 2018, the trading symbol for the common stock of the Company was changed from CBAK to CBAT. Effective June 21, 2019, the Company's common stock started trading on the Nasdaq Capital Market.

We currently conduct our business through (i) three wholly-owned operating subsidiaries in China that we own through BAK Asia, an investment holding company formed under the laws of Hong Kong on July 9, 2013; (ii) CBAK Nanjing, a wholly-owned operating subsidiary in China that we own through BAK Investments, an investment holding company formed under the laws of Hong Kong and acquired by us on July 14, 2020; (iii) Nanjing CBAK, a 100% owned subsidiary of CBAK Nanjing; and (iv) Nanjing Daxin, a 100% owned subsidiary of CBAK Nanjing:

- CBAK Trading, wholly-owned by BAK Asia, located in Dalian, China, incorporated on August 14, 2013, focuses on the wholesale of lithium batteries and lithium batteries' materials, import & export business and related technology consulting service.
- CBAK Power, wholly-owned by BAK Asia, located in Dalian, China, incorporated on December 27, 2013, focuses on the development and manufacture of high-power lithium batteries.
- CBAK Suzhou, 90% owned by CBAK Power, located in Suzhou, China, incorporated on May 4, 2018, used to focus on the development and manufacture of new energy high power battery packs. CBAK Suzhou currently does not have any employees working locally. Since its lease expired in October 2019, CBAK Suzhou has stopped using the facilities located at its registered address. Some of its business has been transferred to our subsidiaries in Dalian and CBAK Suzhou's remaining assets are temporarily stored in our facilities in Dalian. We plan to dissolve CBAK Suzhou in 2021.
- CBAK Energy, wholly-owned by BAK Asia, located in Dalian, China, incorporated on November 21, 2019, focuses on the development and manufacture of lithium batteries, wholesale of lithium batteries and lithium batteries' materials, import & export business and related technology consulting service.
- CBAK Nanjing, wholly-owned by BAK Investments located in Nanjing, China, incorporated on July 31, 2020, focuses on the development and manufacture of lithium batteries, wholesale of lithium batteries and lithium batteries' materials, import & export business and related technology consulting service.
- Nanjing CBAK, wholly owned by CBAK Nanjing, located in Nanjing, China, incorporated on August 6, 2020, focuses on the development and manufacture of lithium batteries, wholesale of lithium batteries and lithium batteries' materials, import & export business and related technology consulting service.
- Nanjing Daxin, wholly-owned by CBAK Nanjing, incorporated on November 9, 2020, focuses on the development and manufacture of electric bicycle, motorcycle and automobile spare parts, import & export business and related technology consulting service.

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 has 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, and energy storage such as uninterruptible power supply, or UPS application.

We currently are manufacturing the following high power lithium batteries, which can be used for various 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]
	Energy Storage including UPS [>30]

* 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 including but not limited to uninterruptible power supply application, 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 and in 2020, despite of a slightly decline in 2019. 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. In 2019, the production and sales of new energy vehicles reached 1,242,000 units and 1,206,000 units, down 2.3 percent and 4.0 percent year-on-year, respectively. In 2020, the production and sales of new energy vehicles reached a record high of 1,366,000 units and 1,267,000 units, up 10.0 percent and 5.1 percent, respectively, from last year. We believe that Chinese electric vehicle market is adversely impacted by the gradually decreasing subsidy in the short term. In the long term, we believe that the Chinese government will extend the subsidy and more diversity policies will drive a healthy development in the new energy vehicles market.

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. We believe that the electric bicycle market in China is very large.

Energy Storage & Uninterruptible Power Supplies (“UPS”)

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. A UPS is a form of energy storage application. 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.

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.

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 lithium battery productions located, such as Tianjin, Shandong Province, Guangdong Province and Jiangsu Province. 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, 2020, our key raw material suppliers for battery cells were as follows:

Materials	Main Suppliers
Anode materials	Hubei Wanrun New Energy Technology Development Co., Ltd
Cathode materials	Luoyang Yuexing New Energy Technology Co., Ltd
Copper foil	Wason Copper Foil Co., Ltd
Battery separator paper	Shenzhen Huatengda Electronic Co., Ltd
Electrolyte	Xianghe Kunlun Chemicals Co., Ltd
Cases and caps	Taixin Zhengxing Electrom Co., Ltd
Steel-can	Xinxiang Zhengyuan Electronic Material Co., Ltd
Solvent NMP	MYJ Chemical 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, 2020 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	Wujiang Jiangling Equipment Co., Ltd
Automatic Line Machine	Shenzhen Zhongji Automation Co., Ltd
Dehumidifier	Hangzhou Dry Air Treatment Equipment Co., Ltd
Automatic Feeding System	Shenzhen Jiewei Industrial 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. As of December 31, 2019, our intellectual property rights use agreement with Shenzhen BAK had expired, and we no longer have rights to use the foregoing trademarks and patents of Shenzhen BAK. We believe that our proprietary patents, trademarks and other intellectual property rights are adequate to fulfill our operational needs.

As of December 31, 2020, CBAK Power has 48 patents in the PRC, 20 of which will expire before 2025 while the remaining 28 will expire between 2026 to 2036. Two of these patents were acquired by BAK Asia, from an unrelated third party at RMB1 and were contributed as paid-in capital of CBAK Power.

We have registered the following Internet and WAP domain name: www.cbak.com.cn.

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.

While our intellectual property rights in the aggregate are important to the operation of each of our businesses, we do not believe that our business would be materially affected by the expiration of any particular intellectual property right.

Seasonality

According to the market demands, we usually experience seasonal peaks during the months of October to December for electric vehicle markets, during the months of May to December for light electric markets, and March to December for UPS market. Also, at various times during the year, our inventories may be increased in anticipation of increased demand for consumer electronics.

Customers

Our current major customers include Viessmann Faulquemont S.A.S, ShenZhen ZTS Technology, Co., Ltd. and SolaX Power. 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, 2019		December 31, 2020	
	Amount	% of Net Revenues	Amount	% of Net Revenues
	(in thousands of U.S. dollars, except percentages)			
Mainland China	\$ 21,632	97.47	\$ 35,464	94.40
Europe	-	-	1,776	4.73
Korea	-	-	246	0.66
Israel	119	0.54	-	-
USA	286	1.29	4	0.01
Others	157	0.70	76	0.20
Total	\$ 22,194	100.00	\$ 37,566	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, 2020:

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
	China: Tianneng Power International Limited Chaowei Power Holdings Limited Phylion Battery Co., Ltd
LEV 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 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.

Regulatory Compliance

As we conduct our manufacturing activities in China, we are subject to the requirements of PRC environmental laws and regulations on air emission, wastewater 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 537 employees as of December 31, 2020, all of whom are full-time employees. The following table sets forth the number of our employees by function.

Function	Number
Production	409
Research and development	51
Sales and marketing	13
General and administrative	64
Total	537

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

If the COVID-19 pandemic is not effectively controlled in a short period of time, our business operation and financial condition in the long-term may be materially and adversely affected as a result of any slowdown in economic growth, operation disruptions or other factors that we cannot predict.

The spread of the novel coronavirus ("COVID-19"), which was declared a pandemic by the World Health Organization in March 2020, has caused different countries and cities to mandate curfews, including "shelter-in-place" and closures of most non-essential businesses as well as other measures to mitigate the spread of the virus. All of our operating subsidiaries are located in China. All of our employees and substantially all of our customers and suppliers are also located in China. The pandemic caused disruptions to our operations during the first quarter of 2020 and our business and operations fully resumed during the second quarter of 2020. Although the COVID-19 pandemic has caused disruptions to our operations, it has had limited adverse impacts on our operating results for the fiscal year ended December 31, 2020. We generated revenues of \$37.6 million and \$22.2 million for the fiscal years ended December 31, 2020 and 2019, respectively. We had a net loss of \$7.8 million and \$10.9 million in the fiscal years ended December 31, 2020 and 2019, respectively. However, the extent of the long-term adverse impact of COVID-19 on our business and operations is highly uncertain and depends on several factors, such as the duration, severity, and geographic spread of the pandemic, development of the testing and treatment and stimulus measures of the government, all of which are out of our control.

Given the uncertainty of the outbreak, the spread of COVID-19 may be prolonged and worsened, and we may be forced to scale back or even suspend our operations. As COVID-19 spreads outside China, the global economy is suffering a noticeable slowdown. As this outbreak persists, commercial activities throughout the world have been curtailed with decreased consumer spending, business operation disruptions, interrupted supply chain, difficulties in travel and reduced workforces. The duration and intensity of disruptions resulting from the COVID-19 outbreak is uncertain. It is unclear as to when the outbreak will be contained, and we also cannot predict if the impact will be short-lived or long-lasting. The extent to which outbreak impacts our long-term financial results will depend on its future developments. If the COVID-19 pandemic is not effectively controlled in a short period of time, our long-term business operation and financial condition may be materially and adversely affected as a result of any slowdown in economic growth, operation disruptions or other factors that we cannot predict.

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 annual 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 herein, we had a working capital deficiency, accumulated deficit from recurring losses and short-term debt obligations as of December 31, 2020. These conditions raise substantial doubt about our ability to continue as a going concern. We plan to renew our bank borrowings upon maturity and raise additional funds through bank borrowings and equity financing to meet our daily cash demands. However, there can be no assurance that we will be successful in obtaining the financing. The audited consolidated financial statements included in this report do not include any adjustments that might result from the outcome of this uncertainty.

There are inherent risks associated with new product development and our efforts to develop and market new products could fail.

In June 2020, our wholly-owned subsidiary, BAK Asia entered into a framework investment agreement with Gaochun EDZ, pursuant to which intend to develop certain lithium battery projects which are expected to have a total production capacity of 8 GWh per year. We are currently developing certain new products including model 32140 large-sized cylindrical “tabless” batteries and anticipate to complete the construction of a production line of model 32140 battery with the projected production capacity of 0.7 GWh per year in 2021. Model 32140 batteries can be used in light electric vehicles, electric vehicles, electric tools and energy storage.

However, we cannot provide assurance that market acceptance of this new product will occur due to the highly competitive nature of the business. The Company competes in the battery industry where there are frequent introductions of new products and line extensions and such product introductions often require significant investment and support. The ability of the Company to understand end user needs and preferences is key to maintaining and improving the competitiveness of its product offerings. The development and introduction of new products, as well as the renovation of current products and product lines, require substantial and effective research, development and marketing expenditures, which the Company may be unable to recoup if the new or renovated products do not gain widespread market acceptance. There are inherent risks associated with new product development and marketing efforts, including product development or launch delays, product performance issues during development, changing regulatory frameworks that affect the new products in development and the availability of key raw materials included in such products. These inherent risks could result in the failure of new products and product line extensions to achieve anticipated levels of market acceptance, additional costs resulting from failed product introductions and the Company not being first to market. As the Company continues to focus on innovation and renovation of its products, the Company’s business, financial condition or results of operations could be adversely affected in the event that the Company is not able to effectively develop and introduce new or renovated products and line or brand extensions.

Our failure, if any, 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. Currently, we have a facility in Dalian, China, which has about 80 engineers and over 4,000 square meters of space dedicated to R&D activities.

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.

Our efforts to enter into the light electric vehicle business could fail.

On September 24, 2020, our wholly-owned Hong Kong subsidiary, BAK Investments entered into a framework investment agreement with Gaochun EDZ, under which we intended to develop light electric vehicle projects. On November 9, 2020, we established our new subsidiary, Nanjing Daxin to launch and develop our light electric vehicle business.

There are risks and uncertainties associated with this effort, particularly given that the light electric vehicle market is evolving. In developing and commercializing this new line of business, we may have to invest significant time and resources. External factors, such as regulatory compliance obligations, competitive alternatives, lack of market acceptance and shifting market preferences, may also affect the successful implementation of this new line of business. Failure to successfully plan for and manage these risks in the development and implementation of this new line of business could have a material adverse effect on our business, financial condition and results of operations.

Maintaining our R&D activities and manufacturing operations require significant capital expenditures, and our inability or failure to maintain our operations could have a material adverse impact on our market share and ability to generate revenue.

We incurred capital expenditures of approximately \$2.5 million and \$17.5 million for the years ended December 31, 2019 and 2020, 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 timely obtain capital on acceptable terms and adequately maintain our manufacturing capacity, we could lose customers and there could be a material adverse impact on our market share and our ability to generate revenue.

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., LG Chem, Tianjin Lishen Battery Joint Stock Co., Ltd., Contemporary Amperex Technology Co., Limited, BYD Co. Ltd, Hefei Guoxuan Hi-Tech Power Energy Co., Ltd and Shandong Goldencell Electronics Technology Co., Ltd.

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, prismatic cells 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 79.45% and 77.59% of our revenues for the years ended December 31, 2020 and 2019, 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.

In addition to our own production, we also 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.

We generate part of our revenues by outsourcing some of our customers' orders to Zhengzhou BAK New Energy Vehicle Co., Ltd ("BAK New Energy"), Shenzhen BAK Battery Co., Ltd ("Shenzhen BAK") and a few other suppliers for certain battery models that we do not produce. If our business relationship with BAK New Energy, Shenzhen BAK and other suppliers changes negatively or their financial condition deteriorates, or their operating environment changes, our business may be harmed in many ways. BAK New Energy, Shenzhen BAK and other suppliers may also unilaterally terminate battery supply to us or increase the prices. As a result, we are not assured of an uninterrupted supply of certain types of high-power lithium batteries of acceptable quality or at acceptable prices from BAK New Energy, Shenzhen BAK or other suppliers. On the other hand, we may not be able to substitute them with 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 light electric vehicles, electric vehicles, electric tools, energy storage, such as UPS application, and other high-power electric devices.

As the demand for our battery 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, and energy storage including UPS application in the next few years, we are building new manufacturing facilities in Nanjing. 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.

Our success, in part, depends on the success of manufacturers of the end applications that use our products, and our failure to gain acceptance of our products from such manufacturers could materially and adversely affect our results of operations and profitability.

As we target the battery markets for light electric vehicles, electric vehicles, electric tools, energy storage including but not limited to UPS application, and other high-power electric devices, our future success in part 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. From 2017 to 2019, our electric vehicle customers included Dongfeng Autos, Dayun Motor and Yema Auto. Since then, however, our sales to electric vehicle customers have decreased significantly and we only generated approximately \$0.3 million revenues from electric vehicle customers in 2020.

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.

We are subject to declining average selling prices of the end applications that may use our products, which may harm our revenue and gross profits.

The end applications that may incorporate our products such as light electric vehicles, electric vehicles, electric tools, and energy storage including but not limited to UPS application 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 extend relatively long payment terms to some large customers.

As is customary in our industry in the PRC, we extend relatively long payment terms to some large customers. In 2020, it generally took 90 days for us to collect payments from our major customers. Due to the large 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 flows.

While our revenue grew by \$15.4 million, or 69% for the year ended December 31, 2020 compared to the prior year, our trade accounts and bills receivable increased by \$21.6 million, or 272% as of December 31, 2020 compared to that as of December 31, 2019. Although we attempt to establish appropriate reserves for our receivables, those reserves may not prove to be adequate in view of large amounts of accounts receivable and 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 flows.

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 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 to 30-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 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.

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, 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 (or 120,000 or 200,000 km if reached sooner) for battery modules for electric vehicles. We 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 that 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. As a result, 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. We may 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 do not have insurance coverage against all the damages or losses of our facilities.

We currently have insurance coverage for certain pledged machinery and equipment and pledged buildings located at our facilities. We expect we will purchase related insurance for the remaining buildings when we obtain their property ownership certificates. If we were to suffer any losses or damages to any of the facilities before the purchase of insurance policies that provide adequate coverage, our business, financial condition and results of operations may be materially and adversely affected.

We depend 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 purchase from Chinese domestic suppliers for certain key raw materials and components such as electrolytes, electrode materials and separators. We have 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, Li₂CO₃, LiPF₆ 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, Li₂CO₃, LiPF₆ and LiFePO₄, the primary cost component of our battery products, or other product parts or components. The price of Ni, Co, Mn, Li₂CO₃, LiPF₆ 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. As a result, 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 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 customers' 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 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 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, 2020 and 2019, we derived 5.6% and 2.5%, 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 and our Interim Chief Financial Officer, Ms. Xiangyu Pei. 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 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 potential changes and the short time interval in which they have occurred or may occur, particularly during a time of economic or 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. The 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.

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. 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. Since September 2016, we have regularly offered our financial personnel trainings on internal control and risk management. Since November 2016, we have regularly provided trainings to our financial personnel 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.

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. In addition, as a result of the enactment of the Holding Foreign Companies Accountable Act, we could be delisted if we were unable to cure the situation to meet the PCAOB inspection requirement in time.

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.

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.

As part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular China's, on December 18, 2020, the Holding Foreign Companies Accountable Act was signed into law. This act amends the Sarbanes-Oxley Act of 2002 to direct the SEC to prohibit securities of any registrant from being listed on any of the U.S. securities exchanges or traded "over-the-counter" if the auditor of the registrant's financial statements is not subject to PCAOB inspection for three consecutive years after the law becomes effective. On March 24, 2021, SEC announced it has adopted interim final amendments to implement congressionally mandated submission and disclosure requirements of the Act. The interim final amendments will apply to registrants that the SEC identifies as having filed an annual report on Forms 10-K, 20-F, 40-F or N-CSR with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB has determined it is unable to inspect or investigate completely because of a position taken by an authority in that jurisdiction. As a result, we could be delisted if we are unable to cure the situation to meet the PCAOB inspection requirement in time.

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

As described in detail under Note 23 (ii) to our audited consolidated financial statements included in this report, in recent years, we have been subject to an array of lawsuits in China, most of which arose out of failure to make timely payments pursuant to contracts with our suppliers, vendors or contractors. As a result, we and our Chief Executive Officer, Yunfei Li, are subject to court orders restricting high spending. Such orders, among others, prohibit us from investing in or building high-end properties but allow us to construct production facilities.

We believe that some of plaintiffs' 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 lawsuits. In the event that plaintiffs prevail in the lawsuit, unfavorable court judgment could have an adverse effect on our business, financial condition and results of operations.

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 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.

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.

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. In addition, the SAT issued the Announcement of the State Administration of Taxation on Issues concerning the Determination of Resident Enterprises Based on the Standards of Actual Management Institutions in January 2014 to provide more guidance on the implementation of Circular 82. This bulletin further provides that, among other things, an entity that is classified as a “resident enterprise” in accordance with the circular shall file the application for classifying its status of residential enterprise with the local tax authorities where its main domestic investors are registered. From the year in which the entity is determined to be a “resident enterprise,” any dividend, profit and other equity investment gains from other resident enterprises within China in previous years (on or after January 1, 2008) shall be taxed in accordance with the enterprise income tax law and its implementing rules.

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, immovable 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 immovable 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 our industries;
- customer demand for our products;
- investor perceptions of 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, from September 1, 2020 through December 31, 2020 the closing price of our common stock on the NASDAQ Capital Market has ranged from a high of \$11.30 to a low of \$0.66. 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.

Techniques employed by short sellers may drive down the market price of our common stock.

Short selling is the practice of selling securities that the seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is in the short seller's interest for the price of the security to decline, many short sellers publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a security short. These short attacks have, in the past, led to selling of shares in the market.

Public companies that have substantially all of their operations in China have been the subject of short selling. Much of the scrutiny and negative publicity has centered on allegations of a lack of effective internal control over financial reporting resulting in financial and accounting irregularities and mistakes, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result, a number of targets of such efforts are now conducting internal and external investigations into the allegations and, in the interim, are subject to shareholder lawsuits and/or SEC enforcement actions.

We have become the subject of certain unfavorable allegations. Although we believe such allegations are untrue, inaccurate or inflated, we have expended resources to investigate such allegations and defend ourselves and we may need to expend more resources in connection with these allegations in the future, which could be costly and time-consuming and could distract our management from growing our business. The allegations against us may severely impact our stock price and disrupt our business operations. Any investment in our common stock could be greatly reduced or even rendered worthless due to such allegations.

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 Capital 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 February 20, 2020, we received notice from the Listing Qualifications Department of The NASDAQ Stock Market ("Nasdaq") indicating that, for the last 30 consecutive business days, the bid price for the Company's common stock had closed below the minimum \$1.00 per share and as a result, the Company was no longer in compliance with the NASDAQ Listing Rule 5550(a)(2). We regained compliance with the minimum bid price rule on October 2, 2020.

We cannot assure you that the Company will continue to comply with the requirements for continued listing on the NASDAQ Capital Market in the future. If our common stock loses its status 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 Capital 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.

You may experience dilution to the extent that shares of our common stock are issued upon the exercise of outstanding warrants or other securities that we may issue in the future.

You may experience dilution to the extent that shares of our common stock are issued upon the exercise of outstanding warrants of the Company, and if we issue additional equity securities, or there are any issuances and subsequent exercises of stock options issued in the future. On February 10, 2021, pursuant to a certain Securities Purchase Agreement, dated February 8, 2021, we issued to certain investors (i) in a private placement, Series A-1 warrants to purchase a total of 4,469,988 shares of common stock, at a per share exercise price of \$7.67 and exercisable for 42 months from the date of issuance; (ii) in a registered direct offering, certain Series B warrants to purchase a total of 4,469,988 shares of common stock, at a per share exercise price of \$7.83 and exercisable for 90 days from the date of issuance; and (iii) in the registered direct offering, certain Series A-2 warrants to purchase up to 2,234,992 shares of common stock, at a per share exercise price of \$7.67 and exercisable for 45 months from the date of issuance. Prior to that, in December 2020, we issued to the same investors warrants to purchase an aggregate of 3,795,920 shares of common stock at an exercise price of \$6.46 per share. These warrants are exercisable until 36 months after the date of issuance. The exercise prices of all of the above warrants are subject to full-ratchet anti-dilution adjustment in the case of future issuances or deemed issuances of shares of common stock below the warrants' exercise price then in effect, as well as customary adjustment in case of stock splits, stock dividends, stock combinations and similar recapitalization transactions. In addition, we issued to Mr. Jian Ke placement agent warrants to purchase up to 379,592 shares of common stock at an exercise price of \$6.475 per share in December 2020 and the placement agent warrant to purchase up to 446,999 shares of common stock at an exercise price of \$9.204 per share in February 2021. These warrants also bear customary anti-dilution protections in the event of stock dividends or splits, business combination, sale of assets, similar recapitalization transactions, or other similar transactions.

Our directors and executive officers, collectively, own approximately 12.79% 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 12.79% of our outstanding common stock as of April 9, 2021. 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.

GENERAL RISK FACTORS

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 have made, and will 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.

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.

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 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 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.

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, wastewater 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.

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. 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.

If we become directly subject to the 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.

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 have also been subject to shareholder lawsuits and SEC enforcement actions, and have been conducting internal and external investigations into the allegations. 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.

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 44,928 square meters comprising manufacturing facilities, warehousing and packaging facilities and administrative offices at the BAK Industrial Park in Dalian. Of that space, approximately 33,138 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 constructing the facilities of our Phase One Nanjing site, which occupies an area of 10,268 square meters.

Nanjing Daxin has rented facilities in Nanjing, including administrative offices, manufacturing and warehousing facilities occupying an area of 6,615 square meters.

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, 2020 based on use:

Facility	Usage	Area (m ²)
Constructions completed	Manufacturing	33,138
	R&D and administrative	4,276
	Warehousing	3,197
	Other facilities	4,317
	Subtotal	44,928
Constructions in progress	Manufacturing	16,908
	Warehousing	12,421
	Subtotal	29,329
Facilities rented	Manufacturing	10,598.2
	Warehousing	1,364.8
	Administrative	4,140
	Other facilities	780
	Subtotal	16,883
Dalian CBAK Power facilities site area	Total	74,257
Nanjing Daxin facility site area	Total	6,615
Nanjing CBAK facilities site area	Total	10,268

See Item 1 Business – Overview of Our Business – Expansion of Manufacturing Capabilities for information related to the construction of our Nanjing facilities.

We currently have insurance coverage for certain pledged machinery and equipment and pledged buildings located at our owned facilities. We expect we will purchase related insurance for the remaining buildings when we obtain their property ownership certificates. If we were to suffer any losses or damages to any of the facilities before the purchase of insurance policies that provide adequate coverage, our business, financial condition and results of operations may be materially and adversely affected.

ITEM 3. LEGAL PROCEEDINGS.

See Note 23 (ii) to our audited consolidated financial statements included in this report.

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

Effective June 21, 2019, the Company's Common Stock started trading on the Nasdaq Capital Market under the symbol "CBAT."

Approximate Number of Holders of Our Common Stock

As of April 9, 2021, there were approximately 51 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 2020 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 2020 fiscal year.

Purchases of Equity Securities

No repurchases of our common stock were made during the fiscal year of 2020.

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 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 including but not limited to uninterruptible power supply application, and other high-power applications.

We generated revenues from the manufacture and sale of high-power lithium batteries and raw materials for lithium batteries of \$37.6 million and \$22.2 million for the fiscal years ended December 31, 2020 and 2019, respectively. We incurred a net loss of \$7.8 million and \$10.9 million during the fiscal years ended December 31, 2020 and 2019, respectively. Our revenues in relation to electric vehicles are, to some extent, adversely impacted by the reduction of government subsidies to new energy vehicles. However, new revenues driven from the trading of raw materials for lithium batteries, as well as the continuous climb of sales in uninterruptible supplies and light-electric-vehicle related products, contributed to the increase. For more details, see “Item 1. Business—Overview of Our Business.” Accordingly, net revenues from sales of batteries for uninterruptible supplies was \$22.7 million for the fiscal year ended December 31, 2020, as compared to \$17.7 million for fiscal year ended December 31, 2019, an increase of \$5 million, or 28.2%. Net revenues from raw materials for lithium batteries was \$14.5 million for the fiscal year ended December 31, 2020, as compared to nil for fiscal year ended December 31, 2019, an increase of \$14.5 million, or 100%. With the announced ultra-low-temperature battery technology, we believe that our revenues in the energy storage market will continue to grow. In addition, net revenues from sales of batteries for light electric vehicles was \$39,428 for the fiscal year ended December 31, 2020, as compared to \$16,147 for fiscal year ended December 31, 2019, an increase of \$23,281, or 144.0%. We believe the government policies relating to new energy will in the 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, which ultimately would foster strategic development of the new energy vehicles. In addition, our latest development of 32140 batteries and our planned investment in the R&D of 46800 batteries will help us regain competitiveness in both LEV/EV markets with the appropriate products. Therefore, the demand for new energy likely will grow in the future and we will be able to secure more potential orders from the new energy market.

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 also started the investments in and construction of our Nanjing facilities, which is designed to comprise of two phases. The first phase is in the process of interior renovation and equipment purchase. Phase One has an area of approximately 10,000 square meters at nearly no cost due to the government’s low rentals. Phase Two is currently under construction design process. The Nanjing facilities, once built, are expected to provide at least 8GWh capacity to support our demand. We have also purchased machinery and equipment to expand our manufacturing capabilities. Moreover, given the equity and debt financings we have obtained recently, we believe that with the booming future market demand for high power lithium-ion products, we can continue as a going concern and return to profitability.

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

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

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

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

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

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

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

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

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

Income tax expenses. Our subsidiaries in PRC are subject to an income tax rate of 25%. 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, 2019 and December 31, 2020

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, 2019	December 31, 2020	\$	%
Net revenues	\$ 22,194	\$ 37,566	15,372	69
Cost of revenues	(21,572)	(34,852)	(13,280)	62
Gross profit	622	2,714	2,092	336
Operating expenses:				
Research and development expenses	(1,906)	(1,679)	227	(12)
Sales and marketing expenses	(1,021)	(701)	320	(31)
General and administrative expenses	(4,412)	(3,746)	666	(15)
Impairment charge on property, plant and equipment	(2,326)	(4,346)	(2,020)	87
Provision for doubtful accounts	(1,046)	(722)	324	(31)
Total operating expenses	(10,711)	(11,194)	(483)	5
Operating loss	(10,089)	(8,480)	1,609	(16)
Finance expense, net	(1,385)	(1,399)	(14)	1
Other income (expense), net	620	(40)	(660)	(106)
Change in fair value of warrants liability	-	2,072	2,072	100
Loss before income tax	(10,854)	(7,847)	3,007	(28)
Income tax expenses	-	-	-	-
Net loss	\$ (10,854)	(7,847)	3,007	(28)
Less: Net loss attributable to non-controlling interests	86	40	(46)	(53)
Net loss attributable to shareholders of CBAK Energy Technology, Inc.	<u>(10,768)</u>	<u>\$ (7,807)</u>	<u>2,961</u>	<u>(27)</u>

Net revenues. Net revenues were \$37.6 million for the fiscal year ended December 31, 2020, as compared to \$22.2 million for the fiscal year ended December 31, 2019, an increase of \$15.4 million, or 69%.

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, 2019	December 31, 2020	\$	%
High-power lithium batteries used in:				
Electric vehicles	\$ 4,509	\$ 260	(4,249)	(94)
Light electric vehicles	16	39	23	144
Uninterruptable supplies	17,669	22,749	5,080	29
	22,194	23,048	854	4
Raw materials used in lithium batteries	-	14,518	14,518	100
Total	<u>\$ 22,194</u>	<u>\$ 37,566</u>	<u>15,372</u>	<u>69</u>

Net revenues from sales of batteries for electric vehicles were \$259,955 for the fiscal year ended December 31, 2020, as compared to \$4.5 million for 2019, a decrease of approximately \$4.2 million, or 94%.

Net revenues from sales of batteries for light electric vehicles was approximately \$39,428 for the fiscal year ended December 31, 2020, as compared to \$16,147 for 2019, representing an increase of \$23,281, or 144%.

Net revenues from sales of batteries for uninterruptable supplies was \$22.7 million for the fiscal year ended December 31, 2020, as compared to \$17.7 million for fiscal year ended December 31, 2019, an increase of \$5 million, or 29%. As we focused more on this market in 2020, sale of batteries for uninterruptable power supplies increased significantly.

Net revenues from sales of raw materials used in lithium batteries were \$14.5 million for the fiscal year ended December 31, 2020, as compared with nil in the same period in 2019, representing an increase of \$14.5 million. We obtained favorable prices on bulk purchase of raw materials from certain suppliers, and generated gross profit in the fiscal year ended December 31, 2020.

Cost of revenues. Cost of revenues increased to \$34.9 million for the fiscal year ended December 31, 2020, as compared to \$21.6 million for 2019, an increase of \$13.3 million, or 62%. The increase in cost of revenues was mainly due to increased net revenues. Included in cost of revenues were write down of obsolete and slow-moving inventories of \$0.8 million for the year ended December 31, 2019, while it was \$1.5 million for the year ended 2020. We write down the inventory value whenever there is an indication that it is impaired. The increase in write down of inventory is mainly due to the increase of slow-moving inventory. Further write-down may be necessary if market conditions continue to deteriorate.

Gross profit. Gross profit for the year ended December 31, 2020 was \$2.7 million, or 7.2% of net revenues as compared to gross profit of \$0.6 million, or 2.8% of net revenues, for the fiscal year ended December 31, 2019. Our new Dalian facilities commenced manufacturing activities in July 2015. With our sustained effort, the quality passing rate of our product has improved due to cost control and enhancement works on production line.

Research and development expenses. Research and development expenses decreased to \$1.7 million for the year ended December 31, 2020, as compared to \$1.9 million for 2019, a decrease of \$0.2 million, or 12%. The decrease was primarily resulted from the decrease of salaries and social insurance expenses by approximately \$0.3 million due to the suspension of our operations in the first quarter of 2020 and the Chinese government's social security relief for enterprises, in response to COVID-19.

Sales and marketing expenses. Sales and marketing expenses decreased to \$0.7 million for the year ended December 31, 2020, as compared to \$1.0 million for 2019, a decrease of \$0.3 million, or 31%. The decrease was resulted from the decrease of salaries and social insurance expenses by approximately \$0.2 million due to the suspension of our operations in the first quarter of 2020 and the Chinese government's social security relief for enterprises, in response to COVID-19 and decrease of \$0.1 million in provision for warranty expenses.

General and administrative expenses. General and administrative expenses decreased to \$3.7 million for the year ended December 31, 2020, as compared to \$4.4 million for 2019, a decrease of \$0.7 million, or 15%. The decrease was primarily resulted from the decrease of salaries and social insurance expenses by approximately \$0.6 million due to the suspension of our operations in the first quarter of 2020 and the Chinese government's social security relief for enterprises, in response to COVID-19. We also continued to tighten cost control in order to improve profitability.

Property, plant and equipment impairment charge. During the course of our strategic review of our operations, we assessed the recoverability of the carrying value of certain property, plant and equipment which resulted in impairment losses of \$2.3 million and \$4.3 million, respectively.

Provision for doubtful accounts. Provision for doubtful accounts decreased to \$0.7 million for the year ended December 31, 2020, as compared to \$1.0 million for 2019. We determine the allowance based on historical write-off experience, customer specific facts and economic conditions.

Operating loss. As a result of the above, our operating loss totaled \$8.5 million for the year ended December 31, 2020, as compared to \$10.1 million for 2019, a decrease of \$1.6 million or 16%.

Finance expense, net. Finance expense, net was \$1.40 million for the year ended December 31, 2020, as compared to \$1.39 million for 2019, an increase of \$0.01 million or 1%.

Other income (expenses), net. Other expenses were \$0.04 million for the year ended December 31, 2020, as compared to other income of approximately \$0.6 million for 2019.

Net loss. As a result of the foregoing, we had a net loss of \$7.8 million for the year ended December 31, 2020, compared to a net loss of \$10.9 million for 2019.

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 \$7.8 million in the fiscal year ended December 31, 2020. As of December 31, 2020, we had cash and cash equivalents and restricted cash of \$20.7 million. Our total current assets were \$63.3 million and our total current liabilities were \$73.7 million, resulting in a net working capital deficiency of \$10.5 million. These factors raise substantial doubts about our ability to continue as a going concern.

On June 4, 2018, we obtained banking facilities from China Everbright Bank Dalian Branch with a maximum amount of RMB200 million (approximately \$30.63 million) 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 6.175% per annum. Under the facilities, we borrowed RMB126.0 million (\$18.1 million), RMB23.3 million (\$3.3 million), RMB9.0 million (\$1.3 million) and RMB9.5 million (\$1.4 million) on June 12, June 20, September 20, and October 19, 2018, respectively. The loans are repayable in six installments of RMB0.8 million (\$0.12 million) on December 10, 2018, RMB24.3 million (\$3.50 million) on June 10, 2019, RMB0.8 million (\$0.12 million) on December 10, 2019, RMB74.7 million (\$10.7 million) on June 10, 2020, RMB0.8 million (\$0.12 million) on December 10, 2020 and RMB66.3 million (\$9.6 million) on June 10, 2021. We repaid the bank loan of RMB0.8 million (\$0.12 million), RMB24.3 million (\$3.72 million) and RMB0.8 million (\$0.12 million) in December 2018, June 2019 and December 2019, respectively.

On June 28, 2020, we entered into a supplemental agreement with China Everbright Bank Dalian Branch to change the repayment schedule. According to the modification agreement, the remaining RMB141.8 million (approximately \$21.72 million) loans are repayable in eight instalments consisting of RMB1.09 million (\$0.17 million) on June 10, 2020, RMB1 million (\$0.15 million) on December 10, 2020, RMB2 million (\$0.31 million) on January 10, 2021, RMB2 million (\$0.31 million) on February 10, 2021, RMB2 million (\$0.31 million) on March 10, 2021, RMB2 million (\$0.31 million) on April 10, 2021, RMB2 million (\$0.31 million) on May 10, 2021, and RMB129.7 million (\$19.9 million) on June 10, 2021, respectively. We repaid the bank loan of RMB1.09 million (\$0.17 million) and RMB51 million (\$7.8 million) in June and December 2020, respectively.

As a result, the balance of loan that we borrowed from China Everbright Bank Dalian Branch as of December 31, 2020 was RMB89.7 million (\$13.7 million). The facilities were secured by our Dalian site's land use rights and part of our Dalian site's buildings, machinery and equipment.

Further, in August 2018, we borrowed a total of RMB60 million (approximately \$8.6 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 \$8.6 million. We discounted these two bills payable of even date to China Everbright Bank at a rate of 4.0%. We repaid these bills payable in August 2019.

On August 22, 2018, we obtained one-year term facilities from China Everbright Bank Dalian Branch with a maximum amount of RMB100 million (approximately \$14.4 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 \$4.1 million) for a term until March 7, 2019, which was secured by bills receivables of \$4.1 million. We repaid the bank acceptance bills on March 7, 2019.

In November 2018, we borrowed a total of RMB100 million (approximately \$14.4 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 \$7.2 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%. We repaid these bills payable in November 2019.

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

In October 2019, we borrowed a total of RMB28 million (approximately \$4.12 million) in the form of bills payable from China Everbright Bank Dalian Branch for a term until October 15, 2020, which was secured by the Company's cash totaled RMB28 million (approximately \$4.12 million). We discounted these bills payable of even date to China Everbright Bank at a rate of 3.30%. We repaid the bills on October 15, 2020.

In December 2019, we obtained banking facilities from China Everbright Bank Dalian Branch totaled RMB39.9 million (approximately \$6.1 million) for a term until November 6, 2020, bearing interest at 5.655% per annum. The facility was secured by 100% equity in CBAK Power held by BAK Asia and buildings of Hubei BAK Real Estate Co., Ltd., which our CEO Mr. Yunfei Li holding 15% equity interest. Under the facilities, we borrowed RMB39.9 million (approximately \$6.1 million) on December 30, 2019. We repaid the bank loan of RMB39.9 million (approximately \$6.1 million) in December 2020.

From July to December 2020, we borrowed a series of acceptance bills from China Merchants Bank totaled RMB24.9 million (approximately \$3.82 million) for various terms through January to June 2021, which was secured by our cash totaled RMB24.9 million (approximately \$3.82 million).

In December 2020, we borrowed a series of acceptance bills from Agricultural Bank of China totaled RMB32.5 million (approximately \$4.97 million) for various terms through January to June 2021, which was secured by our cash totaled RMB32.5 million (approximately \$4.97 million).

In January 2019, we obtained one-year term facilities from Jilin Province Trust Co. Ltd. with a maximum amount of RMB40.0 million (approximately \$5.8 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 (\$0.9 million) and RMB1.2 million (\$0.2 million) on February 1, 2019, February 22, 2019, March 8, 2019 and March 21, 2019 respectively. Subsequent to December 31, 2019, we fully repaid the loan principal and accrued interest.

In March 2020, we obtained additional one-year term facilities from Jilin Province Trust Co. Ltd. with a maximum amount of RMB40.0 million (approximately \$5.9 million), which was secured by land use rights and buildings of Eodos Liga Energy Co., Ltd. Under the facilities, we borrowed RMB24.2 million (\$3.5 million) on March 13, 2020, bearing annual interest of 13.5%. We fully repaid the loan principal and accrued interests in December 2020.

As of December 31, 2020, we had unutilized committed banking facilities of \$4.9 million. We plan to renew these loans upon maturity and intend to raise additional funds through bank borrowings in the future to meet our daily cash demands, if required.

In addition, we have obtained funds through private placements, registered direct offerings and other equity and note financings:

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 the foregoing shares to the two investors.

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 was 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 earnest money, among which, Mr. Yunfei Li agreed to subscribe new shares totaling \$1.12 million and pay a refundable earnest money 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 to these investors, at a purchase price of \$1.50 per share, for an aggregate price of \$9.6 million, including 764,018 shares issued to Mr. Yunfei Li. On June 22, 2017, we issued the shares to the investors. The issuance of the shares to the investors was made in reliance on the exemption provided by Section 4(a)(2) of the Securities Act. In 2019, according to the securities purchase agreement and agreed by the investors, we returned partial earnest money of \$966,579 (approximately RMB6.7 million) to these investors.

On January 7, 2019, each of Mr. Dawei Li and Mr. Yunfei Li entered into an agreement with CBAK Power and Tianjin New Energy whereby Tianjin New Energy assigned its rights to loans to CBAK Power of approximately \$3.4 million (RMB23,980,950) and \$1.7 million (RMB11,647,890) (totaling \$5.1 million, the "First Debt") to Mr. Dawei Li and Mr. Yunfei Li, respectively. On the same date, the Company entered into a cancellation agreement with Mr. Dawei Li and Mr. Yunfei Li. Pursuant to the terms of the cancellation agreement, Mr. Dawei Li and Mr. Yunfei Li agreed to cancel the First Debt in exchange for 3,431,373 and 1,666,667 shares of common stock of the Company, respectively, at an exchange price of \$1.02 per share. Upon receipt of the shares, the creditors released the Company from any claims, demands and other obligations relating to the First Debt.

On April 26, 2019, each of Mr. Jun Lang, Ms. Jing Shi and Asia EVK Energy Auto Limited ("Asia EVK") entered into an agreement with CBAK Power and Tianjin New Energy whereby Tianjin New Energy assigned its rights to loans to CBAK Power of approximately \$0.3 million (RMB2,225,082), \$0.1 million (RMB 912,204) and \$5.2 million (RMB35,406,036) (collectively \$5.7 million, the "Second Debt") to Mr. Jun Lang, Ms. Jing Shi and Asia EVK, respectively. On the same date, the Company entered into a cancellation agreement with Mr. Jun Lang, Ms. Jing Shi and Asia EVK (the creditors). Pursuant to the terms of the Cancellation Agreement, the creditors agreed to cancel the Second Debt in exchange for 300,534, 123,208 and 4,782,163 shares of common stock of the Company, respectively, at an exchange price of \$1.1 per share. Upon receipt of the shares, the creditors released the Company from any claims, demands and other obligations relating to the Second Debt.

On June 28, 2019, each of Mr. Dawei Li and Mr. Yunfei Li entered into an agreement with CBAK Power to loan approximately \$1.4 million (RMB10,000,000) and \$2.5 million (RMB18,000,000), respectively, to CBAK Power for a terms of six months (collectively \$3.9 million, the "Third Debt"). The loan was unsecured, non-interest bearing and repayable on demand. On July 16, 2019, each of Asia EVK and Mr. Yunfei Li entered into an agreement with CBAK Power and Dalian Zhenghong Architectural Decoration and Installation Engineering Co. Ltd. (the Company's construction contractor) whereby Dalian Zhenghong Architectural Decoration and Installation Engineering Co. Ltd. assigned its rights to the unpaid construction fees owed by CBAK Power of approximately \$2.8 million (RMB20,000,000) and \$0.4 million (RMB2,813,810) (collectively \$3.2 million, the "Fourth Debt") to Asia EVK and Mr. Yunfei Li, respectively. On July 26, 2019, we entered into a cancellation agreement with Mr. Dawei Li, Mr. Yunfei Li and Asia EVK (the creditors). Pursuant to the terms of the cancellation agreement, Mr. Dawei Li, Mr. Yunfei Li and Asia EVK agreed to cancel the Third Debt and Fourth Debt in exchange for 1,384,717, 2,938,067 and 2,769,435 shares of common stock of the Company, respectively, at an exchange price of \$1.05 per share. Upon receipt of the shares, the creditors released the Company from any claims, demands and other obligations relating to the Third Debt and Fourth Debt.

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

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

On April 27, 2020, we entered into a cancellation agreement with Mr. Yunfei Li, Asia EVK and Mr. Ping Shen, who loaned an aggregate of approximately \$4.3 million to CBAK Power (the "Sixth Debt"). Pursuant to the terms of the cancellation agreement, the creditors agreed to cancel the Sixth Debt in exchange for an aggregate of 8,928,193 shares of common stock of the Company at an exchange price of \$0.48 per share. According to the amount of loan, 2,062,619, 2,151,017 and 4,714,557 shares were issued to Mr. Yunfei Li, Asia EVK and Mr. Pin Shen, respectively. Upon receipt of the shares, the creditors released the Company from any claims, demands and other obligations relating to the Sixth Debt.

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

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

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

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

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

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

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

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

On July 8, 2020, we entered into certain exchange agreement with the Lender, pursuant to which the Company and the Lender agreed to (i) partition a new promissory note in the original principal amount equal to \$250,000 from the outstanding balance of certain promissory note that the Company issued to the Lender on December 30, 2019, which has an original principal amount of \$1,670,000, and (ii) exchange the partitioned promissory note for the issuance of 453,161 shares of the Company’s common stock, par value \$0.001 per share to the Lender.

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

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

According to the Amendment, on October 13, 2020, we exchanged part of the outstanding balances of the notes for the issuance of 709,329 shares of the Company’s common stock, par value \$0.001 per share to the Lender.

On October 20, 2020, the Company exchanged the remaining balance of \$778,252 under the notes for the issuance of 329,768 shares of common stock, par value \$0.001 per share to the Lender.

On November 5, 2020, Tillicum Investment Company Limited entered into an agreement with CBAK Nanjing and Shenzhen ESTAR Industrial Company Limited (the Company’s equipment supplier) whereby Shenzhen ESTAR Industrial Company Limited assigned its rights to the unpaid equipment cost owed by CBAK Power of approximately \$11.17 million (RMB75,000,000) (the “Seventh Debt”) to Tillicum Investment Company Limited.

On November 11, 2020, we entered into a cancellation agreement with Tillicum Investment Company Limited. Pursuant to the terms of the cancellation agreement, Tillicum Investment Company Limited agreed to cancel the Seventh Debt in exchange for 3,192,291 shares of common stock of the Company, at an exchange price of \$3.5 per share. Upon receipt of the shares, the creditor released the Company from any claims, demands and other obligations relating to the Seventh Debt.

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

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

We currently are expanding our product lines and manufacturing capacity in our Dalian and Nanjing plants, 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.

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, 2019	December 31, 2020
Net cash used in operating activities	\$ (21,222)	\$ (5,097)
Net cash used in investing activities	(2,420)	(5,710)
Net cash provided by financing activities	13,550	25,827
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(463)	(1,482)
Net increase (decrease) in cash and cash equivalents and restricted cash	(10,555)	13,538
Cash and cash equivalents and restricted cash at the beginning of the year	17,689	7,134
Cash and cash equivalents and restricted cash at the end of the year	\$ 7,134	\$ 20,672

Operating Activities

Net cash used in operating activities was \$5.1 million in the year ended December 31, 2020, as compared to net cash used in operating activities of \$21.2 million in 2019. The net cash used in operating activities in 2020 was mainly attributable to our net loss (before loss on disposal of property, plant and equipment, impairment charge of property, plant and equipment and excluding non-cash depreciation and amortization and changes in fair value of warrants liability) of \$2.9 million, an increase of \$20.8 million for trade accounts and bills receivable partially offset by an increase of \$11.1 million on trade accounts and bills payables, an increase of \$3.4 million payable to former subsidiary and \$2.9 million government grants received.

The net cash used in operating activities in 2019 was mainly attributable to our net loss (before loss on disposal of property, plant and equipment, impairment charge of property, plant and equipment and excluding non-cash depreciation and amortization) of \$5.8 million, \$30.5 million on settlement of trade accounts and bills payable and \$2.0 million on settlement paid to our former subsidiaries, partially offset by a decrease of \$10.3 million for trade accounts and bills receivable, a decrease of \$2.8 million in prepayments and other receivables and an increase of \$1.1 million of accrued expenses and other payables and product warranty provision.

Investing Activities

Net cash used in investing activities increased to \$5.7 million in the fiscal year ended December 31, 2020, from \$2.4 million in 2019. The net cash used in investing activities in 2020 and 2019 mainly included purchases of property, plant and equipment and construction in progress.

Financing Activities

Net cash provided by financing activities was \$25.8 million in the fiscal year ended December 31, 2020, compared with \$13.6 million in 2019. The net cash provided by financing activities for the year ended December 31, 2020 mainly comprised of \$45.3 million net proceeds from issuance of shares to institutional investors, \$3.5 million borrowings from unrelated parties, partially offset by repayment of bank borrowings of \$13.3 million and repayment of borrowings from unrelated parties of \$9.8 million.

The net cash provided by financing activities for the year ended December 31, 2019 mainly comprised of borrowings from banks of \$5.8 million, borrowings from unrelated parties of \$6.3 million, \$4.1 million advances from shareholders and proceeds from issue of promissory note of \$2.8 million, partially offset by repayment of bank borrowings of \$3.6 million, repayment of earnest money to shareholders of \$1.0 million and repayment to related parties totaled \$1.4 million.

As of December 31, 2020, the principal amounts outstanding under our credit facilities and lines of credit were as follows:

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

	<u>Maximum amount available</u>	<u>Amount borrowed</u>
Long-term credit facilities:		
China Everbright Bank	\$ 18,672	\$ 13,740
Other line of credit:		
China Merchants Bank	3,819	3,819
Agricultural Bank of China	4,972	4,972
	<u>8,791</u>	<u>8,791</u>
Other short-term loan:		
Jilin Province Trust Co., Ltd	\$ 2,420	\$ -
Total	<u>\$ 29,883</u>	<u>\$ 22,531</u>

Capital Expenditures

We incurred capital expenditures of \$17.5 million and \$2.5 million in fiscal years ended December 31, 2020 and December 31, 2019, respectively. Our capital expenditures in 2020 were used primarily to construct our Dalian facility and Nanjing 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, 2019	December 31, 2020
Purchase of property, plant and equipment and construction in progress	\$ 2,453	\$ 17,528

We estimate that our total capital expenditures in fiscal year 2021 will reach approximately \$15.2 million. Such funds will be used to renovate the current product lines and construct new plant with new product lines 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, 2020:

(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	\$ 13,740	\$ 13,740	\$ -	\$ -
Bills payables	8,791	8,791	-	-
Payable to former subsidiaries	627	627	-	-
Other short-term loans	1,254	1,254	-	-
Capital injection to CBAK Trading	2,565	2,565	-	-
Capital injection to CBAK Power	30,000	30,000	-	-
Capital injection to CBAK Energy	45,600	45,600	-	-
Capital injection to CBAK Nanjing	64,710	64,710	-	-
Capital injection to Nanjing CBAK	77,582	77,582	-	-
Capital injection to Nanjing Daxin	7,659	7,659	-	-
Capital commitments for construction of buildings	2,465	2,465	-	-
Capital commitments for purchase of equipment	10,308	10,308	-	-
Future interest payment on bank loans	379	379	-	-
Total	<u>\$ 265,680</u>	<u>\$ 265,680</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2020.

Off-Balance Sheet Transactions

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

Critical Accounting Policies

Our 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

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.

Warrant Liability

For warrants that are not indexed to the Company's stock, the Company records the fair value of the issued warrants as a liability at each balance sheet date and records changes in the estimated fair value as a non-cash gain or loss in the consolidated statement of operations and comprehensive income. The warrant liability is recognized in the balance sheet at the fair value (level 3). The fair value of these warrants has been determined using the Binomial model.

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, 2019	December 31, 2020
Balance sheet items, except for equity accounts	6.9630	6.5286
Amounts included in the statement of income and comprehensive loss and statement of cash flows	6.9073	6.9032

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, 2019 AND 2020

CBAK ENERGY TECHNOLOGY, INC.
AND SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors 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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, 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, 2020. 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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

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, 2020. The Company has contractual obligations such as commitments for purchases of equipment, building constructions cost, payable, capital injection to subsidiaries and short-term loan (collectively "obligations"). Currently management's forecasts and related assumptions illustrate their ability to meet the obligations through management of expenditures and, if necessary, obtaining additional debt financing, loans from existing directors and shareholders and private placements of capital stock for additional funding to meet its operating needs. Should there be constraints on the ability to access such financing, the Company can manage cash outflows to meet the obligations through reductions in capital expenditures and other operating expenditures.

We identified management's assessment of the Company's ability to continue as a going concern as a critical audit matter. Management made judgments to conclude that it is probable that the Company's plans will be effectively implemented and will provide the necessary cash flows to fund the Company's obligations as they become due. Specifically, the judgments with the highest degree of impact and subjectivity in determining it is probable that the Company's plans will be effectively implemented included the revenue growth and gross margin assumptions underlying its forecast operating cash flows, its ability to reduce capital expenditures and other operating expenditures, its ability to access funding from the capital market and its ability to obtaining loans from existing directors and shareholders. Auditing the judgments made by management required a high degree of auditor judgment and an increased extent of audit effort.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included the following, among others: (i) testing key assumptions underlying management's forecast operating cash flows, including revenue growth and gross margin assumptions; (ii) evaluating the probability that the Company will be able to access funding from the capital market; (iii) evaluating the probability that the Company will be able to reduce capital expenditures and other operating expenditures if required and (iv) evaluating the probability that the Company will be able to obtain the loan from existing directors and shareholders.

Inventory write-down

As described in Note 2 of the consolidated financial statements, inventories are stated at the lower of cost or net realizable value, with cost determined on a weighted average cost method. Write-down of potential obsolete or slow moving inventories is recorded based on management's assumptions about future demands and market conditions. For the year ended December 31, 2020, the Company recorded inventory impairment charges of \$1.5 million. Inventories include items that have been written down to the Company's best estimate of their realizable value, which includes consideration of various factors.

We identified the inventory write-down as a critical audit matter. The Company's determination of future markdowns is subjective. Specifically, there was a high degree of subjective auditor judgment in evaluating how the Company's merchandising strategy and related inventory markdown assumptions affected the realizable value of inventory.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included the following, among others: (i) observing the physical condition of inventories during inventory counts; (ii) evaluating the appropriateness of management's process for developing the estimates of net realizable value; (iii) testing the reasonableness of the assumptions about quality, damages, future demand, selling prices and market conditions by considering with historical trends and consistency with evidence obtained in other areas of the audit; and corroborating the assumptions with individuals within the product team; and (iv) assessing the Company's adjustments of inventory costs to net realizable value for slow-moving and obsolete inventories by (1) comparing the historical estimate for net realizable value adjustments to actual adjustments of inventory costs, and (2) analyzing sales subsequent to the measurement date.

Assessment of impairment of long-lived assets

As discussed in Note 2 to the consolidated financial statements, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of these assets 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. Based upon the analysis performed, the Company recognized impairment losses for long-lived assets of \$4.3 million for the year ended December 31, 2020.

We identified the assessment of impairment of long-lived assets as a critical audit matter because of the significant estimates and assumptions management used in the projections of future cash flows, including the expected production and sales volumes, production costs, operating expenses and discount rates applied to these forecasted future cash flows. Performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of effort.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included the following, among others: (i) comparing the methodology used by the Company, that is, recoverable amount calculations based on future discounted cash flows, to industry practice and testing the completeness and accuracy of the underlying data used in the projections; (ii) assessing the reasonableness of the significant assumptions used in the calculations, which comprised of, amongst others, expected production and sales volumes, production costs, operating expenses and discount rates, by comparing them to external industry outlook reports from a number of sources and by analyzing the historical accuracy of management's estimates; and (iii) involving our valuation specialists to assist us with assessing the appropriateness of the valuation methodologies and the reasonableness of assumptions used, including the discount rates.

Assessment of allowances for doubtful accounts

As discussed in Note 2 to the consolidated financial statements, 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. Based upon the analysis performed, the Company recognized a provision for doubtful accounts of \$0.7 million for the year ended December 31, 2020.

We identified the assessment of allowances for doubtful accounts as a critical audit matter. Specifically, the specific allowance is an estimate that involved assessing the likelihood of collection of a customer's accounts receivable by considering various factors such as the nature of any dispute, communications from the customer, historical collections, and number of days accounts receivables have been outstanding. Subjective auditor judgment was involved in evaluating the relevance and reliability of the evidence obtained in evaluating these factors.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included the following, among others: (i) investigating significant fluctuations in the specific allowance as compared to net accounts receivable and the prior year specific allowance; (ii) inquiring of Company personnel to evaluate the rationale for establishing a specific allowance for certain customers; (iii) assessing the Company's estimate of the specific customer allowance by evaluating the underlying contractual documents, historical collection trends, communications with customers and other additional factors; and (iv) evaluating subsequent collections occurring after the balance sheet date and considered the impact of potential subsequent events on the estimate of the specific allowance.

/s/ Centurion ZD CPA & Co.

Centurion ZD CPA & Co.

We have served as the Company's auditor since 2016.

Hong Kong, China

April 13, 2021

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

	<u>Note</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2020</u>
Assets			
<i>Current assets</i>			
Cash and cash equivalents		\$ 1,612,957	\$ 11,681,750
Pledged deposits	3	5,520,991	8,989,748
Trade accounts and bills receivable, net	4	7,952,420	29,571,274
Inventories	5	8,666,714	5,252,845
Prepayments and other receivables	6	4,735,913	7,439,544
Investment in sales-type lease, net	10	-	235,245
Total current assets		28,488,995	63,170,406
Property, plant and equipment, net	8	38,177,565	41,040,370
Construction in progress	9	21,707,624	30,193,309
Right-of-use assets	10	7,194,195	7,500,780
Intangible assets, net	11	15,178	11,807
Investment in sales-type lease, net	10	-	850,407
Total assets		\$ 95,583,557	\$ 142,767,079
Liabilities			
<i>Current liabilities</i>			
Trade accounts and bills payable	12	\$ 15,072,108	\$ 28,352,292
Current maturities of long-term bank loans	13	16,574,752	13,739,546
Other short-term loans	13	7,351,587	1,253,869
Notes payables	17	2,846,736	-
Accrued expenses and other payables	14	15,527,589	11,645,459
Payables to former subsidiaries, net	7	1,483,352	626,990
Deferred government grants, current	15	142,026	151,476
Product warranty provisions	16	-	155,888
Warrants liability	21	-	17,783,000
Total current liabilities		58,998,150	73,708,520
Long-term bank loans	13	9,519,029	-
Deferred government grants, non-current	15	4,118,807	7,304,832
Product warranty provisions	16	2,246,933	1,835,717
Long term tax payable		7,042,582	7,511,182
Total liabilities		81,925,501	90,360,251
Commitments and contingencies	23		
Shareholders' equity			
Common stock \$0.001 par value; 500,000,000 authorized; 53,220,902 issued and 53,076,696 outstanding as of December 31, 2019; and 79,310,249 issued and 79,166,043 outstanding as of December 31, 2020			
		53,222	79,310
Donated shares		14,101,689	14,101,689
Additional paid-in capital		180,208,610	225,278,113
Statutory reserves		1,230,511	1,230,511
Accumulated deficit		(176,177,413)	(183,984,311)
Accumulated other comprehensive loss		(1,744,730)	(239,609)
		17,671,889	56,465,703
Less: Treasury shares		(4,066,610)	(4,066,610)
Total shareholders' equity		13,605,279	52,399,093
Non-controlling interests		52,777	7,735
Total equity		13,658,056	52,406,828
Total liabilities and shareholder's equity		\$ 95,583,557	\$ 142,767,079

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, 2019 and 2020
(In US\$ except for number of shares)

	<i>Note</i>	<i>Year ended December 31, 2019</i>	<i>Year ended December 31, 2020</i>
Net revenues	25	\$ 22,194,348	\$ 37,566,152
Cost of revenues		(21,571,822)	(34,852,132)
Gross profit		<u>622,526</u>	<u>2,714,020</u>
Operating expenses:			
Research and development expenses		(1,905,504)	(1,678,895)
Sales and marketing expenses		(1,020,929)	(701,404)
General and administrative expenses		(4,411,878)	(3,745,676)
Impairment charge on property, plant and equipment	8	(2,326,552)	(4,345,811)
Provision for doubtful accounts	4	(1,046,360)	(721,737)
Total operating expenses		<u>(10,711,223)</u>	<u>(11,193,523)</u>
Operating loss		(10,088,697)	(8,479,503)
Finance expenses, net		(1,384,904)	(1,399,095)
Other income (expenses), net		620,166	(40,170)
Changes in fair value of warrants liability		-	2,072,000
Loss before income tax		<u>(10,853,435)</u>	<u>(7,846,768)</u>
Income tax expense	18	-	-
Net loss		(10,853,435)	(7,846,768)
Less: Net loss attributable to non-controlling interests		85,912	39,870
Net loss attributable to shareholders of CBAK Energy Technology, Inc.		<u>\$ (10,767,523)</u>	<u>\$ (7,806,898)</u>
Net loss		(10,853,435)	(7,846,768)
Other comprehensive income (loss)			
– Foreign currency translation adjustment		(246,416)	1,499,949
Comprehensive loss		(11,099,851)	(6,346,819)
Less: Comprehensive loss attributable to non-controlling interests		86,538	45,042
Comprehensive loss attributable to CBAK Energy Technology, Inc.		<u>\$ (11,013,313)</u>	<u>\$ (6,301,777)</u>
Loss per share	20		
– Basic and diluted		<u>\$ (0.28)</u>	<u>\$ (0.10)</u>
Weighted average number of shares of common stock:	20		
– Basic and diluted		<u>38,965,564</u>	<u>61,992,386</u>

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 2019 and 2020
(In US\$ except for number of shares)

	<u>Common stock issued</u>		<u>Donated shares</u>	<u>Additional paid-in capital</u>	<u>Statutory reserves (Note 26)</u>	<u>Accumulated deficit</u>	<u>Accumulated other comprehensive loss</u>	<u>Non-controlling interests</u>	<u>Treasury shares</u>		<u>Total shareholders' equity</u>
	<u>Number of shares</u>	<u>Amount</u>							<u>Number of shares</u>	<u>Amount</u>	
Balance as of January 1, 2019	26,791,684	\$ 26,792	\$ 14,101,689	\$ 155,931,770	\$ 1,230,511	\$(165,409,890)	\$ (1,498,940)	\$ 11,977	(144,206)	\$ (4,066,610)	\$ 327,299
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	127,338	-	-	127,338
Net loss	-	-	-	-	-	(10,767,523)	-	(85,912)	-	-	(10,853,435)
Share-based compensation for employee and director stock awards	-	-	-	770,113	-	-	-	-	-	-	770,113
Common stock issued to employees and directors for stock award	433,337	434	-	(434)	-	-	-	-	-	-	-
Common stock issued to investors	25,995,881	25,996	-	23,507,161	-	-	-	-	-	-	23,533,157
Foreign currency translation adjustment	-	-	-	-	-	-	(245,790)	(626)	-	-	(246,416)
Balance as of December 31, 2019	53,220,902	\$ 53,222	\$ 14,101,689	\$ 180,208,610	\$ 1,230,511	\$(176,177,413)	\$ (1,744,730)	\$ 52,777	(144,206)	\$ (4,066,610)	\$ 13,658,056
Net loss	-	-	-	-	-	(7,806,898)	-	(39,870)	-	-	(7,846,768)
Share-based compensation for employee and director stock awards	-	-	-	803,931	-	-	-	-	-	-	803,931
Common stock issued to employees and directors for stock award	588,663	588	-	(588)	-	-	-	-	-	-	-
Common stock issued to investors	16,010,884	16,010	-	18,782,068	-	-	-	-	-	-	18,798,078
Proceeds from issuance of shares and warrants for capital contribution	9,489,800	9,490	-	25,484,092	-	-	-	-	-	-	25,493,582
Foreign currency translation adjustment	-	-	-	-	-	-	1,505,121	(5,172)	-	-	1,499,949
Balance as of December 31, 2020	79,310,249	\$ 79,310	\$ 14,101,689	\$ 225,278,113	\$ 1,230,511	\$(183,984,311)	\$ (239,609)	\$ 7,735	(144,206)	\$ (4,066,610)	\$ 52,406,828

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, 2019 and 2020
(In US\$)

	<i>Year Ended December 31, 2019</i>	<i>Year Ended December 31, 2020</i>
Cash flows from operating activities		
Net loss	\$ (10,853,435)	\$ (7,846,768)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,753,200	2,700,888
Provision for doubtful accounts	1,046,360	721,737
Write-down of inventories	834,362	1,450,182
Share-based compensation	770,113	803,931
Changes in fair value of warrants liability	-	(2,072,000)
Loss on disposal of property, plant and equipment	213,749	21,317
Impairment charge	2,326,552	4,345,811
Changes in operating assets and liabilities:		
Trade accounts and bills receivable	10,313,229	(20,767,355)
Inventories	11,044	2,305,697
Prepayments and other receivables	2,808,375	(2,171,694)
Investment in sales-type lease	-	(1,026,739)
Trade accounts and bills payable	(30,530,773)	11,088,116
Accrued expenses and other payables and product warranty provisions	1,087,216	(975,687)
Trade receivable from and payables to former subsidiaries	(2,002,358)	3,428,010
Government grants	-	2,897,207
Net cash used in operating activities	<u>(21,222,366)</u>	<u>(5,097,347)</u>
Cash flows from investing activities		
Proceeds on disposal of property, plant and equipment	32,719	-
Purchases of property, plant and equipment and construction in progress	(2,452,907)	(5,709,975)
Net cash used in investing activities	<u>(2,420,188)</u>	<u>(5,709,975)</u>
Cash flows from financing activities		
Capital injection from non-controlling interests	127,338	-
Proceeds from bank borrowings	5,776,497	-
Repayment of bank borrowings	(3,643,971)	(13,325,849)
Borrowings from unrelated parties	6,341,117	3,505,621
Repayment of borrowings from unrelated parties	(14,477)	(9,778,074)
Borrowings from related parties	492,233	-
Repayment of borrowings from related parties	(1,365,714)	-
Borrowings from shareholders	4,053,682	358,358
Repayment of borrowings from shareholders	-	(281,676)
Repayment of earnest money to shareholders	(966,579)	-
Proceeds from issuance of shares	-	45,348,582
Proceeds from issuance of promissory notes (Note 17)	2,750,000	-
Net cash provided by financing activities	<u>13,550,126</u>	<u>25,826,962</u>
Effect of exchange rate changes on cash and cash equivalents and restricted cash	<u>(463,117)</u>	<u>(1,482,090)</u>
Net increase (decrease) in cash and cash equivalents and restricted cash	<u>(10,555,545)</u>	<u>13,537,550</u>
Cash and cash equivalents and restricted cash at the beginning of year	<u>17,689,493</u>	<u>7,133,948</u>
Cash and cash equivalents and restricted cash at the end of year	<u>\$ 7,133,948</u>	<u>\$ 20,671,498</u>
Supplemental non-cash investing and financing activities:		
Transfer of construction in progress to property, plant and equipment	\$ 5,975,163	\$ 8,434,331
Non-cash payment for purchases of property, plant and equipment and construction in progress by new vehicles	\$ -	\$ 644,917
Issuance of common stock (Note 1):		
- offset short term borrowings (First Debt, Second Debt and Third Debt)	\$ 15,029,948	\$ -
- offset construction cost payable (Fourth Debt)	\$ 3,343,378	\$ -
- offset accounts payable (Fifth Debt) and unpaid earnest money	\$ 5,159,831	\$ -
- offset repayment of promissory note	\$ -	\$ 3,339,528
- offset payable to Shenzhen Bak (Sixth Debt)	\$ -	\$ 4,285,532
- offset construction cost payable (Seventh Debt)	\$ -	\$ 11,173,018
Cash paid during the year for:		
Income taxes	\$ -	\$ -
Interest, net of amounts capitalized	\$ -	\$ -

See accompanying notes to the consolidated financial statements.

CBAK Energy Technology, Inc. and subsidiaries
Notes to the consolidated financial statements
For the years ended December 31, 2019 and 2020
(In US\$ except for number of shares)

1. Principal Activities, Basis of Presentation and Organization

Principal Activities

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

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

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

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

Basis of Presentation and Organization

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

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

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

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

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

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

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

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

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

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

As of December 31, 2020, the Company had not received any claim from the other investors who have not been covered by the "2008 Settlement Agreements" in the January 2005 private placement.

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

On August 14, 2013, Dalian BAK Trading Co., Ltd was established as a wholly owned subsidiary of China BAK Asia Holding Limited ("BAK Asia") with a registered capital of \$500,000. Pursuant to CBAK Trading's articles of association and relevant PRC regulations, BAK Asia was required to contribute the capital to CBAK Trading on or before August 14, 2015. On March 7, 2017, the name of Dalian BAK Trading Co., Ltd was changed to Dalian CBAK Trading Co., Ltd ("CBAK Trading"). On August 5, 2019, CBAK Trading's registered capital was increased to \$5,000,000. Pursuant to CBAK Trading's amendment articles of association and relevant PRC regulations, BAK Asia was required to contribute the capital to CBAK Trading on or before August 1, 2033. Up to the date of this report, the Company has contributed \$2,435,000 to CBAK Trading in cash.

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

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

On November 21, 2019, Dalian CBAK Energy Technology Co., Ltd (“CBAK Energy”) was established as a wholly owned subsidiary of BAK Asia with a registered capital of \$50,000,000. Pursuant to CBAK Energy’s articles of association and relevant PRC regulations, BAK Asia was required to contribute the capital to CBAK Energy on or before November 20, 2022. Up to the date of this report, the Company has contributed \$6,920,000 to CBAK Energy.

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

On July 31, 2020, BAK Investments formed a wholly owned subsidiary CBAK New Energy (Nanjing) Co., Ltd. (“CBAK Nanjing”) in China with a registered capital of \$100,000,000. Pursuant to CBAK Nanjing’s articles of association and relevant PRC regulations, BAK Investments was required to contribute the capital to CBAK Nanjing on or before July 29, 2040. Up to the date of this report, the Company has contributed \$46,989,915 to CBAK Nanjing.

On August 6, 2020, Nanjing CBAK New Energy Technology Co., Ltd. (“Nanjing CBAK”) was established as a wholly owned subsidiary of CBAK Nanjing with a registered capital of RMB700,000,000 (approximately \$107 million). Pursuant to Nanjing CBAK’s articles of association and relevant PRC regulations, CBAK Nanjing was required to contribute the capital to Nanjing CBAK on or before August 5, 2040. Up to the date of this report, the Company has contributed RMB270,933,736 (approximately \$41.5 million) to Nanjing CBAK.

On November 9, 2020, Nanjing Daxin New Energy Automobile Industry Co., Ltd (“Nanjing Daxin”) was established as a wholly owned subsidiary of CBAK Nanjing with a register capital of RMB50,000,000 (approximately \$7.7 million). Up to the date of this report, the Company has contributed RMB10,000,000 (approximately \$1.55 million) to Nanjing Daxin.

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, 2019, 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; iv) CBAK New Energy (Suzhou) Co., Ltd. (“CBAK Suzhou”), a 90% owned limited liability company established on May 4, 2018 in the PRC; v) Dalian CBAK Energy Technology Co., Ltd (“CBAK Energy”), a wholly owned limited liability company established on November 21, 2019 in the PRC; (vi) BAK Asia Investments Limited (“BAK Investments”), a wholly owned limited liability company incorporated in Hong Kong acquired on July 14, 2020; (vii) CBAK New Energy (Nanjing) Co., Ltd. (“CBAK Nanjing”), a wholly owned limited liability company established on July 31, 2020 in the PRC; (viii) Nanjing CBAK New Energy Technology Co., Ltd, (“Nanjing CBAK”), a wholly owned limited liability company established on August 6, 2020 in the PRC and (ix) Nanjing Daxin New Energy Automobile Industry Co., Ltd (“Nanjing Daxin”), a wholly owned limited liability company established on November 9, 2020.

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

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

On and effective March 1, 2016, Mr. Xiangqian Li resigned as Chairman, director, Chief Executive Officer, President and Secretary of the Company. On the same date, the Board of Directors of the Company appointed Mr. Yunfei Li as Chairman, Chief Executive Officer, President and Secretary of the Company. On March 4, 2016, Mr. Xiangqian Li transferred 3,000,000 shares to Mr. Yunfei Li for a price of \$2.4 per share. After the share transfer, Mr. Yunfei Li held 3,000,000 shares or 17.3% and Mr. Xiangqian Li held 760,557 shares at 4.4% of the Company's outstanding stock, respectively. As of December 31, 2020, Mr. Yunfei Li held 10,785,872 shares or 13.62% 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, 2020. These factors raise substantial doubts about the Company's ability to continue as a going concern.

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

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 paid the earnest money of \$225,784 in January 2017. On April 1, April 21, April 26 and May 10, 2017, the Company received \$1,999,910, \$3,499,888, \$1,119,982 and \$2,985,497 from 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.

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

On January 7, 2019, each of Mr. Dawei Li and Mr. Yunfei Li entered into an agreement with CBAK Power and Tianjin New Energy whereby Tianjin New Energy assigned its rights to loans to CBAK Power of approximately \$3.4 million (RMB23,980,950) and \$1.7 million (RMB11,647,890) (totalled \$5.1 million, the "First Debt") to Mr. Dawei Li and Mr. Yunfei Li, respectively.

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

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

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

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

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

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

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

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

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

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

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

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

On April 10, 2020, each of Mr. Yunfei Li, Mr. Ping Shen and Asia EVK entered into an agreement with CBAK Power and Shenzhen BAK, whereby Shenzhen BAK assigned its rights to the unpaid inventories cost (note 7) owed by CBAK Power of approximately \$1.0 million (RMB7,000,000), \$2.3 million (RMB16,000,000) and \$1.0 million (RMB7,300,000) (collectively \$4.3 million, the “Sixth Debt”) to Mr. Yunfei Li, Mr. Ping Shen and Asia EVK, respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2020, the Company had aggregate interest-bearing bank loans of approximately \$13.7 million, due in 2021, in addition to approximately \$42.2 million of other current liabilities (excluding warrants derivative liability).

As of December 31, 2020, the Company had unutilized committed banking facilities from banks and Jilin Province Trust Co., Ltd (see “Other Short-term Loans” below) of \$7.4 million.

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

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) Lease

(i) Right of use assets

Prior to the adoption of Accounting Standards Update (“ASU”) No. 2016-02, Leases (Topic 842) (“ASC 842”), land use rights are carried at cost and amortized on a straight-line basis over the period of rights of 50 years. Upon the adoption of ASC 842 on January 1, 2019, land use rights acquired are assessed in accordance with ASC 842 and recognized in right-of-use assets if they meet the definition of lease.

(ii) Net Investment in Sales Type Leases

The Company derives a portion of its revenue from vehicles leasing arrangements. Such arrangements provide for monthly payments covering the vehicles sales and interest. These arrangements meet the criteria to be accounted for as sales-type leases. A lease is classified as a sales-type lease if at least one of the following criteria is met: (1) the lease transfers ownership of the underlying asset to the lessee, (2) the lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise, (3) the lease term is for a major part of the remaining economic life of the underlying asset, (4) the present value of the sum of the lease payments equals or exceeds substantially all of the fair value of the underlying assets, or (5) the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. Accordingly, vehicle sale net of cost is recorded as other income and recognized upon delivery of the vehicle and its acceptance by the customer. Upon the recognition of such revenue, an asset is established for the investment in sales-type leases. Interests are recognized monthly over the lease term.

(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 loss 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, 2019

Balance sheet, except for equity accounts	RMB 6.9630 to US\$1.00
Income statement and cash flows	RMB 6.9073 to US\$1.00

Year ended December 31, 2020

Balance sheet, except for equity accounts	RMB 6.5286 to US\$1.00
Income statement and cash flows	RMB 6.9032 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
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(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

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, 2019, through December 31, 2020 amount of unrecognized tax benefits excluding interest and penalties ("Gross UTB") is as follows:

	<u>Gross UTB</u>	<u>Surcharge</u>	<u>Net UTB</u>
Balance as of January 1, 2019	\$ 7,129,285	-	7,129,285
Decrease in unrecognized tax benefits taken in current period	(86,703)	-	(86,703)
Balance as of December 31, 2019	7,042,582	-	7,042,582
Increase in unrecognized tax benefits taken in current year	468,600	-	468,600
Balance as of December 31, 2020	<u>\$ 7,511,182</u>	<u>\$ -</u>	<u>\$ 7,511,182</u>

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

(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.

(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.

(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, valuation of share-based compensation expense and warrants liability. 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) Warrant Liability

For warrants that are not indexed to the Company’s stock, the Company records the fair value of the issued warrants as a liability at each balance sheet date and records changes in the estimated fair value as a non-cash gain or loss in the consolidated statement of operations and comprehensive income. The warrant liability is recognized in the balance sheet at the fair value (level 3). The fair value of these warrants has been determined using the Binomial model.

Recently Adopted Accounting Standards

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

Recently Issued Accounting Standards

In May 2019, the Financial Accounting Standards Board (“FASB”) issued ASU 2019-05, which is an update to ASU Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which introduced the expected credit losses methodology for the measurement of credit losses on financial assets measured at amortized cost basis, replacing the previous incurred loss methodology. The amendments in Update 2016-13 added Topic 326, Financial Instruments—Credit Losses, and made several consequential amendments to the Codification. Update 2016-13 also modified the accounting for available-for-sale debt securities, which must be individually assessed for credit losses when fair value is less than the amortized cost basis, in accordance with Subtopic 326-30, Financial Instruments—Credit Losses—Available-for-Sale Debt Securities. The amendments in this ASU address those stakeholders’ concerns by providing an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. For those entities, the targeted transition relief will increase comparability of financial statement information by providing an option to align measurement methodologies for similar financial assets. Furthermore, the targeted transition relief also may reduce the costs for some entities to comply with the amendments in Update 2016-13 while still providing financial statement users with decision-useful information. ASU 2019-05 is effective for the Company for fiscal year beginning after December 15, 2022. The Company is currently evaluating the impact of this new standard on its condensed consolidated financial statements and related disclosures.

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

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848) (Topic 718): Improvements to Reference Rate Reform, which contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. The Company continues to evaluate the impact of the guidance and may apply the elections as applicable as changes in the market occur.

In August 2020, the FASB issued ASU 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity (“ASU 2020-06”), which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity. This ASU (1) simplifies the accounting for convertible debt instruments and convertible preferred stock by removing the existing guidance in ASC 470-20, Debt: Debt with Conversion and Other Options, that requires entities to account for beneficial conversion features and cash conversion features in equity, separately from the host convertible debt or preferred stock; (2) revises the scope exception from derivative accounting in ASC 815-40 for freestanding financial instruments and embedded features that are both indexed to the issuer’s own stock and classified in stockholders’ equity, by removing certain criteria required for equity classification; and (3) revises the guidance in ASC 260, Earnings Per Share, to require entities to calculate diluted earnings per share (EPS) for convertible instruments by using the if-converted method. In addition, entities must presume share settlement for purposes of calculating diluted EPS when an instrument may be settled in cash or shares.

For SEC filers, excluding smaller reporting companies, ASU 2020-06 is effective for fiscal years beginning after December 15, 2021 including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. For all other entities, ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Entities should adopt the guidance as of the beginning of the fiscal year of adoption and cannot adopt the guidance in an interim reporting period. The Company is currently evaluating the impact that ASU 2020-06 may have on its condensed consolidated financial statements and related disclosures.

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

3. Pledged deposits

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

	<i>December 31,</i> <u>2019</u>	<i>December 31,</i> <u>2020</u>
Pledged deposits with banks for:		
Bills payable	\$ 4,021,255	\$ 8,791,499
Others*	1,499,736	198,249
	<u>\$ 5,520,991</u>	<u>\$ 8,989,748</u>

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

On July 25, 2019, CBAK Power received notice from Shenzhen Court of International Arbitration that Shenzhen Xinjiatuo Automobile Technology Co., Ltd filed arbitration against the Company for the failure to pay pursuant to the terms of the contract. The plaintiff sought a total amount of \$0.16 million (RMB1,112,269), including equipment cost of \$0.14 million (RMB976,000) and interest of \$0.02 million (RMB136,269). On August 9, 2019, upon the request of Shenzhen Xinjiatuo Automobile Technology Co., Ltd, Shenzhen Court of International Arbitration froze CBAK Power’s bank deposits totaling \$0.16 million (RMB1,117,269) for a period of one year to August 2020. In early July 2020, Shenzhen Court of International Arbitration made arbitration award dismissing the plaintiff’s claim and CBAK Power’s counterclaim and the bank deposit was released in early August 2020.

In early September of 2019, several employees of CBAK Suzhou filed arbitration with Suzhou Industrial Park Labor Disputes Arbitration Commission against CBAK Suzhou for failure to pay their salaries in time. The employees seek for a payment including salaries of \$97,779 (RMB638,359) and compensation of \$83,173 (RMB543,000), totaling \$0.17 million (RMB1,181,359). In addition, upon the request of the employees for property preservation, bank deposit of \$0.17 million (RMB1,181,359) was frozen by the court of Suzhou for a period of one year. On September 5, 2019, CBAK Suzhou and the employees reached an agreement that CBAK Suzhou will pay these salaries and compensation. In February 2020, the Company had made full payment. As of December 31, 2019, \$6 (RMB43) was frozen by bank and bank deposit was released in October 2020.

In November 2019, CBAK Suzhou received notice from Court of Suzhou city that Suzhou Industrial Park Security Service Co., Ltd (“Suzhou Security”) filed a lawsuit against CBAK Suzhou for the failure to pay pursuant to the terms of the sales contract. Suzhou Security sought a total amount of \$21,400 (RMB139,713), including services expenses amount of \$21,277 (RMB138,908) and interest of \$123 (RMB805). Upon the request of Suzhou Security for property preservation, the Court of Suzhou froze CBAK Suzhou’s bank deposits totaling \$0.02 million (RMB150,000) for a period of one year. As of December 31, 2020, \$5,062 (RMB33,048) was frozen by bank and the Company had accrued the service cost of \$21,277 (RMB138,908).

In December 2019, CBAK Power received notice from Court of Zhuanghe that Dalian Construction Electrical Installation Engineering Co., Ltd. (“Dalian Construction”) filed a lawsuit against CBAK Power for the failure to pay pursuant to the terms of the construction contract. Dalian Construction sought a total amount of \$101,780 (RMB691,086) and interest \$1,905 (RMB12,934). As of December 31, 2019, the Company has accrued the construction cost of \$101,780 (RMB691,086). Upon the request of Dalian Construction for property preservation, the Court of Zhuanghe ordered to freeze CBAK Power’s bank deposits totaling \$103,685 (RMB704,020) for a period of one year to December 2020. As of December 31, 2019, \$97,384 (RMB661,240) was frozen by bank. In January 2020, CBAK Power and Dalian Construction have come to a settlement, and the bank deposit was then released. CBAK Power has settled the construction cost and related interests as of December 31, 2020.

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

In February 2020, CBAK Power received notice from Court of Zhuanghe that Dongguan Shanshan Battery Material Co., Ltd (“Dongguan Shanshan”) filed lawsuit against CBAK Power for the failure to pay pursuant to the terms of the purchase contract. Dongguan Shanshan sought a total amount of \$0.7 million (RMB4,434,209). Upon the request of Dongguan Shanshan for property preservation, the Court of Zhuanghe ordered to freeze CBAK Power’s bank deposits totaling \$0.7 million (RMB4,434,209) for a period of one year to December 17, 2020. In July 2020, CBAK Power and Dongguan Shanshan have come to a settlement amount of \$0.6 million (RMB3,635,192) and the bank deposit was then released. In October 2020, CBAK Power fail to pay according to the settlement, Dongguan Shanshan sought a total amount of \$0.6 million (RMB3,635,192). Upon the request of Dongguan Shanshan for property preservation, the Court of Zhuanghe ordered to freeze CBAK Power’s bank deposits totaling \$0.6 million (RMB3,365,192) for a period of one year to October 21, 2021. As of December 31, 2020, \$55,230 (RMB360,576) was frozen by bank and the Company has accrued the material purchase cost of \$516,865 (RMB3,374,403). Upto the date of this report, CBAK Power paid \$336,979 (RMB2,20,00) to Dongguan Shanshan and the frozen bank deposits were released in March 2021.

In June 2020, CBAK Power received notice from Court of Dalian Economic and Technology Development Zone that Nanjing Jinlong Chemical Co., Ltd. (“Nanjing Jinlong”) filed a lawsuit against CBAK Power for the failure to pay pursuant to the terms of the purchase contract. Nanjing Jinlong sought a total amount of \$125,908 (RMB822,000). Upon the request of Nanjing Jinlong for property preservation, the Court of Dalian Economic and Technology Development Zone ordered to freeze CBAK Power’s bank deposits totaling \$125,908 (RMB822,000) for a period of one year. As of December 31, 2020, \$16 (RMB107) was frozen by bank and the Company had accrued the material purchase cost of \$125,908 (RMB822,000).

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

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

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

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

4. Trade Accounts and Bills Receivable, net

Trade accounts and bills receivable as of December 31, 2019 and 2020:

	<i>December 31,</i> <i>2019</i>	<i>December 31,</i> <i>2020</i>
Trade accounts receivable	\$ 12,517,626	\$ 33,305,997
Less: Allowance for doubtful accounts	(4,650,686)	(5,266,828)
	<u>7,866,940</u>	<u>28,039,169</u>
Bills receivable	85,480	1,532,105
	<u>\$ 7,952,420</u>	<u>\$ 29,571,274</u>

Included in trade accounts and bills receivables are retention receivables of \$2,159,356 and \$1,896,068 as of December 31, 2019 and 2020. Retention receivables are interest-free and recoverable either at the end of the retention period of three to five years since the sales of the EV batteries or 200,000 km since the sales of the motor vehicles (whichever comes first).

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

	<i>December 31,</i> <i>2019</i>	<i>December 31,</i> <i>2020</i>
Balance at beginning of year	\$ 3,657,173	\$ 4,650,686
Provision for the year	1,613,402	1,656,128
Reversal - recoveries by cash	(567,042)	(934,391)
Charged to consolidated statements of operations and comprehensive (loss) income	\$ 1,046,360	\$ 721,737
Write off	-	(431,684)
Foreign exchange adjustment	(52,847)	326,089
Balance at end of year	<u>\$ 4,650,686</u>	<u>\$ 5,266,828</u>

5. Inventories

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

	<i>December 31,</i> <i>2019</i>	<i>December 31,</i> <i>2020</i>
Raw materials	\$ 482,836	\$ 757,857
Work in progress	1,254,490	2,338,342
Finished goods	6,929,388	2,156,646
	<u>\$ 8,666,714</u>	<u>\$ 5,252,845</u>

During the years ended December 31, 2019 and 2020, write-downs of obsolete inventories to lower of cost or net realizable value of \$834,362 and \$1,450,182, respectively, were charged to cost of revenues.

6. Prepayments and Other Receivables

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

	<i>December 31,</i> <i>2019</i>	<i>December 31,</i> <i>2020</i>
Value added tax recoverable	\$ 4,124,624	\$ 4,524,475
Loan receivables	-	1,358,637
Prepayments to suppliers	60,090	424,311
Deposits	63,184	17,385
Staff advances	53,731	67,867
Prepaid operating expenses	317,151	529,401
Others	124,133	524,468
	<u>4,742,913</u>	<u>7,446,544</u>
Less: Allowance for doubtful accounts	<u>(7,000)</u>	<u>(7,000)</u>
	<u>\$ 4,735,913</u>	<u>\$ 7,439,544</u>

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

7. Payables to former subsidiaries, net

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

	<i>December 31,</i> <i>2019</i>	<i>December 31,</i> <i>2020</i>
BAK Tianjin	\$ -	\$ 29,852
BAK Shenzhen	1,483,352	597,138
	<u>\$ 1,483,352</u>	<u>\$ 626,990</u>

Balance as of December 31, 2019 and December 31, 2020 consisted of payables for purchase of inventories from BAK Tianjin and BAK Shenzhen. From time to time, to meet the needs of its customers, the Company purchased products from these former subsidiaries that it did not produce to meet the needs of its customers.

On April 10, 2020, each of Mr. Yunfei Li, Mr. Ping Shen and Asia EVK entered into an agreement with CBAK Power and Shenzhen BAK, whereby Shenzhen BAK assigned its rights to the unpaid inventories cost owed by CBAK Power of approximately \$1.0 million (RMB7,000,000), \$2.3 million (RMB16,000,000) and \$1.0 million (RMB7,300,000) (collectively \$4.3 million, the "Sixth Debt") to Mr. Yunfei Li, Mr. Ping Shen and Asia EVK, respectively (see Note 1).

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

8. Property, Plant and Equipment, net

Property, plant and equipment as of December 31, 2019 and 2020 consisted of the following:

	<i>December 31,</i> <i>2019</i>	<i>December 31,</i> <i>2020</i>
Buildings	\$ 27,262,301	\$ 28,150,137
Machinery and equipment	22,719,932	32,753,952
Office equipment	204,196	258,458
Motor vehicles	161,980	197,790
	<u>50,348,409</u>	<u>61,360,337</u>
Impairment	(4,126,152)	(8,980,020)
Accumulated depreciation	(8,044,692)	(11,339,947)
Carrying amount	<u>\$ 38,177,565</u>	<u>\$ 41,040,370</u>

During the years ended December 31, 2019 and 2020, the Company incurred depreciation expense of \$2,728,224 and \$2,677,238, respectively.

The Company has not yet obtained the property ownership certificates of the buildings in its Dalian manufacturing facilities with a carrying amount of \$24,671,045 and \$24,611,468 as of December 31, 2019 and 2020, respectively. The Company built its facilities on the land for which it had already obtained the related land use right. The Company has submitted applications to the Chinese government for the ownership certificates on the completed buildings located on these lands. However, the application process takes longer than the Company expected and it has not obtained the certificates as of the date of this report. However, since the Company has obtained the land use right in relation to the land, the management believe the Company has legal title to the buildings thereon albeit the lack of ownership certificates.

During the course of the Company's strategic review of its operations in the years ended December 31, 2019 and 2020, the Company assessed the recoverability of the carrying value of certain property, plant and equipment which resulted in impairment losses of approximately \$2.3 million and \$4.3 million, respectively. The impairment charge represented the excess of carrying amounts of the Company's property, plant and equipment over the estimated fair value of the Company's production facilities in Dalian primarily for the production of high-power lithium batteries.

9. Construction in Progress

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

	<i>December 31,</i> <i>2019</i>	<i>December 31,</i> <i>2020</i>
Construction in progress	\$ 21,613,577	\$ 27,070,916
Prepayment for acquisition of property, plant and equipment	94,047	3,122,393
Carrying amount	<u>\$ 21,707,624</u>	<u>\$ 30,193,309</u>

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

For the years ended December 31, 2019 and 2020, the Company capitalized interest of \$1,516,244 and \$1,308,274, respectively, to the cost of construction in progress.

10. Lease

(a) Right-of-use assets

	<i>Prepaid land lease payments</i>
Balance as of January 1, 2020	\$ 7,194,195
Amortization charge for the year	(162,763)
Foreign exchange adjustment	469,348
Balance as of December 31, 2020	<u>\$ 7,500,780</u>

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

(b) Company as Lessor

The Company derives a portion of its revenue from leasing arrangements of these vehicles to end users. Such arrangements provide for monthly payments covering the vehicles sales and interest. These arrangements meet the criteria to be accounted for as sales-type leases. Accordingly, vehicle sale net of cost is recorded as other income and recognized upon delivery of the vehicle and its acceptance by the end user. Upon the recognition of such revenue, an asset is established for the investment in sales-type leases. Interests are recognized monthly over the lease term. The components of the net investment in sales-type leases as of December 31, 2019 and 2020 are as follows:

	<i>December 31,</i> <i>2019</i>	<i>December 31,</i> <i>2020</i>
Total future minimum lease payments receivable	\$ -	1,210,305
Less: unearned income, representing interest	-	(124,653)
Present value of minimum lease payments receivables	-	1,085,652
Less: Current portion	-	(235,245)
Non-current portion	\$ -	850,407

Vehicle sale net of cost recognized in other income (expense) and interest income from vehicle leasing was \$(410,774) and \$13,106 for the year ended December 31, 2020, respectively.

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

Fiscal years ending December	Total Minimum Lease Payments to be Received	Amortization of Unearned Income	Net Investment in Sales Type Leases
2021	\$ 299,850	\$ 64,605	\$ 235,245
2022	422,755	41,852	380,903
2023	422,755	17,654	405,101
2024	64,945	542	64,403
2025	-	-	-
Thereafter	-	-	-
	<u>1,210,305</u>	<u>124,653</u>	<u>1,085,652</u>

11. Intangible Assets, net

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

	<i>December 31,</i> <i>2019</i>	<i>December 31,</i> <i>2020</i>
Computer software at cost	\$ 30,648	32,686
Accumulated amortization	(15,470)	(20,879)
	<u>\$ 15,178</u>	<u>11,807</u>

Amortization expenses were \$5,482 and \$4,143 for the years ended December 31, 2019 and 2020, respectively.

12. Trade Accounts and Bills Payable

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

	<i>December 31,</i> <i>2019</i>	<i>December 31,</i> <i>2020</i>
Trade accounts payable	\$ 11,157,014	\$ 19,560,793
Bills payable		
– Bank acceptance bills	3,915,094	8,791,499
	<u>\$ 15,072,108</u>	<u>\$ 28,352,292</u>

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

The bank acceptance bills were pledged by the Company's bank deposits (Note 3).

13. Loans

Bank loans:

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

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2020</u>
Current maturities of long-term bank loans	\$ 16,574,752	\$ 13,739,546
Long-term bank borrowings	9,519,029	-
	<u>\$ 26,093,781</u>	<u>\$ 13,739,546</u>

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

On June 28, 2020, the Company entered into a supplemental agreement with China Everbright Bank Dalian Branch to change the repayment schedule. According to the modification agreement, the remaining RMB141.8 million (approximately \$21.72 million) loans are repayable in eight instalments consisting of RMB1.09 million (\$0.17 million) on June 10, 2020, RMB1 million (\$0.15 million) on December 10, 2020, RMB2 million (\$0.31 million) on January 10, 2021, RMB2 million (\$0.31 million) on February 10, 2021, RMB2 million (\$0.31 million) on March 10, 2021, RMB2 million (\$0.31 million) on April 10, 2021, RMB2 million (\$0.31 million) on May 10, 2021, and RMB129.7 million (\$19.9 million) on June 10, 2021, respectively. The Company repaid the bank loan of RMB1.09 million (\$0.17 million) and RMB51 million (\$7.8 million) in June and December 2020, respectively.

Under the facilities, as of December 31, 2020, outstanding loan balance owing to China Everbright Bank Dalian Branch was RMB89.7 million (approximately \$13.7 million).

In August 2018, the Company borrowed a total of RMB60 million (approximately \$8.8 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 \$8.8 million. The Company discounted these two bills payable of even date to China Everbright Bank at a rate of 4.0%. The Company repaid these bills payable in August 2019.

On August 22, 2018, the Company obtained one-year term facilities from China Everbright Bank Dalian Branch with a maximum amount of RMB100 million (approximately \$14.7 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. The Company borrowed a series of bank acceptance bills totaled RMB28.8 million (approximately \$4.24 million) for a term until March 7, 2019. The Company repaid the bank acceptance bills on March 7, 2019.

In November 2018, the Company borrowed a total of RMB100 million (approximately \$14.7 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 RMB50 million (approximately \$7.4 million) and the 100% equity in CBAK Power held by BAK Asia. The Company discounted the bills payable of even date to China Everbright Bank at a rate of 4.0%. The Company repaid the bills payable in November 2019.

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

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

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

In July to December 2020, the Company borrowed a series of acceptance bills from China Merchants Bank totaled RMB24.9 million (approximately \$3.82 million) for various terms through January to June 2021, which was secured by the Company's cash totaled RMB24.9 million (approximately \$3.82 million) (Note 3).

In December 2020, the Company borrowed a series of acceptance bills from Agricultural Bank of China totaled RMB32.5 million (approximately \$4.97 million) for various terms to June 2021, which was secured by the Company's cash totaled RMB32.5 million (approximately \$4.97 million) (Note 3).

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

	<i>December 31,</i> <i>2019</i>	<i>December 31,</i> <i>2020</i>
Pledged deposits (note 3)	\$ 4,021,255	\$ 8,791,499
Right-of-use assets (note 10)	7,194,195	7,500,780
Buildings	17,683,961	16,721,178
Machinery and equipment	7,196,810	4,926,886
	<u>\$ 36,096,221</u>	<u>\$ 37,940,343</u>

As of December 31, 2020, the Company had unutilized committed banks and Jilin Province Trust Co., Ltd (see "Other Short-term Loans" below) totaled \$7.4 million.

During the years ended December 31, 2019 and 2020, interest of \$2,293,440 and \$1,710,183 were incurred on the Company's bank borrowings, respectively.

Other short-term loans:

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

	<i>Note</i>	<i>December 31,</i> <i>2019</i>	<i>December 31,</i> <i>2020</i>
Advance from related parties			
– Mr. Xiangqian Li, the Company's Former CEO	(a)	\$ 100,000	\$ 100,000
– Mr. Yunfei Li	(b)	212,470	278,739
– Shareholders	(c)	86,679	92,446
		<u>399,149</u>	<u>471,185</u>
Advances from unrelated third party			
– Mr. Wenwu Yu	(d)	30,135	16,823
– Ms. Longqian Peng	(d)	646,273	689,275
– Mr. Shulin Yu	(e)	517,018	-
– Jilin Province Trust Co. Ltd	(f)	5,687,204	-
– Suzhou Zhengyuanwei Needle Ce Co., Ltd	(g)	71,808	76,586
		<u>6,952,438</u>	<u>782,684</u>
		<u>\$ 7,351,587</u>	<u>\$ 1,253,869</u>

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

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

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

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

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

As of December 31, 2020, earnest money of \$92,446 remained outstanding.

- (d) Advances from unrelated third parties were unsecured, non-interest bearing and repayable on demand.
- (e) On June 25, 2019, the Company entered into a loan agreement with Mr. Shulin Yu, an unrelated party, to loan RMB3.6 million (approximately \$0.5 million) for a term of one year, bearing annual interest of 10% and the repayment was guaranteed by Mr. Yunfei Li (the Company's CEO) and Mr. Wenwu Wang (the Company's former CFO). On June 22, 2020, the Company and Mr. Shulin Yu entered into a supplemental agreement to extend the loan for one year to June 24, 2021. The Company fully repaid the loan principal and accrued interests in October 2020.
- (f) In January 2019, the Company obtained one-year term facilities from Jilin Province Trust Co. Ltd. with a maximum amount of RMB40.0 million (approximately \$5.8 million), which was secured by land use rights and buildings of Eodos Liga Energy Co., Ltd. Under the facilities, the Company borrowed a total of RMB39.6 million (\$5.7 million) in 2019, bearing annual interest from 11.3% to 11.6%. The Company fully repaid the loan principal and accrued interests in March 2020.

In March 2020, the Company obtained additional one-year term facilities from Jilin Province Trust Co., Ltd with a maximum amount of RMB40.0 million (approximately \$5.9 million), which was secured by land use rights and buildings of Eodos Liga Energy Co., Ltd. Under the facilities, the Company borrowed RMB24.2 million (\$3.6 million) on March 13, 2020, bearing annual interest of 13.5%. The Company fully repaid the loan principal and accrued interests in December 2020.

- (g) In 2019, the Company entered into a short term loan agreement with Suzhou Zhengyuanwei Needle Ce Co., Ltd, an unrelated party to loan RMB0.6 million (approximately \$0.1 million), bearing annual interest rate of 12%. As of December 31, 2020, loan amount of RMB0.5 million (\$76,586) remained outstanding.

During the years ended December 31, 2019 and 2020, interest of \$601,153 and \$587,620 were incurred on the Company's borrowings from unrelated parties, respectively.

14. Accrued Expenses and Other Payables

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

	<i>December 31,</i> <i>2019</i>	<i>December 31,</i> <i>2020</i>
Construction costs payable	\$ 1,335,483	\$ 273,279
Equipment purchase payable	7,440,131	5,431,132
Liquidated damages (note a)	1,210,119	1,210,119
Accrued staff costs	2,485,384	2,083,660
Compensation costs	109,311	-
Customer deposits	600,758	394,536
Other payables and accruals	2,346,403	2,252,733
	<u>\$ 15,527,589</u>	<u>\$ 11,645,459</u>

- (a) On August 15, 2006, the SEC declared effective a post-effective amendment that the Company had filed on August 4, 2006, terminating the effectiveness of a resale registration statement on Form SB-2 that had been filed pursuant to a registration rights agreement with certain shareholders to register the resale of shares held by those shareholders. The Company subsequently filed Form S-1 for these shareholders. On December 8, 2006, the Company filed its Annual Report on Form 10-K for the year ended September 30, 2006 (the "2006 Form 10-K"). After the filing of the 2006 Form 10-K, the Company's previously filed registration statement on Form S-1 was no longer available for resale by the selling shareholders whose shares were included in such Form S-1. Under the registration rights agreement, those selling shareholders became eligible for liquidated damages from the Company relating to the above two events totaling approximately \$1,051,000. As of December 31, 2019 and 2020, no liquidated damages relating to both events have been paid.

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

On December 21, 2007, pursuant to the registration rights agreement, the Company filed a registration statement on Form S-3, which was declared effective by the SEC on May 7, 2008. As a result, the Company estimated liquidated damages amounting to \$561,174 for the November 2007 registration rights agreement. As of December 31, 2019 and 2020, the Company had settled the liquidated damages with all the investors and the remaining provision of approximately \$159,000 was included in other payables and accruals.

15. Deferred Government Grants

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

	<i>December 31,</i> <i>2019</i>	<i>December 31,</i> <i>2020</i>
Total government grants	\$ 4,260,833	\$ 7,456,308
Less: Current portion	(142,026)	(151,476)
Non-current portion	<u>\$ 4,118,807</u>	<u>\$ 7,304,832</u>

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, 2019 and 2020.

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.

On June 23, 2020, BAK Asia, the Company wholly-owned Hong Kong subsidiary, entered into a framework investment agreement with Jiangsu Gaochun Economic Development Zone Development Group Company (“Gaochun EDZ”), pursuant to which the Company intended to develop certain lithium battery projects that aim to have a production capacity of 8Gwh. Gaochun EDZ agreed to provide various support to facilitate the development and operation of the projects. As of the date of this report, the Company received RMB20 million (approximately \$3.06 million) subsidy from Gaochun EDZ. The Company will recognize the government subsidies as income or offsets them against the related expenditures when there are no present or future obligations for the subsidized projects.

The Company offset government grants of \$143,172 and \$143,256 for the years ended December 31, 2019 and 2020, 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:

	<i>December 31,</i> <i>2019</i>	<i>December 31,</i> <i>2020</i>
Balance at beginning of year	\$ 2,250,615	\$ 2,246,933
Warranty costs incurred	(85,397)	(395,864)
Provision for the year	109,248	12,998
Foreign exchange adjustment	(27,533)	127,538
Balance at end of year	<u>2,246,933</u>	<u>1,991,605</u>
Less: Current portion	-	(155,888)
Non-current portion	<u>\$ 2,246,933</u>	<u>\$ 1,835,717</u>

17. Notes payable

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

	December 31, 2019	December 31, 2020
Notes payable, net of debt discount	<u>\$ 2,846,736</u>	<u>\$ -</u>

Note I

On July 24, 2019, the Company entered into a securities purchase agreement with Atlas Sciences, LLC (the “Lender”), pursuant to which the Company issued a promissory note (the “Note I”) to the Lender. The Note has an original principal amount of \$1,395,000, bears interest at a rate of 10% per annum and will mature 12 months after the issuance, unless earlier paid or redeemed in accordance with its terms. The Company received proceeds of \$1,250,000 after an original issue discount of \$125,000 and payment of Lender’s expenses of \$20,000. Beginning on the date that is six months after July 24, 2019, Lender shall have the right, exercisable at any time in its sole and absolute discretion, to redeem any amount of this Note up to \$250,000.00 per calendar month by providing written notice to Borrower.

The Company recorded the \$125,000 as debt discount and is amortized as interest expense over 12 months period. The Company did not assign any value to the redemption feature of the Note because the redemption of the Note has no value on the redemption portion as of December 31, 2020.

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

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

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

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

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

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

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

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

According to the amendment, on October 13, 2020, the Company exchanged \$230,000 in principal and \$141,275 coupon interests under the Note I for the issuance of 229,750 shares of the Company’s common stock, par value \$0.001 per share to the Lender. As of the date of this report, the Company has fully repaid the principal and coupon interests of Note I.

The Company recorded \$66,097 and \$78,888 to interest expense from the amortization of debt discount and coupon interest, respectively, for the year ended December 31, 2020.

The Company recorded \$55,903 and \$62,387 to interest expense from the amortization of debt discount and coupon interest for Note I, respectively, for the year ended December 31, 2019.

As of December 31, 2019 and 2020, accrued coupon interest of \$55,903 and nil on the Note I was included in other payables and accruals (note 14), respectively.

Note II

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

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

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

According to the amendment, on October 13, 2020, the Company exchanged \$775,000 in principal under the Note II for the issuance of 479,579 shares of the Company’s common stock, par value \$0.001 per share to the Lender, On October 20, 2020, the Company exchanged additional \$645,000 in principal and \$133,252 coupon interests under Note II for the issuance of 329,768 shares of the Company’s common stock, par value \$0.001 per share to the Lender, As of the date of this report, the Company has fully repaid the principal and coupon interests of Note II.

The Company recorded \$149,167 and \$132,324 to interest expense from the amortization of debt discount and coupon interest for Note II, respectively, for the year ended December 31, 2020.

The Company recorded \$833 and \$597 to interest expense from the amortization of debt discount and coupon interest for Note II, respectively, for the year ended December 31, 2019.

As of December 31, 2019 and 2020, accrued coupon interest of \$597 and nil on the Note II was included in other payables and accruals (note 14), respectively.

18. 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, 2019	December 31, 2020
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 loss 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, 2019 and 2020.

Hong Kong Tax

BAK Asia is subject to Hong Kong profits tax rate of 16.5% and did not have any assessable profits arising in or derived from Hong Kong for the years ended December 31, 2019 and 2020 and accordingly no provision for Hong Kong profits tax was made in these periods.

PRC Tax

The CIT Law in China applies an income tax rate of 25% to all enterprises but grants preferential tax treatment to High-New Technology Enterprises. CBAK Power was regarded as a “High-new technology enterprise” pursuant to a certificate jointly issued by the relevant Dalian Government authorities. The certificate was valid for three years commencing from year 2019. Under the preferential tax treatment, CBAK Power was entitled to enjoy a tax rate of 15% for the years from 2019 to 2021 provided that the qualifying conditions as a High-new technology enterprise were met.

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

	<i>Year ended December 31, 2019</i>	<i>Year ended December 31, 2020</i>
Loss before income taxes	\$ (10,853,435)	\$ (7,846,768)
United States federal corporate income tax rate	21%	21%
Income tax credit computed at United States statutory corporate income tax rate	(2,279,221)	(1,647,821)
Reconciling items:		
Over provision of deferred taxation in prior year		
Rate differential for PRC earnings	(372,518)	(318,383)
Non-taxable income	-	(435,120)
Non-deductible expenses	161,576	241,843
Share based payments	161,724	168,826
(Under) Over provision of tax losses	(92,668)	174,558
Valuation allowance on deferred tax assets	2,421,107	1,816,097
Income tax expenses	\$ -	\$ -

(b) Deferred tax assets and deferred tax liabilities

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

	<i>December 31, 2019</i>	<i>December 31, 2020</i>
Deferred tax assets		
Trade accounts receivable	\$ 1,225,916	\$ 1,354,762
Inventories	1,026,483	575,575
Property, plant and equipment	768,975	1,271,986
Provision for product warranty	561,733	497,901
Net operating loss carried forward	29,361,274	31,060,254
Valuation allowance	(32,944,381)	(34,760,478)
Deferred tax assets, non-current	\$ -	\$ -
Deferred tax liabilities, non-current	\$ -	\$ -

As of December 31, 2020, the Company's U.S. entity had net operating loss carry forwards of \$103,580,741, of which \$102,293 available to reduce future taxable income which will expire in various years through 2035 and \$103,478,448 available to offset capital gains recognized in the succeeding 5 tax years. As of December 31, 2020, the Company's PRC subsidiaries had net operating loss carry forwards of \$37,536,687, which will expire in various years through 2021 to 2030. 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.

19. Share-based Compensation

Restricted Shares and Restricted Share Units

Restricted shares granted on June 30, 2015

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

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

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

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

Restricted shares granted on April 19, 2016

On April 19, 2016, pursuant to the Company's 2015 Plan, the Compensation Committee of the Board of Directors of the Company granted an aggregate of 500,000 restricted shares of the Company's common stock, par value \$0.001, to certain employees, officers and directors of the Company, of which 220,000 restricted shares were granted to the Company's executive officers and directors. There are three types of vesting schedules. First, if the number of restricted shares granted is below 3,000, the shares will vest annually in 2 equal installments over a two year period with the first vesting on June 30, 2017. Second, if the number of restricted shares granted is larger than or equal to 3,000 and is below 10,000, the shares will vest annually in 3 equal installments over a three year period with the first vesting on June 30, 2017. Third, if the number of restricted shares granted is above or equal to 10,000, the shares will vest semi-annually in 6 equal installments over a three year period with the first vesting on December 31, 2016. The fair value of these restricted shares was \$2.68 per share on April 19, 2016. The Company recognizes the share-based compensation expenses over the vesting period (or the requisite service period) on a graded-vesting method.

The Company recorded non-cash share-based compensation expense of \$36,641 for the year ended December 31, 2019, in respect of the restricted shares granted on April 19, 2016 of which \$27,774, \$4,763, \$2,272 and \$1,832 were allocated to general and administrative expenses, research and development expenses, sales and marketing expenses and cost of revenues, respectively.

No such non-cash share-based compensation expense was recognized for the year ended December 31, 2020, in respect of the restricted shares granted on April 19, 2016.

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

Restricted share units granted on August 23, 2019

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

The Company recorded non-cash share-based compensation expense of \$711,740 for the year ended December 31, 2020, in respect of the restricted shares granted on August 23, 2019 of which \$575,200, \$22,631 and \$113,909 were allocated to general and administrative expenses, sales and marketing expenses and research and development expenses.

The Company recorded non-cash share-based compensation expense of \$733,472 for the year ended December 31, 2019, in respect of the restricted shares granted on August 23, 2019 of which \$567,081, \$21,822 and \$144,569 were allocated to general and administrative expenses, sales and marketing expenses and research and development expenses.

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

Non-vested share units as of August 23, 2019	
Granted	1,887,000
Vested	(307,000)
Forfeited	(74,167)
Non-vested share units as of January 1, 2020	1,505,833
Granted	-
Vested	(571,996)
Forfeited	(78,333)
Non-vested share units as of December 31, 2020	855,504

As of December 31, 2020, there was unrecognized stock-based compensation \$253,088 associated with the above restricted share units and no vested shares were to be issued.

Restricted share units granted on October 23, 2020

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

The Company recorded non-cash share-based compensation expense of \$92,191 for the year ended December 31, 2020, in respect of the restricted shares granted on October 23, 2020 of which allocated to research and development expenses.

As of December 31, 2020, non-vested restricted share units granted on October 23, 2020 are as follows:

Non-vested share units as of October 23, 2020	
Granted	100,000
Vested	(16,667)
Non-vested share units as of December 31, 2020	83,333

As of December 31, 2020, there was unrecognized stock-based compensation \$207,809 associated with the above restricted share units and no 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, 2019 and 2020.

20. Loss Per Share

The following is the calculation of loss per share:

	Year ended December 31, 2019	Year ended December 31, 2020
Net loss	\$ (10,853,435)	\$ (7,846,768)
Less: Net loss attributable to non-controlling interests	85,912	39,870
Net loss attributable to shareholders of CBAK Energy Technology, Inc.	<u>(10,767,523)</u>	<u>(7,806,898)</u>
Weighted average shares used in basic and diluted computation	<u>38,965,564</u>	<u>61,992,386</u>
Loss per share - basic and diluted	<u>\$ (0.28)</u>	<u>\$ (0.10)</u>

Note: Including 5,834 and nil vested restricted shares granted pursuant to the 2015 Plan that were not yet issued as of December 31, 2019 and 2020, respectively.

For the years ended December 31, 2019 and 2020, 1,505,833 and 938,837 unvested restricted shares, respectively, and all the outstanding warrants were anti-dilutive and excluded from shares used in the diluted computation.

21. Warrants

On December 8, 2020, the Company entered in a securities purchase agreement with certain institutional investors, pursuant to which the Company issued in a registered direct offering, an aggregate of 9,489,800 shares of its common stock at a price of \$5.18 per share, for aggregate gross proceeds to the Company of approximately \$49 million, before deducting fees to the placement agent and other estimated offering expenses payable by the Company. As part of the transaction, the institutional investors also received warrants (“Investor Warrants”) for the purchase of up to 3,795,920 shares of the Company’s common stock at an exercise price of \$6.46 per share exercisable for 36 months from the date of issuance. In addition, the placement agent for this transaction also received warrants (“Placement Agent Warrants”) for the purchase of up to 379,592 shares of the Company’s common stock at an exercise price of \$6.475 per share exercisable for 36 months after 6 months from the issuance. The Company has performed a thorough reassessment of the terms of its warrants with reference to the provisions of ASC Topic 815-40-15-71, regarding its exposure to changes in currency exchange rates. This reassessment has led to the management’s conclusion that the Company’s warrants issued to the investors should not be considered indexed to the Company’s own stock because the warrants are denominated in U.S. dollar, which is different from the Company’s functional currency, Renminbi. Warrants are remeasured at fair value with changes in fair value recorded in earnings in each reporting period.

There was a total of 4,175,512 warrants issued and outstanding as of December 31, 2020.

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

Warrants holder	Investor Warrants	Placement Agent Warrants
	December 10, 2020	December 10, 2020
Appraisal Date (Inception Date)		
Market price per share (USD/share)	\$ 5.36	\$ 5.36
Exercise price (USD/price)	6.46	6.475
Risk free rate	0.2%	0.2%
Dividend yield	0.0%	0.0%
Expected term/ Contractual life (years)	3.0 years	3.0 years
Expected volatility	211.5%	211.5%
	December 31, 2020	December 31, 2020
Appraisal Date		
Market price per share (USD/share)	\$ 5.06	\$ 5.06
Exercise price (USD/price)	6.46	6.475
Risk free rate	0.2%	0.2%
Dividend yield	0.0%	0.0%
Expected term/ Contractual life (years)	2.9 years	2.9 years
Expected volatility	187.6%	187.6%

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

	<i>Year ended December 31, 2019</i>	<i>Year ended December 31, 2020</i>
Balance at the beginning of the year	\$ -	\$ -
Warrants issued to institution investors	-	17,980,000
Warrants issued to placement agent	-	1,875,000
Warrants redeemed	-	-
Fair value change of the issued warrants included in earnings	-	(2,072,000)
Balance at end of year	<u>-</u>	<u>17,783,000</u>

The following is a summary of the warrant activity:

	<u>Number of Warrants</u>	<u>Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term in Years</u>
Outstanding at January 1, 2020	-	\$ -	
Exercisable at January 1, 2020	-	\$ -	
Granted	4,175,512	6.46	3
Exercised / surrendered	-	-	
Expired	-	-	
Outstanding at December 31, 2020	4,175,512	\$ 6.46	2.9
Exercisable at December 31, 2020	3,795,920	\$ 6.46	2.9

22. Fair Value of Financial Instruments

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

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

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

The fair value of warrants was determined using the Binomial Model, with level 3 inputs (Note 21).

23. Commitments and Contingencies

(i) Capital Commitments

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

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2020</u>
For construction of buildings	\$ 3,397,961	\$ 2,465,092
For purchases of equipment	-	10,308,416
Capital injection	83,900,000	228,115,914
	<u>\$ 87,297,961</u>	<u>\$ 240,889,422</u>

(ii) Litigation

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

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

On June 30, 2017, according to the trial of first instance, the Court of Zhuanghe ruled that CBAK Power should pay the remaining contract amount of RMB6,135,860 (approximately \$0.9 million) claimed by Shenzhen Huijie as well as other expenses incurred including deferred interest, discounted charge on bills payable, litigation fee and property preservation fee totaled \$0.1 million. The Company has accrued for these amounts as of December 31, 2017. On July 24, 2017, CBAK Power filed an appellate petition to the Intermediate Peoples' Court of Dalian ("Court of Dalian") to appeal the adjudication dated on June 30, 2017. On November 17, 2017, the Court of Dalian rescinded the original judgement and remanded the case to the Court of Zhuanghe for retrial. The Court of Zhuanghe conducted a retrial and requested an appraisal to be performed by a third-party appraisal institution on the construction cost incurred and completed by Shenzhen Huijie on the subject project. On November 8, 2018, the Company received from the Court of Zhuanghe the construction-cost-appraisal report which determined that the construction cost incurred and completed by Shenzhen Huijie for the subject project to be \$1,344,605 (RMB9,129,868). On May 20, 2019, the Court of Zhuanghe entered a judgment that Shenzhen Huijie should pay back to CBAK Power \$261,316 (RMB1,774,337) (the amount CBAK Power paid in excess of the construction cost appraised by the appraisal institution) and the interest incurred since April 2, 2019. Shenzhen Huijie filed an appellate petition to the Court of Dalian. On June 28, 2020, the Court of Dalian entered the final judgment that Shenzhen Huijie should pay back to CBAK Power \$245,530 (RMB1,667,146) (the amount CBAK Power paid in excess of the construction cost appraised by the appraisal institution) and the interest incurred since April 2, 2019, and reimburse the litigation fees totaling \$30,826 (RMB209,312) that CBAK Power has paid. As of December 31, 2020, CBAK Power have not received the final judgement amount totaled \$276,356 (RMB 1,876,458) from Shenzhen Huijie.

In May 2017, CBAK Power filed a lawsuit in the Court of Zhuanghe against Pingxiang Anyuan Tourism Bus Manufacturing Co., Ltd., (“Anyuan Bus”) one of CBAK Power’s customers, for failure to pay pursuant to the terms of the sales contract. CBAK Power sought a total amount of RMB18,279,858 (\$2,692,174), including goods amount of RMB17,428,000 (\$2,566,716) and interest of RMB851,858 (\$125,458). On December 19, 2017, the Court of Zhuanghe determined that Anyuan Bus should pay the goods amount of RMB17,428,000 (\$2,566,716) and the interest until the goods amount was paid off, and a litigation fee of RMB131,480 (\$19,364). Anyuan Bus did not appeal and as a result, the judgment is currently in the enforcement phase. On June 29, 2018, the Company filed application petition with the Court of Zhuanghe for enforcement of the judgement against all of Anyuan Bus’s shareholders, including Jiangxi Zhixin Automobile Co., Ltd, Anyuan Bus Manufacturing Co., Ltd, Anyuan Coal Group Co., Ltd, Qian Ronghua, Qian Bo and Li Junfu. On October 22, 2018, the Court of Zhuanghe issued a judgment supporting the Company’s petition that all the Anyuan Bus’s shareholders should be liable to pay the Company the debt as confirmed under the trial. On November 9, 2018, all the shareholders of Anyuan Bus appealed against the judgment after receiving the notice from the Court. On March 29, 2019, the Company received judgment from the Court of Zhuanghe that all these six shareholders cannot be added as judgment debtors. On April 11, 2019, the Company filed appellate petition to the Intermediate Peoples’ Court of Dalian challenging the judgment from the Court of Zhuanghe. On October 9, 2019, the Intermediate Peoples’ Court of Dalian dismissed the appeal by the Company and affirmed the original judgment. As of December 31, 2019 and December 31, 2020, CBAK Power made a full provision against the receivable from Anyuan Bus of RMB 17,428,000 (\$2,566,716).

On July 25, 2019, CBAK Power received notice from Shenzhen Court of International Arbitration that Shenzhen Xinjiatuo Automobile Technology Co., Ltd filed arbitration against the Company for failure to pay pursuant to the terms of the contract. The plaintiff sought a total amount of \$0.16 million (RMB1,112,269), including equipment cost of \$0.14 million (RMB976,000) and interest of \$0.02 million (RMB136,269). On August 9, 2019, upon the request of Shenzhen Xinjiatuo Automobile Technology Co., Ltd, Shenzhen Court of International Arbitration froze CBAK Power’s bank deposits totaling \$0.16 million (RMB1,117,269), including equipment cost \$0.14 million (RMB976,000), interest \$0.02 million (RMB136,269) and litigation fees of \$736 (RMB5,000) for a period of one year to August 2020. On August 7, 2019, CBAK Power filed counter claim arbitration against Shenzhen Xinjiatuo Automobile Technology Co., Ltd for return of the prepayment due to the unqualified equipment, and sought a total amount of \$0.29 million (RMB1,986,440), including return of prepayment of \$0.2 million (RMB1,440,000), liquidated damages of \$70,692 (RMB480,000) and litigation fees of \$9,785 (RMB66,440). In early July 2020, Shenzhen Court of International Arbitration made arbitration award dismissing the plaintiff’s claim and CBAK Power’s counterclaim and the frozen bank deposits were released in early August 2020.

In early September 2019, CBAK Power received notice from Court of Nanshan District, Shenzhen that Shenzhen HSL Business Technology Co., Ltd (“HSL”) filed lawsuit against CBAK Power for failure to pay pursuant to the terms of purchase contract. The plaintiff sought an amount of \$44,751 (RMB292,164) for material cost and interest as accrued until settlement. In late September 2019, CBAK Power and HSL reached agreement that CBAK Power would pay \$15,317 (RMB100,000), \$7,659 (RMB50,000) and \$21,775 (RMB142,164) by October 15, October 30 and November 30, 2019, respectively, and CBAK Power would pay litigation fees of \$550 (RMB 3,589) to HSL by the end of November 2019. The Company has settled \$22,976 (RMB150,000) in 2019, \$11,794 (RMB77,005) in 2020. As of December 31, 2020, CBAK Power had not settled the remaining material purchase cost of \$9,981 (RMB 65,159) and accrued the material purchase cost.

In November 2019, CBAK Suzhou received notice from Court of Suzhou city that Suzhou Industrial Park Security Service Co., Ltd (“Suzhou Security”) filed a lawsuit against CBAK Suzhou for failure to pay pursuant to the terms of the sales contract. Suzhou Security sought a total amount of \$21,400 (RMB139,713), including services expenses amount of \$21,277 (RMB138,908) and interest of \$123 (RMB805). Upon the request of Suzhou Security for property preservation, the Court of Suzhou froze CBAK Suzhou’s bank deposits totaling \$0.02 million (RMB150,000) for a period of one year. As of December 31, 2020, \$5,062 (RMB33,048) was frozen by bank and CBAK Suzhou accrued the service cost of \$21,277 (RMB138,908).

In early September of 2019, several employees of CBAK Suzhou filed arbitration with Suzhou Industrial Park Labor Disputes Arbitration Commission against CBAK Suzhou for failure to pay their salaries in time. The employees seek for a payment including salaries of \$97,779 (RMB638,359) and compensation of \$83,173 (RMB543,000), totaling \$0.18 million (RMB1,181,359). In addition, upon the request of the employees for property preservation, bank deposit of \$0.18 million (RMB1,181,359) was frozen by the court of Suzhou for a period of one year. On September 5, 2019, CBAK Suzhou and the employees reached an agreement that CBAK Suzhou will pay these salaries and compensation. In February 2020, CBAK Suzhou had made full payment and the frozen bank deposit was released in October 2020.

In October 2019, CBAK Power received notice from Court of Changshou District, Chongqing that Chongqing Zhongrun Chemistry Co., Ltd (“Chongqing Zhongrun”) filed arbitration claims against the Company for failure to pay pursuant to the terms of the contract. The plaintiff sought a total amount of \$0.4 million (RMB2,484,948), including material cost of \$0.4 million (RMB2,397,660) and interest of \$13,370 (RMB87,288). On October 31, 2019, CBAK Power and Chongqing Zhongrun reached an agreement that CBAK Power would pay the material cost by the end of December 31, 2019. In 2020, CBAK Power had paid \$198,152 (RMB1,293,653). In August 2020, upon the request of Chongqing Zhongrun for property preservation, the Court of Changshou District ordered to freeze CBAK Power’s bank deposits totaling \$0.2 million (RMB1,249,836) for a period of one year to August 2021. As of December 31, 2020, the Company has accrued the material purchase cost of \$0.2 million (RMB1,104,007) and \$2,224 (RMB14,521) was frozen by bank. In February 2021, CBAK Power and Chongqing Zhongrun entered into a settlement agreement that if CBAK Power would pay \$172,813 (RMB1,128,227, including RMB24,220 litigation expenses incurred) to Chongqing Zhongrun before March 5, 2021, Chongqing Zhongrun would waive the claims on interests. Thereafter, CBAK Power fully repaid to Chongqing Zhongrun and the frozen bank deposits were released in March 2021.

In October 2019, CBAK Power received notice from Court of Zhuanghe City that Hunan Zhongke Xingcheng Co., Ltd (“Hunan Zhongke”) filed a lawsuit against CBAK Power for failure to pay pursuant to the terms of the purchase contract. Hunan Zhongke sought a total amount of \$154,003 (RMB1,005,425). In 2020, the Company have paid \$38,293 (RMB250,000). Upon the request of Hunan Zhongke for property preservation, the Court of Zhuanghe City ordered to freeze CBAK Power’s bank deposits totaling \$0.1 million (RMB768,876) for a period of one year to July 2021. As of December 31, 2020, the Company accrued the remaining material purchase cost of \$115,710 (RMB755,425) and nil was frozen by bank. In December 2020, CBAK Power and Hunan Zhongke entered into a debt reduction agreement that if CBAK Power would pay \$81,368 (RMB531,220) to Hunan Zhongke before January 10, 2021, Hunan Zhongke would cancel the remaining debts of \$34,342 (RMB224,205). Thereafter, CBAK Power fully paid \$81,368 (RMB531,220) to Hunan Zhongke and the frozen bank deposits were released in January 2021.

In December 2019, CBAK Power received notice from Court of Zhuanghe that Dalian Construction Electrical Installation Engineering Co., Ltd. (“Dalian Construction”) filed a lawsuit against CBAK Power for the failure to pay pursuant to the terms of the construction contract. Dalian Construction sought a total amount of \$101,780 (RMB691,086) and interest \$1,905 (RMB12,934). As of December 31, 2019, the Company has accrued the construction cost of \$101,780 (RMB691,086). Upon the request of Dalian Construction for property preservation, the Court of Zhuanghe ordered to freeze CBAK Power’s bank deposits totaling \$103,685 (RMB704,020) for a period of one year to December 2020. As of December 31, 2019, \$97,384 (RMB661,240) was frozen by bank. In January 2020, CBAK Power and Dalian Construction reached a settlement agreement, and the bank deposit was then released. The Company has repaid all the construction cost as of December 31, 2020.

In February 2020, CBAK Power received notice from Court of Zhuanghe that Dongguan Shanshan Battery Material Co., Ltd (“Dongguan Shanshan”) filed lawsuit against CBAK Power for failure to pay pursuant to the terms of the purchase contract. Dongguan Shanshan sought a total amount of \$0.7 million (RMB4,434,209). Upon the request of Dongguan Shanshan for property preservation, the Court of Zhuanghe ordered to freeze CBAK Power’s bank deposits totaling \$0.7 million (RMB4,434,209) for a period of one year to December 17, 2020. In July 2020, CBAK Power and Dongguan Shanshan have agreed to a settlement amount of \$0.5 million (RMB3,635,192) and the bank deposit was then released. In October 2020, because the Company failed to pay according to the settlement, Dongguan Shanshan sought a total amount of \$0.6 million (RMB3,635,192). Upon the request of Dongguan Shanshan for property preservation, the Court of Zhuanghe ordered to freeze CBAK Power’s bank deposits totaling \$0.6 million (RMB3,635,192) for a period of one year to October 21, 2021. As of December 31, 2020, CBAK Power has accrued the materials purchase cost of \$0.5 million (RMB3.4 million) and \$55,230 (RMB360,576) was frozen by bank. In late February 2021, CBAK Power and Dongguan Shanshan entered into a settlement agreement that CBAK would pay \$260,393, \$76,586, \$76,586, \$76,586, and \$32,088 (RMB 1,700,000, RMB 500,000, RMB 500,000, RMB 500,000 and RMB 209,487) by March 5, March 31, April 30, May 31 and June 30, 2021, respectively, and after the first payment of RMB 1,700,000 by March 5, 2021, Dongguan Shanshan would release all the enforcement measures against CBAK Power. As of the date of this report, CBAK Power paid \$336,979 (RMB2,200,000) to Dongguan Shanshan and the frozen bank deposits were released in March 2021.

In March 2020, CBAK Power received notice from Court of Baodi District, Tianjin that BTR Tianjin Nanomaterial Manufacturing Co., Ltd (“Tianjin BTR”) filed lawsuit against CBAK Power for failure to pay pursuant to the terms of purchase contract. The plaintiff sought an amount of \$49,398 (RMB322,500) for material cost that CBAK Power owed to Tianjin BTR and its related party Shenzhen BTR Nanomaterial Technology Co., Ltd (“Shenzhen BTR”) (together “BTRs”) and interest as accrued until settlement. In April 2020, CBAK Power and BTRs reached an agreement that CBAK Power would pay BTR \$7,659, \$19,912 and \$21,827 (RMB 50,000, RMB130,000 and RMB142,500) by the end of April, May and June 2020, respectively, and CBAK Power would pay litigation fees of \$456 (RMB 2,975) to Tianjing BTR by the end of November, 2020. As of December 31, 2020, CBAK Power has paid \$15,317 (RMB100,000) to Tianjin BTR and accrued remaining materials cost \$27,234 (RMB177,800) and \$6,847 (RMB44,700) for Tianjin BTR and Shenzhen BTR respectively. In late January 2021, CBAK Power and Tianjing BTR reached another settlement agreement to settle all the outstanding debts (including \$773 (RMB5,045) litigation expenses) by paying \$13,253 (RMB86,525) in cash and return of LFP materials at a value of \$14,754 (RMB96,320) and CBAK Power and Shenzhen BTR reached a settlement agreement by returning LFP materials at a value of \$6,847 (RMB44,700). Thereafter, CBAK Power fully paid \$13,253 (RMB 86,525) and delivered the LFP materials to BTRs, and the lawsuit was settled in March 2021.

In May 2020, CBAK Power received notice from Court of Dalian Economic and Technology Development Zone that United Winners Laser Co., Ltd (“United Winners”) filed 3 lawsuits against CBAK Power for failure to pay pursuant to the terms of 3 purchase contracts. The plaintiff sought a total amount of \$0.4 million (RMB2,845,844), including equipment cost of \$0.4 (RMB2,692,000) and interest of \$23,565 (RMB153,844). In late December 2020, CBAK Power and United Winners reached a settlement agreement to settle all the debts by paying \$0.29 million (RMB1,884,400) by December 30, 2020 in cash and delivery of 3 electric vehicles to offset debt of \$41,234 (RMB269,200), and the remaining debt of \$82,468 (RMB538,400) would be relieved. CBAK Power paid \$0.29 million (RMB1,884,400) and delivered the 3 electric vehicles to United Winners in December 31, 2020, and the lawsuit was settled in February 2021.

In June 2020, CBAK Power received notice from Court of Tongzhou District, Beijing that Beijing Hongfa Electric Technology Co., Ltd (“Hongfa”) filed lawsuit against CBAK Power for failure to pay pursuant to the terms of purchase contract. The plaintiff sought a total amount of \$29,993 (RMB195,810) for material cost and interest as accrued until settlement. In December 2020, CBAK Power and Hongfa reached debt reduction agreement that CBAK Power would pay Hongfa \$23,646 (RMB 154,375) by the January 10, 2021, and the remaining debt of \$6,347 (RMB41,435) would be relieved. As of December 31, 2020, CBAK Power repaid \$22,976 (RMB150,000) and accrued materials cost of \$7, 017 (RMB45,810). Thereafter, CBAK Power fully paid to Hongfa, and the lawsuit was settled in January 2021.

On March 20, 2020, CBAK Power received notice from Court of Nanpi County, Hebei Province that Cangzhou Huibang Engineering Manufacturing Co., Ltd (“Cangzhou Huibang”) filed lawsuit against CBAK Power for failure to pay pursuant to the terms of the purchase contract. Cangzhou Huibang sought a total amount of \$0.31 million (RMB2,029,594), including materials purchase cost of \$0.30 million (RMB1,932,947), and interest of \$14,804 (RMB96,647). Upon the request of Cangzhou Huibang for property preservation, the Court of Nanpi ordered to freeze CBAK Power’s bank deposits totaling \$0.4 million (RMB2,650,000) for a period of one year to March 3, 2021. As of December 31, 2020, the Company has accrued materials purchase cost of \$0.3 million (RMB1,932,947) and \$18,518 (RMB120,898) was frozen by bank. In late February 2021, CBAK Power and Cangzhou Huibang entered into a settlement agreement that if CBAK Power would pay \$0.3 million (RMB1,965,447) within 10 days from the signature date of the agreement, Cangzhou Huibang would waive the remaining claims. Thereafter, CBAK Power paid \$0.3 million (RMB1,965,447) to Cangzhou Huibang and the frozen bank deposits were released in March 2021.

In early January 2020, CBAK Power received notice from Court of Nanshan District of Shenzhen that Shenzhen Klclear Technology Co., Ltd. (“Shenzhen Klclear”) filed lawsuit against CBAK Power for failure to pay pursuant to the terms of the materials purchase contract. Shenzhen Klclear sought a total amount of \$1 million (RMB6,250,764), which the Company have already accrued for as of December 31, 2020. In February 2020, the Court of Nanshan District ruled that the Company should pay \$0.8 million (RMB5,238,495) and the interest fees incurred from September 28, 2018. In April 2020, CBAK Power filed an appellate petition to the Intermediate Peoples’ Court of Shenzhen to appeal the adjudication in February 2020. As of the date of this report, the Intermediate Peoples’ Court of Shenzhen has not yet rendered the judgment.

In May 2020, CBAK Power received notice from Court of Dalian Economic and Technology Development Zone that Tianjin Changxing Metal Co., Ltd (“Tianjin Changxing”) filed a lawsuit against CBAK Power for failure to pay pursuant to the terms of the purchase contract. Tianjin Changxing sought a total amount of \$29,652 (RMB193,588). On August 24, 2020, upon the request of Tianjin Changxing for property preservation, the Court of Dalian Economic and Technology Development Zone ordered to freeze CBAK Power’s bank deposits totaling \$32,915 (RMB214,892) for a period of one year. As of December 31, 2020, nil was frozen by bank and CBAK Power accrued the material purchase cost of \$29,652 (RMB193,588). In late December 2020, CBAK Power and Tianjin Changxing entered into a debt reduction agreement that if CBAK Power would pay \$26,755 (RMB174,671) to Tianjin Changxing, Tianjin Changxing would cancel the remaining debts. Thereafter, CBAK Power fully paid to Tianjin Changxing and the frozen bank deposits were released in January 2021.

In May 2020, CBAK Power received notice from Court of Wuqing District, Tianjin that Tianjin Changyuan Electric Material Co., Ltd (“Tianjin Changyuan”) filed lawsuit against CBAK Power for failure to pay pursuant to the terms of the purchase contract. The plaintiff sought a total amount of \$13,040 (RMB85,136), including material cost of \$12,166 (RMB79,429) and interest of \$874 (RMB5,707). In July, 2020, upon the request of the plaintiff for property preservation, the Court of Wuqing District, Tianjin ordered to freeze CBAK Power’s bank deposits totaling \$13,041 (RMB85,136) for a period of one year. As of December 31, 2020, \$13,041 (RMB85,136) was frozen by bank and the Company had accrued the material purchase cost and litigation expenses of \$12,314 (RMB80,393). In March 2021, CBAK Power and Tianjin Changyuan entered into a debt reduction agreement that if CBAK Power would pay \$9,851 (RMB 64,314) to Tianjin Changyuan before April 30, 2021, Tianjin Changyuan would cancel the remaining debts of \$2,463 (RMB16,079). CBAK Power has paid \$9,851 (RMB 64,314) in March 2021.

In June 2020, CBAK Suzhou received notice from Court of Suzhou Industrial Park that Ligao (Shandong) New Energy Technology Co., Ltd (“Ligao”) filed a lawsuit against CBAK Suzhou for failure to pay pursuant to the terms of the purchase contract. Ligao sought a total amount of \$11,886 (RMB77,599), including contract amount of \$11,240 (RMB73,380) and interest of \$646 (RMB4,219). As of December 31, 2020, CBAK Suzhou had accrued the material purchase cost of \$11,240 (RMB73,380). On December 31, 2020, CBAK Power, CBAK Suzhou and Ligao entered into a debt reduction agreement that if CBAK Power would pay \$7,961 (RMB51,975) to Ligao, Ligao would cancel all the remaining debts. Thereafter, CBAK Power fully paid \$7,961 (RMB51,975) to Ligao, and the lawsuit was settled in January 2021.

In June 2020, CBAK Suzhou received notice from Court of Yushui District, Xinyu City that Jiangxi Ganfeng Battery Technology Co., Ltd (“Ganfeng Battery”) filed a lawsuit against CBAK Suzhou for failure to pay pursuant to the terms of the purchase contract. Ganfeng Battery sought a total amount of \$115,764 (RMB755,780), including contract amount of \$112,277 (RMB733,009) and interest of \$3,487 (RMB22,771). Upon the request of Ganfeng Battery for property preservation, the Court of Yushui ordered to freeze CBAK Suzhou’s bank deposits totaling \$115,764 (RMB755,780) for a period of one year to May 2021. In October 2020, CBAK Power, Ganfeng Battery, CBAK Suzhou and Zhengzhou Jingfan New Energy Automobile Co., Ltd entered into a settlement agreement that CBAK Power would deliver 7 electric vehicles to Ganfeng Battery to offset all the CBAK Suzhou’ debts to Ganfeng Battery and all vehicles were delivered to before December 31, 2020. As of December 31, 2020, nil was frozen by bank.

In June 2020, CBAK Suzhou received notice from Court of Suzhou Industrial Park that Suzhou Jihongkai Machine Equipment Co., Ltd (“Jihongkai”) filed a lawsuit against CBAK Suzhou for failure to pay pursuant to the terms of the purchase contract. Jihongkai sought contract amount of \$26,916 (RMB175,722) and interest as accrued until settlement. As of December 31, 2020, the Company had accrued the material purchase cost of \$26,916 (RMB175,722). In January 2021, CBAK Power, CBAK Suzhou and Jihongkai entered into a settlement agreement to settle all the debts and related litigation expenses by paying \$12,213 (RMB79,736) in cash and delivery of an electric vehicle at a value of \$15,287 (RMB99,800) from CBAK Power to Jihongkai. Thereafter, CBAK Power fully paid \$12,213 (RMB79,736) and delivered the electric vehicle to Jihongkai, and the lawsuit was settled in January 2021.

In June 2020, CBAK Power received notice from Court of Dalian Economic and Technology Development Zone that Nanjing Jinlong Chemical Co., Ltd. (“Nanjing Jinlong”) filed a lawsuit against CBAK Power for failure to pay pursuant to the terms of the purchase contract. Nanjing Jinlong sought a total amount of \$125,908 (RMB822,000). Upon the request of Nanjing Jinlong for property preservation, the Court of Dalian Economic and Technology Development Zone ordered to freeze CBAK Power’s bank deposits totaling \$125,908 (RMB822,000) for a period of one year to May 2021. As of December 31, 2020, \$16 (RMB107) was frozen by bank and CBAK Power accrued the material purchase cost of \$125,908 (RMB822,000).

In June 2020, CBAK Power received notice from Court of Dalian Economic and Technology Development Zone that Xi’an Anpu New Energy Technology Co. LTD (“Xi’an Anpu”) filed a lawsuit against CBAK Power for failure to pay pursuant to the terms of the equipment purchase contract. Xi’an Anpu sought a total amount of \$129,270 (RMB843,954), including \$117,636 (RMB768,000) for equipment cost and \$11,634 (RMB75,954) for liquidated damages. Upon the request of Xi’an Anpu for property preservation, the Court of Dalian Economic and Technology Development Zone ordered to freeze CBAK Power’s bank deposits \$129,270 (RMB843,954) for a period to May 11, 2021. As of December 31, 2020, \$98,284 (RMB641,656) was frozen by bank and CBAK Power accrued the equipment purchase cost of \$117,636 (RMB768,000). In January 2021, CBAK Power and Xi’an Anpu entered into a settlement agreement to settle all the debts by paying \$64,406 (RMB420,478) in cash and delivery of 3 electric vehicles at a value of \$45,952 (RMB300,000). Thereafter, CBAK Power fully paid \$64,406 (RMB420,479) and delivered the 3 electric vehicles to Xi’an Anpu, and the lawsuit was settled in February 2021.

In June 2020, CBAK Power received notice from Court of Dalian Economic and Technology Development Zone that Shenzhen Gd Laser Technology Co., Ltd. (“Shenzhen Gd”) filed lawsuit against CBAK Power for failure to pay pursuant to the terms of the purchase contract. Shenzhen Gd sought a total amount of \$24,713 (RMB161,346), including equipment cost of \$22,975 (RMB150,000) and interest amount of \$1,738 (RMB11,346). As of December 31, 2020, the equipment was not received by CBAK Power. CBAK Power has included the equipment cost of \$22,975 (RMB150,000) under capital commitments.

In July 2020, CBAK Power received notice from Court of Shandong Linyi Economic and Technology Development Zone (“Court of Shandong”) that Shandong Tianjiao New Energy Co. LTD (“Tianjiao”) filed a lawsuit against CBAK Power for failure to pay pursuant to the terms of the equipment purchase contract. Tianjiao sought an amount of \$391,777 (RMB2,557,756) for equipment cost and interest as accrued until settlement. Upon the request of Tianjiao for property preservation, the Court of Shandong ordered to freeze CBAK Power’s bank deposits \$0.5 million (RMB3,000,000) for a period of one year. In December 2020, CBAK and Tianjiao reached an agreement that CBAK would pay Tianjiao \$45,952 (RMB300,000) by the end of each month from December 2020 to July 2021, and RMB 157,756 by the end of August 2021. As of December 31, 2020, CBAK Power accrued materials cost \$315,191 (RMB2,057,756) and nil was frozen by bank. As of the date of this report, CBAK Power has repaid \$183,807 (RMB1,200,000) to Tianjiao.

In October 2020, CBAK Power received notice from Court of Dalian Economic and Technology Development Zone that Shanghai Shengmeng Industrial Technology Co., Ltd. (“Shengmeng”) filed a lawsuit against CBAK Power for failure to pay pursuant to the terms of the purchase contract. Shengmeng sought a total amount of \$13,429 (RMB87,672) for material cost and interest as accrued until settlement. In November 2020, CBAK and Shengmeng reached an agreement that CBAK would pay \$4,595 (RMB30,000) by November 30, 2020 and \$5,004 (RMB 32,672) by December 20, 2020, and CBAK would pay litigation fees of \$156 (RMB1,021) to Shengmeng. Thereafter, CBAK Power fully paid off the debts to Shengmeng, and the lawsuit was settled in March 2021.

In October 2020, CBAK Power received notice from Court of Dalian Economic and Technology Development Zone that Jiuzhao New Energy Technology Co., Ltd. (“Jiuzhao”) filed a lawsuit against CBAK Power for failure to pay pursuant to the terms of the purchase contract. Jiuzhao sought a total amount of \$0.9 million (RMB6,000,000), including material cost of \$0.9 million (RMB5,870,267) and interest amount of \$19,871 (RMB129,733). In December 1, 2020, CBAK and Jiuzhao reached an agreement that CBAK Power would pay Jiuzhao \$76,586 (RMB500,000) by the end of each month from December 2020 to October 2021, and \$56,715 (RMB370,267) by November 30, 2021, and CBAK would pay litigation fees of \$4,886 (RMB 31,900) to Jiuzhao. As of December 31, 2020, CBAK Power has accrued \$899,162 (RMB5,870,267) material cost and \$5,874 (RMB38,346) was frozen by bank. As of the date of this report, CBAK Power has repaid \$306,344 (RMB2,000,000) to Jiuzhao.

In November 2020, CBAK Power received notice from Court of Dalian Economic and Technology Development Zone that Dalian Tianda Metal Machinery Trade Co., Ltd. (“Tianda”) filed a lawsuit against CBAK Power for failure to pay pursuant to the terms of the purchase contract. Tianda sought a total amount of \$27,365 (RMB178,655) for material cost and interest as accrued until settlement. In December 2020, CBAK Power and Tianda reached an agreement that CBAK Power would pay Tianda \$7,659 (RMB50,000) by the 30th of each month from November 2020 to January 2021, and \$4,389 (RMB28,655) by end of February 2021, and CBAK Power would pay litigation fees of \$297 (RMB1,937) to Tianda by November 30, 2020. As of December 31, 2020, CBAK Power has accrued \$18,358 (RMB119,855) material cost and nil was frozen by bank. Thereafter, CBAK Power fully paid off the debts to Tianda, and the lawsuit was settled in February 2021.

In December 2020, CBAK Power received notice from Court of Dalian Economic and Technology Development Zone that Shenzhen Haoneng Technology Co., Ltd. (“Haoneng”) filed a lawsuit against CBAK Power for failure to pay pursuant to the terms of the equipment purchase contract. Haoneng sought a total amount of \$266,182 (RMB1,737,797), including equipment purchase cost of \$264,069 (RMB1,724,000) and interest amount of \$2,113 (RMB13,797). As of December 31, 2020, CBAK Power has accrued the equipment purchase cost of \$264,069 (RMB 1,724,000).

In December 2020, CBAK Power received notice from Court of Dalian Economic and Technology Development Zone that Haoneng filed another lawsuit against CBAK Power for failure to pay pursuant to the terms of the purchase contract. Haoneng sought a total amount of \$1,571,092 (RMB10,257,030), including equipment cost of \$1,389,578 (RMB9,072,000) and interest amount of \$181,514 (RMB1,185,030). As of December 31, 2020, the equipment was not received by CBAK Power, CBAK Power has included the equipment cost of \$1,389,578 (RMB9,072,000) under capital commitments.

In April 2020, CBAK Suzhou received notice from Court of Suzhou Industrial Park that Suzhou Suwangda Plastic Product Co., Ltd (“Suwangda”) filed a lawsuit against CBAK Suzhou for failure to pay pursuant to the terms of the purchase contract. Suwangda sought contract amount of \$13,325 (RMB86,992) and interest as accrued until settlement. As of December 31, 2020, the Company has accrued the material cost of \$13,325 (RMB86,992). In March 2021, CBAK Power, CBAK Suzhou and Suwangda entered into a settlement agreement to settle all the debts by paying \$9,670 (RMB63,134) from CBAK Power to Suwangda. Thereafter, CBAK Power fully paid \$9,670 (RMB63,134) and the lawsuit was settled in March 2021. The remaining \$3,654 (RMB23,858) was waived by Suwangda.

In June 2020, CBAK Power received notice from Court of Pingyuan County, Shandong province that Shandong Hangewei New Energy Vehicle Control Co., Ltd (“Hangewei”) filed a lawsuit against CBAK Power for failure to pay pursuant to the terms of the purchase contract. Hangewei sought a total amount of \$16,307 (RMB 106,464) and interest as accrued until settlement. In October 2020, CBAK Power and Hangewei entered into a settlement agreement to settle all the debts by paying Hangewei \$1,532 (RMB10,000) and \$12,254 (RMB80,000) by the end of October and November 2020, respectively. CBAK Power paid \$13,786 (RMB90,000) before December 31, 2020 and the remaining \$2,521 (RMB16,464) was waived by Hangewei.

24. 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, 2019 and 2020 as follows:

	<i>Year ended December 31, 2019</i>		<i>Year ended December 31, 2020</i>	
Sales of finished goods and raw materials				
Customer A	\$ 7,222,245	32.54%	\$ 8,322,504	22.15%
Customer B	*	*	3,806,110	10.13%
Customer C	3,308,638	14.91%	*	*
Zhengzhou BAK Battery Co., Ltd (note a)	3,961,050	17.85%	12,770,075	33.99%

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

The Company had the following customers that individually comprised 10% or more of net accounts receivable (included VAT) as of December 31, 2019 and 2020 as follows:

	<i>December 31, 2019</i>		<i>December 31, 2020</i>	
Customer A	\$ 1,725,293	21.93%	\$ 3,148,737	11.23%
Customer C	1,713,628	21.78%	*	*
Customer D	902,309	11.47%	*	*
Customer E	830,821	10.56%	*	*
Zhengzhou BAK Battery Co., Ltd (note a)	*	*	15,258,164	54.42%

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

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

	<i>Year ended December 31, 2019</i>		<i>Year ended December 31, 2020</i>	
Supplier A	\$ *	*	\$ 12,396,483	48.90%
Supplier B	2,920,966	21.40%	*	*
Zhengzhou BAK New Energy Vehicle Co., Ltd (note b)	3,812,819	27.93%	*	*
Shenzhen BAK (note c)	*	*	3,884,309	15.32%

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

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

	<i>December 31, 2019</i>		<i>December 31, 2020</i>	
Supplier A	\$ *	*	\$ 9,272,478	47.40%
Supplier C	*	*	2,017,814	10.32%
Supplier D	1,126,482	10.10%	*	*

Apart from the above, for the years ended December 31, 2019 and 2020, the Company recorded the following transactions:

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2020</u>
Purchase of inventories from		
BAK Shenzhen (note c)	\$ 63,950	-
Sales of finished goods and raw materials to		
BAK Shenzhen (note c)	526,719	-
Zhengzhou BAK New Energy Technology Co., Ltd (note b)	-	1,562,637

Notes:

- a Mr. Xiangqian Li, the Company's former CEO, is a director of Zhengzhou BAK Battery Co., Ltd. Up to the date of this report, Zhengzhou BAK Battery Co., Ltd. repaid \$7,691,611 to the Company.
- b Mr. Xiangqian Li is a director of Zhengzhou BAK New Energy Vehicle Co., Ltd, which has 29% equity interests in Zhengzhou BAK New Energy Technology Co., Ltd. As of December 31, 2019 and 2020, receivable from Zhengzhou BAK New Energy Technology Co., Ltd were nil and \$1,759,050, respectively, was included in trade accounts and bills receivable, net. Up to the date of this report, Zhengzhou BAK New Energy Technology Co., Ltd repaid \$741,353 to the Company.
- c Mr. Xiangqian Li is a director of Shenzhen BAK and BAK Shenzhen.

(b) Credit Risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents and pledged deposits. As of December 31, 2019 and 2020, substantially all of the Company's cash and cash equivalents were held by major financial institutions located in the PRC, which management believes are of high credit quality.

For the credit risk related to trade accounts receivable, the Company performs ongoing credit evaluations of its customers and, if necessary, maintains reserves for potential credit losses.

25. Segment Information

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

After the disposal of BAK International, the Company focused on producing high-power lithium battery cells. Net revenues from continuing operations for the years ended December 31, 2019 and 2020 were as follows:

Net revenues by product:

	<i>Year ended December 31, 2019</i>	<i>Year ended December 31, 2020</i>
High power lithium batteries used in:		
Electric vehicles	\$ 4,509,055	\$ 259,955
Light electric vehicles	16,147	39,428
Uninterruptable supplies	17,669,146	22,748,627
	<u>22,194,348</u>	<u>23,048,010</u>
Raw materials used in lithium batteries	-	14,518,142
Total	<u>\$ 22,194,348</u>	<u>\$ 37,566,152</u>

Net revenues by geographic area:

	<i>Year ended December 31, 2019</i>	<i>Year ended December 31, 2020</i>
Mainland China	\$ 21,632,637	35,464,245
Europe	-	1,776,000
Korea	-	246,453
Israel	118,906	-
USA	285,556	3,592
Others	157,249	75,862
Total	<u>\$ 22,194,348</u>	<u>\$ 37,566,152</u>

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

26. 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, 2019 and 2020, additional transfers of \$56,269,489 and \$164,388,965 were required before the statutory general reserve reached 50% of the registered capital of the PRC subsidiaries. As of December 31, 2019 and 2020, there was \$1,230,511 appropriation from retained earnings and set aside for statutory general reserves by the PRC subsidiaries. The PRC subsidiaries 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, 2019 and 2020.

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.).

SCHEDULE I – CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CBAK ENERGY TECHNOLOGY, INC.
 PARENT COMPANY STATEMENTS OF OPERATIONS
 For the years ended December 31, 2019 and 2020
 (Unaudited)

	<i>Year ended December 31, 2019</i>	<i>Year ended December 31, 2020</i>
REVENUE, net	\$ -	\$ -
OPERATING EXPENSES:		
Salaries and consulting expenses	978,942	992,246
General and administrative	<u>439,974</u>	<u>531,449</u>
Total operating expenses	<u>(1,418,916)</u>	<u>(1,523,695)</u>
LOSS FROM OPERATIONS	<u>(1,418,916)</u>	<u>(1,523,695)</u>
Finance expenses	(120,051)	(429,741)
Changes in fair value of warrants liability	<u>-</u>	<u>2,072,000</u>
(LOSS) PROFIT ATTRIBUTABLE TO PARENT COMPANY	<u>(1,538,967)</u>	<u>118,564</u>
EQUITY IN LOSS OF SUBSIDIARIES	<u>(9,228,556)</u>	<u>(7,925,462)</u>
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS	<u>\$ (10,767,523)</u>	<u>\$ (7,806,898)</u>

CBAK ENERGY TECHNOLOGY, INC.
 PARENT COMPANY BALANCE SHEETS
 As of December 31, 2019 and 2020
 (Unaudited)

	<i>December 31, 2019</i>	<i>December 31, 2020</i>
ASSETS		
Interests in subsidiaries	\$ 18,183,266	\$ 66,797,421
Cash and cash equivalents	-	5,107,486
Total assets	<u>\$ 18,183,266</u>	<u>\$ 71,904,907</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	\$ 2,846,736	\$ -
Accrued expenses and other payables	1,731,251	1,722,814
Warrants liability	<u>-</u>	<u>17,783,000</u>
Total current liabilities	<u>4,577,987</u>	<u>19,505,814</u>
SHAREHOLDERS' EQUITY	<u>13,605,279</u>	<u>52,399,093</u>
Total liabilities and shareholders' equity	<u>\$ 18,183,266</u>	<u>\$ 71,904,907</u>

CBAK ENERGY TECHNOLOGY, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2020
(Unaudited)

	<i>Year ended December 31, 2019</i>	<i>Year ended December 31, 2020</i>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (10,767,523)	\$ (7,806,898)
Adjustments to reconcile net loss to net cash used in operating activities:		
Equity in loss of subsidiaries	9,228,556	7,925,462
Share based compensation	770,113	803,931
Changes in fair value of warrants liability	-	(2,072,000)
Change in operating assets and liabilities		
Accrued expenses and other payable	89,080	(8,437)
Net cash used in operating activities	<u>(679,774)</u>	<u>(1,157,942)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in interest in subsidiaries	(2,070,226)	(39,083,154)
Net cash provided by (used in) investing activities	<u>(2,070,226)</u>	<u>(39,083,154)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of shares	-	45,348,582
Proceeds from issuance of promissory notes	2,750,000	-
Net cash provided by financing activities	<u>2,750,000</u>	<u>45,348,582</u>
CHANGE IN CASH AND CASH EQUIVALENTS	-	5,107,486
CASH AND CASH EQUIVALENTS, beginning of year	-	-
CASH AND CASH EQUIVALENTS, end of year	\$ -	\$ 5,107,486

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.

27. Subsequent events

On April 1, 2021, CBAK Power entered into a framework investment agreement with Hangzhou Juzhong Daxin Asset Management Co., Ltd. ("Juzhong Daxin") for a potential acquisition of Zhejiang Meidu Hitrans Lithium Battery Technology Co., Ltd ("Hitrans"). Juzhong Daxin is the trustee of 85% of equity interests of Hitrans and has the voting right and right to dividend over the 85% of equity interests. Subject to definitive acquisition agreements to be entered into among the parties, including shareholders owning the 85% of equity interests of Hitrans, CBAK Power intends to acquire 85% of equity interests of Hitrans in cash in 2021. As of date of this report, CBAK Power has paid \$3.06 million (RMB20,000,000) to Juzhong Daxin as a security deposit. Hitrans is an unrelated third party of the Company engaging in researching, manufacturing and trading of raw materials and is one of the major suppliers of the Company in fiscal 2020.

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 Interim Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2020. Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Interim Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating and implementing possible controls and procedures.

Management conducted its evaluation of disclosure controls and procedures under the supervision of our Chief Executive Officer and our Interim Chief Financial Officer. Based upon, and as of the date of this evaluation, our Chief Executive Officer and Interim Chief Financial Officer concluded that our disclosure controls and procedures were ineffective as of December 31, 2020.

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 Interim 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, 2020. 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 Interim Chief Financial Officer concluded that the Company's internal control over financial reporting as of December 31, 2020 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:

- We are in the process of hiring a permanent chief financial officer with significant U.S. GAAP and SEC reporting experience. Ms. Xiangyu Pei was appointed by the Board of Directors of the Company as the Interim Chief Financial Officer on August 23, 2019.
- Since September 2016, we have regularly offered our financial personnel trainings on internal control and risk management. Since November 2016, we have regularly provided trainings to our financial personnel on U.S. GAAP accounting guidelines. We plan to continue to provide trainings to our financial team and our other relevant personnel on the U.S. GAAP accounting guidelines applicable to our financial reporting requirements.

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

Changes in internal control over financial reporting

Except for the matters described above, there were no changes in our internal controls over financial reporting during the fourth quarter of our fiscal year ended December 31, 2020 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 2020, 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	55	Chairman of the Board and Chief Executive Officer
J. Simon Xue	67	Director
Martha C. Agee	66	Director
Jianjun He	49	Director
Guosheng Wang	49	Director
Xiangyu Pei	32	Interim 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.

Xiangyu Pei has served as our Interim Chief Financial Officer since August 23, 2019. Prior to that, Ms. Pei has been the secretary of the Company since 2017. She has also served as the financial controller of the Company's subsidiary, CBAK Power since 2017. She has been responsible for the auditing, accounting and investor relationship of CBAK Power, as well as assisting in consolidation and financial reporting of the Company. Ms. Pei received a PhD in World Economics from Jilin 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, 2020, 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.

Delinquent Section 16(a) Reports

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 officers, we believe that all persons subject to reporting filed the required reports on time in fiscal year 2020, except that one Form 3, covering one transaction, was filed late by Ping Shen.

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,	Year ended December 31, 2019	128,168	127,000	-	255,168
President, Chief Executive Officer	Year ended December 31, 2020	120,339	120,001	-	240,340

(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 RMB6.9073 (fiscal year 2019 exchange rate), \$1.00 to RMB6.9032 (fiscal year 2020 exchange rate).

(2) The stock awards consisted of: 1) restricted shares granted on June 30, 2015, which are vested and exercisable in twelve equal quarterly installments with the first vesting date of June 30, 2015 and with a fair value of \$3.24, 2) restricted 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, and 3) restricted shares granted on August 23, 2019 with a fair value of \$0.9 per share, which are vested semi-annually in 6 equal installments over a three-year period with the first vesting on September 30, 2019

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 agreement with Mr. Yunfei Li on March 1, 2016. On August 23, 2019, the Board of Directors appointed Ms. Xiangyu Pei as the Interim Chief Financial Officer, and we entered into the employment agreement with Ms. Xiangyu Pei for a three-year term. 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 2020

The following table sets forth the equity awards outstanding at December 31, 2020 for each of our named executive officers.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Option Awards					Stock Awards			
	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity incentive plan awards: Number of securities underlying unexercised 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						-	-	199,999*	179,999

* 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 August 23, 2019, pursuant to the 2015 Plan, the Company granted Mr. Li an aggregate of 400,000 restricted share units of the Company's common stock. The share units vest semi-annually in 6 equal installments over a three-year period with the first vesting on September 30, 2019.

Compensation of Directors

On August 23, 2019, pursuant to the 2015 Plan, each of our independent directors was granted 20,000 restricted share units of the Company's common stock. The share units vest semi-annually in 6 equal installments over a three year period with the first vesting on September 30, 2019.

The following table sets forth the total compensation earned by our non-employee directors during our fiscal year ended December 31, 2020:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Total (\$)
J. Simon Xue	20,000	6,000	26,000
Martha C. Agee	20,000	6,000	26,000
Jianjun He	20,000	6,000	26,000

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 9, 2021 (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 (6) (8) (10)(14)	10,860,039	12.32%
J. Simon Xue (7) (11)	43,332	*
Martha C. Agee (4) (11)	43,332	*
Jianjun He (4) (11)	43,332	*
Guosheng Wang (5)	112,501	*
Xiangyu Pei (13)	177,983	*
All executive officers and directors as a group (6 persons)	11,280,519	12.79%
Principal Shareholders		
Dawei Li (8) (10)	6,733,359	7.64%
Asia EVK Energy Auto Limited (9) (10)(14)	9,702,615	11.01%
Ping Shen (12)(14)	8,668,983	9.84%

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

- (1) The number of shares beneficially owned is determined under 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 88,106,019 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 then was granted 30,000 restricted shares of the Company’s Common Stock, 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, under the 2015 Equity Incentive Plan, or 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. On August 23, 2019, pursuant to the 2015 Plan, the Company granted Mr. Wang an aggregate of 70,000 restricted share units of the Company’s Common Stock. The share units vest semi-annually in 6 equal installments over a three-year period with the first vesting on September 30, 2019.

(6) On June 30, 2015, Mr. Yunfei Li was granted 30,000 restricted shares of the Company's Common Stock, 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 stockholders agreed in principle to subscribe for new shares of our Common Stock totaling \$10 million. The issue price would be determined with reference to the market price prior to the issuance of new shares. In January 2017, the stockholders 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 stockholders. 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 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 August 23, 2019, pursuant to the 2015 Plan, the Company granted Mr. Li an aggregate of 400,000 restricted share units of the Company's Common Stock. The share units vest semi-annually in 6 equal installments over a three-year period with the first vesting on September 30, 2019.

(7) 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.

(8) On January 7, 2019, we entered into a cancellation agreement with Mr. Yunfei Li and Mr. Dawei Li, who loaned an aggregate of approximately \$5.2 million (the "First Debt") to the Company's subsidiary, CBAK Power. Pursuant to the terms of the cancellation agreement, the creditors agreed to cancel the First Debt 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 First Debt.

(9) On April 26, 2019, we entered into a cancellation agreement with Mr. Jun Lang, Ms. Jing Shi and Asia EVK Energy Auto Limited ("Asia EVK"), who loaned an aggregate of approximately \$5.4 million to CBAK Power (the "Second Debt"). Pursuant to the terms of the cancellation agreement, the creditors agreed to cancel the Second Debt in exchange for an aggregate of 5,205,905 shares of Common Stock of the Company at an exchange price of \$1.1 per share. According to the amount of loan, 300,534, 123,208 and 4,782,163 shares were issued to Mr. Jun Lang, Ms. Jing Shi and Asia EVK, respectively. Upon receipt of the shares, the creditors released the Company from any claims, demands and other obligations relating to the Second Debt.

(10) On July 26, 2019, we entered into a cancellation agreement with Mr. Dawei Li, Mr. Yunfei Li and Asia EVK, who loaned an aggregate of approximately \$7.1 million to CBAK Power (collectively, the "Third Debt" and "Fourth Debt"). Pursuant to the terms of the cancellation agreement, the creditors agreed to cancel the Third Debt and Fourth Debt in exchange for an aggregate of 7,092,219 shares of Common Stock of the Company at an exchange price of \$1.05 per share. According to the amount of loan, 1,384,717, 2,938,067 and 2,769,435 shares were issued to Mr. Dawei Li, Mr. Yunfei Li and Asia EVK, respectively. Upon receipt of the shares, the creditors released the Company from any claims, demands and other obligations relating to the Third Debt and Fourth Debt.

(11) On August 23, 2019, pursuant to the 2015 Plan, each of our independent directors then was granted 20,000 restricted share units of the Company's Common Stock. The share units vest semi-annually in 6 equal installments over a three-year period with the first vesting on September 30, 2019.

(12) On October 14, 2019, we entered into a cancellation agreement with Mr. Shangdong Liu, Mr. Shibin Mao, Ms. Lijuan Wang and Mr. Ping Shen, who loaned an aggregate of approximately \$4.2 million to CBAK Power (the "Fifth Debt") and the unpaid earnest money of approximately \$1.0 million. Pursuant to the terms of the cancellation agreement, the creditors agreed to cancel the Fifth Debt and convert the unpaid earnest money in exchange for an aggregate of 8,599,717 shares of Common Stock of the Company at an exchange price of \$0.6 per share. According to the amount of loan, 528,053, 3,536,068, 2,267,798 and 2,267,798 shares were issued to Mr. Shangdong Liu, Mr. Shibin Mao, Ms. Lijuan Wang and Mr. Ping Shen, respectively. Upon receipt of the shares, the creditors released the Company from any claims, demands and other obligations relating to the Fifth Debt and the unpaid earnest money.

(13) On April 19, 2016, Ms. Pei was granted 50,000 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. On August 23, 2019, pursuant to the 2015 Plan, the Company granted Ms. Pei an aggregate of 180,000 restricted share units of the Company's Common Stock. The share units vest semi-annually in 6 equal installments over a three-year period with the first vesting on September 30, 2019.

(14) On April 27, 2020, the Company entered into a cancellation agreement with Mr. Yunfei Li, Mr. Ping Shen and Asia EVK (the creditors), who loaned an aggregate of approximately \$4.3 million to CBAK Power (the "Sixth Debt"). Pursuant to the terms of the cancellation agreement, Mr. Yunfei Li, Mr. Ping Shen and Asia EVK agreed to cancel the Sixth Debt in exchange for 2,062,619, 4,714,557 and 2,151,017 shares of Common Stock, respectively, at an exchange price of \$0.48 per share. Upon receipt of the shares, the creditors released the Company from any claims, demands and other obligations relating to the Sixth Debt. The cancellation agreement contains customary representations and warranties of the creditors.

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

2015 Equity Incentive Plan

The following table sets forth certain information about the securities authorized for issuance under the 2015 Plan as of December 31, 2020. 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	944,671	\$ 1.1	7,041,852(1)
Equity compensation plans not approved by security holders	-		
Total	944,671	\$ 1.1	7,041,852(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.

On August 23, 2019, pursuant to the 2015 plan, the Company granted an aggregate of 1,887,000 restricted share units of the Company's common stock to certain employees, officers and directors of the Company. There are two types of vesting schedules, (i) the share units will vest semi-annually in 6 equal installments over a three-year period with the first vesting on September 30, 2019; (ii) the share units will vest annually in 3 equal installments over a three-year period with the first vesting on March 31, 2021.

On October 23, 2020, pursuant to the Company's 2015 Plan, the Compensation Committee granted an aggregate of 100,000 restricted share units of the Company's common stock to an employee of the Company. The restricted shares will vest semi-annually in six equal installments over a three-year period with the first vesting on October 30, 2020.

As of December 31, 2020, 2,002,986 vested shares were issued, and 938,837 shares were to be issued upon vesting. As of the date of this annual report, 7,041,852 shares reserved under the 2015 Plan are available for future issuance.

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

Transactions with Related Persons

The Company borrowed from Mr. Yunfei Li, the Company's CEO to fund its operation. These loans are unsecured, free of interest and repayable on demand. The balances were \$212,470 and \$278,739 as of December 31, 2019 and 2020, respectively.

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

On April 27, 2020, we entered into a cancellation agreement with Mr. Yunfei Li, Asia EVK and Mr. Ping Shen, who loaned an aggregate of approximately \$4.3 million to CBAK Power. Pursuant to the terms of the cancellation agreement, the creditors agreed to cancel the debt in exchange for an aggregate of 8,928,193 shares of common stock of the Company at an exchange price of \$0.48 per share. According to the amount of loan, 2,062,619, 2,151,017 and 4,714,557 shares were issued to Mr. Yunfei Li, Asia EVK and Mr. Pin Shen, respectively. Upon receipt of the shares, the creditors released the Company from any claims, demands and other obligations relating to the debt.

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 \$309,000 and \$202,000 for the fiscal years ended December 31, 2020 and 2019, 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.

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, 2020 and 2019
- Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2020 and 2019
- Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2020 and 2019
- Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019
- 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:

<u>Exhibit No.</u>	<u>Description</u>
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).
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).

Exhibit No.	Description
4.2	Description of Securities Registered Pursuant to Section 12 of the Exchange Act
4.3	Form of Investors Warrant (incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed on February 9, 2021)
4.4	Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.2 to the registrant's Current Report on Form 8-K filed on February 9, 2021)
4.5	Form of Investors Warrant (incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed on December 9, 2020)
4.6	Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.2 to the registrant's Current Report on Form 8-K filed on December 9, 2020)
10.1	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)
10.2	Form of Restricted Share Units Award Agreement Under 2015 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on August 29, 2019)
10.3	Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 99.1 to the registrant's Current Report on Form 8-K filed on July 6, 2015)
10.4	Form of Securities Purchase Agreement by and among the Company and the Investors (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on February 9, 2021)
10.5	Form of Registration Rights Agreement by and among the Company and the Investors (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on February 9, 2021)
10.6	Securities Purchase Agreement by and among the Company and the Investors (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on December 9, 2020)
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.
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
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 13, 2021

CBAK ENERGY TECHNOLOGY, INC.

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

By: /s/ Xiangyu Pei
Xiangyu Pei
Interim 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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Yunfei Li</u> Yunfei Li	Chairman and Chief Executive Officer (Principal Executive Officer)	April 13, 2021
<u>/s/ Xiangyu Pei</u> Xiangyu Pei	Interim Chief Financial Officer (Principal Financial and Accounting Officer)	April 13, 2021
<u>/s/ Guosheng Wang</u> Guosheng Wang	Director	April 13, 2021
<u>/s/ J. Simon Xue</u> J. Simon Xue	Director	April 13, 2021
<u>/s/ Martha C. Agee</u> Martha C. Agee	Director	April 13, 2021
<u>/s/ Jianjun He</u> Jianjun He	Director	April 13, 2021

DESCRIPTION OF SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE EXCHANGE ACT

The following summary describes our common stock, par value \$0.001 per share (the “Common Stock”), of CBAK Energy Technology, Inc. (the “Company,” “we,” “us,” and “our”), which are the only securities of the Company registered pursuant to Section 12 of the Exchange Act.

DESCRIPTION OF COMMON STOCK

The following summary describes the material terms of our Common Stock. This summary does not purport to be complete and is qualified in its entirety by reference to our Articles of Incorporation, Certificate of Change Pursuant to NRS 78.209, Certificate of Amendment to Articles of Incorporation, Articles of Merger and By-laws incorporated by reference as Exhibits 3.1, 3.3, 3.4, 2.1 and 3.2, respectively, to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. We encourage you to read the foregoing exhibits and the applicable provisions of the Nevada Revised Statutes, Chapter 78, for a complete description of our Common Stock.

Authorized Capital Stock

The Company is authorized to issue up to 500,000,000 shares of Common Stock. The Common Stock may be issued from time to time for such consideration as may be fixed by the Board of Directors, provided that the consideration fixed is not less than par value.

Voting Rights

Each outstanding share of Common Stock entitles the holder thereof to one vote per share on all matters coming before the stockholders for a vote. Our articles of incorporation do not permit cumulative voting for the election of directors. Likewise, our articles of incorporation do not vary the size of the vote necessary for the stockholders to act on various matters from the size of the vote required by Nevada law, which means, unless a different vote is required by express provisions of Nevada law, an action by the stockholders on a matter other than the election of directors shall be approved if the number of votes cast in favor of the action exceeds the number of votes cast in opposition to the action. The directors of a Nevada corporation are elected at the annual meeting of the stockholders by a plurality of the votes cast at the election.

Dividends

The holders of shares of our Common Stock are entitled to dividends out of funds legally available when and as declared by our board of directors. Our board of directors has never declared a dividend or otherwise authorized any cash or other distribution with respect to the shares of our Common Stock and does not anticipate declaring a dividend in the foreseeable future. Should we decide in the future to pay dividends, as a holding company, our ability to do so and meet other obligations depends upon the receipt of dividends or other payments from our operating subsidiaries and other holdings and investments. In addition, our operating subsidiaries, from time to time, may be subject to restrictions on their ability to make distributions to us, including as a result of restrictive covenants in loan agreements, restrictions on the conversion of local currency into dollars or other hard currency and other regulatory restrictions.

Liquidation

In the event of our liquidation, dissolution or winding up, holders of our Common Stock are entitled to receive, ratably, the net assets available to stockholders after payment of all creditors.

Other Rights and Preferences

Our Common Stock has no preemptive or subscription rights, and no redemption, sinking fund, or conversion provisions.

Fully Paid and Nonassessable

All of the issued and outstanding shares of our Common Stock are duly authorized, validly issued, fully paid and non-assessable. To the extent that additional shares of our Common Stock are issued, the relative interests of existing stockholders will be diluted.

Anti-takeover Effects of Our Articles of Incorporation and Bylaws

Our articles of incorporation and bylaws contain certain provisions that may have the effect of entrenching our existing board members, delaying, deferring or preventing a future takeover or change in control of the company unless such takeover or change in control is approved by the board of directors. These provisions include:

- *Special Meetings of Stockholders* — 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, and our bylaws provide that a special meeting will be called by the president or secretary at the written request of our stockholders holding not less than 30% of all the shares issued, outstanding and entitled to vote.
- *Advance Notice Procedures* — 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.
- *Contracts and Transactions with Interested Directors* — We may enter into a contract or a transaction with an entity in which our directors or officers have a financial or other interest as long as such relationship has been disclosed to, or is known by, our board of directors, or is otherwise fair to the Company at the time it is authorized or approved.
- *Amendment of Bylaws* — Our Bylaws may be amended by our board of directors alone.
- *Authorized but Unissued Shares* — 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.

Anti-Takeover Effects of Nevada Law

Nevada Business Combination Statute

We are subject to the “business combination” provisions of Sections 78.411 to 78.444 of the Nevada Revised Statutes. In general, such provisions prohibit a Nevada corporation with at least 200 stockholders from engaging in various “combination” transactions with any interested stockholder for a period of two years after the date of the transaction in which the person became an interested stockholder, unless the transaction is approved by the board of directors prior to the date the interested stockholder obtained such status or the combination is approved by the board of directors and thereafter is approved at a meeting of stockholders by the affirmative vote of stockholders representing at least 60% of the outstanding voting power held by disinterested stockholders, and extends beyond the expiration of the two-year period, unless (a) the combination was approved by the board of directors prior to the person becoming an interested stockholder; (b) the transaction by which the person first became an interested stockholder was approved by the board of directors before the person became an interested stockholder; (c) the combination is later approved by a majority of the voting power held by disinterested stockholders; or (d) if the consideration to be paid by the interested stockholder is at least equal to the highest of: (i) the highest price per share paid by the interested stockholder within the two years immediately preceding the date of the announcement of the combination or in the transaction in which it became an interested stockholder, whichever is higher, or (ii) the market value per share of common stock on the date of announcement of the combination and the date the interested stockholder acquired the shares, whichever is higher.

A “combination” is generally defined to include mergers or consolidations or any sale, lease, exchange, mortgage, pledge, transfer, or other disposition, in one transaction or a series of transactions, with an “interested stockholder” or any affiliate or associate of an interested stockholder having: (a) an aggregate market value equal to more than 5% of the aggregate market value of the assets of the corporation, (b) an aggregate market value equal to more than 5% of the aggregate market value of all outstanding voting shares of the corporation, and (c) more than 10% of the earning power or net income of the corporation.

An “interested stockholder” is generally defined to mean a beneficial owner of at least 10% of the outstanding voting power or an affiliate or associate of the corporation that has been a 10% beneficial owner within the preceding 2 years. The statutes could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire our company even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.

Nevada Acquisition of Controlling Interest Statute

Nevada’s Acquisition of Controlling Interest Statute (NRS Sections 78.378-78.3793) applies only to Nevada corporations with at least 200 stockholders, including at least 100 stockholders of record who are Nevada residents, which conduct business directly or indirectly in Nevada and whose articles of incorporation or bylaws in effect 10 days following the acquisition of a controlling interest by an acquiror do not prohibit its application. As of the date of this prospectus, we do not believe we have 100 stockholders of record who are residents of Nevada, although there can be no assurance that in the future the acquisition of controlling interest statutes will not apply to us.

Nevada’s Acquisition of Controlling Interest Statute, prohibits an acquiror, under certain circumstances, from voting shares of a target corporation’s stock after crossing certain threshold ownership percentages, unless the acquiror obtains the approval of the target corporation’s stockholders. The statute specifies three thresholds that constitute a controlling interest: (a) at least one-fifth but less than one-third; (b) at least one-third but less than a majority; and (c) a majority or more, of the outstanding voting power. Once an acquiror crosses one of these thresholds, shares which it acquired in the transaction exceeding the threshold (or within ninety days preceding the date thereof) become “control shares” which could be deprived of the right to vote until a majority of the disinterested stockholders restore that right.

A special stockholders meeting may be called at the request of the acquiror to consider the voting rights of the acquiror’s shares. If the acquiror requests a special meeting and gives an undertaking to pay the expenses of said meeting, then the meeting must take place no earlier than 30 days (unless the acquiror requests that the meeting be held sooner) and no more than 50 days (unless the acquiror agrees to a later date) after the delivery by the acquiror to the corporation of an information statement which sets forth the range of voting power that the acquiror has acquired or proposes to acquire and certain other information concerning the acquiror and the proposed control share acquisition.

If no such request for a stockholders meeting is made, consideration of the voting rights of the acquiror’s shares must be taken at the next special or annual stockholders meeting. If the stockholders fail to restore voting rights to the acquiror, or if the acquiror fails to timely deliver an information statement to the corporation, then the corporation may, if so provided in its articles of incorporation or bylaws, call certain of the acquiror’s shares for redemption at the average price paid for the control shares by the acquiror.

In the event the stockholders restore full voting rights to a holder of control shares that owns a majority of the voting stock, then all other stockholders who do not vote in favor of restoring voting rights to the control shares may demand payment for the “fair value” of their shares as determined by a court in dissenters rights proceeding pursuant to Chapter 92A of the Nevada Revised Statutes.

Listing

Our Common Stock is listed on Nasdaq Capital Market under the symbol “CBAT.”

Transfer Agent and Registrar

Our transfer agent and registrar is Securities Transfer Corporation, 2901 N Dallas Parkway, Suite 380, Plano, Texas 75093.

LIST OF SUBSIDIARIES

Name of Subsidiary	Jurisdiction of Incorporation or Organization	Percentage of Ownership
China BAK Asia Holdings Limited	Hong Kong	100%
Dalian CBAK Trading Co., Ltd.	PRC	100%
Dalian CBAK Power Battery Co., Ltd.	PRC	100%
Dalian CBAK Energy Technology Co., Ltd.	PRC	100%
CBAK New Energy (Suzhou) Co., Ltd.	PRC	90%
BAK Asia Investments Limited	Hong Kong	100%
CBAK New Energy (Nanjing) Co., Ltd	PRC	100%
Nanjing Daxin New Energy Automobile Industry Co., Ltd	PRC	100%
Nanjing CBAK New Energy Technology Co., Ltd	PRC	100%



中正達會計師事務所
Centurion ZD CPA & Co.
Certified Public Accountants (Practising)

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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. 333-250893, and No. 333-253349) 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 13, 2021, 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.

Hong Kong, China
April 13, 2021

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 13, 2021

/s/ Yunfei Li

Yunfei Li

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATIONS

I, Xiangyu Pei, 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 13, 2021

/s/ Xiangyu Pei

Xiangyu Pei

Interim Chief Financial Officer

(Principal Financial and Accounting Officer)

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

The undersigned, Yunfei Li, the Chief Executive Officer of CBAK Energy Technology, Inc. (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

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

IN WITNESS WHEREOF, the undersigned has executed this statement this 13th day of April, 2021.

/s/ Yunfei Li

Yunfei Li

Chief Executive Officer

(Principal Executive Officer)

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

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

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

The undersigned, Xiangyu Pei, the Interim Chief Financial Officer of CBAK Energy Technology, Inc. (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

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

IN WITNESS WHEREOF, the undersigned has executed this statement this 13th day of April, 2021.

/s/ Xiangyu Pei

Xiangyu Pei

Interim Chief Financial Officer

(Principal Financial and Accounting Officer)

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

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