

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, 2022**

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, Huayuankou
Economic Zone, Dalian City, Liaoning Province, China**

(Address of principal executive offices)

116450

(Zip Code)

(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	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the 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.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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, 2022 (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 \$1.07 per share) was approximately \$83.1 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 89,007,525 shares of the registrant's common stock outstanding as of April 10, 2023.

DOCUMENTS INCORPORATED BY REFERENCE

None.





CBAK ENERGY TECHNOLOGY, INC.

Annual Report on Form 10-K

TABLE OF CONTENTS

Item 1.	Business	1
Item 1A.	Risk Factors	13
Item 1B.	Unresolved Staff Comments	32
Item 2.	Properties	32
Item 3.	Legal Proceedings	32
Item 4.	Mine Safety Disclosures	32
<u>PART II</u>		
Item 5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	33
Item 6.	[Reserved]	33
Item 7.	Management’s Discussion And Analysis Of Financial Condition And Results Of Operations	34
Item 7A.	Quantitative And Qualitative Disclosures About Market Risk	47
Item 8.	Financial Statements And Supplementary Data F-1	F-1
Item 9.	Changes In And Disagreements With Accountants On Accounting And Financial Disclosure	48
Item 9A.	Controls And Procedures	48
Item 9B.	Other Information	49
Item 9C.	Disclosure Regarding Foreign Jurisdictions That Prevent Inspections	49
<u>PART III</u>		
Item 10.	Directors, Executive Officers And Corporate Governance	50
Item 11.	Executive Compensation	55
Item 12.	Security Ownership Of Certain Beneficial Owners And Management And Related Stockholder Matters	58
Item 13.	Certain Relationships And Related Transactions, And Director Independence	61
Item 14.	Principal Accounting Fees And Services	64
<u>PART IV</u>		
Item 15.	Exhibits, Financial Statement Schedules	65
Item 16.	Form 10-K Summary	67

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 90% owned PRC subsidiary, CBAK New Energy (Suzhou) Co., Ltd.;
- CBAK Energy” are to our PRC subsidiary, Dalian CBAK New 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.;
- “Jiangsu Daxin” are to our PRC subsidiary, Daxin New Energy Automobile Technology (Jiangsu) Co., Ltd.;
- “Nanjing BFD” are to our PRC subsidiary, Nanjing BFD New Energy Technology Co., Ltd., a company that was previously named Nanjing Daxin New Energy Automobile Industry Co., Ltd. until February 24, 2023;
- “Hitrans” are to our 67.33% owned PRC subsidiary, Zhejiang Hitrans Lithium Battery Technology (we hold 67.33% of registered equity interests of Hitrans, representing 69.12% of paid-up capital), through CBAK Power previously. On March 10, 2023, CBAK Power entered into an agreement with Nanjing BFD to transfer the 67.33% equity interests CBAK Power holds in Hitrans to Nanjing BFD. As of the date of this report, the registration of the equity transfer with the local government is still in process. Following the transaction, Nanjing BFD shall become the controlling shareholder of Hitrans, while CBAK Power no longer holds any of Hitrans’s equity interests.
- “Guangdong Hitrans” are to Hitrans’s 80% owned PRC subsidiary, Guangdong Meidu Hitrans Resources Recycling Technology Co., Ltd.;
- “Haisheng” are to Hitrans’s wholly-owned PRC subsidiary, Shaoxing Haisheng International Trading Co., Ltd.;
- “RMB” are to Renminbi, the legal currency of China;
- “U.S. dollar”, “\$” and “US\$” are to the legal currency of the United States;
- “SEC” are to the United States Securities and Exchange Commission;
- “Securities Act” are to the Securities Act of 1933, as amended; and
- “Exchange Act” are to the Securities Exchange Act of 1934, as amended.

Special Note Regarding Forward Looking Statements

Statements contained in this report include “forward-looking statements” within the meaning of such term in Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements involve known and unknown risks, uncertainties and other factors which could cause actual financial or operating results, performances or achievements expressed or implied by such forward-looking statements not to occur or be realized. Forward-looking statements made in this report generally are based on our best estimates of future results, performances or achievements, predicated upon current conditions and the most recent results of the companies involved and their respective industries. Forward-looking statements may be identified by the use of forward-looking terminology such as “may,” “will,” “could,” “should,” “project,” “expect,” “believe,” “estimate,” “anticipate,” “intend,” “continue,” “potential,” “opportunity” or similar terms, variations of those terms or the negative of those terms or other variations of those terms or comparable words or expressions.

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.

Disclosures Related to Our China-Based Operations

CBAK Energy Technology, Inc. is a holding company incorporated in Nevada, the United States, with no material operations of its own. We conduct our business through our operating subsidiaries in China. This structure involves unique risks to investors, and you may never directly hold equity interests in the operating entities.

There are significant legal and operational risks and uncertainties associated with having substantially all operations in China. The PRC government has significant authority to exert influence on the ability of a company with substantial operations in China, like us, to conduct its business, accept foreign investments or be listed on a U.S. stock exchange. For example, we face risks associated with PRC regulatory approvals of offshore offerings, anti-monopoly regulatory actions, cybersecurity, data privacy and from U.S. regulators if there is a lack of inspection from the U.S. Public Company Accounting Oversight Board, or PCAOB, on our auditors, which is further discussed below under “—The Holding Foreign Companies Accountable Act” and in various risk factors in “Item 1A. Risk Factors.” The PRC government may also intervene with or influence our operations as the government deems appropriate to further regulatory, political and societal goals. The PRC government publishes from time to time new policies that can significantly affect our industry in which we operate and we cannot rule out the possibility that it will in the future further release regulations or policies regarding our industry that could adversely affect our business, financial condition and results of operations. Any such action, once taken by the PRC government, could cause the value of our common stock to significantly decline or in extreme cases, become worthless.

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to a significant degree of interpretation by PRC regulatory agencies and courts. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the non-precedential nature of these decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. Therefore, it is possible that our existing operations may be found not to be in full compliance with relevant laws and regulations in the future. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

The PRC government recently initiated a series of regulatory actions and made a number of public statements on the regulation of business operations in China, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas using a variable interest entity (“VIE”) structure, adopting new measures to extend the scope of cybersecurity reviews, and expanding efforts in anti-monopoly enforcement. We do not believe that our subsidiaries in China are directly subject to these regulatory actions or statements, as we have not carried out any monopolistic behavior, we have never adopted a VIE structure, and our business does not involve any restricted industry or implicate cybersecurity.

For additional information, see “Risk Factors—Risks Related to Doing Business in China—The PRC government exerts substantial influence over the manner in which we conduct our business activities. Its oversight and discretion over our business could result in a material adverse change in our operations and the value of our common stock. Changes in laws, regulations and policies in China and uncertainties with respect to the PRC legal system could materially and adversely affect us. In addition, rules and regulations in China can change quickly with little advance notice” on page 13, “Risk Factors—Risks Related to Doing Business in China—Changes in U.S. and Chinese regulations or in relations between the United States and China may adversely impact our business, our operating results, our ability to raise capital and the value of our securities. Any such changes may take place quickly and with very little notice” on page 15 and Risk Factors—Risks Related to Doing Business in China—There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations” on page 16.

The Holding Foreign Companies Accountable Act

In December 2021, the SEC adopted rules (the “Final Rules”) to implement the Holding Foreign Companies Accountable Act (the “HFCAA”). The HFCAA includes requirements for the SEC to identify issuers who file annual reports with audit reports issued by independent registered public accounting firms located in foreign jurisdictions that the Public Company Accounting Oversight Board (“PCAOB”) is unable to inspect or investigate completely because of a position taken by a non-U.S. authority in the accounting firm’s jurisdiction (“Commission-Identified Issuers”). The HFCAA also requires that, to the extent that the PCAOB has been unable to inspect an issuer’s independent registered public accounting firm for three consecutive years since 2021, the SEC shall prohibit the issuer’s securities registered in the United States from being traded on any national securities exchange or over-the-counter markets in the United States. On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, and on December 29, 2022, legislation entitled “Consolidated Appropriations Act, 2023” (the “Consolidated Appropriations Act”) was signed into law by President Biden, which contained, among other things, an identical provision to the Accelerating Holding Foreign Companies Accountable Act and amended the HFCAA by requiring the SEC to prohibit an issuer’s securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three.

On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, including our auditor. In May 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 10-K for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. For this reason, we do not expect to be identified as a Commission-Identified Issuer under the HFCAA after we file this annual report on Form 10-K. Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we continue to use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 10-K for the relevant fiscal year. There can be no assurance that we would not be identified as a Commission-Identified Issuer for any future fiscal year, and if we were so identified for two consecutive years, we would become subject to the prohibition on trading under the HFCAA, as amended.

For additional information, see “*Risk Factor—Risks Related to Doing Business in China—The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors of the benefits of such inspections. Our common stock may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting of our common stock, or the threat of its being delisted, may materially and adversely affect the value of your investment.*” on page 13.

Permissions Required from the PRC Authorities for Our Business Operations and Securities Offering

In addition to regular business licenses, we are required to obtain the pollutants discharge permit to operate our business in the PRC. We believe that our PRC operating subsidiaries have obtained all requisite permissions for our operations in all material aspects from relevant Chinese authorities and none of the requisite permissions for our operations in all material aspects have been denied by the Chinese authorities. However, we cannot assure you that our PRC subsidiaries are always able to successfully update or renew the licenses or permits required for the relevant business in a timely manner or that these licenses or permits are sufficient to conduct all of our present or future business. If our PRC subsidiaries (i) do not receive or maintain required permissions or approvals, (ii) inadvertently conclude that such permissions or approvals are not required, or (iii) applicable laws, regulations, or interpretations change and our PRC subsidiaries are required to obtain such permissions or approvals in the future, we could be subject to fines, legal sanctions or an order to suspend our PRC operating subsidiaries’ business, which may materially and adversely affect the business, financial condition and results of operations of us.

In connection with our previous issuance of securities, under current PRC laws, regulations and regulatory rules, as of the date of this annual report, we believe that we and our PRC subsidiaries, (i) are not required to obtain permissions from the China Securities Regulatory Commission (“CSRC”), (ii) are not required to go through cybersecurity review by the Cyberspace Administration of China (the “CAC”), and (iii) have not received or were denied such requisite permissions by any PRC authority. We cannot guarantee that the regulators will agree with us. As of the date hereof, we have not been involved in any investigations for cybersecurity review made by the CAC, and we have not received any inquiry, notice, warning, or sanctions in such respect.

However, the PRC government has recently indicated an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers. The CSRC published the Trial Measures and Listing Guidelines on February 17, 2023, designed to regulate overseas securities offerings by PRC domestic companies. On February 24, 2023, the CSRC, together with the Ministry of Finance, National Administration of State Secrets Protection and National Archives Administration of China, revised the Provisions on Strengthening Confidentiality and Archives Administration for Overseas Securities Offering and Listing, which were issued by the CSRC and National Administration of State Secrets Protection and National Archives Administration of China in 2009, or the “Provisions.” The revised Provisions were issued under the title the “Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies,” and came into effect on March 31, 2023 together with the Trial Measures.

Given the recent nature of the introduction of the above Trial Measures, Listing Guidelines, and Revised Provisions, there remains significant uncertainty as to the enactment, interpretation and implementation of regulatory requirements related to overseas securities offerings and other capital markets activities. Notwithstanding the foregoing, as of the date of this report, we are not aware of any PRC laws or regulations in effect requiring that we obtain permission from any PRC authorities to issue securities to foreign investors, and we have not received any inquiry, notice, warning, or sanction from the CSRC, the CAC, or any other PRC authorities that have jurisdiction over our operations.

For additional information, see “*Risk Factor—Risks Related to Doing Business in China—The PRC government has increasingly strengthened oversight in offerings conducted overseas or on foreign investment in China-based issuers, which could result in a material change in our operations and our common stock could decline in value or become worthless.*” on page 14.

Cash and Asset Flows through Our Organization

Under relevant PRC laws and regulations, we are permitted to provide funding from the proceeds of our overseas fund raising activities to our PRC subsidiaries only through loans or capital contributions. In the fiscal years ended December 31, 2021 and 2022, we transferred \$69.1 million and nil to our PRC subsidiaries as capital contribution, respectively. As of December 31, 2022, CBAK Energy Technology, Inc., the Nevada issuer, had made cumulative capital contributions of \$136.2 million to our existing PRC subsidiaries, which were accounted as long-term investments by us.

Before Hitrans was acquired by us in November 2021, it declared dividends twice. In January 2020, Hitrans declared dividends for the years ended December 31, 2018 and 2019. A dividend of \$2,958,048 was declared and paid to its shareholder Zhejiang Meidu Graphene Technology Co., Ltd. For other shareholders, a total dividend of \$2,480,944 was declared in January 2020 but remains unpaid. In March 2018, Hitrans declared a dividend of \$1,333,135 for the year ended December 31, 2017, among which \$533,254 was paid in July 2018 and the remaining \$799,881 was paid in 2019. Except for the above dividends, we and our PRC subsidiaries have not previously declared or paid any cash dividend or dividend in kind, and have no plan to declare or pay any dividends in the near future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Under PRC laws and regulations, we are subject to various restrictions on intercompany fund transfers and foreign exchange control. To the extent our cash is in the PRC or held by a PRC entity, the funds may not be available for the distribution of dividends to our investors, or for other use outside of the PRC, due to the restrictions and limitations on our ability imposed by the PRC government to transfer cash. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of mainland China. Our PRC subsidiaries receive substantially all revenue in RMB. Our PRC subsidiaries may pay dividends only out of their accumulated after-tax profits, if any, upon satisfaction of relevant statutory conditions and procedures and determined in accordance with Chinese accounting standards and regulations. If the PRC foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy the foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders. Additionally, we may make loans to our PRC subsidiaries subject to the approval from or registration with PRC governmental authorities and limitation on amount, or we may make additional capital contributions to our PRC subsidiaries. PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using our funds to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect the liquidity of our PRC subsidiaries and our ability to fund and expand our business in the PRC, and cause the value of our securities to significantly decline or become worthless. We cannot assure you that the PRC government will not intervene in or impose restrictions on our ability to make intercompany cash transfers.

For additional information, see *“Risk Factors—Risks Related to Doing Business in China—The PRC government exerts substantial influence over the manner in which we conduct our business activities. Its oversight and discretion over our business could result in a material adverse change in our operations and the value of our common stock. Changes in laws, regulations and policies in China and uncertainties with respect to the PRC legal system could materially and adversely affect us. In addition, rules and regulations in China can change quickly with little advance notice.”* on page 13 and *“Risk Factors—Risks Related to Doing Business in China—PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent CBAK Energy Technology, Inc. from making additional capital contributions or loans to its PRC subsidiaries”* on page 18.

Summary of Risk Factors

Investing in our securities involves a high degree of risk. The following is a summary of significant risk factors and uncertainties that may affect our business, which are discussed in more detail below under “Item 1A. Risk Factors” included in this Annual Report on Form 10-K:

- The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors of the benefits of such inspections. Our common stock may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting of our common stock, or the threat of its being delisted, may materially and adversely affect the value of your investment.
- The PRC government exerts substantial influence over the manner in which we conduct our business activities. Its oversight and discretion over our business could result in a material adverse change in our operations and the value of our common stock. Changes in laws, regulations and policies in China and uncertainties with respect to the PRC legal system could materially and adversely affect us. In addition, rules and regulations in China can change quickly with little advance notice.

- The PRC government has increasingly strengthened oversight in offerings conducted overseas or on foreign investment in China-based issuers, which could result in a material change in our operations and our common stock could decline in value or become worthless.
- Changes in U.S. and Chinese regulations or in relations between the United States and China may adversely impact our business, our operating results, our ability to raise capital and the value of our securities. Any such changes may take place quickly and with very little notice.
- There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.
- CBAK Energy Technology, Inc., as a holding company incorporated in Nevada, the United States, without material operations of its own, relies on dividends and other distributions on equity paid by its PRC operating subsidiaries for its cash needs.
- 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.
- Our independent auditors have expressed substantial doubt about our ability to continue as a going concern.
- Our business has been and may continue to be adversely affected by the ongoing global COVID-19 pandemic or other health epidemics and outbreaks.
- The acquisition of a controlling interest in Hitrans may fail to result in anticipated benefits but has involved significant investment and commitment of financial and other resources.
- 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 and cathode material and precursor producers, 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, such as 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 product liability insurance for claims against our product quality. 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.
- Numerous factors, many of which are beyond our control, may cause the market price of common stock to fluctuate significantly.
- Techniques employed by short sellers may drive down the market price of the common stock of CBAK Energy Technology, Inc.
- Other risks identified in this report and in our other reports filed with the SEC, including those identified in “Item 1A. Risk Factors” below.

Enforceability of Civil Liabilities

There is uncertainty as to whether the courts of China would:

- recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or
- entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

The recognition and enforcement of foreign judgments are provided for under PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on reciprocity between jurisdictions. China does not have any treaties or other form of reciprocity with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States. Under the PRC Civil Procedures Law, foreign shareholders may originate actions based on PRC law against us in the PRC, if they can establish sufficient nexus to the PRC for a PRC court to have jurisdiction, and meet other procedural requirements, including, among others, the plaintiff must have a direct interest in the case, and there must be a concrete claim, a factual basis and a cause for the suit. However, it would be difficult for foreign shareholders to establish sufficient nexus to the PRC by virtue only of holding our shares of common stock.

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 such as 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. After completing the acquisition of 81.56% of registered equity interests (representing 75.57% of paid-up capital) of Hitrans in November 2021, we entered into the business of developing and manufacturing NCM precursor and cathode materials. Hitrans is a leading developer and manufacturer of ternary precursor and cathode materials in China, whose products have a wide range of applications including electric vehicles, electric tools, high-end digital products and storage, among others.

We acquired 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, 2022, we report financial and operational information in two segments: (i) production of high-power lithium battery cells, and (ii) manufacture and sale of materials used in high-power lithium battery cells.

Our business has been and may continue to be adversely affected by the COVID-19 pandemic or other health epidemics and outbreaks. A wave of infections caused by the Omicron variant emerged in Shanghai in early 2022, and a series of restrictions and quarantines were implemented to contain the spread in Shanghai and other regions. Our manufacturing facilities in Dalian, Nanjing and Shaoxing were not producing at full capacity when restrictive measures were in force during 2022, which negatively affected our operational and financial results. China began to modify its zero-COVID policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022.

We generated revenues of \$248.7 million and \$52.7 million for the fiscal years ended December 31, 2022 and 2021, respectively. We had a net loss of \$10.5 million and net profit of \$61.6 million in the fiscal years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, we had an accumulated deficit of \$131.7 million and net assets of \$125.2 million. We had an accumulated deficit from recurring net losses and significant short-term debt obligations maturing in less than one year as of December 31, 2022.

Favorable Policies for New Energy Vehicles

The clean energy industry is of strategic importance in China, and the government has been providing support for the development of new energy facilities and vehicles for several years. We anticipate securing more potential orders from the new energy market. With the growing demand for high-power lithium-ion products, we are optimistic about our future prospects.

Starting in 2015, the Chinese government has been providing consumers with subsidies for purchases of electric vehicles. Subsidies vary depending on electric vehicles' endurance mileages, battery pack energy density, energy consumption level and others, as a result of which new energy vehicles providing long driving range and high technical performance get higher subsidies. Between 2017 and 2020, the Chinese government gradually decreased subsidy levels for electric vehicles year by year. On April 23, 2020, the Chinese government extended these subsidies for another two years with a planned reduction of 10%, 20% and 30% in 2020, 2021 and 2022, respectively. Ultimately, these subsidies were discontinued entirely on December 31, 2022.

On the other hand, 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 production of new energy vehicles. On December 26, 2017, the Chinese government issued a policy to exempt purchase tax levied on electric vehicles for three years until 2020. In March 2020, the Chinese government extended such purchase tax exemption to 2022. In September 2022, the Chinese government again extended the purchase tax exemption to the end of 2023.

On September 28, 2017, China's Ministry of Industry and Information Technology introduced the Measures for Parallel Administration policy. This policy monitors Average Fuel Consumption Credits and New Energy Vehicle Credits for passenger vehicle manufacturers. If a manufacturer has negative credits, high-fuel consumption vehicle production will be suspended. Positive credits can be transferred among affiliated enterprises, while negative credits require compensation or purchasing of positive new energy vehicle credits. This policy incentivizes automakers to produce more new energy vehicles, and it 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 acknowledges various challenges faced by Chinese new energy vehicle manufacturers and emphasizes the need to enhancing R&D ability, expanding infrastructure and promoting industry-wide integration. The Plan further outlined the policy and administrative support that would be provided to the industry, reaffirming the importance of new energy vehicle development for China.

On January 21, 2021, the Ministry of Transport of PRC issued a new policy named “the 14th Five-year Development Plan for Green Transport” (the “14th Five-year Plan”), which aims to accelerate the adoption of new energy and clean energy vehicles for urban buses, taxis and logistical vehicles. The 14th Five-year Plan mandates that, in designated national ecological experimental zones and air pollution control zones, new energy vehicles must comprise at least 80% of buses, taxis and logistical vehicles.

On October 24, 2021, the State Council of PRC issued a new policy named the “Action Plan to Peak Carbon Dioxide Emissions before 2030” (the “Action Plan”), which further underscores the significance of promoting clean energy generation facilities and expanding charging networks for new energy vehicles. The Action Plan reflects the determination of the Chinese government in reducing carbon dioxide emissions and providing support to the development of the new energy industry.

On November 15, 2021, the Chinese Ministry of Industry and Information Technology introduced a new policy named “the 14th Five-year Plan for Green Industrial Development.” This policy sets forth a target to achieve significant progress in battery recycling for energy storage and power battery sectors by 2025.

On April 25, 2022, China’s General Office of the State Council issued a new guideline named “Guideline on Further Stimulation and Recovery of Consumption.” This guideline highlights the necessity of promoting green energy vehicles in the public transportation space.

We believe these energy efficiency policies will foster healthy development in the new energy vehicles market in the long term. In the short term, the extension of the purchase tax exemption policy alleviates pressure on electric vehicle manufacturers, benefiting the Chinese EV battery market. China’s new energy market has experienced rapid growth. According to the Chinese Ministry of Industry and Information Technology (the “MIIT”), there are 7,058,000 new energy vehicles manufactured and 6,887,000 sold in 2022, representing 96.9% and 93.4% increases from 2021. However, as subsidies end in 2022, the electric vehicle market will face full competition. We believe this situation presents growth potential for the light electric vehicle market, including electric bicycles, as well as the energy storage market. MIIT data shows a 130% increase in installed capacity in the energy storage market compared to 2021. We plan to maintain our focus on cylindrical batteries for UPS and other energy storage markets, while allocating resources to higher energy density products for the light electric vehicle market. We are also researching new products to meet EV market demand. Our strategies involve closely monitoring market changes and adjusting operations as needed.

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 20 GWh per year. As of December 31, 2022, we had received government subsidies in an amount of RMB47.1 million (approximately \$7.4 million) from Gaochun EDZ. We plan to attain a total capacity of 20 GWh per year to produce lithium batteries for the light electric vehicle (LEV), electric vehicle, and energy storage sectors. The Company expects to achieve such capacity expansion through two phases of construction: Phase I was constructed in 2021 and will reach an annual production capacity of 2 GWh by the end of 2023. Phase II is anticipated to complete by the end of 2025 to reach the remaining 18 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. The first-phase construction that has been completed occupies an area of approximately 27,173 square meters. We are installing production lines of model 32140 battery, a new battery model as further described below, in the Phase-I facility. As of December 31, 2022, a total capacity of 0.7 GWh per year was put into operation in Phase I, and we had started the second-phase construction. We aim to complete constructing the infrastructure for the initial 60,949 square meters by the third quarter of 2023.

Further, a new production line in Dalian, with an annual capacity of 0.4 GWh, has been operating to produce additional 100,000 model 26650 batteries daily due to increased demands for our model 26650 batteries. Furthermore, 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 New Battery Models

Currently, our primary battery product offering consists of model 26650, 26700 and 32140 lithium cells which account for approximately 67% of our battery sales in 2022. Model 26650, 26700 and 32140 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 have developed model 32140 large-sized cylindrical “tabless” battery which is being produced in our Nanjing manufacturing center. 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 had 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 can be used in high-latitude and high-altitude settings, such as ultra-low-temperature energy storage as well as in base stations, transportation, unmanned drones, aviation and aerospace. Additionally, it can be employed in other circumstances that require ultra-low-temperature cells.

Acquisition of a Raw Materials Manufacturer

On July 20, 2021, CBAK Power, a wholly-owned Chinese subsidiary of the Company, entered into a framework agreement relating to CBAK Power's investment in Zhejiang Hitrans Lithium Battery Technology Co., Ltd, pursuant to which CBAK Power agreed to acquire 81.56% of registered equity interests (representing 75.57% of paid-up capital) of Hitrans (the "Acquisition"). The Acquisition was completed on November 26, 2021.

CBAK Power paid approximately RMB40.74 million (\$6.4 million) in cash to acquire 21.56% of registered equity interests (representing 21.18% of paid-up capital) of Hitrans from Hitrans management shareholders. In addition, CBAK Power entered into a loan agreement with Hitrans to lend Hitrans approximately RMB131 million (\$20.6 million) (the "Hitrans Loan") by remitting approximately RMB131 million (\$20.6 million) into the account of Shaoxing Intermediate People's Court to remove the freeze on Zhejiang Meidu Graphene Technology Co., Ltd. ("Meidu Graphene")'s 60% of registered equity interests (representing 54.39% of paid-up capital) of Hitrans which freeze was imposed as a result of a lawsuit for Hitrans's failure to make payments in connection with the purchase of land use rights, plants, equipment, pollution discharge permit and other assets (the "Assets"). CBAK Power assigned RMB118 million (\$18.5 million) of the Hitrans Loan to Mr. Junnan Ye as consideration for the acquisition of 60% of registered equity interests (representing 54.39% of paid-up capital) of Hitrans from Mr. Ye who, acting as an intermediary, first purchased the 60% of registered equity interests (representing 75.57% of paid-up capital) of Hitrans from Meidu Graphene. After such assignment, Hitrans shall repay Mr. Ye at least RMB70 million (\$10.84 million) within two months of obtaining title to the Assets and the rest RMB48 million (\$7.43 million) by December 31, 2021, along with a fixed interest of RMB3.5 million (\$0.54 million) which can be reduced by up to RMB1 million (\$0.15 million) if the loan is repaid before its due date. Hitrans shall repay the remaining approximately RMB13 million (\$2.01 million) of the Hitrans Loan to CBAK Power at an interest rate of 6% per annum. As of January 29, 2022, Hitrans repaid all the loan principal of RMB118 million (\$18.5 million) and interest of RMB3.5 million (\$0.54 million) to Mr. Ye.

Prior to the Acquisition, CBAK Power and Hangzhou Juzhong Daxin Asset Management Co., Ltd. ("Juzhong Daxin") entered into a framework investment agreement (the "Letter of Intent") for a potential acquisition of Hitrans, and CBAK Power paid RMB20 million (\$3.10 million) to Juzhong Daxin as a security deposit under the Letter of Intent. On July 27, 2021, Juzhong Daxin returned RMB7 million (\$1.1 million) of the security deposit to CBAK Power. Juzhong Daxin has refused to refund an additional RMB3 million (\$0.5 million), claiming that the amount was a justified risk premium for their facilitation of the acquisition. CBAK Power believes this assertion is baseless and has initiated legal proceedings against Juzhong Daxin to recover the outstanding RMB3 million.

As part of the Acquisition, Hitrans obtained title to the Assets. Upon the closing of the Acquisition, CBAK Power became the largest shareholder of Hitrans holding 81.56% of its registered equity interests (representing 75.57% of paid-up capital). As required by applicable Chinese laws, CBAK Power is obliged to make capital contributions for the portion of Hitrans's registered capital subscribed but unpaid in accordance with the articles of association of Hitrans.

On July 8, 2022, Hitrans held a shareholder meeting to pass a resolution to increase the registered capital of Hitrans from RMB40 million to RMB44 million (approximately \$6.2 million) and to accept an investment of RMB22 million (approximately \$3.1 million) from Shaoxing Haiji Enterprise Management & Consulting Partnership ("Shaoxing Haiji") and another investment of RMB18 million (approximately \$2.5 million) from Mr. Haijun Wu (collectively, the "Management Shareholder Investment"). Under the resolution, 10% of the Management Shareholder Investment (RMB4 million or \$0.5 million) will be counted towards Hitrans's registered capital and the remaining 90% (RMB36 million or \$5.1 million) will be treated as additional paid-in capital. 25% of the Management Shareholder Investment was required to be in place before August 15, 2022. As of September 30, 2022, RMB10 million (approximately \$1.4 million), representing 25% of the Management Shareholder Investment was received. Another 25% (RMB10 million) and 50% (RMB20 million) of the Management Shareholder Investment were required to be received before December 31, 2022 and June 30, 2024, respectively. As of December 31, 2022, the 25% (RMB10 million) of the Management Shareholder Investment was not received. In addition, in 2022, CBAK Power injected an additional RMB60 million (approximately \$8.7 million) in Hitrans comprising RMB6 million (\$0.9 million) towards Hitrans's registered capital and RMB54 million (\$7.8 million) as additional paid-in capital.

On December 8, 2022, CBAK Power entered into agreements with five investors (together, the "Hitrans Investors") to transfer an aggregate of 6.8183% equity interests CBAK Power holds in Hitrans to these Hitrans Investors. Among the five investors, four of them invested RMB5 million (approximately \$0.7 million) each to obtain 1.1364% equity interests, respectively, while the fifth investor paid RMB10 million (approximately \$1.5 million) to acquire 2.2727% equity interests. Following the above financing and transfer transactions, CBAK Power's equity interests in Hitrans decreased to 67.33%, representing 69.12% of paid up capital, as of December 31, 2022.

The acquisition of Hitrans is a significant step for us in achieving our strategic objectives of enhancing competitiveness, strengthening position in the supply chain and expanding product offerings.

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 such as 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. After the acquisition of Hitrans, we have broadened our target markets to include battery manufacturers, offering them cathode materials and precursors.

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 2018–2021 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. 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. As a result of our efforts, we generated approximately \$4.7 million and \$0.2 million in revenues from electric vehicle customers in 2022 and 2021, respectively. Our largest revenue-generating market is the energy storage market. We have established partnerships with several leading players in this sector, resulting in ample orders to adequately utilize our production lines.

Our Corporate History and Structure

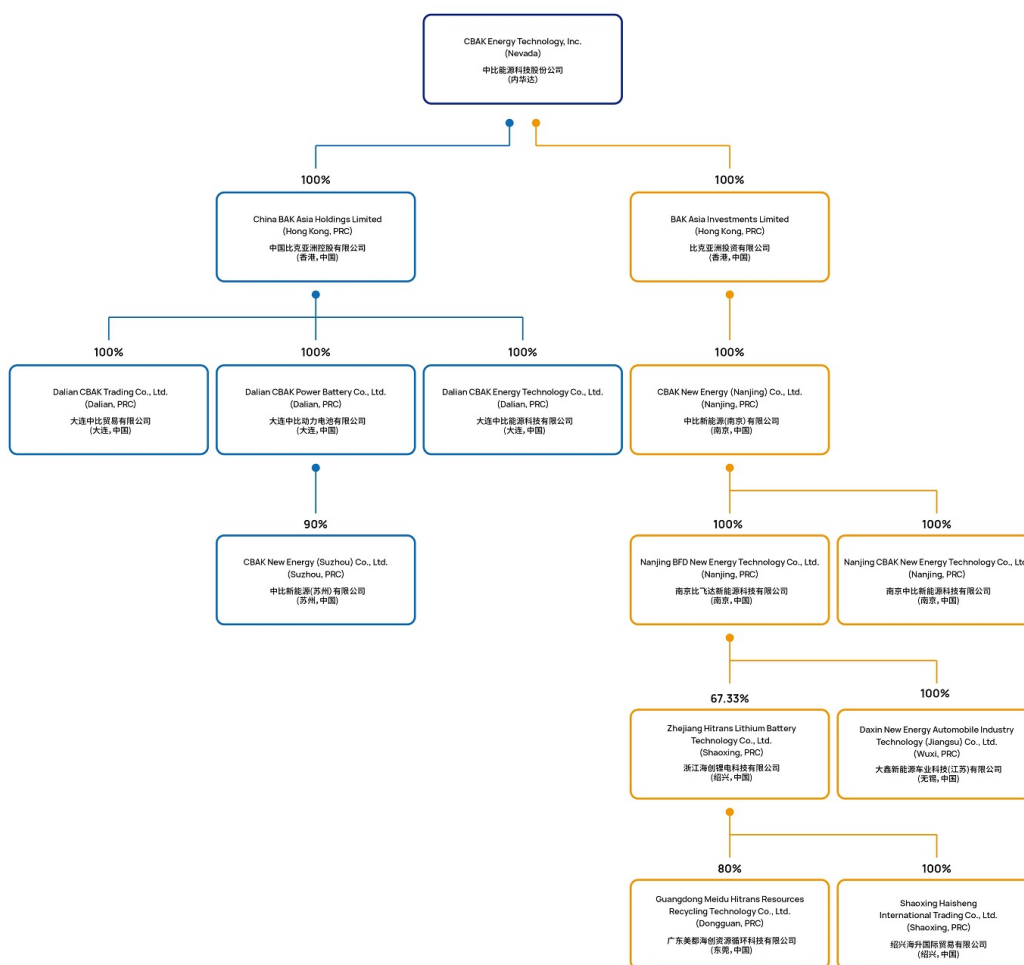
CBAK Energy Technology, Inc. was incorporated in the State of Nevada on October 4, 1999. The shares of common stock of CBAK Energy Technology, Inc. traded in the over-the-counter market through the Over-the-Counter Bulletin Board between 2005 and May 31, 2006. On May 31, 2006, CBAK Energy Technology, Inc. obtained approval to list its common stock on the Nasdaq Global Market, and trading commenced on the same date under the symbol “CBAK.” Effective November 30, 2018, the trading symbol for the common stock of CBAK Energy Technology, Inc. changed from CBAK to “CBAT.” Effective June 21, 2019, CBAK Energy Technology, Inc.’s common stock started trading on the Nasdaq Capital Market.

We currently conduct our business primarily through (i) three wholly-owned operating subsidiaries in China that we own through BAK Asia, an investment holding company formed under the laws of Hong Kong on July 9, 2013; (ii) CBAK Nanjing, a wholly-owned subsidiary in China that we own through BAK Investments, an investment holding company formed under the laws of Hong Kong and acquired by us on July 14, 2020; (iii) Nanjing CBAK, a 100% owned subsidiary of CBAK Nanjing; (iv) Nanjing BFD, a 100% owned subsidiary of CBAK Nanjing; and (v) Hitrans, a subsidiary of CBAK Power, where CBAK Power owns 67.33% of registered equity interests (representing 69.12% of paid-up capital):

- 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 employ any local staff. 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 2023.
- Hitrans, 67.33% owned by CBAK Power, located in Shangyu, Shaoxing, China, incorporated on December 16, 2015, principally engaged in the business of research and development, production and sales of cathode materials and precursors for lithium batteries.
- Guangdong Hitrans, 80% owned by Hitrans, located in Dongguan, Guangdong, China, incorporated on July 6, 2018, principally engaged in the business of wastes recycling.
- Haisheng, wholly-owned by Hitrans, located in Shangyu, Shaoxing, China, incorporated on October 9, 2021, principally engaged in the business of raw materials trading.
- 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 BFD, wholly-owned by CBAK Nanjing, incorporated on November 9, 2020, formally known as Nanjing Daxin, renamed on March 8, 2023, focuses on the development and manufacture of electric bicycle, motorcycle and automotive spare parts, import & export business and related technology consulting service.
- Jiangsu Daxin, wholly-owned by Nanjing BFD, incorporated on August 4, 2021, focuses on the development and manufacture of electric bicycle, motorcycle and automotive 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:

Corporate Structure



* On March 10, 2023, CBAC Power entered into an agreement with Nanjing BFD to transfer the 67.33% equity interests CBAC Power holds in Hitrans to Nanjing BFD. As of the date of this report, the registration of the equity transfer with the local government is still in process. Following the transaction, Nanjing BFD shall become the controlling shareholder of Hitrans, while CBAC Power no longer holds any of Hitrans's equity interests.

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.

On November 29, 2021, we announced the completion of the acquisition of 81.56% equity interests of Hitrans. We thus incorporate the manufacture and sale of the following materials used in high power lithium batteries as part of our operations:

Material Type	End applications*
Cathode	High-power lithium battery
Precursor	Cathode materials

Precursors are in general made from nickel salts, cobalt salts and manganese salts, and are used in manufacturing cathode materials. Cathode materials are crucial raw materials to manufacture lithium-ion batteries.

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.

Many industry insiders reviewed 2014 as the inaugural year for the development of China's new energy vehicle industry. After explosive growth in 2017, the production and sales of new energy vehicles continued to grow tremendously in 2018, 2020 and 2021, despite a slight 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 1,366,000 units and 1,267,000 units, up 10.0 percent and 5.1 percent, respectively, from 2019. In 2021, the production and sales of new energy vehicles continued to grow significantly, reaching a record high of 3,545,000 units and 3,521,000 units, both up almost 1.6 times from last year. In 2022, there are 7,058,000 units of new energy vehicles manufactured and 6,887,000 units sold, both up by 96.9% and 93.4%. The subsidy policy on new energy vehicles was discontinued on December 31, 2022. In the short term, we expect that the discontinuation of subsidies will have an adverse impact on the Chinese electric vehicle market in the short term. However, we anticipate that the market will gradually evolve into a highly competitive space in the long term, with new energy vehicles becoming increasingly popular.

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.

Light electric vehicles have drawn great attention from the international market as a solution to the global environment and energy problems. With governments in China, Japan, Europe, South Asia, and North America promoting the application of light electric vehicles, this market has been growing tremendously. Typically, China's domestic market for light electric vehicles is predicted to peak from 2022 to 2023. China has the world's biggest electric bicycle market, promoted by the adoption of new "national standard" of electric bicycles by the Chinese government, which leads to a nation-wide upgrading of electric bicycles from old "national standard." Plus, the popularity of the concept of shared electric bicycles in China further creates momentum to the growth of the market. The pandemic of Covid-19 stimulates the development of food delivery industry that increases the demand for shared electric bicycles. We believe that the adoption of new "national standard" and the increasing demand for shared electric bicycles will rapidly boost the market.

In India, Southeast Asia and European markets, thanks to the carbon emission and pollution reduction policies promoted by local governments, electric vehicles have been viewed as a solution to replace traditional gasoline-powered vehicles. Unlike electric vehicles whose market has already been fully competitive, light electric vehicles including electric bicycles still have great growth potential.

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 has been 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 has been rapidly growing and has prompted many users, both commercial and personal, to replace or upgrade their current power tools.

Sales and Marketing

Currently, our marketing department at headquarters is responsible for promotional efforts. 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 are 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 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.

On March 10, 2023, CBAK Power entered into an agreement with Nanjing BFD to transfer the 67.33% equity interests CBAK Power holds in Hitrans to Nanjing BFD. As of the date of this report, the registration of the equity transfer with the local government is still in process. The transfer fee shall be paid to CBAK Power on or before December 31, 2024. Following the transaction, Nanjing BFD shall become the controlling shareholder of Hitrans, while CBAK Power no longer holds any of its equity interests.

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 beneficial to 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. The primary raw materials used in our materials business include cobaltous sulfates, manganese sulfates, lithium hydroxides, lithium carbonates and liquid nickel sulfates. Cost of these raw materials is a key factor in pricing our products. We source such raw materials from a couple of suppliers across China. 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.

Intellectual Property

On August 25, 2014, we entered into an intellectual property rights use agreement with Shenzhen BAK Battery Co., Ltd (“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, 2022, CBAK Power held 92 patents in the PRC, two of which will expire between 2024 to 2041. Among the 92 patents, two were acquired by BAK Asia, from an unrelated third party at RMB1 and were contributed as paid-in capital to CBAK Power. As of December 31, 2022, CBAK Energy held 8 patents in the PRC, all of which will expire between 2030 and 2040; Nanjing CBAK held 16 patents in the PRC, all of which will expire between 2031 and 2039; Nanjing BFD held 8 patents in the PRC, all of which will expire between 2031 and 2039; Jiangsu Daxin held 11 patents in the PRC, all of which will expire between 2031 and 2036; and Hitrans held 21 patents in the PRC, all of which will expire between 2028 and 2042.

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

Seasonality does not materially affect our business or operating results. As our battery cell and battery material products have a wide range of applications, we have not experienced significant seasonal fluctuations in market demands or sales recently. Market demands for our products generally slightly drop during the Chinese New Year holiday, a major national holiday in China.

Customers

Currently, major customers for our high power lithium batteries business include Viessmann Faulquemont S.A.S, ShenZhen ZTS Technology, Co., Ltd., Northvolt Battery System AB and SolaX Power. Major customers for our materials segment include Hunan Brunp Recycling Technology Co., Ltd. and Farasis Energy (GanZhou) Co., Ltd. We believe that our revenue and market share will increase as we gradually expand our high-power battery production to meet the growing demand for these batteries.

Geography of Sales

Our revenues are generated from both domestic and international customers, but the percentage contribution from each group varies significantly from year to year. 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, 2021		December 31, 2022	
	Amount	% of Net Revenues	Amount	% of Net Revenues
	(in thousands of U.S. dollars, except percentages)			
Mainland China	\$ 43,745,765	83	\$ 198,114,578	79
USA	440	0	36,525	0
Europe	8,503,338	16	50,378,076	20
Others	420,190	1	196,306	1
Total	<u>\$ 52,669,733</u>	<u>100</u>	<u>\$ 248,725,485</u>	<u>100</u>

Competition

We face intense competition from high-power lithium battery makers and raw materials manufacturers in China, as well as in Korea and Japan for each of our product types. The following table sets forth our major competitors in the battery market broken down by the EV, LEV and UPS sub-sectors as of December 31, 2022, as well as in the materials market:

Product Type	Competitors
EV battery	Japan: Panasonic Corporation Korea: Samsung Electronics Co., Ltd LG Chemical China: Tianjin Lishen Battery Joint-stock Co., Ltd Contemporary Amperex Technology Co., Ltd Hefei Guoxuan Hi-Tech Power Energy Co., Ltd China Aviation Lithium Battery Co., Ltd
LEV battery	China: Tianneng Power International Limited Chaowei Power Holdings Limited Phylion Battery Co., Ltd
UPS battery	China: Shandong Goldencell Electronics Technology Co., Ltd DLG Power Battery (Shanghai) Co., Ltd Dongguan Power Long Battery Technology Co., Limited
Cathode & Precursor	Japan: Sumitomo Metal Mining Co., Ltd. Korea: Umicore N.V. China: Beijing Easpring Material Technology Co., Ltd. Ningbo Ronbay Lithium Battery Material Co., Ltd.

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 development of advanced electric vehicles in China has created a significant demand for the R&D of next-generation advanced lithium batteries and their key materials, which must be characterized by high energy density, high security, long-lasting life, and low cost. Furthermore, the training of technical talent in this field is equally important.

We have an advanced R&D center in Dalian for research and development of lithium batteries, receiving almost all the R&D achievements, 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.

In addition to our efforts to develop new batteries at lower cost and higher energy density, we are also focusing on the research and development of high-nickel low-cobalt materials featuring high energy density, low cost and broader applications. We operate an advanced R&D center in Shaoxing that is focused on battery materials. Additionally, we invested significant R&D resources to develop single-crystal high-voltage products as well as high-rate materials which can enable a 15C discharge rate.

Regulatory Compliance

Environmental Regulations

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, wastewater and waste solids we generate can be treated in accordance with the relevant requirements. We outsource the 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 are not aware of any threatened claim, action or legal proceedings that would have a material adverse effect on our business, financial condition or results of operations.

Regulations Relating to Foreign Investment

The establishment, operation and management of corporate entities in mainland China are governed by the Company Law of the People's Republic of China, or the China Company Law, which was adopted by the Standing Committee of the National People's Congress ("SCNPC") in December 1993, implemented in July 1994, and subsequently amended in December 1999, August 2004, October 2005, December 2013 and October 2018. Under the China Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The China Company Law also applies to foreign-invested limited liability companies and foreign-invested companies limited by shares. Pursuant to the China Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail. In December 2021, the SCNPC issued the draft amendment to the China Company Law for comment. The draft amended China Company Law has made roughly 70 substantive changes to the 13 chapters and 218 articles of the current Company Law (rev. 2018). It would (i) refine special provisions on state-funded companies; (ii) improve the company establishment and exit system; (iii) optimize corporate structure and corporate governance; (iv) optimize the capital structure; (v) tighten the responsibilities of controlling shareholders and management personnel; and (vi) strengthen corporate social responsibility.

Investment activities in mainland China by foreign investors are governed by the Guiding Foreign Investment Direction, which was promulgated by the State Council on February 11, 2002, and came into effect on April 1, 2002, and the latest Special Administrative Measures (Negative List) for Foreign Investment Access (2022), or the Negative List, which was promulgated by the Ministry of Commerce ("MOFCOM") and the National Development and Reform Commission ("NDRC") on March 12, 2022, and took effect on the same date. The Negative List sets out in a unified manner the restrictive measures, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. Any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

The Foreign Investment Law of the People's Republic of China, or the Foreign Investment Law was promulgated by the NPC in March 2019 and become effective in January 2020. After the Foreign Investment Law came into force, the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises, the Law of the People's Republic of China on Sino-foreign Equity Joint Ventures and the Law of the People's Republic of China on Sino-foreign Contractual Joint Ventures have been repealed simultaneously. The investment activities of foreign natural persons, enterprises or other organizations (hereinafter referred to as foreign investors) directly or indirectly within the territory of mainland China shall comply with and be governed by the Foreign Investment Law, including: 1) establishing by foreign investors of foreign-invested enterprises in mainland China alone or jointly with other investors; 2) acquiring by foreign investors of shares, equity, property shares, or other similar interests of Chinese domestic enterprises; 3) investing by foreign investors in new projects in mainland China alone or jointly with other investors; and 4) other forms of investment prescribed by laws, administrative regulations or the State Council.

In December 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law, which came into effect in January 2020. After the Regulations on Implementing the Foreign Investment Law came into effect, the Regulation on Implementing the Law on Sino-foreign Equity Joint Ventures, Provisional Regulations on the Duration of Sino-Foreign Equity Joint Ventures, the Regulations on Implementing the Law on Wholly Foreign-Owned Enterprises and the Regulations on Implementing the Law on Sino-Foreign Cooperative Joint Ventures have been repealed simultaneously.

In December 2019, the MOFCOM and the State Administration for Market Regulation (“SAMR”) issued the Measures for the Reporting of Foreign Investment Information, which came into effect in January 2020. After the Measures for the Reporting of Foreign Investment Information came into effect, the Interim Measures on the Administration of Filing for Establishment and Change of Foreign Invested Enterprises has been repealed simultaneously. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in mainland China, the foreign investors or foreign-invested enterprises shall submit investment information to the relevant commerce administrative authorities pursuant to these measures.

None of our PRC subsidiaries’ business falls within the Negative List, and therefore, all of our PRC subsidiaries are able to conduct their business without being subject to restrictions imposed by foreign investment laws and regulations in China.

Human Capital

We had a total of approximately 1,063 employees as of December 31, 2022, all of whom are full-time employees. The following table sets forth the number of our employees by function.

Function	Number
Production	554
Research and development	220
Sales and marketing	41
General and administrative	248
Total	1,063

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 DOING BUSINESS IN CHINA

The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors of the benefits of such inspections. Our common stock may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting of our common stock, or the threat of its being delisted, may materially and adversely affect the value of your investment.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. The auditor is located in Hong Kong, a jurisdiction where the PCAOB was historically unable to conduct inspections and investigations completely before 2022. As a result, we and investors in our common stock were deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in Hong Kong in the past has made it more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors that are subject to the PCAOB inspections. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. However, if the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong, and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we and investors in our common stock would be deprived of the benefits of such PCAOB inspections again, which could cause investors and potential investors in our common stock to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Pursuant to the HFCAA, as amended, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will prohibit our common stock from being traded on a national securities exchange or in the over-the-counter trading markets in the United States.

On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong and our auditor was subject to that determination. In May 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 10-K for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. For this reason, we do not expect to be identified as a Commission-Identified Issuer under the HFCAA after we file this annual report on Form 10-K for the fiscal year ended December 31, 2022.

Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 10-K for the relevant fiscal year. In accordance with the HFCAA, as amended, our securities would be prohibited from being traded on a national securities exchange or in the over-the-counter trading market in the United States if we are identified as a Commission-Identified Issuer for two consecutive years in the future. A prohibition of being able to trade in the United States would substantially impair your ability to sell or purchase our common stock when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our common stock. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

The PRC government exerts substantial influence over the manner in which we conduct our business activities. Its oversight and discretion over our business could result in a material adverse change in our operations and the value of our common stock. Changes in laws, regulations and policies in China and uncertainties with respect to the PRC legal system could materially and adversely affect us. In addition, rules and regulations in China can change quickly with little advance notice.

Substantially all of our operations are conducted in the PRC. Accordingly, our financial condition and results of operations are affected to a significant extent by the economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange and allocation of resources. The PRC government has implemented various measures to encourage economic growth and to 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 operations could be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us.

The Chinese government recently has published new policies that significantly affected certain industries such as the education and internet industries, and we cannot rule out the possibility that it will not in the future release regulations or policies regarding our industry that could require us or our PRC subsidiaries to seek permission from Chinese authorities to continue to operate our business in China, which may adversely affect our business, financial condition and results of operations. Furthermore, recent statements made by the Chinese government have indicated an intent to increase the government's oversight and control over offerings of companies with significant operations in China that are to be conducted in foreign markets, as well as foreign investment in China-based issuers like us. Any such action, once taken by the Chinese government, could significantly limit or completely hinder our ability to offer our securities, and could cause the value of such securities to significantly decline or become worthless.

For example, in July 2021, the Chinese government provided new guidance on China-based companies raising capital outside of China, including through arrangements via VIEs. In light of such developments, the SEC has imposed enhanced disclosure requirements on China-based companies seeking to register securities with the SEC. Although we have never adopted a VIE structure and our business in China does not involve any type of restricted industry under Chinese regulations, any future Chinese, U.S. or other rules and regulations that place restrictions on capital raising or other activities by companies with extensive operations in China could adversely affect our business. If the business environment in China deteriorates from the perspective of domestic or international investment, or if relations between China and the United States or other governments deteriorate, the Chinese government may intervene with our operations, and our business in China, as well as the value of our securities, may also be adversely affected.

The PRC government has increasingly strengthened oversight in offerings conducted overseas or on foreign investment in China-based issuers, which could result in a material change in our operations and our common stock could decline in value or become worthless.

The PRC government has recently indicated an intent to take actions to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers. For example, on July 6, 2021, the relevant PRC government authorities made public the Opinions on Strictly Scrutinizing Illegal Securities Activities in Accordance with the Law, or the Opinions. These Opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision of overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based over-seas-listed companies.

On December 24, 2021, the CSRC issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), collectively the Draft Overseas Listing Regulations, for public comment until January 23, 2022.

Following issuance of the Draft Overseas Listing Regulations, on February 17, 2023, the CSRC issued the Notice on Filing Arrangements for Overseas Securities Offering and Listing by Domestic Companies (the "CSRC Filing Notice"), stating that the CSRC has published the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "Trial Measures") and five supporting guidelines (the "Listing Guidelines"), collectively the Trial Measures and Listing Guidelines. Among others, the Trial Measures and Listing Guidelines provide that overseas offerings and listings by PRC domestic companies shall:

- (i) require submission of relevant materials that contain a filing report and a legal opinion, providing truthful, accurate and complete information on matters including but not limited to the shareholders of the issuer. Where the filing documents are complete and in compliance with stipulated requirements, the CSRC shall, within 20 working days after receipt of filing documents, conclude the filing procedure and publish filing results on the CSRC website. Where filing documents are incomplete or do not conform to stipulated requirements, the CSRC shall request supplementation and amendment thereto within five working days after receipt of the filing documents. The issuer should then complete supplementation and amendment within 30 working days;
- (ii) abide by laws, administrative regulations and relevant state rules concerning foreign investment in China, state-owned asset administration, industry regulation and outbound investment, and shall not disrupt the PRC domestic market order, harm state or public interests or undermine the lawful rights and interests of PRC domestic investors;
- (iii) abide by national secrecy laws and relevant provisions. Necessary measures shall be taken to fulfill confidentiality obligations. Divulgence of state secrets or working secrets of government agencies is strictly prohibited. Provision of personal information and important data, etc., to overseas parties in relation to overseas offering and listing of PRC domestic companies shall be in compliance with applicable laws, administrative regulations and relevant state rules; and
- (iv) be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in the spheres of foreign investment, cybersecurity, data security, etc., and issuers shall duly fulfill their obligations to protect national security. If the intended overseas offering and listing necessitates a national security review, relevant security review procedures shall be completed according to the law before the application for such offering and listing is sub-mitted to any overseas parties such as securities regulatory agencies and trading venues;

The Trial Measures came into effect on March 31, 2023. PRC domestic companies seeking to offer and list securities (which, for the purposes of the Trial Measures, are defined thereunder as equity shares, depository receipts, corporate bonds convertible to equity shares, and other equity securities that are offered and listed overseas, either directly or indirectly, by PRC domestic companies) in overseas markets, either via direct or indirect means, must file with the CSRC within three working days after their application for an overseas listing is submitted.

The Trial Measures provide that where a PRC domestic company seeks to indirectly offer and list securities in overseas markets, the issuer shall designate a major domestic operating entity, which shall, as the domestic entity responsible, file with the CSRC. The Trial Measures stipulate that an overseas listing will be determined as “indirect” if the issuer meets both of the following conditions: (1) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year are accounted for by PRC domestic companies (“Condition I”), and (2) the main parts of the issuer’s business activities are conducted in the PRC, or its main places of business are located in the PRC, or the senior managers in charge of its business operations and management are mostly Chinese citizens or domiciled in the PRC (“Condition II”); whether Chinese citizens from Taiwan, Hong Kong, and Macau are included in the foregoing specification is not specified. The determination as to whether or not an overseas offering and listing by PRC domestic companies is indirect shall be made on a ‘substance over form’ basis; the Listing Guidelines further stipulate that if an issuer not satisfying Condition I submits an application for issuance and listing in overseas markets in accordance with relevant non-PRC issuance regulations requiring such issuer to disclose risk factors mainly related to the PRC, the securities firm(s) and the issuer’s PRC counsel should follow the principle of ‘substance over form’ in order to identify and argue whether the issuer should complete a filing under the Trial Measures. Subsequent securities offerings of an issuer in (i) the same overseas market where it has previously offered and listed securities, and (ii) an overseas market other than one where the issuer has previously offered and listed securities shall be filed with the CSRC within three working days after offerings are completed. Additionally, the Trial Measures stipulate that after an issuer has offered and listed securities in an overseas market, the issuer shall submit a report to the CSRC within three working days after the occurrence and public disclosure of (i) a change of control thereof, (ii) investigations of or sanctions imposed on the issuer by overseas securities regulators or relevant competent authorities, (iii) changes of listing status or transfers of listing segment, and (iv) a voluntary or mandatory delisting.

The CSRC Filing Notice states that, beginning from March 31, 2023, PRC domestic enterprises which have already issued and listed securities overseas and fall within the scope of filing under the Trial Measures shall be considered “existing enterprises” (“Existing Listed Enterprises”). Existing Listed Enterprises are not required to complete filings immediately; rather, Existing Listed Enterprises should complete filings if they are subsequently involved in matters requiring filings, such as follow-on financing activities, in accordance with the Trial Measures.

There is a possibility that we may be deemed as an Existing Listed Enterprise as defined under the CSRC Filing Notice, and that future offerings of listed securities or listings outside China by us may be subject to CSRC filing requirements in accordance with the Trial Measures.

On February 24, 2023, the CSRC, together with the Ministry of Finance, National Administration of State Secrets Protection and National Archives Administration of China, revised the Provisions on Strengthening Confidentiality and Archives Administration for Overseas Securities Offering and Listing, which were issued by the CSRC and National Administration of State Secrets Protection and National Archives Administration of China in 2009, or the “Provisions.” The revised Provisions were issued under the title the “Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies,” and came into effect on March 31, 2023 together with the Trial Measures. One of the major revisions to the revised Provisions is expanding their application to cover indirect overseas offering and listing, as is consistent with the Trial Measures. The revised Provisions require that, among other things, (a) a domestic company that plans to, either directly or indirectly through its overseas listed entity, publicly disclose or provide to relevant individuals or entities, including securities companies, securities service providers, and overseas regulators, any documents and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities according to law, and file with the secrecy administrative department at the same level; and (b) a domestic company that plans to, either directly or indirectly through its overseas listed entity, publicly disclose or provide to relevant individuals and entities, including securities companies, securities service providers, and overseas regulators, any other documents and materials that, if leaked, will be detrimental to national security or public interest, shall strictly fulfill relevant procedures stipulated by applicable national regulations. Any failure or perceived failure by our Company, or our PRC subsidiaries to comply with the above confidentiality and archives administration requirements under the revised Provisions and other PRC laws and regulations may result in the relevant entities being held legally liable by competent authorities, and referred to the judicial organ to be investigated for criminal liability if suspected of committing a crime.

Given that the Trial Measures, Listing Guidelines and Revised Provisions have been introduced recently, and that there remain substantial uncertainties surrounding the enforcement thereof, we cannot assure you that, if required, we would be able to complete the filings and fully comply with the relevant new rules on a timely basis, if at all. Further, as of the date of this report, the aforementioned Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) issued on December 24, 2021 remain in draft form and final and effective versions are yet to be published.

Changes in U.S. and Chinese regulations or in relations between the United States and China may adversely impact our business, our operating results, our ability to raise capital and the value of our securities. Any such changes may take place quickly and with very little notice.

The U.S. government, including the SEC, has made statements and taken certain actions that led to changes to United States and international relations, and will impact companies with connections to the United States or China. The SEC has issued statements primarily focused on companies with significant China-based operations, such as us. For example, on July 30, 2021, Gary Gensler, Chairman of the SEC, issued a Statement on Investor Protection Related to Recent Developments in China, pursuant to which Chairman Gensler stated that he has asked the SEC staff to engage in targeted additional reviews of filings for companies with significant China-based operations. The statement also addressed risks inherent in companies with VIE structures. We have never adopted a VIE structure and are not in any industry that is subject to foreign ownership limitations by China. However, it is possible that the Company's filings with the SEC may be subject to enhanced review by the SEC.

In response to the SEC's July 30, 2021 statement, the CSRC announced on August 1, 2021, that "it is our belief that Chinese and U.S. regulators shall continue to enhance communication with the principle of mutual respect and cooperation, and properly address the issues related to the supervision of China-based companies listed in the U.S. so as to form stable policy expectations and create benign rules framework for the market." The CSRC pledged to continue to collaborate "closely with different stakeholders including investors, companies, and relevant authorities to further promote transparency and certainty of policies and implementing measures," and emphasized that it "has always been open to companies' choices to list their securities on international or domestic markets in compliance with relevant laws and regulations." If any new legislation, executive orders, laws and/or regulations are implemented, if the U.S. or Chinese governments take retaliatory actions due to the recent U.S.-China tension or if the Chinese government exerts more oversight and control over securities offerings that are conducted in the United States, such changes could have an adverse effect on our business, financial condition and results of operations, our ability to raise capital and the value of our securities.

There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

Substantially all of our operations are conducted in the PRC, and are governed by PRC laws, rules and regulations. Our PRC subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the nonbinding nature of such decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention.

PRC laws and regulations establish complex procedures in connection with certain acquisitions of China-based companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions or mergers in China.

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce ("MOFCOM"), the State-Owned Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration for Industry and Commerce, the CSRC, and the State Administration of Foreign Exchange, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which came into effect on September 8, 2006 and were amended on June 22, 2009. The M&A Rules include, among other things, provisions that purport to require that an offshore special purpose vehicle formed for the purpose of an overseas listing of securities of a PRC company obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings through special purpose vehicles. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles.

The regulations also established additional procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, or that the approval from the MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies.

Moreover, according to the Anti-Monopoly Law of the People's Republic of China promulgated on August 30, 2007 and the Provisions on Thresholds for Reporting of Concentrations of Undertakings (the "Prior Reporting Rules") issued by the State Council in August 2008 and amended in September 2018, the concentration of business undertakings by way of mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the anti-monopoly enforcement agency of the State Council when the applicable threshold is crossed and such concentration shall not be implemented without the clearance of prior reporting. In addition, the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprise by Foreign Investors (the "Security Review Rules") issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review by structuring the transaction through, among other things, trusts, entrustment or contractual control arrangements.

In the event that our acquisition of other companies in China falls within the scope of these regulations, compliance with these regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

CBAK Energy Technology, Inc., as a holding company incorporated in Nevada, the United States, without material operations of its own, relies on dividends and other distributions on equity paid by its PRC operating subsidiaries for its cash needs.

CBAK Energy Technology, Inc. is a holding company, and we conduct all of our operations through our PRC subsidiaries. CBAK Energy Technology, Inc. relies on dividends and other distributions on equity paid by its PRC subsidiaries for its cash needs, including the funds necessary to pay dividends and other cash distributions to its stockholders, to service any debt it may incur and to pay its 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 CBAK Energy Technology, Inc. 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 CBAK Energy Technology, Inc., which in turn will adversely affect its available cash.

In addition, our PRC subsidiaries' ability to pay dividends and other cash distributions is subject to foreign exchange restrictions in China. For example, to address persistent capital outflows and the RMB's depreciation against the U.S. dollar in the fourth quarter of 2016, the People's Bank of China and the State Administration of Foreign Exchange, or SAFE, implemented a series of capital control measures in the subsequent months, including stricter vetting procedures for China-based companies to remit foreign currency for overseas acquisitions, dividend payments and shareholder loan repayments. The PRC government may continue to strengthen its capital controls and our PRC subsidiaries' dividends and other distributions may be subject to tightened scrutiny in the future. The PRC government also imposes controls on the conversion of RMB into foreign currencies and the remittance of currencies out of the PRC. Therefore, we may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency for the payment of dividends from our profits, if any.

As a matter of fact, we have never declared or paid any dividends to CBAK Energy Technology, Inc.'s stockholders, nor do we have any present plan to pay any cash dividends on the 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.

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.

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.

PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent CBAK Energy Technology, Inc. from making additional capital contributions or loans to its PRC subsidiaries.

CBAK Energy Technology, Inc., as an offshore holding company, is permitted under PRC laws and regulations to provide funding to its PRC subsidiaries through loans or capital contributions. However, loans by CBAK Energy Technology, Inc. to its PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of the State Administration of Foreign Exchange and capital contributions to its PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System, and registration with other governmental authorities in China.

The State Administration of Foreign Exchange promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or Circular 19, effective on June 1, 2015, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, the Notice from the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses, and the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses. According to Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of bank loans that have been transferred to a third party. Although Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within the PRC, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether the State Administration of Foreign Exchange will permit such capital to be used for equity investments in the PRC in actual practice. The State Administration of Foreign Exchange promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to grant loans to non-associated enterprises. Violations of Circular 19 and Circular 16 could result in administrative penalties. Circular 19 and Circular 16 may significantly limit our ability to transfer any foreign currency CBAK Energy Technology, Inc. holds to its PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

In light of the various requirements imposed by PRC regulations on loans to, and direct investment in, PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or future capital contributions by us to our PRC subsidiaries. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries when needed. If we fail to complete such registrations or obtain such approvals, our ability to use foreign currency and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

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.

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 BUSINESS

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 accumulated deficit from recurring net losses incurred for the prior years and significant short-term debt obligations maturing in less than one year as of December 31, 2022. These conditions raise substantial doubt about our ability to continue as a going concern. We plan to improve our profitability, 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 executing such plans or obtaining additional equity or debt financing on acceptable terms. The audited consolidated financial statements included in this report do not include any adjustments that might result from the outcome of this uncertainty.

Our business has been and may continue to be adversely affected by the ongoing global COVID-19 pandemic or other health epidemics and outbreaks.

Since late 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, China imposed widespread lockdowns, closure of workplaces and restrictions on mobility and travel to contain the spread of the virus. After the initial outbreak in late 2019, from time to time, some instances of COVID-19 infections have emerged in various regions of China, including infections caused by the Omicron variant. For example, a wave of infections caused by the Omicron variant emerged in Shanghai in early 2022, and a series of restrictions and quarantines were implemented in Shanghai and other regions to contain the spread. Our manufacturing facilities were not producing at full capacity when restrictive measures were in force for the areas where our manufacturing operations are located during 2022. China began to modify its zero-COVID policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. 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, 2022. We generated revenues of \$248.73 million and \$52.67 million for the fiscal years ended December 31, 2022 and 2021, respectively.

There may be surges of cases in certain regions in the future, and there remains uncertainty as to the future impact of the virus, especially in light of this change in policy. We cannot be assured that more lockdowns and other restrictive measures will not be implemented in the future. Some other countries, including the U.S., also introduced various restrictions in response to the COVID-19 pandemic.

The ongoing COVID-19 pandemic as well as other possible health epidemics and outbreaks could have a material adverse impact on our or our customers' business operations including reduction or suspension of operations in China, the U.S. or certain parts of the world. Our manufacturing operations, among others, cannot all be conducted in a remote working structure and often require on-site access to materials and equipment. Our international customers account for approximately 20% of our sales in 2022. Depending upon the duration of the ongoing COVID-19 pandemic and the associated business interruptions, our customers, suppliers and partners may suspend or delay their engagement with us, which could result in a material adverse effect on our financial condition. Our response to the ongoing COVID-19 pandemic may prove to be inadequate and we may be unable to continue our operations in the manner we had prior to the outbreak, and may endure interruptions and delays in our product development and shipments, all of which could have an adverse effect on our business, operating results, and financial condition.

The acquisition of a controlling interest in Hitrans may fail to result in anticipated benefits but has involved significant investment and commitment of financial and other resources.

We consummated the acquisition of 81.56% of registered equity interests (representing 75.57% of paid-up capital) in Hitrans in November 2021 (such ownership percentage reduced to 67.33% of registered equity interests and 69.12% of paid-up capital as of December 31, 2022, as a result of Hitrans's subsequent equity financings and our transfer of some of our equity interests in Hitrans). However, acquisitions generally create risks such as (i) the need to integrate and manage the businesses and products acquired with our own business and products; (ii) additional demands on our resources, systems, procedures and controls; (iii) disruption of our ongoing business; (iv) potential unknown or unquantifiable liabilities associated with the target company; and (v) diversion of management's attention from other business concerns. Moreover, this acquisition involved substantial investment of funds from our previous equity financings, resulted in one-time charges and expenses and subjected us to contractual obligations to pay outstanding subscribed registered capital of Hitrans of RMB50 million by May 31, 2025 as of the date of this report. This acquisition may not be successful in generating revenue, income or other returns, and any resources we committed will not be available to us for other purposes. Moreover, if we are unable to access the capital markets on acceptable terms or at all, or generate sufficient operating income, we may not be able to perform our obligations to pay outstanding subscribed registered capital of Hitrans as agreed. Our inability to take advantage of growth opportunities or address risks associated with this acquisition and investment may negatively affect our operating results.

Additionally, any impairment of goodwill or other intangible assets acquired in an acquisition or charges to earnings associated with any acquisition or investment activity, may materially reduce our earnings. This acquisition may not result in its anticipated benefits, and we may not be able to properly integrate acquired products, technologies or businesses with our existing products and operations or successfully combine personnel and cultures. Failure to do so could deprive us of the intended benefits of this acquisition.

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 have put into operation a production line of model 32140 large-sized cylindrical "tabless" batteries with a 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. We also announced in February 2021 that we had 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 can be used in high-latitude and high-altitude settings, such as ultra-low-temperature energy storage as well as in base stations, transportation, unmanned drones, aviation and aerospace. Additionally, it can be employed in other circumstances that require ultra-low-temperature cells.

We cannot provide assurance that market acceptance of our new products 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, as well as the battery materials industry, are 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 facilities in Dalian, Nanjing and Shaoxing, China, which have about 220 R&D staffers and over 6,812 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 BFD, formally named 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 \$19.2 million and \$12.4 million for the years ended December 31, 2021 and 2022, 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 and cathode material and precursor producers, 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.

The market for cathode materials and precursors has been evolving rapidly. Rapid and ongoing changes in technology and product standards could render our cathode materials and precursor products less competitive, or even obsolete, particularly if we fail to continue to improve the performance of our cathode materials and precursor products. Competing technologies that outperform our cathode materials and precursor products in one or more performance attributes could be developed and successfully introduced. We are aware of certain companies, including Sumitomo Metal Mining Co., Ltd., Umicore N.V., Beijing Easpring Material Technology Co., Ltd. and Ningbo Ronbay Lithium Battery Material Co., Ltd. using cell chemistry technology similar to our technology and these or other companies have introduced or could introduce products that compete directly with our products and could in the future outperform our products in one or more performance attributes, could be offered to our customers as a cheaper alternative to our products or may result in increased pricing pressure on our products.

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 69.5% and 54.0% of our revenues for the years ended December 31, 2022 and 2021, 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 terms 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.

Failure by us to maintain and strengthen relationships with certain contract battery material producer may materially adversely affect our ability to fulfill customer orders and our results of operations.

We outsource the production of a portion of our battery material products to a third-party supplier in Xianyang city, Shaanxi province. Our ability to meet the demands of our customers for battery material products would be affected, if our relationship with this supplier changes negatively, or operations at this supplier are disrupted. In the event of a significant disruption to the battery material production line of this supplier, our proprietary manufacturing facility in Shangyu, Zhejiang province, may not have sufficient production capacity to meet demand until the supplier's production line returns to operation. On the other hand, we may not be able to replace this supplier with suitable alternative contract manufacturers in a timely manner on commercially acceptable terms or at all. We may be forced to default on orders with our customers. This could 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 cell and battery materials 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 and have invested in the R&D capability of our newly acquired battery materials business. 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 maintain 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 and battery materials 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. Our sales to electric vehicle customers decreased significantly in 2020 and 2021. 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. As a result of our efforts, we generated approximately \$4.7 million revenues from electric vehicle customers in 2022. In 2022, our sales of cathode materials and precursors reached \$154.0 million. However, we cannot guarantee that the market demand for the cathode materials and precursors will maintain the current growth rate.

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 or develop new technologies, 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 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 for battery cells typically provide for a non-binding, three-month forecast on the quantity of products that our customers may purchase from us. Our sales contracts for battery materials typically provide for a non-binding, two-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 battery cell products and 25-day lead time to produce battery material 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 battery cell products.

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 product liability insurance for claims against our product quality. 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 machinery and equipment and buildings located at our facilities in Dalian. 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.

In addition, Hitrans maintains property insurance coverage against certain property and inventory damages and losses. However, such insurance may not adequately compensate it for any such losses and will not address a loss of customers as a result of property damages and consequent disruptions to operations or may have large deductibles insufficient to support its continuing operations. If damages or losses exceed the insurance coverage, it may not be able to return to operation for an extended period of time, potentially even threatening its viability. In addition, insurance coverage is expensive, may be difficult to obtain and may not be available in the future on acceptable terms or at all. A significant increase in the cost of insurance coverage could adversely affect our business, financial condition and results of operations.

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 for our battery cell products and purchase from Chinese domestic suppliers for cobaltous sulfates, manganese sulfates, lithium hydroxides, lithium carbonates and liquid nickel sulfates. 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, battery material products or other product parts or components. The price of Ni, Co, Mn, Li₂CO₃, LiPF₆ and LiFePO₄ is not stable. For example, we recently experienced significant increases in the costs of nickel and cobalt, as a result of the current Ukrainian-Russian conflict, as well as in the cost of lithium carbonate due to large market demand and supply imbalance. Although we are not dependent on single suppliers for supply of raw materials, we mostly purchase raw materials through individual purchase orders or short-term contracts and not pursuant to long-term contracts. As such, our third-party suppliers may not be able to satisfy our requirements during a period of sustained or growing demand.

In addition, our battery cell products 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 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.

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.

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, 2022 and 2021, we derived 20% and 17%, respectively, of our sales from outside the PRC mainland. We deem overseas market as an important revenue source for us, and have been actively pursuing opportunities to expand our customer base overseas. 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 lose 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 2019, 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. We have regularly offered our financial personnel trainings on internal control and risk management, and 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.

RISKS RELATED TO COMMON STOCK

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

There are numerous factors, many of which are beyond our control, may cause the market price of common stock of CBAK Energy Technology, Inc. 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 the common stock;
- 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.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company's securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

Techniques employed by short sellers may drive down the market price of the common stock of CBAK Energy Technology, Inc.

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 were 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 or other 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 the common stock of CBAK Energy Technology, Inc. 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 shares of CBAK Energy Technology, Inc. and make obtaining future debt or equity financing more difficult for us.

CBAK Energy Technology, Inc.'s 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 common stock had closed below the minimum \$1.00 per share and as a result, CBAK Energy Technology, Inc. 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 CBAK Energy Technology, Inc. will continue to comply with the requirements for continued listing on the NASDAQ Capital Market in the future. If the common stock loses its status on the NASDAQ Capital Market, the common stock would likely trade in the over-the-counter market. If our shares were to trade on the over-the-counter market, selling the 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 the common stock is delisted, broker-dealers have certain regulatory burdens imposed upon them, which may discourage broker-dealers from effecting transactions in the common stock, further limiting the liquidity of the common stock. These factors could result in lower prices and larger spreads in the bid and ask prices for the 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 the common stock are issued upon the exercise of outstanding warrants or other securities that CBAK Energy Technology, Inc. may issue in the future.

You may experience dilution to the extent that shares of the common stock are issued upon the exercise of outstanding warrants of CBAK Energy Technology, Inc., and if CBAK Energy Technology, Inc. issues additional equity securities, or there are any issuances and subsequent exercises of stock options issued in the future.

On February 10, 2021, pursuant to that certain Securities Purchase Agreement, dated February 8, 2021, CBAK Energy Technology, Inc. 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. On May 10, 2021, we entered into that Amendment No. 1 to the Series B Warrant with each of the holders of the Series B warrants, pursuant to which the expiration date of the Series B warrants was extended from May 11, 2021 to August 31, 2021. On September 1, 2021, all of the Series B warrants and Series A-2 warrants had expired.

Prior to that, in December 2020, CBAK Energy Technology, Inc. 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, CBAK Energy Technology, Inc. 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 12.82% of outstanding common stock of CBAK Energy Technology, Inc. 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 own an aggregate of 12.82% of outstanding common stock of CBAK Energy Technology, Inc. as of December 31, 2022. 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 have recognized impairment losses for goodwill of \$1.6 million and impairment losses for long-lived assets of \$4.8 million for the year ended December 31, 2022 due to underperformance of Hitrans reporting unit.

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.

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.

Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults, or non-performance by financial institutions or transactional counterparties, could adversely affect our current and projected business operations and our financial condition and results of operations.

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, on March 10, 2023, Silicon Valley Bank failed and was taken into receivership by the U.S. Federal Deposit Insurance Corporation; on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each swept into receivership; the following week, a syndicate of U.S. banks infused \$30 billion in First Republic Bank; and later that same week, the Swiss Central Bank provided \$54 billion in covered loan and short-term liquidity facilities to Credit Suisse Group AG, all in an attempt to reassure depositors and calm fears of a banking contagion. Our ability to effectively run our business could be adversely affected by general conditions in the global economy and in the financial services industry. Various macroeconomic factors could adversely affect our business, including fears concerning the banking sector, changes in inflation, interest rates and overall economic conditions and uncertainties. A severe or prolonged economic downturn could result in a variety of risks, including our ability to raise additional funding on a timely basis or on acceptable terms. A weak or declining economy could also impact third parties upon whom we depend to run our business. Increasing concerns over bank failures and bailouts and their potential broader effects and potential systemic risk on the global banking sector generally and its participants may adversely affect our access to capital and our business and operations more generally.

Currently, we do not have a business relationship with any of the banking institutions mentioned above, and our cash, cash equivalents and short term investments that are mostly concentrated in China have been unaffected by the turmoil in the financial industry in the US and Europe; however, we cannot guarantee that the banking institution with which we do business will not face similar circumstances in the future, or that the third parties with whom we do business will not be negatively affected by such circumstances.

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 74,257 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. Our power battery manufacturing plant and packing plant in Dalian started commercial production in July 2015.

We have completed the construction facilities for the Phase One of our Nanjing site, which occupies an area of 27,173 square meters.

In November 2021, the Company completed the acquisition of Hitrans. Hitrans owns a manufacturing facility, warehousing, R&D and administrative offices in Zhejiang with a total area of 28,580 square meters. Of that space, approximately 22,913 square meters are manufacturing facilities.

We believe that our facilities, including those under construction, meet our current business needs and will meet the needs of our expanded operations in the future.

The following table sets forth the breakdown of our facilities as of December 31, 2022 based on use:

Facility	Usage	Area (m²)
Constructions completed	Manufacturing	72,959
	R&D and administrative	6,812
	Warehousing	18,749
	Other facilities	4,317
	Total	102,837
Constructions completed - facilities rented	Manufacturing	16,476
	Warehousing	9,097
	Administrative	1,723
	Total	27,296

The following table presents the total acreage of facilities controlled by each of our major operating subsidiaries as of December 31, 2022:

	Area (m²)
Dalian CBAK Power facilities site area	Total 74,257
Nanjing CBAK facility site area	Total 27,173
Nanjing BFD facilities site area	Total 123
Hitrans facilities site area	Total 28,580

See also “*Item 1. Business—Overview of Our Business—Expansion of Manufacturing Capabilities*” for more information related to the construction of our Nanjing facilities.

We currently have insurance coverage for certain pledged machinery, equipment and 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 purchasing 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 27 (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 10, 2023, there were approximately 50 holders of record of our common stock, which do 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 subsidiaries, BAK Asia and BAK Investments. 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 or BAK Investments, our Hong Kong subsidiaries, 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 2022 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 2022 fiscal year.

Purchases of Equity Securities

No repurchases of our common stock were made during the fiscal year of 2022.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following management's discussion and analysis should be read in conjunction with our financial statements and the notes thereto and the other financial information appearing elsewhere in this report. In addition to historical information, the following discussion contains certain forward-looking information. See "Special Note Regarding Forward Looking Statements" above for certain information concerning those forward-looking statements. Our financial statements are prepared in U.S. dollars and in accordance with U.S. GAAP.

Overview

We are engaged in the development, manufacture and sale of new energy high power lithium batteries, as well as cathode materials and precursors for 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.

In 2022, to meet a great demand for lithium-ion batteries, we have ramped up capacity in our Dalian manufacturing center and the Phase One project in Nanjing with new production lines.

We generated revenues from the manufacture and sale of high-power lithium batteries and raw materials for lithium batteries of \$248.7 million and \$52.7 million for the fiscal years ended December 31, 2022 and 2021, respectively. We incurred a net loss of \$11.3 million and a net profit of \$61.5 million during the fiscal years ended December 31, 2022 and 2021, respectively. New revenues driven from the sale of materials used in manufacturing of lithium batteries, through the newly acquired subsidiary, Hitrans, as well as the continuous climb of sales in uninterruptible supplies and light-electric-vehicle related products, contributed to the total increase. For more details, see "Item 1. Business—Overview of Our Business." Specifically, net revenue from sales of batteries for uninterruptible supplies was \$83.6 million for the fiscal year ended December 31, 2022, as compared to \$33.3 million for fiscal year ended December 31, 2021, an increase of \$50.3 million, or 151%. Net revenue from sales of cathode materials and precursors was \$154.0 million for the fiscal year ended December 31, 2022, as compared to \$17.9 million for fiscal year ended December 31, 2021. This increase was partly attributed to revenue from Hitrans being included for a full year in 2022, as opposed to only one month in 2021. In addition, net revenues from sales of batteries for light electric vehicles was \$6.4 million for the fiscal year ended December 31, 2022, as compared to \$0.7 million for fiscal year ended December 31, 2021, an increase of \$5.7 million, or 814%. We believe the government's new energy policies will, in the long run, encourage the production of new energy vehicles, optimize the industry's structure, enhance technical standards and strengthen the industry's competitiveness, which ultimately will foster strategic development of new energy vehicles. In addition, our latest development of 32140 battery and our planned investment in the R&D of Series 46 batteries will help us regain competitiveness in both LEV and EV markets with the appropriate products. With the demand for new energy growing, we are confident in our ability to secure additional orders from the expanding market.

We completed the construction of a cylindrical power battery manufacturing plant in Dalian 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 construction of our Nanjing facilities in 2020. The construction work is designed to comprise two phases. The first phase project ("Phase One") was put into operation in the second half of 2021. Phase One covers an area of approximately 27,173 square meters. Since the operation of Phase One, we have been steadily increasing its production capacity to 2GWh. We started the construction of the second phase project ("Phase Two") in 2022 and expect to complete the infrastructure of the first 60,494 square meters in the third quarter of 2023 which would be put into operation in the last quarter of 2023. The Nanjing facilities, once fully built, are expected to provide 20 GWh capacity to support our customers' growing demand. In addition to construction, we have also purchased machinery and equipment for our capacity expansion. Moreover, given the equity and debt financings we have obtained, 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.

In addition, we completed the acquisition of 81.56% of registered equity interests (representing 75.57% of paid-up capital) in Hitrans, a leading developer and manufacturer of NCM precursor and cathode materials in China, in November 2021. As of December 31, 2022, our equity interests in Hitrans had reduced to 67.33% after Hitrans took investments from several investors. See "Item 1. Business—Overview of Our Business—Acquisition of A Raw Materials Manufacturer" for more information on the acquisition.

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%, except for Hitrans and CBAK Power which was recognized as a "High and New Technology Enterprise" and enjoyed a preferential tax rate of 15% from 2021 to 2024. Our Hong Kong subsidiary BAK Asia is and BAK Investment are subject to profits tax at a rate of 16.5%. However, because we did not have any assessable income derived from or arising in Hong Kong, BAK Asia and BAK Investment had not paid any such tax.

Results of Operations

Comparison of Years Ended December 31, 2021 and 2022

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, 2021	December 31, 2022	\$	%
Net revenues	\$52,670	\$248,725	196,055	372
Cost of revenues	(47,559)	(230,630)	(183,071)	385
Gross profit	5,111	18,095	12,984	254
Operating expenses:				
Research and development expenses	(5,274)	(10,635)	(5,361)	102
Sales and marketing expenses	(2,302)	(2,008)	294	-13
General and administrative expenses	(10,027)	(9,738)	289	-3
Impairment charge on long-lived assets	-	(4,832)	(4,832)	n/a
Impairment charge on goodwill	-	(1,556)	(1,556)	n/a
Recovery of (provision for) doubtful accounts	780	(831)	(1,611)	-207
Total operating expenses	(16,823)	(29,600)	(12,777)	76
Operating loss	(11,712)	(11,505)	207	-2
Finance income, net	785	491	(294)	-37
Other income (expense), net	3,644	(7,252)	(10,896)	-299
Impairment of Non-marketable equity securities	(693)	-	693	-100
Change in fair value of warrants liability	61,802	5,710	(56,092)	-91
Income (loss) before income tax	53,826	(12,556)	(66,382)	-123
Income tax credit	7,733	1,228	(6,505)	-84
Net income (loss)	\$ 61,559	(11,328)	(72,887)	-118
Less: Net (income) loss attributable to non-controlling interests	(73)	1,879	1,952	-2,674
Net income (loss) attributable to shareholders of CBAK Energy Technology, Inc.	61,486	\$ (9,449)	(70,935)	-115

Net revenues. Net revenues were \$248.7 million for the fiscal year ended December 31, 2022, as compared to \$52.7 million for the fiscal year ended December 31, 2021, an increase of \$196 million, or 372%.

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

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

	Years Ended		Change	
	December 31, 2021	December 31, 2022	\$	%
High-power lithium batteries used in:				
Electric vehicles	\$ 244	\$ 4,695	4,451	1,824
Light electric vehicles	733	6,415	5,682	775
Uninterruptable supplies	33,308	83,603	50,295	151
Trading of Raw materials used in lithium batteries	520	2	(518)	-100
	34,805	94,715	59,910	172
Materials used in manufacturing of lithium batteries				
Cathode	8,726	75,331	66,605	763
Precursor	9,139	78,679	69,540	761
	17,865	154,010	136,145	762
Total	\$ 52,670	\$ 248,725	196,055	372

Net revenues from sales of batteries for electric vehicles were \$4.7 million for the fiscal year ended December 31, 2022, as compared to \$0.2 million for 2021, an increase of 1,824%. This was partly because our batteries now have improved features and higher quality, making them more attractive to electric vehicle manufacturers. Additionally, the downstream market for electric vehicles continued to grow in 2022, leading to an increase in demand for EV battery products. As a result, we were able to secure more orders and increase our sales volume.

Net revenues from sales of batteries for light electric vehicles was approximately \$6.4 million for the fiscal year ended December 31, 2022, as compared \$0.7 million for 2021, representing an increase of \$5.7 million, or 775%. The light electric vehicle market experienced strong growth in 2022 due to various developments. First, the upgrading of electric bicycles to comply with new “national standards” in China led to increased demand for our batteries. Second, the COVID-19 pandemic spurred a fast development of the food delivery industry, which in turn drove the growth of the shared electric bicycle market. Last, there has been an increased popularity of electric scooters, motors, and bicycles in China, Southeast Asia, and European markets as people seek ways to reduce carbon emissions and pollution. With the favorable market conditions, we were able to boost our sales in 2022. We will continue to penetrate the market for batteries used in light electric vehicles.

Net revenues from sales of batteries for uninterruptable supplies was \$83.6 million for the fiscal year ended December 31, 2022, as compared to \$33.3 million for fiscal year ended December 31, 2021, an increase of \$50.3 million, or 151%. The increase in sales of batteries for uninterruptable supplies in 2022 can be attributed to a combination of factors including growing demand for renewable energy sources, and our development of reliable and low-cost products. As more businesses and households switch to renewable energy, there has been a growing demand for renewable energy sources and the need for energy storage solutions to support these sources. Additionally, our focus on research and development has allowed us to develop innovative and reliable energy storage products at a competitive pricing. As we continue to invest in R&D and improve our product offerings, we expect to remain a leader in the energy storage industry and see continued growth in sales.

Net revenues from trading of raw materials used in lithium batteries were \$2,172 for the fiscal year ended December 31, 2022, as compared with \$0.5 million in the same period in 2021.

Net revenues from sales of materials for use in manufacturing of lithium battery cell were \$154.0 million for the fiscal year ended December 31, 2022, as compared to \$17.9 million for 2021. In November 2021, we completed the acquisition of Hitrans, which is a raw materials producer and added the sale of materials for lithium battery cell to our business lines. This increase is partly attributed to the revenue of Hitrans being included for a full year in 2022, as opposed to just one month in 2021.

During 2022, we through the newly acquired subsidiary, Hitrans, a producer of cathode and precursor materials, earned sales of materials used in manufacturing of lithium batteries in an amount of \$154.0 million. We look forward to strengthening the battery product ecosystem as we seek stable raw material supply and drive greater revenue for our business.

Cost of revenues. Cost of revenues increased to \$230.6 million for the fiscal year ended December 31, 2022, as compared to \$47.6 million for 2021, an increase of \$183.1 million, or 385%. The increase in cost of revenues was in line with the increase of net revenues. Included in cost of revenues were write down of obsolete and slow-moving inventories of \$1.7 million for the year ended December 31, 2022, while it was \$0.9 million for the year 2021. We write down the inventory value whenever there is an indication that it is impaired.

Gross profit. Gross profit for the year ended December 31, 2022 was \$18.1 million, or 7.3% of net revenues as compared to gross profit of \$5.1 million, or 9.7% of net revenues, for the fiscal year ended December 31, 2021. Gross profit margin slightly decreased largely due to increased pricing of battery raw materials.

Research and development expenses. Research and development expenses increased to \$10.6 million for the year ended December 31, 2022, as compared to \$5.3 million for 2021, an increase of \$5.3 million, or 102%. The increase was primarily attributed to an increase in R&D employees’ salaries and social insurance expenses by approximately \$2.0 million. R&D employees’ salaries and social insurance expenses increased largely due to the inclusion of salaries for the newly acquired subsidiary, Hitrans’s, R&D staff, and a growing number of employees at Nanjing CBAK. Also, the expiration of Chinese government’s COVID-19 relief policy that alleviated corporations’ social insurance burdens has also contributed to the increase. In addition, we incurred expenses for materials used in battery research and development of \$0.7 million and \$0.5 for the years ended December 31, 2022 and 2021, respectively, as a result of the Company’s efforts to research and develop upgraded battery products with lower costs and better performance. We incurred \$2.7 million of R&D operating expenses by incorporating Hitrans’s R&D expenses for the year ended December 31, 2022.

Sales and marketing expenses. Sales and marketing expenses slightly decreased to \$2.0 million for the year ended December 31, 2022, as compared to \$2.3 million for 2021, a decrease of \$0.3 million, or 13%. As a percentage of revenues, sales and marketing expenses were 0.8% and 4.4% of revenues for the years ended December 31, 2022 and 2021, respectively. For the year ended December 31, 2022, salaries, sales commissions and social insurance expenses for sales and marketing employees increased by approximately \$0.5 million. Sales and marketing employees’ salaries and social insurance expenses increased is due to a growing number of employees at Nanjing CBAK as well as the expiration of Chinese government’s COVID-19 relief policy that alleviated corporations’ social insurance burdens. Moreover, given the growth in revenue, we increased sales and marketing employees’ salaries and welfare. We incurred exhibition-related expenses of \$0.2 million in the year ended December 31, 2021 as we attended several exhibitions to increase our brand awareness. We did not attend exhibitions, incurring nil of such expenses, in 2022, largely because of the COVID-19 pandemic and quarantine measures. Besides, the transaction costs and custom declaration charges increased by \$0.6 million due to the increase of international sales during fiscal 2022. The above increase was offset by the reversal of our product warranty provision by \$1.4 million for the year ended December 31, 2022. We accrues an estimate of the exposures o warranty claims based on current and historical sales data and warranty costs incurred. We have made reversal on product warranty provision on sales which the warranty provision period had passed in 2022.

General and administrative expenses. General and administrative expenses slightly decreased to \$9.7 million for the year ended December 31, 2022, as compared to \$10.0 million for 2021, a decrease of \$0.3 million, or 3%. The decrease was primarily resulted from a decrease in professional fees of approximately \$1.8 million, offset by an increase in administrative employees' salaries and social insurance expenses by approximately \$1.5 million. Administrative employees' salaries and social insurance expenses increased due to the salary expenses incurred for the newly acquired subsidiary, Hitrans, and a growing number of employees at Nanjing CBAK as well as the expiration of Chinese government's COVID-19 relief policy that alleviated corporations' social insurance burdens. Our consultancy, legal and other professional fees decreased by \$1.8 million in 2022, as compared to 2021 where we incurred consultancy fees related to the Hitrans acquisition and fundraising activities.

Long-lived assets impairment charge. During the course of our strategic review of our operations, we assessed the recoverability of the carrying value of our long-lived assets which resulted in impairment losses of \$4.8 million and nil for the years ended December 31, 2022 and 2021, respectively. The impairment charge represented the excess of carrying amounts of our long-lived assets over the estimated fair value of the Company's production facilities in Hitrans for the production of materials used in manufacturing of lithium batteries, due to underperformance of Hitrans reporting unit. No impairment charge on production facilities in Dalian and Nanjing.

Goodwill impairment charge. Goodwill impairment was \$1.6 million for the year ended December 31, 2022. The impairment loss of goodwill was primarily attributable to the impairment related to Hitrans reporting unit. Hitrans reporting unit carrying value exceeded the fair value as of December 31, 2022, due to underperformance of Hitrans reporting unit.

Recovery of (provision for) doubtful accounts. Provision for doubtful accounts was \$0.8 million for the year ended December 31, 2022, as compared to a recovery of \$0.8 million for 2021. 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 \$11.5 million for the year ended December 31, 2022, as compared to \$11.7 million for 2021, a decrease of \$0.2 million or 2%.

Finance income, net. Finance income, net was \$0.5 million for the year ended December 31, 2022, as compared to finance income, net of \$0.8 million for the year ended December 31, 2021, as a result of a higher loan balance in 2022. The interest expenses for the year ended December 31, 2022 and 2021 was \$0.6 million and \$0.3 million, respectively.

Other income (expenses), net. Other expenses were \$7.3 million for the year ended December 31, 2022, as compared to other income of approximately \$3.6 million for 2021. For the year ended December 31, 2022, we written off our long-lived assets for \$7.4 million was recognized.

Changes in fair value of warrants liability. We issued warrants in the financings we consummated in December 2020 and February 2021, respectively. We determined that these warrants should be accounted for as derivative liabilities, as the warrants are dominated in a currency (U.S. dollar) other than our functional currency. The change in fair value of warrants liability is mainly due to our share price decline.

Income tax credit. Income tax credit was \$1.2 million and \$7.7 million for the years ended December 31, 2022 and 2021, respectively. The decrease in the income tax credit was primarily due to the reduction in the uncertain tax positions taken by the Company in 2021.

Net (loss) income. As a result of the foregoing, we had a net loss of \$9.4 million for the year ended December 31, 2022, compared to a net income of \$61.6 million for 2021.

Liquidity and Capital Resources

We have 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 recorded a net loss of \$11.3 million in the fiscal year ended December 31, 2022. As of December 31, 2022, we had cash and cash equivalents and restricted cash of \$37.4 million. Our total current assets were \$125.7 million and our total current liabilities were \$111.9 million, resulting in a net working capital surplus of \$13.8 million.

Lending from Financial Institutions

On November 16, 2021, the Company obtained banking facilities from Shaoxing Branch of Bank of Communications Co., Ltd with a maximum amount of RMB120.1 million (approximately \$19.0 million) with maturity dates ranging from November 18, 2021 to November 18, 2026. The facility was secured by the Company's land use rights and buildings. Under the facility, the Company has borrowed RMB 56.0 million (approximately 8.9 million) and RMB59.0 million (approximately \$8.5 million) as of December 31, 2021 and 2022, respectively, for varying terms ending between November 16, 2022 and May 16, 2023, bearing interest at 4.15% - 4.35% per annum. We repaid RMB45 million (approximately \$6.5 million) in March 2023 and borrowed RMB60 million (approximately \$8.7 million) under the same facility for a term until February 15, 2024 to March 17, 2024, bearing annual interest rate at 3.65%.

On April 19, 2021, we obtained five-year acceptance bills facilities from Bank of Ningbo Co., Ltd with a maximum amount of RMB84.4 million (approximately \$13.2 million). Any amount drawn under the facilities requires security in the form of cash or bank acceptance bills receivable of at least the same amount. Under the facilities, as of December 31, 2021, we borrowed a total of RMB10 million (approximately \$1.6 million) from Bank of Ningbo Co., Ltd in the form of bills payable, with maturity dates ranging from January to February 2022, which were secured by our cash totaling RMB10 million (approximately \$1.6 million).

On March 21, 2022, we renewed the above acceptance bills facilities from Bank of Ningbo Co., Ltd with a maximum amount of RMB71.6 million (\$10.4 million) with other terms remain the same. Under the facilities, as of December 31, 2022, we borrowed a total of RMB15.9 million (approximately \$2.3 million) in the form of bills payable for various terms expiring from January to June 2023, which was secured by our cash totaling RMB15.9 million (approximately \$2.3 million). We intend to renew the above acceptance facility from Bank of Ningbo Co., Ltd. in the near future.

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

On January 5, 2023, we renewed the one-year term facility from Agricultural Bank of China, for a maximum amount of RMB10 million (approximately \$1.4 million) for a period of one year to January 4, 2024, bearing interest at 120% of benchmark rate of the PBOC for short-term loans, which is 3.85% per annum, while other terms and guarantee remaining the same. We borrowed RMB10 million (approximately \$1.4 million) on January 6, 2023.

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

On January 14, 2023, we renewed the one-year term facility from Jiangsu Gaochun Rural Commercial Bank, for a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest at 129% of benchmark rate of the People's Bank of China ("PBOC") for short-term loans, which is 4.7% per annum. We borrowed RMB10 million (approximately \$1.4 million) on January 17, 2023 for a term until January 13, 2024.

On March 8, 2022, we obtained a one-year term facility from China Zheshang Bank Co., Ltd. Shangyu Branch with a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest at 5.5% per annum. The facility was guaranteed by 100% equity in CBAK Power held by BAK Asia and the Company's CEO, Mr. Yunfei Li. The Company borrowed RMB10 million (approximately \$1.6 million) on the same date. On May 17, 2022, we repaid the loan principal and related loan interests.

On April 28, 2022, we obtained a three-year term facility from Industrial and Commercial Bank of China Nanjing Gaochun branch, with a maximum amount of RMB12 million (approximately \$1.7 million) with the term from April 21, 2022 to April 21, 2025. The facilities were guaranteed by our CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan. Under the facility, we borrowed RMB10 million (approximately \$1.4 million) on April 29, 2022, bearing interest at 3.95% per annum for a term until April 29, 2023.

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

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

On November 8, 2022, we obtained a one-year term facility from China CITIC Bank with a maximum amount of RMB10 million (approximately \$1.4 million). On November 8, 2022, we borrowed RMB10 million (approximately \$1.4 million) under the facility, bearing interest rate at 4.35% per annum, with the maturity date to August 9, 2023. We repaid RMB5.0 million (approximately \$0.7 million) and RMB0.2 million (approximately \$0.1 million) on November 16, 2022 and December 27, 2022, respectively. On December 27, 2022, we entered into another facility with China CITIC Bank for a maximum amount of RMB0.2 million (approximately \$0.1 million), the interest rate is 4.2%, and the maturity date is December 27, 2023.

On December 9, 2022, we obtained a RMB5 million (approximately \$0.7 million) letter of credit from China CITIC Bank for a period to October 30, 2024 for settlement of Hitrans purchase. We have not utilized the letter of credit as of December 31, 2022. On January 5, 2023, we utilized RMB 1.5 million (approximately \$0.2 million) at an interest rate of 2.7% for a period of one year to January 5, 2024.

On January 7, 2023, we obtained a two-year term facility from Postal Savings Bank of China, Nanjing Tianhe Branch with a maximum amount of RMB10 million (approximately \$1.4 million) for a period from January 7, 2023 to January 6, 2025. The facility was guaranteed by the Company's CEO, Mr. Yunfei Li, Mr. Yunfei Li's wife Ms. Qinghui Yuan and CBAK New Energy (Nanjing) Co., Ltd. We borrowed RMB5 million (approximately \$0.7 million) on January 12, 2023 for a term of one year until January 11, 2024, bearing interest at 3.65% per annum.

We borrowed a series of acceptance bills from Agricultural Bank of China totaling RMB28.4 million (approximately \$4.1 million) for various terms through January to March 2023, which were secured by our cash totaling RMB28.4 million (approximately \$4.1 million).

We borrowed a series of acceptance bills from Jiangsu Gaochun Rural Commercial Bank totaling RMB6.7 million (approximately \$0.9 million) for various terms ending through January to June 2023, which was secured by our cash totaling RMB6.7 million (approximately \$0.9 million)

We borrowed a series of acceptance bills from China Zheshang Bank Co. Ltd Shangyu Branch totaling RMB72.4 million (approximately \$10.5 million) for various terms ending through January to June 2023, which were secured by our cash totaling RMB53.4 million (approximately \$7.7 million) and our bills receivable totaling RMB22.2 million (approximately \$3.2 million).

We borrowed a series of acceptance bills from Shaoxing Branch of Bank of Communications Co., Ltd totaling RMB21.9 million (approximately \$3.2 million) for various terms ending through March to May 2023, which were secured by our cash totaling RMB12.2 million (approximately \$1.8 million) and our land use rights and buildings.

We borrowed a series of acceptance bills from China Merchants Bank Dalian Branch totaling RMB96.4 million (approximately \$14.0 million) for various terms ending through January to June 2023, which was secured by our cash totaling RMB96.4 million (approximately \$14.0 million).

As of December 31, 2022, we had unutilized committed banking facilities of \$6.8 million. We plan to renew these loans upon maturity and intend to raise additional funds through bank borrowings in the future to meet our daily cash demands, if required.

Equity and Debt Financings from Investors

In addition, we have obtained funds through private placements, registered direct offerings and other equity and debt 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) (totaled \$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 offering expenses payable by the Company.

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

On May 10, 2021, we entered into that Amendment No. 1 to the Series B Warrant (the "Series B Warrant Amendment") with each of the holders of the Company's outstanding Series B warrants. Pursuant to the Series B Warrant Amendment, the term of the Series B warrants was extended from May 11, 2021 to August 31, 2021.

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

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 our bank 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 such 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, 2021	December 31, 2022
Net cash (used in) provided by operating activities	\$ (4,270)	\$ 15,115
Net cash used in investing activities	(38,081)	(7,928)
Net cash provided by financing activities	48,272	5,611
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(238)	(1,797)
Net increase in cash and cash equivalents and restricted cash	5,683	11,001
Cash and cash equivalents and restricted cash at the beginning of the year	20,672	26,355
Cash and cash equivalents and restricted cash at the end of the year	<u>\$ 26,355</u>	<u>\$ 37,356</u>

Operating Activities

Net cash provided by operating activities was \$15.1 million in the year ended December 31, 2022, as compared to net cash used in operating activities of \$4.3 million in 2021. The net cash provided by operating activities in 2022 was mainly attributable to our net income of \$6.9 million (before loss on disposal of property, plant and equipment, impairment charge of long-lived assets, impairment charge of goodwill and excluding non-cash depreciation and amortization, write-down of inventories, share-based compensation and changes in fair value of warrants liability), a decrease of trade and bills receivable of \$21.0 million, decrease of prepayments and other receivables of \$7.1 million, increase of trade and bills payable by \$7.6 million offset by increase of inventories of \$24.0 million and increase of trade receivable from BAK Shenzhen of \$3.5 million.

Net cash used in operating activities was \$4.3 million in the year ended December 31, 2021. The net cash used in operating activities in 2021 was mainly attributable to our net profit (before loss on disposal of property, plant and equipment, impairment charge of non-marketable equity securities and excluding non-cash depreciation and amortization, write-down of inventories, share-based compensation and changes in fair value of warrants liability) of \$4.6 million offset by a decrease of uncertain tax position of 7.5 million.

Investing Activities

Net cash used in investing activities decreased to \$7.9 million in the fiscal year ended December 31, 2022, from \$38.1 million in 2021. In 2022, the primary uses of net cash for investing activities were purchases of property, plant and equipment, and construction in progress, totaling \$12.4 million offset by \$4.5 million cash receipt from disposal of equity interest of Hitrans.

Net cash used in investing activities was \$38.1 million in the fiscal year ended December 31, 2021. In 2021, net cash used in investing activities comprised \$17.8 million for acquiring Hitrans (net of cash acquired), \$1.4 million for purchasing non-marketable securities and \$19.2 million for the acquisition of property, plant and equipment and in-progress construction projects.

Financing Activities

Net cash provided by financing activities was \$5.6 million in the fiscal year ended December 31, 2022, compared with \$48.3 million in 2021. The net cash provided by financing activities for the year ended December 31, 2022 mainly comprised of \$21.6 million bank borrowings, \$1.5 million from non-controlling interests injections, \$1.5 million from finance leases, partially offset by repayment of bank borrowings of \$14.6 million, and \$3.7 million in repayment of loans to Mr. Ye Junnan.

Net cash provided by financing activities was \$48.3 million in the fiscal year ended December 31, 2021. In 2021, net cash provided by financing activities mainly comprised \$65.5 million in net proceeds from issuance of shares to institutional investors, partially offset by the repayment of bank borrowings of \$13.9 million, \$2.8 million in loans repaid to Mr. Ye Junnan and repayment of borrowings from unrelated parties of \$0.4 million.

As of December 31, 2022, the principal amounts outstanding under our credit facilities and lines of credit were as follows:

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

	<i>Maximum amount available</i>	<i>Amount borrowed</i>
Long-term credit facilities:		
Shaoxing Branch of Bank of Communications Co., Ltd	\$ 14,300	\$ 8,540
Industrial and Commercial Bank of China Limited	1,737	1,447
China CITIC Bank	724	-
	<u>16,761</u>	<u>9,987</u>
Short-term credit facilities:		
China CITIC Bank	724	724
Jiangsu Gaochun Rural Commercial Bank	2,750	2,750
Agricultural Bank of China	1,447	1,447
	<u>4,921</u>	<u>4,921</u>
Other lines of credit:		
Shaoxing Branch of Bank of Communications Co., Ltd	3,167	3,167
Agricultural Bank of China	4,114	4,114
Jiangsu Gaochun Rural Commercial Bank	969	969
Bank of Ningbo Nanjing Gaochun Branch	2,296	2,296
China Zheshang Bank Co., Ltd	10,475	10,475
China Merchants Bank Co., Ltd, Dalian Development Zone Branch	13,954	13,954
	<u>34,975</u>	<u>34,975</u>
Total	\$ 56,657	\$ 49,883

Capital Expenditures

We incurred capital expenditures of \$19.2 million and \$12.4 million in the fiscal years ended December 31, 2022 and 2021, respectively. Our capital expenditures in 2022 were primarily allocated to the construction of our Dalian and Nanjing facilities. 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, 2021	December 31, 2022
Purchase of property, plant and equipment and construction in progress	\$ 19,212	\$ 12,373

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

Critical Accounting Policies and Estimates

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, leased assets 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 and Bills Receivable

Trade 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 receivable. We determine the allowance based on historical write-off experience, customer specific facts and economic conditions.

Outstanding trade receivable balances are reviewed individually for collectability. Trade 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 part of 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 Adopted 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, 2021	December 31, 2022
Balance sheet items, except for equity accounts	6.3551	6.9091
Amounts included in the statement of income and comprehensive loss and statement of cash flows	6.4525	6.7264

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, 2021 AND 2022

CBAK ENERGY TECHNOLOGY, INC.
AND SUBSIDIARIES

TABLE OF CONTENTS

Contents	Page(s)
Report of Independent Registered Public Accounting Firm (PCAOB ID No. 2769)	F-2
Consolidated Balance Sheets as of December 31, 2021 and 2022	F-6
Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2021 and 2022	F-7
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2021 and 2022	F-8
Consolidated Statements of Cash Flows for the years ended December 31, 2021 and 2022	F-9
Notes to the Consolidated Financial Statements	F-10 - F-61

Report of Independent Registered Public Accounting Firm

To the Shareholders and the 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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, 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 accumulated deficit from recurring net losses and significant short-term debt obligations maturing in less than one year as of December 31, 2022. 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 accumulated deficit from recurring net losses and significant short-term debt obligations maturing in less than one year as of December 31, 2022. 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 5 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, 2022, the Company recorded inventory write-down of \$1.7 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 (l) and Note 7 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 \$4.8 million for the year ended December 31, 2022.

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 impairment of goodwill

As described in Note 13 to the consolidated financial statements, the Company's consolidated goodwill balance was nil as of December 31, 2022. The Company performs an assessment of the carrying value of the reporting units at least on an annual basis or when events occur or circumstances change that would more likely than not reduce the estimated fair value of the reporting units below its carrying value. The Company performed a goodwill impairment analysis as of December 31, 2022. For purposes of impairment testing, management allocates its goodwill to the relevant reporting unit, and compares the recoverable amounts of these reporting unit to their respective carrying amounts. Management determined the recoverable amounts of these reporting unit based on the value in use ("VIU") which is calculated based on discounted cash flows expected to be derived from the respective reporting unit. Management's cash flows projections included significant judgments and assumptions relating to the expected production and sales volumes, production costs, operating expenses and discount rates. Based upon the analysis performed, the Company recognized impairment losses for goodwill of \$1.6 million for the year ended December 31, 2022.

We identified the assessment of impairment of goodwill 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 maintained an allowance for doubtful account of \$2.3 million as of December 31, 2022.

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.

We have served as the Company's auditor since 2016.
Hong Kong, China
April 14, 2023

CBAK Energy Technology, Inc. and Subsidiaries
Consolidated Balance Sheets
As of December 31, 2021 and 2022
(In US\$ except for number of shares)

	<i>Note</i>	<i>December 31,</i> <i>2021</i>	<i>December 31,</i> <i>2022</i>
Assets			
<i>Current assets</i>			
Cash and cash equivalents		\$ 7,357,875	\$ 6,519,212
Pledged deposits	3	18,996,749	30,836,864
Trade and bills receivable, net	4	49,907,129	27,413,575
Inventories	5	30,133,340	49,446,291
Prepayments and other receivables	6	12,746,990	5,915,080
Receivables from former subsidiary	17	2,263,955	5,518,052
Amount due from non-controlling interest, current	17	125,883	-
Amount due from related party, current	17	472,061	-
Income tax recoverable		47,189	57,934
Investment in sales-type lease, net	10	790,516	-
Total current assets		122,841,687	125,707,008
Property, plant and equipment, net	7	90,042,773	90,004,527
Construction in progress	8	27,343,092	9,954,202
Long-term investments, net	9	712,930	945,237
Prepaid land use rights	10	13,797,230	12,361,163
Intangible assets, net	11	1,961,739	1,309,058
Operating lease right-of-use assets, net		1,968,032	1,264,560
Investment in sales-type lease, net	10	838,528	-
Amount due from non-controlling interest, non-current	17	62,941	-
Deferred tax assets, net	20	1,403,813	2,486,979
Goodwill	13	1,645,232	-
Total assets		\$ 262,617,997	\$ 244,032,734
Liabilities			
<i>Current liabilities</i>			
Trade and bills payable	14	\$ 65,376,212	\$ 67,491,435
Short-term bank borrowings	15	8,811,820	14,907,875
Other short-term loans	15	4,679,122	689,096
Accrued expenses and other payables	16	22,963,700	25,605,661
Payable to a former subsidiary, net	17	326,507	358,067
Deferred government grants, current	18	3,834,481	1,299,715
Product warranty provisions	19	127,837	26,215
Warrants liability	26	5,846,000	136,000
Operating lease liability, current	10	801,797	575,496
Finance lease liability, current	10	-	844,297
Total current liabilities		112,767,476	111,933,857
Deferred government grants, non-current	18	6,189,196	5,577,020
Product warranty provisions	19	1,900,429	450,613
Operating lease liability, non-current	10	876,323	607,222
Accrued expenses and other payables, non-current	16	-	1,085,525
Total liabilities		121,733,424	119,654,237
Commitments and contingencies	27		
Shareholders' equity			
Common stock \$0.001 par value; 500,000,000 authorized; 88,849,222 issued and 88,705,016 outstanding as of December 31, 2021; and 89,135,064 issued and 88,990,858 outstanding as of December 31, 2022		88,849	89,135
Donated shares		14,101,689	14,101,689
Additional paid-in capital		241,946,362	246,240,998
Statutory reserves		1,230,511	1,230,511
Accumulated deficit		(122,498,259)	(131,946,705)
Accumulated other comprehensive loss		2,489,017	(8,153,644)
		137,358,169	121,561,984
Less: Treasury shares		(4,066,610)	(4,066,610)
Total shareholders' equity		133,291,559	117,495,374

Non-controlling interests	7,593,014	6,883,123
Total equity	<u>140,884,573</u>	<u>124,378,497</u>
Total liabilities and shareholder's equity	<u>\$ 262,617,997</u>	<u>\$ 244,032,734</u>

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, 2021 and 2022
(In US\$ except for number of shares)

	<i>Note</i>	<i>Year ended December 31, 2021</i>	<i>Year ended December 31, 2022</i>
Net revenues	29	\$ 52,669,733	\$ 248,725,485
Cost of revenues		(47,559,243)	(230,630,161)
Gross profit		<u>5,110,490</u>	<u>18,095,324</u>
Operating expenses:			
Research and development expenses		(5,274,316)	(10,635,486)
Sales and marketing expenses		(2,301,720)	(2,007,812)
General and administrative expenses		(10,027,349)	(9,737,711)
Impairment charge on long-lived assets	7	-	(4,831,708)
Impairment charge on goodwill	13	-	(1,556,078)
Recovery of (provision for) doubtful accounts	4	780,389	(831,132)
Total operating expenses		<u>(16,822,996)</u>	<u>(29,599,927)</u>
Operating loss		(11,712,506)	(11,504,603)
Finance income, net		784,880	491,060
Other income (expenses), net		3,644,363	(7,252,475)
Impairment of non-marketable equity securities		(692,639)	-
Changes in fair value of warrants liability		61,802,000	5,710,000
Income (loss) before income tax		<u>53,826,098</u>	<u>(12,556,018)</u>
Income tax credit, net	20	7,733,046	1,228,207
Net income (loss)		<u>61,559,144</u>	<u>(11,327,811)</u>
Less: Net (income) loss attributable to non-controlling interests		(73,092)	1,879,365
Net income (loss) attributable to shareholders of CBAK Energy Technology, Inc.		<u>\$ 61,486,052</u>	<u>\$ (9,448,446)</u>
Net income (loss)		61,559,144	(11,327,811)
Other comprehensive income (loss)			
– Foreign currency translation adjustment		2,725,768	(11,189,175)
Comprehensive income (loss)		<u>64,284,912</u>	<u>(22,516,986)</u>
Less: Comprehensive (income) loss attributable to non-controlling interests		(70,234)	2,425,879
Comprehensive income (loss) attributable to CBAK Energy Technology, Inc.		<u>\$ 64,214,678</u>	<u>\$ (20,091,107)</u>
Income (Loss) per share	25		
– Basic		<u>\$ 0.70</u>	<u>\$ (0.11)</u>
– Diluted		<u>\$ 0.70</u>	<u>\$ (0.11)</u>
Weighted average number of shares of common stock:	25		
– Basic		<u>87,605,493</u>	<u>88,927,671</u>
– Diluted		<u>87,884,357</u>	<u>88,927,671</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 2021 and 2022
(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 21)</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, 2021	<u>79,310,249</u>	<u>\$ 79,310</u>	<u>\$14,101,689</u>	<u>\$ 225,278,113</u>	<u>\$ 1,230,511</u>	<u>\$(183,984,311)</u>	<u>\$ (239,609)</u>	<u>\$ 7,735</u>	<u>(144,206)</u>	<u>\$(4,066,610)</u>	<u>\$ 52,406,828</u>
Net income	-	-	-	-	-	61,486,052	-	73,092	-	-	61,559,144
Share-based compensation for employee and director stock awards	-	-	-	1,047,777	-	-	-	-	-	-	1,047,777
Common stock issued to employees and directors for stock award	598,997	599	-	(599)	-	-	-	-	-	-	-
Issuance of common stock and warrants	8,939,976	8,940	-	15,621,071	-	-	-	-	-	-	15,630,011
Non controlling interest through acquisition	-	-	-	-	-	-	-	7,515,045	-	-	7,515,045
Foreign currency translation adjustment	-	-	-	-	-	-	2,728,626	(2,858)	-	-	2,725,768
Balance as of December 31, 2021	<u>88,849,222</u>	<u>\$ 88,849</u>	<u>\$14,101,689</u>	<u>\$241,946,362</u>	<u>\$ 1,230,511</u>	<u>\$(122,498,259)</u>	<u>\$ 2,489,017</u>	<u>\$ 7,593,014</u>	<u>(144,206)</u>	<u>\$(4,066,610)</u>	<u>\$140,884,573</u>
Net loss	-	-	-	-	-	(9,448,446)	-	(1,879,365)	-	-	(11,327,811)
Share-based compensation for employee and director stock awards	-	-	-	64,193	-	-	-	-	-	-	64,193
Common stock issued to employees and directors for stock award	285,842	286	-	(286)	-	-	-	-	-	-	-
Capital injection	-	-	-	1,148,447	-	-	-	338,232	-	-	1,486,679
Disposal of partial interest in a subsidiary without losing control	-	-	-	3,082,282	-	-	-	1,377,756	-	-	4,460,038
Foreign currency translation adjustment	-	-	-	-	-	-	(10,642,661)	(546,514)	-	-	(11,189,175)
Balance as of December 31, 2022	<u>89,135,064</u>	<u>\$ 89,135</u>	<u>\$14,101,689</u>	<u>\$246,240,998</u>	<u>\$ 1,230,511</u>	<u>\$(131,946,705)</u>	<u>\$ (8,153,644)</u>	<u>\$ 6,883,123</u>	<u>(144,206)</u>	<u>\$(4,066,610)</u>	<u>\$124,378,497</u>

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, 2021 and 2022
(In US\$)

	<i>Year Ended December 31, 2021</i>	<i>Year Ended December 31, 2022</i>
Cash flows from operating activities		
Net income (loss)	\$ 61,559,144	(11,327,811)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,578,695	8,062,303
(Recovery of) provision for doubtful accounts and bad debts written off	(780,389)	(2,428,449)
Write-down of inventories	867,731	1,658,432
Share-based compensation	1,047,777	64,193
Changes in fair value of warrants liability	(61,802,000)	(5,710,000)
Loss on disposal of property, plant and equipment	9,642	7,722,451
Impairment charge on long-lived assets	-	4,831,708
Impairment charge on goodwill	-	1,556,078
Impairment charge on non-marketable equity securities	(692,639)	-
Amortization of operating lease right-of-use assets	477,961	496,720
Changes in operating assets and liabilities:		
Trade and bills receivable	18,714,611	21,021,110
Inventories	(11,805,692)	(23,977,795)
Prepayments and other receivables	(4,324,751)	7,146,992
Investment in sales-type lease	(505,998)	1,539,120
Trade and bills payable	(1,807,896)	7,557,193
Accrued expenses and other payables and product warranty provisions	(628,973)	581,074
Lease liabilities	(715,782)	1,188,476
Trade receivable from and payables to a former subsidiary	(2,335,386)	(3,529,467)
Income tax payables	(7,464,067)	(109,307)
Deferred tax assets	(19,855)	(1,228,207)
Government grants	2,357,811	-
Net cash (used in) provided by operating activities	<u>(4,270,056)</u>	<u>15,114,814</u>
Cash flows from investing activities		
Purchase of non-marketable equity securities	(1,394,808)	-
Purchases of property, plant and equipment and construction in progress	(19,211,554)	(12,373,112)
Proceed from acquisition of a subsidiary, net of cash acquired	(17,477,643)	-
Redemption of debt products	3,100	-
Proceeds on disposal of property, plant and equipment	-	282,164
Investment in equity method investment	-	(297,336)
Cash receipt from disposal of equity interest of a subsidiary without losing control	-	4,460,038
Net cash used in investing activities	<u>(38,080,905)</u>	<u>(7,928,246)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	-	21,594,593
Repayment of bank borrowings	(13,901,589)	(14,607,200)
Repayment of borrowings from unrelated parties	(400,904)	-
Borrowings from related parties	-	1,486,679
Repayment of borrowings from related parties	(2,789,616)	(1,486,679)
Repayment of borrowings from shareholders	(131,040)	(4,559)
Proceeds from issuance of shares	65,495,011	-
Repayment of borrowings from Mr. Ye Junnan	-	(3,716,698)
Capital injection from non-controlling interests	-	1,486,679
Proceeds from finance leases	-	1,486,679
Principal payments on finance leases	-	(628,122)
Net cash provided by financing activities	<u>48,271,862</u>	<u>5,611,372</u>
Effect of exchange rate changes on cash and cash equivalents and restricted cash	<u>(237,775)</u>	<u>(1,796,488)</u>
Net increase in cash and cash equivalents and restricted cash	5,683,126	11,001,452
Cash and cash equivalents and restricted cash at the beginning of year	20,671,498	26,354,624
Cash and cash equivalents and restricted cash at the end of year	\$ 26,354,624	\$ 37,356,076
Supplemental non-cash investing and financing activities:		
Transfer of construction in progress to property, plant and equipment	\$ 23,862,234	\$ 22,667,373
Non-cash payment for purchases of property, plant and equipment and construction in progress by new vehicles	\$ 61,527	\$ -
Lease liabilities arising from obtaining right-of-use assets	\$ 2,415,895	\$ 1,012,740
Cash paid during the year for:		
Income taxes	\$ 3,053	\$ 59,508
Interest, net of amounts capitalized	\$ 177,544	\$ 571,118

CBAK Energy Technology, Inc. and subsidiaries
Notes to the consolidated financial statements
For the years ended December 31, 2021 and 2022
(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”) until March 1, 2016, 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, 2022, 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 \$60,000,000 to CBAK Power through injection of a series of patents and cash.

On May 4, 2018, CBAK New Energy (Suzhou) Co., Ltd ("CBAK Suzhou") was established as a 90% owned subsidiary of CBAK Power with a registered capital of RMB10,000,000 (approximately \$1.5 million). The remaining 10% equity interest was held by certain employees of CBAK Suzhou. Pursuant to CBAK Suzhou's articles of association, each shareholder is entitled to the right of the profit distribution or responsible for the loss according to its proportion to the capital contribution. Pursuant to CBAK Suzhou's articles of association and relevant PRC regulations, CBAK Power was required to contribute the capital to CBAK Suzhou on or before December 31, 2019. Up to the date of this report, the Company has contributed RMB9.0 million (approximately \$1.3 million), and the other shareholders have contributed RMB1.0 million (approximately \$0.1 million) to CBAK Suzhou through injection of a series of cash. CBAK Suzhou is dormant as of December 31, 2022.

On November 21, 2019, Dalian CBAK Energy Technology Co., Ltd ("CBAK Energy") was established as a wholly owned subsidiary of BAK Asia with a registered capital of \$50,000,000. Pursuant to CBAK Energy's articles of association and relevant PRC regulations, BAK Asia was required to contribute the capital to CBAK Energy on or before November 20, 2022, the Company has extended the paid up time to January 31, 2054. Up to the date of this report, the Company has contributed \$23,519,880 to CBAK Energy.

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

On July 31, 2020, BAK Investments formed a wholly owned subsidiary CBAK New Energy (Nanjing) Co., Ltd. (“CBAK Nanjing”) in China with a registered capital of \$100,000,000. Pursuant to CBAK Nanjing’s articles of association and relevant PRC regulations, BAK Investments was required to contribute the capital to CBAK Nanjing on or before July 29, 2040. Up to the date of this report, the Company has contributed \$55,289,915 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 \$101.3 million). Pursuant to Nanjing CBAK’s articles of association and relevant PRC regulations, CBAK Nanjing was required to contribute the capital to Nanjing CBAK on or before August 5, 2040. Up to the date of this report, the Company has contributed RMB352.5 (approximately \$51.0 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 \$7.2 million). Up to the date of this report, the Company has contributed RMB37 (approximately \$5.4 million) to Nanjing Daxin. On March 6, 2023, Nanjing Daxin changed its name to Nanjing BFD Energy Technology Co., Ltd.

On April 21, 2021, CBAK Power, along with Shenzhen BAK Power Battery Co., Ltd (“BAK SZ”), Shenzhen Asian Plastics Technology Co., Ltd (“SZ Asian Plastics”) and Xiaoxia Liu, entered into an investment agreement with Junxiu Li, Hunan Xintao New Energy Technology Partnership, Xingyu Zhu, and Jiangsu Saideli Pharmaceutical Machinery Manufacturing Co., Ltd for an investment in Hunan DJY Technology Co., Ltd (“DJY”). CBAK Power has paid approximately \$1.3 million (RMB9,000,000) to acquire 9.74% of the equity interests of DJY. CBAK Power has appointed one director to the Board of Directors of DJY. DJY is an unrelated third party of the Company engaging in researching and manufacturing of raw materials and equipment.

On August 4, 2021, Daxin New Energy Automobile Technology (Jiangsu) Co., Ltd (“Jiangsu Daxin”) was established as a wholly owned subsidiary of Nanjing CBAK with a register capital of RMB30,000,000 (approximately \$4.3 million). Pursuant to Jiangsu Daxin’s articles of association and relevant PRC regulations, Nanjing Daxin was required to contribute the capital to Jiangsu Daxin on or before July 30, 2061. Up to the date of this report the Company has contributed RMB11.6 million (approximately 1.7 million) to Jiangsu Daxin.

On July 20, 2021, CBAK Power entered into a framework agreement relating to CBAK Power’s investment in Zhejiang Hitrans Lithium Battery Technology Co., Ltd (“Hitrans”, formerly known as Zhejinag Meidu Hitrans Lithium Battery Technology Co., Ltd), pursuant to which CBAK Power agreed to acquire 81.56% of registered equity interests (representing 75.57% of paid-up capital) of Hitrans (the “Acquisition”). The Acquisition was completed on November 26, 2021 (Note 12). After the completion of the Acquisition, Hitrans became a 81.56% registered equity interests (representing 75.57% of paid up capital) owned subsidiary of the Company.

On July 8, 2022, Hitrans held its second shareholder meeting (“the shareholder meeting”) in 2022 to pass a resolution to increase the registered capital of Hitrans from RMB40 million to RMB44 million (approximately \$6.4 million) and to accept an investment of RMB22 million (approximately \$3.2 million) from Shaoxing Haiji Enterprise Management & Consulting Partnership (“Shaoxing Haiji”) and an investment of RMB18 million (approximately \$2.6 million) from Mr. Haijun Wu (collectively “management shareholder”). Under the resolution, 10% of the investment injection (RMB4 million or \$0.6 million) will be contributed towards Hitrans’s registered capital and the remaining 90% (RMB36 million or \$5.2 million) will be treated as additional paid-in capital contribution of Hitrans. 25% of the investments from the management shareholder were required to be in place before August 15, 2022, 25% of the investments were required to be in place before December 31, 2022 and the 50% balance (RMB20 million) were required to be received June 30, 2024. As of December 31, 2022, RMB10 million (approximately \$1.4 million), representing the 25% of the investments were received.

On December 8, 2022, CBAK Power entered into equity interest transfer agreements with five individuals to disposal in aggregate 6.82% of Hitrans equity interests for a total consideration of RMB30,000,000 (approximately \$4.3 million). The transaction was completed on December 30, 2022. As of December 31, 2022, CBAK Power's equity interests in Hitrans was 67.33% and representing 69.12% of paid up capital.

On July 6, 2018, Guangdong Meidu Hitrans Resources Recycling Technology Co., Ltd. ("Guangdong Hitrans") was established as a 80% owned subsidiary of Hitrans with a registered capital of RMB10 million (approximately \$1.6 million). The remaining 20% registered equity interest was held by Shenzhen Baijun Technology Co., Ltd. Pursuant to Guangdong Hitrans's articles of association, each shareholder is entitled to the right of the profit distribution or responsible for the loss according to its proportion to the capital contribution. Pursuant to Guangdong Hitrans's articles of association and relevant PRC regulations, Hitrans was required to contribute the capital to Guangdong Hitrans on or before December 30, 2038. Up to the date of this report, Hitrans has contributed RMB1.72 million (approximately \$0.3 million), and the other shareholder has contributed RMB0.25 million (approximately \$0.04 million) to Guangdong Hitrans through injection of a series of cash. Guangdong Hitrans was established under the laws of the People's Republic of China as a limited liability company on July 6, 2018 with a registered capital RMB10 million (approximately \$1.5 million). Guangdong Hitrans is based in Dongguan, Guangdong Province, and is principally engaged in the business of resource recycling, waste processing, and R&D, manufacturing and sales of battery materials. Guangdong Hitrans is dormant as of December 31, 2022.

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

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 and its subsidiaries, which are prepared in accordance with the accounting principles and the relevant financial regulations applicable to enterprises with limited liability established in the PRC or Hong Kong. The accompanying 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, 2021, 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; (ix) Nanjing Daxin New Energy Automobile Industry Co., Ltd ("Nanjing Daxin"), a wholly owned limited liability company established on November 9, 2020; (x) Daxin New Energy Automobile Technology (Jiangsu) Co., Ltd ("Jiangsu Daxin"), a wholly owned limited liability company established on August 4, 2021 in the PRC ; (xi) Zhejiang Hitrans Lithium Battery Technology Co., Ltd ("Hitrans"), a 67.33% registered equity interests (representing 69.12% of paid-up capital) owned limited liability company established on December 16, 2015 in the PRC; (xii) Guangdong Meidu Hitrans Resources Recycling Technology Co., Ltd., a 87% owned limited liability company established on July 6, 2018 in the PRC by Hitrans and (xiii) Shaoxing Haisheng International Trading Co., Ltd. ("Haisheng"), a wholly owned limited liability company by Hitrans established on October 9, 2021 in the PRC.

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

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

On May 10, 2021, the Company entered into that Amendment No. 1 to the Series B Warrant (the “Series B Warrant Amendment”) with each of the holders of the Company’s outstanding Series B warrants. Pursuant to the Series B Warrant Amendment, the term of the Series B warrants was extended from May 11, 2021 to August 31, 2021.

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

As of December 31, 2022, the Company had \$14.9 million bank loans and approximately \$111.8 million of other current liabilities (excluding warrants derivative liability).

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

COVID-19

The Company business has been and may continue to be adversely affected by the COVID-19 pandemic or other health epidemics and outbreaks. A wave of infections caused by the Omicron variant emerged in Shanghai in early 2022, and a series of restrictions and quarantines were implemented to contain the spread in Shanghai and other regions. The Company's manufacturing facilities in Dalian, Nanjing and Shaoxing were not producing at full capacity when restrictive measures were in force during 2022, which negatively affected our operational and financial results. China began to modify its zero-COVID policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022.

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

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

Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has accumulated deficit from recurring net losses incurred and significant short-term debt obligations maturing in less than one year as of December 31, 2022. These conditions raise substantial doubt about the Company ability to continue as a going concern. The Company's plan for continuing as a going concern included improving its profitability, and obtaining additional debt financing, loans from existing directors and shareholders for additional funding to meet its operating needs. There can be no assurance that the Company will be successful in the plans described above or in attracting equity or alternative financing on acceptable terms, or if at all. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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 and cash equivalents consist of cash on hand and demand deposits placed with banks which are unrestricted as to withdrawal or use, and have original maturities less than three months. The Company considers all highly liquid debt instruments, with initial terms of less than three months to be cash equivalents.

As of December 31, 2021 and 2022, cash held in accounts managed by online payment platforms such as Alipay amounted to \$14,625 and \$5,806 respectively, which have been classified as cash and cash equivalents in the consolidated balance sheets.

(c) Pledged deposit

Pledged deposit primarily represents bank deposits for bank notes amounted to \$19.0 million and \$30.8 million as of December 31, 2021 and 2022, respectively.

(d) Debt products

All debt products are carried at fair value at the end of each reporting period. Changes in the carrying amount of debt products relating to interest income calculated using the effective interest method are recognized in consolidated statement of profit or loss. Other changes in the carrying amount of these products, net of any related tax effects, are excluded from earnings and are included in other comprehensive income or loss and reported as a separate component of stockholders' equity or deficit until realized. Realized gains and losses and declines in value judged to be other than temporary, if any, on debt products are included in other income (expense), net.

The Company regularly reviews all of its investments for other-than-temporary declines in estimated fair value. Its review includes the consideration of the cause of the impairment, including the creditworthiness of the security issuers, the number of securities in an unrealized loss position, the severity and duration of the unrealized losses, whether the Company has the intent to sell the securities and whether it is more likely than not that the Company will be required to sell the securities before the recovery of their amortized cost basis. When the Company determines that the decline in estimated fair value of an investment is below the amortized cost basis and the decline is other-than-temporary, it reduces the carrying value of the security and record a loss for the amount of such decline. The Company has not recorded any declines in value judged to be other than temporary on its investments in debt securities.

(e) Trade and Bills Receivable

Trade 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.

(f) 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

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.

(h) 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 – 38 years
Machinery and equipment	1 – 15 years
Leasehold improvement	Over the shorter of lease term of the estimated useful lives of the assets
Office equipment	1 – 5 years
Motor vehicles	5 – 12 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 income (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.

(i) Lease

The Company accounts for leases in accordance with ASC 842, Leases ("ASC 842"), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The Company elected not to apply the recognition requirements of ASC 842 to short-term leases. The Company also elected not to separate non-lease components from lease components, therefore, it will account for lease component and the non-lease components as a single lease component when there is only one vendor in the lease contract.

The Company determines if a contract contains a lease based on whether it has the right to obtain substantially all of the economic benefits from the use of an identified asset which the Company does not own and whether it has the right to direct the use of an identified asset in exchange for consideration. Right of use (“ROU”) assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. ROU assets are recognized as the amount of the lease liability, adjusted for lease incentives received. Lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is the Company’s incremental borrowing rate (“IBR”), because the interest rate implicit in most of the Company’s leases is not readily determinable. The IBR is a hypothetical rate based on the Company’s understanding of what its credit rating would be to borrow and resulting interest the Company would pay to borrow an amount equal to the lease payments in a similar economic environment over the lease term on a collateralized basis. Lease payments may be fixed or variable, however, only fixed payments or in-substance fixed payments are included in the Company’s lease liability calculation. Variable lease payments are recognized in operating expenses in the period in which the obligation for those payments are incurred.

(i) Prepaid land use rights

The land use rights are operating leases with lease terms vary from 36 to 50 years. Land use rights acquired are assessed in accordance with ASC 842 if they meet the definition of lease.

(ii) Operating lease

The lease terms of operating leases vary from more than a year to five years. Operating leases are included in operating lease right of use assets, current and non-current operating lease liabilities on the Company’s consolidated balance sheets. As of December 31, 2021 and 2022, all of the Company’s ROU assets were generated from leased assets in the PRC.

(iii) Finance lease

Finance leases are included in property, plant and equipment, net, current and non-current finance lease liabilities on the Company’s consolidated balance sheets. As of December 31, 2021 and 2022, all of the Company’s finance lease assets were generated from leased assets in the PRC.

(iv) 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.

(j) 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, 2021

Balance sheet, except for equity accounts	RMB 6.3551 to US\$1.00
Income statement and cash flows	RMB 6.4525 to US\$1.00

Year ended December 31, 2022

Balance sheet, except for equity accounts	RMB 6.9091 to US\$1.00
Income statement and cash flows	RMB 6.7264 to US\$1.00

(k) 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	1 - 10 years
Sewage discharge permit	5 - 7 years

(l) Impairment of Long-lived Assets (including amortizable intangible assets) other than goodwill

Long-lived assets, which include property, plant and equipment, prepaid land use rights, leased assets 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.

(m) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed of the acquired entity as a result of the Company's acquisitions of interests in its subsidiaries. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. The Company first assesses qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. In the qualitative assessment, the Company considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. Based on the qualitative assessment, if it is more likely than not that the fair value of each reporting unit is less than the carrying amount, the quantitative impairment test is performed.

The Company annually, or more frequently if the Company believes indicators of impairment exist, reviews the carrying value of goodwill to determine whether impairment may exist.

In performing the two-step quantitative impairment test, the first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for the purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets, liabilities and goodwill to reporting units, and determining the fair value of each reporting unit.

The Company performs its annual impairment tests on December 31 of each year.

(n) *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.

Practical expedients and exemption

The Company has not occurred any costs to obtain contracts, and does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

Contract liabilities

The Company's contract liabilities consist of deferred revenue associated with batteries development and deposits received from customers allocated to the performance obligations that are unsatisfied. Changes in contract liability balances were not materially impacted by business acquisition, change in estimate of transaction price or any other factors during any of the years presented. The table below presents the activity of the deferred batteries development and sales of batteries revenue during the years ended December 31, 2021 and 2022, respectively:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2022</u>
Balance at beginning of year	\$ -	\$ 784,000
Development fees collected/ deposits received	784,000	1,115,010
Development and sales of batteries revenue recognized	-	-
Exchange realignment	-	(29,485)
Balance at end of year	<u>\$ 784,000</u>	<u>\$ 1,869,525</u>

(o) *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.

(p) *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, 2021, through December 31, 2022 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, 2021	\$ 7,511,182	-	7,511,182
Decrease in unrecognized tax benefits taken in current period	(7,511,182)	-	(7,511,182)
Balance as of December 31, 2021 and 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2021 and 2022 the Company had not accrued any interest and penalties related to unrecognized tax benefits.

(q) Non-controlling Interests

For the Company's non-wholly owned subsidiary, a non-controlling interest is recognized to reflect the portion of equity that is not attributable, directly or indirectly, to the Company. Non-controlling interests are classified as a separate line item in the equity section of the Company's consolidated balance sheets and have been separately disclosed in the Company's consolidated statements of comprehensive loss to distinguish the interests from that of the Company. Cash flows related to transactions with non-controlling interests are presented under financing activities in the consolidated statements of cash flows.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

(w) 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.

Full time employees of the Company in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the PRC subsidiary of the Company make contributions to the government for these benefits based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government. The Company has no legal obligation for the benefits beyond the contributions made. Total amounts of such employee benefit expenses, which were expensed as incurred, were approximately \$1,541,133 (RMB9,944,162) and \$2,589,157 (RMB17,405,185) for the years ended December 31, 2021 and 2022, respectively.

(x) Income (loss) per Share

Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share is computed similar to basic net income per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if all the potential common shares pertaining to warrants, stock options, and similar instruments had been issued and if the additional common shares were dilutive. Diluted income (loss) per share is based on the assumption that all dilutive convertible shares and stock options and warrants were converted or exercised. Dilution is computed by applying the treasury stock method for the outstanding unvested restricted stock, options and warrants, and the if-converted method for the outstanding convertible instruments. Under the treasury stock method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later) and as if funds obtained thereby were used to purchase common stock at the average market price during the period. Under the if-converted method, outstanding convertible instruments are assumed to be converted into common stock at the beginning of the period (or at the time of issuance, if later).

(y) 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 goodwill and 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.

(z) 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.

(aa) 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.

(bb) Comprehensive Income (Loss)

Comprehensive income is defined as the change in equity of a company during a period from transactions and other events and circumstances excluding transactions resulting from investments from owners and distributions to owners. Accumulated other comprehensive income includes cumulative foreign currency translation adjustment.

(cc) Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In May 2021, the FASB issued ASU 2021-04, Earnings Per Share (Topic 260), Debt — Modifications and Extinguishments (Subtopic 470-50), Compensation — Stock Compensation (Topic 718), and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options ("ASU 2021-04"). ASU 2021-04 provides guidance as to how an issuer should account for a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option (i.e., a warrant) that remains classified after modification or exchange as an exchange of the original instrument for a new instrument. An issuer should measure the effect of a modification or exchange as the difference between the fair value of the modified or exchanged warrant and the fair value of that warrant immediately before modification or exchange and then apply a recognition model that comprises four categories of transactions and the corresponding accounting treatment for each category (equity issuance, debt origination, debt modification, and modifications unrelated to equity issuance and debt origination or modification). ASU 2021-04 is effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should apply the guidance provided in ASU 2021-04 prospectively to modifications or exchanges occurring on or after the effective date. The Company applied the new standard beginning January 1, 2022. The adoption of the new standard did not have any impact on the Company's consolidated financial statement presentation or disclosures.

In November 2021, the FASB issued ASU 2021-10, Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance. This update requires certain annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. The Company adopted ASU 2021-10 during 2022 using the retrospective approach. See Note 18 for related disclosure.

Recently Issued But Not Yet Adopted Accounting Pronouncements

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

In January 2017, the FASB issued ASU No. 2017-04, Intangibles – Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). ASU 2017-04 eliminates Step 2 of the two-step goodwill impairment test, under which a goodwill impairment loss was measured by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. ASU 2017-04 requires only a one-step quantitative impairment test, whereby a goodwill impairment loss is measured as the excess of a reporting unit's carrying amount over its fair value (not to exceed the total goodwill allocated to that reporting unit). Adoption of the ASUs is on a modified retrospective basis. As a smaller reporting company, the standard will be effective for the Company for interim and annual reporting periods beginning after December 15, 2022. The Company is currently evaluating the impact that the adoption of ASU 2017-04 will have on its consolidated financial statement presentation or disclosures.

In October 2021, the FASB issued ASU No. 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers" ("ASU 2021-08"). This ASU requires entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. The amendments improve comparability after the business combination by providing consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination and revenue contracts with customers not acquired in a business combination. The standard will be effective for the Company beginning after December 15, 2023, and are applied prospectively to business combinations that occur after the effective date. The adoption of ASU 2021-08 is not expected to have any impact on the Company's consolidated financial statement presentation or 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, 2021 and 2022 consisted pledged deposits with banks for bills payable (note 14).

4. Trade and Bills Receivable, net

Trade and bills receivable as of December 31, 2021 and 2022:

	<i>December 31, 2021</i>	<i>December 31, 2022</i>
Trade receivable	\$ 48,707,457	\$ 23,422,733
Less: Allowance for doubtful accounts	(4,618,269)	(2,274,513)
	<u>44,089,188</u>	<u>21,148,220</u>
Bills receivable	5,817,941	6,265,355
	<u>\$ 49,907,129</u>	<u>\$ 27,413,575</u>

Included in trade and bills receivables are retention receivables of \$1,944,034 and \$1,066,146 as of December 31, 2021 and 2022. 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, 2021</i>	<i>December 31, 2022</i>
Balance at beginning of year	\$ 5,266,828	\$ 4,618,269
Provision for the year	225,875	1,018,092
Reversal - recoveries by cash	(1,006,264)	(186,960)
Charged to consolidated statements of operations and comprehensive income (loss)	\$ (780,389)	\$ 831,132
Written off	-	(2,858,177)
Foreign exchange adjustment	131,830	(316,711)
Balance at end of year	<u>\$ 4,618,269</u>	<u>\$ 2,274,513</u>

5. Inventories

Inventories as of December 31, 2021 and 2022 consisted of the following:

	<i>December 31, 2021</i>	<i>December 31, 2022</i>
Raw materials	\$ 11,323,638	\$ 7,101,426
Work in progress	8,093,002	17,274,033
Finished goods	10,716,700	25,070,832
	<u>\$ 30,133,340</u>	<u>\$ 49,446,291</u>

During the years ended December 31, 2021 and 2022, write-downs of obsolete inventories to lower of cost or net realizable value of \$867,731 and \$1,658,432, respectively, were charged to cost of revenues.

6. Prepayments and Other Receivables

Prepayments and other receivables as of December 31, 2021 and 2022 consisted of the following:

	<i>December 31, 2021</i>	<i>December 31, 2022</i>
Value added tax recoverable	\$ 7,144,712	\$ 4,234,082
Prepayments to suppliers	4,663,431	220,671
Deposits	75,179	43,914
Staff advances	122,531	51,826
Prepaid operating expenses	683,648	706,190
Receivables from sales of vehicles (note 10)	-	371,105
Others	64,489	294,292
	<u>12,753,990</u>	<u>5,922,080</u>
Less: Allowance for doubtful accounts	(7,000)	(7,000)
	<u>\$ 12,746,990</u>	<u>\$ 5,915,080</u>

7. Property, Plant and Equipment, net

Property, plant and equipment as of December 31, 2021 and 2022 consisted of the following:

	<i>December 31, 2021</i>	<i>December 31, 2022</i>
Buildings	\$ 48,418,782	\$ 47,086,680
Leasehold improvements	5,543,792	5,156,705
Machinery and equipment	58,899,248	71,665,842
Office equipment	1,200,758	1,545,026
Motor vehicles	486,570	507,882
	<u>114,549,150</u>	<u>125,962,135</u>
Impairment	(9,194,132)	(13,025,161)
Accumulated depreciation	(15,312,245)	(22,932,447)
Carrying amount	<u>\$ 90,042,773</u>	<u>\$ 90,004,527</u>

During the years ended December 31, 2021 and 2022, the Company incurred depreciation expense of \$3,664,917 and \$9,414,421, respectively.

The Company has not yet obtained the property ownership certificates of the buildings in its Dalian manufacturing facilities with a carrying amount of \$7,548,239 and \$7,360,242 as of December 31, 2021 and 2022, 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, 2021 and 2022, the Company assessed the recoverability of the carrying value of certain property, plant and equipment which resulted in impairment losses of approximately nil and \$4,831,708, 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 Hitrans primarily for the production of materials used in manufacturing of lithium batteries due to underperformance of Hitrans reporting unit. No impairment charge was recorded on the Company's production facilities in Dalian and Nanjing in the years ended December 31, 2021 and 2022.

8. Construction in Progress

Construction in progress as of December 31, 2021 and 2022 consisted of the following:

	<i>December 31, 2021</i>	<i>December 31, 2022</i>
Construction in progress	\$ 21,619,522	\$ 7,828,975
Prepayment for acquisition of property, plant and equipment	5,723,570	2,125,227
Carrying amount	<u>\$ 27,343,092</u>	<u>\$ 9,954,202</u>

Construction in progress as of December 31, 2021 and 2022 mainly comprised capital expenditures for the construction of the facilities and production lines of CBAK Power, Nanjing CBAK and Hitrans.

For the years ended December 31, 2021 and 2022, the Company capitalized interest of \$307,426 and \$162,052, respectively, to the cost of construction in progress.

9. Long-term investments, net

Long-term investments as of December 31, 2021 and 2022, consisted of the following:

	<i>December 31, 2021</i>	<i>December 31, 2022</i>
Investments in equity method investees	\$ -	\$ 289,473
Investments in non-marketable equity	712,930	655,764
	<u>\$ 712,930</u>	<u>\$ 945,237</u>

Investments in equity method investees

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

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

Guangxi Guiwu CBAK has not commenced operations as of the date of this report. For the year ended December 31, 2022, no income from the above investment was recorded.

Investments in non-marketable equity

	<i>December 31,</i> <i>2021</i>	<i>December 31</i> <i>2022</i>
Cost	\$ 1,416,185	\$ 1,302,630
Impairment	(703,255)	(646,866)
Carrying amount	<u>\$ 712,930</u>	<u>\$ 655,764</u>

On April 21, 2021, CBAK Power, along with Shenzhen BAK Power Battery Co., Ltd (BAK Shenzhen), Shenzhen Asian Plastics Technology Co., Ltd (SZ Asian Plastics) and Xiaoxia Liu (collectively the "Investors"), entered into an investment agreement with Junxiu Li, Hunan Xintao New Energy Technology Partnership, Xingyu Zhu, and Jiangsu Saideli Pharmaceutical Machinery Manufacturing Co., Ltd for an investment in Hunan DJY Technology Co., Ltd ("DJY"), a privately held company. CBAK Power has paid \$1.40 million (RMB9,000,000) to acquire 9.74% of the equity interests of DJY. CBAK Power along with other three new investors has appointed one director on behalf of the Investors to the Board of Directors of DJY. DJY is unrelated third party of the Company engaging in research and development, production and sales of products and services to lithium battery positive cathode materials producers, including the raw materials, fine ceramics, equipment and industrial engineering.

On November 28, 2022, Nanjing CBAK along with Shenzhen Education for Industry Investment Co., Ltd. and Wen Yuan Liu, an individual investor, set up Nanjing CBAK Education For Industry Technology Co., Ltd ("CBAK Education") with a registered capital of RMB5 million (approximately \$0.7 million), in which each party holding 10%, 60% and 30% equity interests of CBAK Education, respectively. The investment is for training skillful workforce for Nanjing CBAK. CBAK Education has not yet commence its operation and nil capital contribution was made by all parties as of the report date.

Non-marketable equity securities are investments in privately held companies without readily determinable market value. The Company measures investments in non-marketable equity securities without a readily determinable fair value using a measurement alternative that measures these securities at the cost method minus impairment, if any, plus or minus changes resulting from observable price changes on a non-recurring basis. The fair value of non-marketable equity securities that have been remeasured due to impairment are classified within Level 3. The Company adjusts the carrying value of non-marketable equity securities which have been remeasured during the period and recognize resulting gains or losses as a component of other operating income (expense), net. The Company recognized an impairment loss of \$692,639 and nil on the non-marketable equity securities for the year ended December 31, 2021 and 2022, respectively.

10. Lease

(a) Prepaid land use rights

	<i>Prepaid</i> <i>land lease</i> <i>payments</i>
Balance as of January 1, 2021	\$ 7,500,780
Addition for the year	6,188,764
Amortization charge for the year	(189,044)
Foreign exchange adjustment	296,730
Balance as of December 31, 2021	<u>13,797,230</u>
Amortization charge for the year	(338,706)
Foreign exchange adjustment	(1,097,361)
Balance as of December 31, 2022	<u>\$ 12,361,163</u>

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

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

No impairment loss was made to the carrying amounts of the prepaid land use right for the year ended December 31, 2021 and 2022.

(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, 2021 and 2022 are as follows:

	<i>December 31,</i> <i>2021</i>	<i>December 31,</i> <i>2022</i>
Total future minimum lease payments receivable	\$ 1,737,817	-
Less: unearned income, representing interest	(108,773)	-
Present value of minimum lease payments receivables	1,629,044	-
Less: Current portion	(790,516)	-
Non-current portion	\$ 838,528	-

Vehicle sale net of cost recognized in other income (expense) from vehicle leasing was \$(92,272) and nil for the year ended December 31, 2021 and 2022, respectively.

Interest income from vehicle leasing was \$99,424 and nil for the year ended December 31, 2021 and 2022, respectively.

The Company entered into supplemental agreement with the lessee to cancel the sales-type leases arrangement and entered into vehicles sales agreement (note 6) to sell all of the vehicles.

(c) Operating lease

In April 2018, Hitrans entered into a lease agreement for staff quarters spaces in Zhejiang with a five year term, commencing on May 1, 2018 and expiring on April 30, 2023. The monthly rental payment is approximately RMB18,000 (\$2,605) per month. In 2018, lump sum payments were made to landlord for the rental of staff quarter spaces and no ongoing payments will be made under the terms of these leases.

On January 14, 2021, Nanjing Daxin entered into a lease agreement for manufacturing, warehouse and office space in Tianjing with a three year term, commencing on March 1, 2021 and expiring on February 29, 2024. The monthly rental payment is approximately RMB73,143 (\$10,586) per month. On February 28, 2022, Nanjing Daxin early terminated the lease after one-year non-cancellable period.

On April 6, 2021, Nanjing CBAK entered into a lease agreement for warehouse space in Nanjing with a three year term, commencing on April 15, 2021 and expiring on April 14, 2024. The monthly rental payment is approximately RMB97,743 (\$14,146) per month.

On June 1, 2021, Nanjing Daxin entered into a lease agreement for manufacturing, warehouse and office space in Wuxi with a three year term, commencing on June 1, 2021 and expiring on May 31, 2024. The monthly rental payment is approximately RMB238,095 (\$34,461) per month for the first year and approximately RMB277,778 (\$40,205) per month from the second year. In May 2022, Nanjing Daxin early terminated the lease after one-year non-cancellable period.

On June 1, 2021, Hitrans entered into a lease agreement with liquid gas supplier for a five year term for supplying liquid nitrogen and oxygen, commencing on July 1, 2021. The monthly rental payment is approximately RMB5,310 (\$769) per month.

On December 9, 2021, Hitrans entered into a lease agreement for another staff quarters spaces in Zhejiang with a three year term, commencing on December 10, 2021 and expiring on December 9, 2024. The monthly rental payment is approximately RMB10,400 (\$1,505) per month for the first year, RMB10,608 (\$1,535) and RMB10,820 (\$1,566) per month from the second year and third year, respectively.

On March 1, 2022, Hitrans entered into a lease agreement for extra staff quarters spaces in Zhejiang with a five year term, commencing on March 1, 2022 and expiring on February 28, 2027. The monthly rental payment is approximately RMB15,840 (\$2,293) per month for the first year, with 2% increase per year.

On August 1, 2022, Hitrans entered into a lease agreement for warehouse spaces in Zhejiang with a one and half years term, commencing on August 1, 2022 and expiring on January 31, 2024. The monthly rental payment is RMB60,394 (\$8,741) per month.

On October 20, 2022, CBAK Power entered into a lease agreement for staff quarters spaces in Dalian with a five year term, commencing on October 20, 2022 and expiring on October 19, 2025. The monthly rental payment is RMB61,905 (\$8,960) per month.

On December 20, 2022, Hitrans entered into a lease agreement for extra staff quarters spaces in Zhejiang with a five year term commencing on December 20, 2022 and expiring on December 19, 2027. The monthly rental payment is RMB52,000 (\$7,526) per month for the first year, with 2% increase per year.

On December 30, 2022, Hitrans entered into a lease agreement with liquid gas supplier for a five year term for supplying liquid nitrogen and oxygen to December 29, 2027. The monthly rental payment is approximately RMB7,265 (\$1,052) per month.

Operating lease expenses for the years ended December 31, 2021 and 2022 for the capitation agreement was as follows:

	<i>December 31, 2021</i>	<i>December 31, 2022</i>
Operating lease cost – straight line	<u>\$ 539,075</u>	<u>\$ 495,478</u>

(d) Company as lessee - Finance lease

	<i>December 31, 2021</i>	<i>December 31, 2022</i>
Property, plant and equipment, at cost	\$ -	\$ 1,890,396
Accumulated depreciation	-	(251,626)
Impairment	-	(662,006)
Property, plant and equipment, net under finance lease	<u>-</u>	<u>976,764</u>
Finance lease liabilities, current	-	844,297
Finance lease liabilities, non-current	-	-
Total finance lease liabilities	<u>\$ -</u>	<u>\$ 844,297</u>

The components of finance lease expenses for the years ended December 31, 2021 and 2022 were as follows:

		<u>2021</u>	<u>2022</u>
Finance lease cost:			
Depreciation of assets	\$	\$ -	\$ 76,861
Interest of lease liabilities		-	8,672
Total lease expense	\$	<u>\$ -</u>	<u>\$ 85,533</u>

The following is a schedule, by years, of maturities of lease liabilities as of December 31, 2022:

	<u>Operating leases</u>	<u>Finance leases</u>
2023	\$ 634,361	\$ 856,117
2024	251,947	-
2025	227,519	-
2026	144,770	-
2027	11,566	-
Thereafter	-	-
Total undiscounted cash flows	<u>1,270,163</u>	<u>856,117</u>
Less: imputed interest	(87,445)	(11,820)
Present value of lease liabilities	<u>\$ 1,182,718</u>	<u>\$ 844,297</u>

Lease term and discount rate:

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Weighted-average remaining lease term		
Land use rights	38.9	37.9
Operating leases	2.32	3.39
Finance lease	-	0.5
Weighted-average discount rate		
Land use rights	Nil	Nil
Operating lease	5.88%	4.94%
Finance lease	-	1.40%

Supplemental cash flow information related to leases where the Company was the lessee for the year ended December 31, 2021 and 2022 was as follows:

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Operating cash outflows from operating assets	<u>\$ 447,734</u>	<u>\$ 230,382</u>

11. Intangible Assets, net

Intangible assets as of December 31, 2021 and 2022 consisted of the followings:

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
Computer software at cost	\$ 108,560	\$ 104,211
Sewage discharge permit*	1,915,740	1,762,129
	<u>2,024,300</u>	<u>1,866,340</u>
Accumulated amortization	(62,561)	(557,282)
	<u>\$ 1,961,739</u>	<u>\$ 1,309,058</u>

Amortization expenses were \$41,132 and \$513,311 for the years ended December 31, 2021 and 2022, respectively.

* The Company had not yet obtained the ownership of sewage discharge permit in its Zhejiang manufacturing facilities with a carrying amount of \$1,873,168 as of December 31, 2021. The sewage discharge permit was registered under the name of New Era (note 12). The Company has obtained a five years sewage discharge permit on January 27, 2022.

Total future amortization expenses for finite-lived intangible assets were estimated as follows:

2023	\$ 482,159
2024	480,805
2025	320,761
2026	6,042
2027	4,528
Thereafter	14,763
Total	<u>\$ 1,309,058</u>

12. Acquisition of subsidiaries

On April 1, 2021, CBAK Power entered into a framework investment agreement with Hangzhou Juzhong Daxin Asset Management Co., Ltd. (“Juzhong Daxin”) for a potential acquisition of Hitrans. Juzhong Daxin is the trustee of 85% of registered equity interests (representing 78.95% of paid-up capital) of Hitrans and has the voting right over the 85% of registered equity interests. Subject to definitive acquisition agreements to be entered into among the parties, including shareholders owning the 85% of equity interests of Hitrans, CBAK Power intends to acquire 85% of equity interests of Hitrans in cash in 2021. CBAK Power has paid \$3.10 million (RMB20,000,000) to Juzhong Daxin as a security deposit in April 2021. Hitrans is an unrelated third party of the Company engaging in researching, manufacturing and trading of raw materials and is one of the major suppliers of the Company in fiscal 2020.

On July 20, 2021, CBAK Power entered into a framework agreement relating to CBAK Power’s investment in Hitrans, pursuant to which CBAK Power acquires 81.56% of registered equity interests (or representing 75.57% of paid-up capital) of Hitrans (the “Acquisition Agreement”). Under the Acquisition Agreement, CBAK Power acquires 60% of registered equity interests (representing 54.39% of paid-up capital) of Hitrans from Zhejiang Meidu Graphene Technology Co., Ltd. (“Meidu Graphene”) valued at RMB118 million (\$18.5 million) and 21.56% of registered equity interests (representing 21.18% of paid-up capital) of Hitrans from Hitrans’s management shareholders valued at approximately RMB40.74 million (\$6.4 million). Two individuals among Hitrans management shareholders, including Hitrans’s CEO, Mr. Haijun Wu (“Mr. Wu”), keeping 2.50% registered equity interests (representing 2.46% of paid-up capital) of Hitrans and New Era Group Zhejiang New Energy Materials Co., Ltd. (“New Era”) continue to hold 15% registered equity interests (representing 21.05% of paid-up capital) of Hitrans after the acquisition.

As of the date of the Acquisition Agreement, the 25% registered equity interests (representing 24.56% of paid-up capital) of Hitrans held by Hitrans management shareholders was frozen as a result of a litigation arising from the default by Hitrans management shareholders on debts borrowed from Zhejiang Meidu Pawn Co., Ltd. (“Pawn Co.”) whereby the 25% registered equity interests (representing 24.56% of paid-up capital) of Hitrans was pledged as collateral. Mr. Junnan Ye (“Mr. Ye”), acting as an intermediary, first acquire 22.5% registered equity interests (representing 22.11% of paid-up capital) of Hitrans, free of any encumbrances, from Hitrans management shareholders. Pursuant to the Acquisition Agreement, within five days of CBAK Power’s obtaining 21.56% registered equity interests (representing 21.18% of paid-up capital) of Hitrans from Mr. Ye, CBAK Power pays approximately RMB40.74 million (\$6.4 million) in cash, which amount shall be used toward the repayment of debts due to Pawn Co. On July 23, 2021, CBAK Power paid RMB40.74 million (approximately \$6.4 million) in cash to Mr. Ye.

In addition, as of the date of the Acquisition Agreement, Meidu Graphene’s 60% registered equity interests (representing 54.39% of paid-up capital) of Hitrans was frozen as a result of a litigation arising from Hitrans’s failure to make payments to New Era in connection with the purchase of land use rights, plants, equipment, pollution discharge permit and other assets (the “Assets”) under certain asset transfer agreements as well as Meidu Graphene’s guarantee for Hitrans’s payment obligations thereunder.

As a part of the transaction, CBAK Power entered into a loan agreement with Hitrans to lend Hitrans approximately RMB131 million (\$20.6 million) (the “Hitrans Loan”) by remitting approximately RMB131 million (\$20.6 million) into the account of Shaoxing Intermediate People’s Court (the “Court”) to remove the freeze on Meidu Graphene’s 60% registered equity interests (representing 54.39% of paid-up capital) of Hitrans. Moreover, Juzhong Daxin returns RMB10 million (\$1.6 million) of the security deposit to CBAK Power before CBAK Power wires approximately RMB131 million (\$20.6 million) to the Court. Juzhong Daxin retained RMB5 million (\$0.78 million) as commission for facilitating the acquisition and RMB5 million (\$0.78 million) recognized as compensation expense to another potential buyer. On July 27, 2021, Juzhong Daxin returned RMB7 million (\$1.1 million) of the security deposit to CBAK Power. The remaining RMB3 million (\$0.5 million) had not yet been repaid by Juzhong Daxin up to the date of this report (Note 17). The Company is still negotiating with Juzhong Daxin, as Juzhong Daxin believes that according to the Security Acquisition Framework Agreement entered into between CBAK Power and Juzhong Daxin, CBAK Power should pay RMB3 million (\$0.5 million) as risk premium for facilitating the acquisition. CBAK Power believes it is not reasonable to pay any of the risk premium in accordance with the terms of the agreement and Juzhong Daxin should return RMB3 million (\$0.5 million) to CBAK Power. CBAK Power has taken legal action for the outstanding balance.

CBAK Power shall pay all other fees due to Juzhong Daxin in accordance with the Letter of Intent. According to the Acquisition Agreement, Mr. Ye first acquire 60% registered equity interests (representing 54.39% of paid-up capital) of Hitrans, free of any encumbrances, from Meidu Graphene. Thereafter, CBAK Power assigns RMB118 million (\$18.5 million) of the Hitrans Loan to Mr. Junnan Ye as consideration for the acquisition of 60% registered equity interests (representing 54.39% of paid-up capital) of Hitrans from Mr. Ye (the “Assignment”). Hitrans shall repay RMB118 million (\$18.5 million) to Mr. Ye in accordance with a separate loan repayment agreement (the “Loan Repayment Agreement”) entered into among Mr. Ye, Hitrans, CBAK Power and Mr. Wu in July 2021. Under the Loan Repayment Agreement, Hitrans shall repay Mr. Ye at least RMB70 million (\$10.86 million) within two months of obtaining the title to the Assets from New Era and the remaining RMB 48 million (\$7.41 million) by December 31, 2021, with a fixed interest of RMB3.5 million (\$0.54 million) which can be reduced by up to RMB1 million (\$0.15 million) if the loan is settled before its due date. CBAK Power provides guarantee to Mr. Ye on Hitrans’s repayment obligations under the Loan Repayment Agreement. Hitrans shall repay the remaining approximately RMB13 million (\$2.02 million) of the Hitrans Loan to CBAK Power at an interest rate of 6% per annum, maturing in one year from the date of the Assignment. As of December 31, 2021, Hitrans has repaid RMB93 million (\$14.6 million) and interest incurred was RMB0.9 million (\$0.1 million) recorded as finance cost for the year ended December 31, 2021. As of January 29, 2022, Hitrans has repaid all the loan principals of RMB118 million (\$18.5 million) and interests of RMB3.5 million (\$0.54 million) to Mr. Ye (Note 15).

As of the date of this report, the transfer of 81.56% registered equity interests (representing 75.57% of paid-up capital) of Zhejiang Hitrans to CBAK Power has been registered with the local government and CBAK Power had paid approximately RMB40.74 million (approximately \$6.4 million) in cash to Mr. Ye. In addition, CBAK Power had wired approximately RMB131 million (approximately \$20.6 million) to the Court and the Acquisition was completed on November 26, 2021.

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

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

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

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

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

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

13. Goodwill

The movement of the goodwill for the year ended December 31, 2021 and 2022 are as follows:

Balance as of January 1, 2021	\$	-
Acquisition of Hitrans		1,606,518
Foreign exchange adjustment		38,714
Balance as of December 31, 2021	\$	1,645,232
Impairment of goodwill		(1,556,078)
Foreign exchange adjustment		(89,154)
Balance as of December 31, 2022	\$	-

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

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

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

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

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

14. Trade and Bills Payable

Trade and bills payable as of December 31, 2021 and 2022 consisted of the followings:

	<i>December 31,</i> <i>2021</i>	<i>December 31,</i> <i>2022</i>
Trade payable	\$ 40,352,638	\$ 32,516,445
Bills payable		
– Bank acceptance bills (Note 15)	25,023,574	34,974,990
	<u>\$ 65,376,212</u>	<u>\$ 67,491,435</u>

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

The bank acceptance bills were pledged by:

- (i) the Company’s bank deposits (Note 3);
- (ii) \$4.4 million and \$3.4 million of the Company’s bills receivable as of December 31, 2021 and 2022, respectively (Note 4).
- (iii) the Company’s prepaid land use rights (Note 10)

15. Loans

Bank loans:

Bank borrowings as of December 31, 2021 and 2022 consisted of the followings:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2022</u>
Short-term bank borrowings	<u>\$ 8,811,820</u>	<u>\$ 14,907,875</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) bearing interest at 130% of benchmark rate of the People's Bank of China ("PBOC") for three-year long-term loans with the term from June 12, 2018 to June 10, 2021, 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. As of June 30, 2021, the Company repaid all the bank loan.

On November 16, 2021, the Company obtained banking facilities from Shaoxing Branch of Bank of Communications Co., Ltd with a maximum amount of RMB120.1 million (approximately \$16.9 million) with the term from November 18, 2021 to November 18, 2026. The facility was secured by the Company's land use rights and buildings. Under the facility, the Company has borrowed a total of RMB56.0 million (approximately \$8.8 million) and RMB59.0 million (approximately \$8.5 million) as of December 31, 2021 and 2022, respectively, for varying terms ending between November 16, 2022 and May 16, 2023, bearing interest at 4.15% - 4.35% per annum. The Company repaid RMB45 million (approximately \$6.5 million) in March 2023 and borrowed RMB60 million (approximately \$8.7 million) under the same facility for a term until February 15, 2024 to March 17, 2024, bearing annual interest rate at 3.65%.

In October to December 2020, the Company borrowed a series of acceptance bills from China Merchants Bank totaled RMB13.5 million (approximately \$2.07 million) for various terms through April to June 2021, which was secured by the Company's cash totaled RMB13.5 million (approximately \$2.07 million). The Company repaid the bills through April to June 2021.

On April 19, 2021, the Company obtained five-year acceptance bills facilities from Bank of Ningbo Co., Ltd with a maximum amount of RMB84.4 million (approximately \$13.2 million). Any amount drawn under the facilities requires security in the form of cash or bank acceptance bills receivable of at least the same amount. Under the facilities, as of December 31, 2021, the Company borrowed a total of RMB10 million (approximately \$1.6 million) from Bank of Ningbo Co., Ltd in the form of bills payable for a various term expiring from January to February 2022, which was secured by the Company's cash totaled RMB10 million (approximately \$1.6 million). The Company repaid the bills in January to February 2022.

On March 21, 2022, the Company renewed the above acceptance bills facilities from Bank of Ningbo Co., Ltd with a maximum amount of RMB71.6 million (\$10.4 million) with other terms remain the same. Under the facilities, as of December 31, 2022, the Company borrowed a total of RMB15.9 million (approximately \$2.3 million) in the form of bills payable for various terms expiring from January to June 2023, which was secured by the Company's cash totaling RMB15.9 million (approximately \$2.3 million) (Note 3).

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

On February 9, 2022, the Company obtained a one-year term facility from Jiangsu Gaochun Rural Commercial Bank with a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest at 124% of benchmark rate of the People's Bank of China ("PBOC") for short-term loans, which is 4.94% per annum. The facility was guaranteed by 100% equity in CBAK Nanjing held by BAK Investment and the Company's CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan. The Company borrowed RMB10 million (approximately \$1.4 million) on February 17, 2022 for a term until January 28, 2023. The Company subsequently repaid RMB10 million (approximately \$1.4 million) on January 16, 2023. On January 14, 2023, the Company obtained a one-year loan of RMB10 million (approximately \$1.4 million) bearing interest at 129% of benchmark rate of PBOC for short-term loans, which is 4.70% per annum. The Company borrowed RMB10 million (approximately \$1.4 million) on January 17, 2023 for a term until January 13, 2024.

On March 8, 2022, the Company obtained a one-year term facility from China Zheshang Bank Co., Ltd. Shangyu Branch with a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest at 5.5% per annum. The facility was guaranteed by 100% equity in CBAK Power held by BAK Asia and the Company's CEO, Mr. Yunfei Li. The Company borrowed RMB10 million (approximately \$1.45 million) on the same date. On May 17, 2022, the Company early repaid the loan principal and related loan interests.

On April 28, 2022, the Company obtained a three-year term facility from Industrial and Commercial Bank of China Nanjing Gaochun branch, with a maximum amount of RMB12 million (approximately \$1.7 million) with the term from April 21, 2022 to April 21, 2025. The facilities were guaranteed by the Company's CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan. Under the facility, the Company borrowed RMB10 million (approximately \$1.4 million) on April 29, 2022, bearing interest at 3.95% per annum for a term until April 29, 2023.

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

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

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

On December 9, 2022, the Company obtained a RMB5 million (approximately \$0.7 million) letter of credit from China CITIC Bank for a period to October 30, 2024 for settlement of Hitrans purchase. The Company had not utilized the letter of credit as of December 31, 2022.

The Company borrowed a series of acceptance bills from Agricultural Bank of China totaling RMB28.4 million (approximately \$4.1 million) for various terms through January to March 2023, which was secured by the Company's cash totaling RMB28.4 million (approximately \$4.1 million) (Note 3).

The Company borrowed a series of acceptance bills from China Zheshang Bank Co. Ltd Shenyang Branch totaling RMB72.4 million (approximately \$10.5 million) for various terms ending through January to June 2023, which was secured by the Company's cash totaling RMB53.4 million (approximately \$7.7 million) (Note 3) and the Company's bills receivable totals RMB22.2 million (approximately \$3.2 million) (Note 4).

The Company borrowed a series of acceptance bills from Shaoxing Branch of Bank of Communications Co., Ltd totaling RMB21.9 million (approximately \$3.2 million) for various terms ending through March to May 2023, which was secured by the Company's cash totaling RMB12.2 million (approximately \$1.8 million) (Note 3) and the Company's land use rights and buildings.

The Company borrowed a series of acceptance bills from China Merchants Bank Dalian Branch totaling RMB96.4 million (approximately \$14.0 million) for various terms through January to June 2023, which was secured by the Company's cash totaling RMB96.4 million (approximately \$14.0 million) (Note 3).

The Company borrowed a series of acceptance bills from Jiangsu Gaochun Rural Commercial Bank totaling RMB6.7 million (approximately \$0.9 million) for various terms through January to June 2023, which was secured by the Company's cash totaling RMB6.7 million (approximately \$0.9 million) (Note 3).

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

	<i>December 31,</i> <i>2021</i>	<i>December 31,</i> <i>2022</i>
Pledged deposits (note 3)	\$ 18,996,749	\$ 30,836,864
Bills receivables (note 4)	4,446,553	3,383,130
Right-of-use assets (note 10)	6,286,473	5,598,716
Buildings	8,565,837	4,419,749
	<u>\$ 38,295,612</u>	<u>\$ 44,238,459</u>

As of December 31, 2022, the Company had unutilized committed banking facilities totaled \$6.8 million.

During the years ended December 31, 2021 and 2022, interest of \$339,935 and \$646,013 were incurred on the Company's bank borrowings, respectively.

Other short-term loans:

Other short-term loans as of December 31, 2021 and 2022 consisted of the following:

	<u>Note</u>	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2022</u>
Advance from related parties			
– Mr. Xiangqian Li, the Company’s Former CEO	(a)	\$ 100,000	\$ 100,000
– Mr. Yunfei Li	(b)	153,300	223,927
– Shareholders	(c)	94,971	-
– Mr. Junnan Ye (Note 12)		3,933,848	-
		<u>4,282,119</u>	<u>323,927</u>
Advances from unrelated third party			
– Mr. Wenwu Yu	(d)	17,282	15,896
– Ms. Longqian Peng	(d)	301,044	276,905
– Suzhou Zhengyuanwei Needle Ce Co., Ltd	(e)	78,677	72,368
		<u>397,003</u>	<u>365,169</u>
		<u>\$ 4,679,122</u>	<u>\$ 689,096</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.

- (d) Advances from unrelated third parties were unsecured, non-interest bearing and repayable on demand.
- (e) 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, 2022, loan amount of RMB0.5 million (\$72,368) remained outstanding.

During the years ended December 31, 2022, Ms. Xiangyu Pei, the Company’s Interim CFO advances RMB10 million (approximately \$1.4 million) to the Company. The loan was unsecured, non-interest bearing and repayable on demand. The Company fully repaid in November 2022.

During the years ended December 31, 2021 and 2022, interest of \$145,034 and \$9,044 were incurred on the Company’s borrowings from unrelated parties, respectively.

16. Accrued Expenses and Other Payables

Accrued expenses and other payables as of December 31, 2021 and 2022 consisted of the following:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2022</u>
Construction costs payable	\$ 2,036,008	\$ 2,143,730
Equipment purchase payable	8,697,637	9,710,187
Liquidated damages*	1,210,119	1,210,119
Accrued staff costs	2,924,105	2,961,781
Customer deposits	1,420,414	4,845,382
Deferred revenue	784,000	1,869,525
Accrued expenses	4,161,548	2,476,605
Dividend payable to non-controlling interest to Hitrans	1,444,737	1,290,942
Other payable	285,132	182,915
	<u>22,963,700</u>	<u>26,691,186</u>
Less: non-current portion		
Deferred revenue	-	1,085,525
	<u>\$ 22,963,700</u>	<u>\$ 25,605,661</u>

* On August 15, 2006, the SEC declared effective a post-effective amendment that the Company had filed on August 4, 2006, terminating the effectiveness of a resale registration statement on Form SB-2 that had been filed pursuant to a registration rights agreement with certain shareholders to register the resale of shares held by those shareholders. The Company subsequently filed Form S-1 for these shareholders. On December 8, 2006, the Company filed its Annual Report on Form 10-K for the year ended September 30, 2006 (the "2006 Form 10-K"). After the filing of the 2006 Form 10-K, the Company's previously filed registration statement on Form S-1 was no longer available for resale by the selling shareholders whose shares were included in such Form S-1. Under the registration rights agreement, those selling shareholders became eligible for liquidated damages from the Company relating to the above two events totaling approximately \$1,051,000. As of December 31, 2021 and 2022, 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, 2021 and 2022, the Company had settled the liquidated damages with all the investors and the remaining provision of approximately \$159,000 was included in other payables and accruals.

17. Balances and Transactions with Related Parties

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

Name of Entity or Individual	Relationship with the Company
New Era Group Zhejiang New Energy Materials Co., Ltd.	Shareholder of company's subsidiary
Shenzhen Baijun Technology Co., Ltd	Shareholder of company's subsidiary
Zhengzhou BAK Battery Co., Ltd	Note a
Zhengzhou BAK New Energy Technology Co., Ltd	Note b
Shenzhen BAK Battery Co., Ltd	Former subsidiary and refer to Note c
Shenzhen BAK Power Battery Co., Ltd	Former subsidiary and refer to Note c
Zhejiang New Era Zhongneng Recycling Technology Co., Ltd.	Note d
Hangzhou Juzhong Daxin Asset Management Co., Ltd	Note e
Mr. Junnan Ye (Note 13)	Former shareholder of Zhejiang Hitrans Lithium Battery Technology Co., Ltd

- (a) Mr. Xiangqian Li, the Company's former CEO, is a director of Zhengzhou BAK Battery Co., Ltd.
- (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.
- (c) Mr. Xiangqian Li is a director of Shenzhen BAK Battery Co., Ltd and Shenzhen BAK Power Battery Co., Ltd .
- (d) New Era Group Zhejiang New Energy Materials Co., Ltd. (note 12) is a shareholder of Zhejiang New Era Zhongneng Recycling Technology Co., Ltd., holding 27.08% equity interests.
- (e) Hangzhou Juzhong Daxin Asset Management Co., Ltd. was the trustee of 85% of registered equity interests of Hitrans (note 12)

Related party transactions

The Company entered into the following significant related party transactions:

	<i>For the year ended December 31, 2021</i>	<i>For the year ended December 31, 2022</i>
Purchase of batteries from Zhengzhou BAK Battery Co., Ltd	\$ 5,522,832	\$ 26,819,454
Sales of cathode raw materials to Zhengzhou BAK Battery Co., Ltd	8,339,088	53,236,804
Sales return of batteries to Zhengzhou BAK New Energy Technology Co., Ltd	(91,974)	-
Sales of cathode raw materials to Shenzhen BAK Power Battery Co., Ltd	10,032	8,681,496
Interest expense charge by Mr. Junnan Ye	135,606	-

Related party balances

Apart from the above, the Company recorded the following significant related party balances as of December 31, 2021 and December 31, 2022:

Receivables from former subsidiary

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2022</u>
Receivables from Shenzhen BAK Power Battery Co., Ltd	\$ 2,263,955	\$ 5,518,052

Balance as of December 31, 2021 and 2022 represented trade receivable for sales of cathode raw materials to Shenzhen BAK Power Battery Co., Ltd. Up to the date of this report, Shenzhen BAK Power Battery Co., Ltd repaid \$4.5 million to the Company.

Amount due from non-controlling interest

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2022</u>
Shenzhen Baijun Technology Co., Ltd		
Current	\$ 125,883	\$ -
Non-current	62,941	-
	<u>\$ 188,824</u>	<u>\$ -</u>

In August 2018, Guangdong Hitrans and Shenzhen Baijun entered into a services contract for the provision of consultancy service to assist Guangdong Hitrans to obtain the license for recycling solid wastes with a contract sum of RMB3,000,000 (\$465,362). During August and September 2018, RMB1,500,000 (\$232,681) was paid to Shenzhen Baijun as deposit. In 2020, Guangdong Hitrans and Shenzhen Baijun entered into supplemental agreement to cancel the services contract and Shenzhen Baijun agreed to refund the deposit paid by four installments from 2021 throughout 2023.

Hitrans assessed the recoverability of the amount due from Shenzhen Baijun and considered the recoverability is low and written off the whole amount due from Shenzhen Baijun as of December 31, 2022.

Amount due from related party

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2022</u>
Hangzhou Juzhong Daxin Asset Management Co., Ltd (Note 12)	472,061	-

The above balances are due on demand, interest-free and unsecured. The Company assessed the recoverability of the amount due from Juzhong Daxin and considered the recoverability is low and written off the whole amount due from Juzhong Daxin as of December 31, 2022.

Other balances due from/ (to) related parties

	<i>December 31,</i> <i>2021</i>	<i>December 31,</i> <i>2022</i>
Trade receivable, net – Zhengzhou BAK Battery Co., Ltd (i)	\$ 14,583,061	\$ 9,156,383
Trade receivable, net – Zhengzhou BAK New Energy Technology Co., Ltd (ii)	\$ 459,714	\$ -
Bills receivable – Issued by Zhengzhou BAK Battery Co., Ltd (iii)	\$ 1,861,280	\$ 2,941,683
Trade payable, net – Zhengzhou BAK Battery Co., Ltd	\$ (572,768)	\$ (5,629,343)
Dividend payable to non-controlling interest of Hitrans (note 16)	\$ 1,444,737	\$ 1,290,942

- (i) Representing trade receivables from sales of cathode raw materials to Zhengzhou BAK Battery Co., Ltd. Up to the date of this report, Zhengzhou BAK Battery Co., Ltd. repaid \$5.1 million to the Company.
- (ii) Representing trade payables on purchase of batteries from Zhengzhou BAK Battery Co., Ltd.
- (iii) Representing bills receivable issued by Zhengzhou BAK Battery Co., Ltd. The Company endorsed the bills receivable to suppliers for settling trade payables subsequent to December 31, 2022.

Payables to a former subsidiary

Payables to a former subsidiary as of December 31, 2021 and 2022 consisted of the following:

	<i>December 31,</i> <i>2021</i>	<i>December 31,</i> <i>2022</i>
Payables to Shenzhen BAK Power Battery Co., Ltd	\$ (326,507)	\$ (358,067)

Balance as of December 31, 2021 and December 31, 2022 consisted of payables for purchase of inventories from Shenzhen BAK Power Battery Co., Ltd.

18. Deferred Government Grants

Deferred government grants as of December 31, 2021 and 2022 consist of the following:

	<i>December 31,</i> <i>2021</i>	<i>December 31,</i> <i>2022</i>
Total government grants	\$ 10,023,677	\$ 6,876,735
Less: Current portion	(3,834,481)	(1,299,715)
Non-current portion	\$ 6,189,196	\$ 5,577,020

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

On October 17, 2014, the Company received a subsidy of RMB46,150,000 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 RMB47.1 million (approximately \$6.82 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.

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

Government grants were recognized in the consolidated statements of operations as follows:

	<i>December 31,</i> <i>2021</i>	<i>December 31,</i> <i>2022</i>
Cost of revenues	\$ 256,150	\$ 2,146,341
Research and development expenses	18,314	17,568
General and administrative expenses	41,934	40,226
Other income (expenses), net	1,991,443	2,040,615
	<u>\$ 2,307,841</u>	<u>\$ 4,244,750</u>

19. Product Warranty Provisions

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

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

	<i>December 31,</i> <i>2021</i>	<i>December 31,</i> <i>2022</i>
Balance at beginning of year	\$ 1,991,605	\$ 2,028,266
Warranty costs incurred	(34,439)	(81,954)
Provision (reversal) for the year	16,995	(1,344,572)
Foreign exchange adjustment	54,105	(124,912)
Balance at end of year	2,028,266	476,828
Less: Current portion	(127,837)	(26,215)
Non-current portion	<u>\$ 1,900,429</u>	<u>\$ 450,613</u>

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

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

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

	<i>December 31,</i> <i>2021</i>	<i>December 31,</i> <i>2022</i>
PRC income tax	\$	\$
Current income tax credit, net	7,713,191	-
Deferred income tax credit	19,855	1,228,207
	<u>\$ 7,733,046</u>	<u>\$ 1,228,207</u>

United States Tax

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

The Global Intangible Low-taxed Income (GILTI) is a new provision introduced by the Tax Cuts and Jobs Act. U.S. shareholders, who are domestic corporations, of controlled foreign corporations (CFCs) are eligible for up to an 80% deemed paid foreign tax credit (FTC) and a 50% deduction of the current year inclusion with the full amount of the Section 78 gross-up subject to limitation. This new provision is effective for tax years of foreign corporations beginning after December 31, 2017. The Company has evaluated whether it has additional provision amount resulted by the GILTI inclusion on current earnings and profits of its foreign controlled corporations. The Company has made an accounting policy choice of treating taxes due on future U.S. inclusions in taxable amount related to GILTI as a current period expense when incurred. As of December 31, 2022 and 2021, the Company does not have any aggregated positive tested income; and as such, does not have additional provision amount recorded for GILTI tax.

No provision for income taxes in the United States has been made as CBAK had no taxable income for the years ended December 31, 2021 and 2022.

Hong Kong Tax

The Company's subsidiaries in Hong Kong are subject to Hong Kong profits tax rate of 16.5% and did not have any assessable profits arising in or derived from Hong Kong for the years ended December 31, 2021 and 2022 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. Under the preferential tax treatment, CBAK Power was entitled to enjoy a tax rate of 15% for the years from 2021 to 2024 provided that the qualifying conditions as a High-new technology enterprise were met. Hitrans was regarded as a “High-new technology enterprise” pursuant to a certificate jointly issued by the relevant Zhejiang Government authorities. Under the preferential tax treatment, Hitrans was entitled to enjoy a tax rate of 15% for the years from 2021 to 2024 provided that the qualifying conditions as a High-new technology enterprise were met.

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

	<i>Year ended December 31, 2021</i>	<i>Year ended December 31, 2022</i>
Income (loss) before income taxes	\$ 53,826,098	\$ (12,556,018)
United States federal corporate income tax rate	21%	21%
Income tax credit computed at United States statutory corporate income tax rate	11,303,481	(2,636,764)
Reconciling items:		
Over provision of deferred taxation in prior year		
Rate differential for PRC earnings	(235,947)	(685,944)
Non-taxable income	(12,978,422)	(1,199,100)
Tax effect of entity at preferential tax rate	(43,449)	683,459
Non-deductible expenses	215,873	221,090
Share based payments	220,033	13,481
Decrease of uncertain tax position	(7,713,191)	-
Tax effect of utilisation of tax losses previously not recognised	(70,067)	(885,021)
Valuation allowance on deferred tax assets	1,568,643	3,260,592
Income tax credit	<u>\$ (7,733,046)</u>	<u>\$ (1,228,207)</u>

(b) Deferred tax assets and deferred tax liabilities

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2021 and 2022 are presented below:

	<i>December 31, 2021</i>	<i>December 31, 2022</i>
Deferred tax assets		
Trade accounts receivable	\$ 2,044,877	1,976,354
Inventories	624,372	554,041
Property, plant and equipment	1,671,628	2,353,141
Non-marketable equity securities	175,813	161,716
Intangible assets	82,174	97,468
Accrued expenses, payroll and others	286,258	224,795
Provision for product warranty	507,067	119,207
Net operating loss carried forward	32,624,714	34,379,188
Valuation allowance	(36,278,909)	(37,122,551)
Deferred tax assets, non-current	<u>\$ 1,737,994</u>	<u>2,743,359</u>
Deferred tax liabilities, non-current		
Long-lived assets arising from acquisitions	<u>\$ 334,181</u>	<u>\$ 256,380</u>

As of December 31, 2022, the Company’s U.S. entity had net operating loss carry forwards of \$103,580,741, of which \$102,293 available to reduce future taxable income which will expire in various years through 2035 and \$103,478,448 available to offset capital gains recognized in the succeeding 5 tax years. As of December 31, 2022, the Company’s PRC subsidiaries had net operating loss carry forwards of \$52,187,090, which will expire in various years through 2022 to 2031. Management believes it is more likely than not that the Company will not realize these potential tax benefits as these operations will not generate any operating profits in the foreseeable future. As a result, a valuation allowance was provided against the full amount of the potential tax benefits.

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

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

21. Statutory reserves

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

In addition, as a result of the relevant PRC laws and regulations which impose restriction on distribution or transfer of assets out of the PRC statutory reserve, \$1,230,511 and \$1,230,511 representing the PRC statutory reserve of the subsidiary as of December 31, 2021 and 2022, are also considered under restriction for distribution.

22. Fair Value of Financial Instruments

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

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

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

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

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

23. Employee Benefit Plan

Full time employees of the Company in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. The Company accrues for these benefits based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government. The total employee benefits expensed as incurred were \$1,541,133 (RMB9,944,162) and \$2,589,157 (RMB17,405,185) for the years ended December 31, 2021 and 2022, respectively.

24. Share-based Compensation

Restricted Shares and Restricted Share Units

Restricted shares granted on June 30, 2015

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

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

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

As of December 31, 2022, there was no unrecognized stock-based compensation associated with the above restricted shares. As of December 31, 2022, 1,667 vested shares were to be issued.

Restricted shares granted on April 19, 2016

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

All the restricted shares granted in respect of the restricted shares granted on April 16, 2016 had been vested on June 30, 2019.

As of December 31, 2022, 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 \$227,448 for the year ended December 31, 2021, in respect of the restricted shares granted on August 23, 2019.

The Company recorded non-cash share-based compensation expense of \$23,778 for the year ended December 31, 2022, in respect of the restricted shares granted on August 23, 2019.

As of December 31, 2022, non-vested restricted share units granted on August 23, 2019 are as follows:

Non-vested share units as of January 1, 2022	277,173
Granted	-
Vested	(269,175)
Forfeited	(7,998)
Non-vested share units as of December 31, 2022	<u>-</u>

As of December 31, 2022, there was no unrecognized stock-based compensation associated with the above restricted share units.

Restricted share units granted on October 23, 2020

On October 23, 2020, pursuant to the Company's 2015 Plan, the Compensation Committee granted an aggregate of 100,000 restricted share units 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 \$160,865 for the year ended December 31, 2021, in respect of the restricted shares granted on October 23, 2020 of which allocated to research and development expenses.

The Company recorded non-cash share-based compensation expense of \$40,415 for the year ended December 31, 2022, in respect of the restricted shares granted on October 23, 2020 of which allocated to research and development expenses.

As of December 31, 2022, 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
Vested	(33,334)
Non-vested share units as of December 31, 2021	49,999
Vested	(33,334)
Non-vested share units as of December 31, 2022	16,665

As of December 31, 2022, there was unrecognized stock-based compensation \$6,259 associated with the above restricted share units and 16,667 vested shares were to be issued.

Employees Stock Ownership Program on November 29, 2021

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

The fair value of the stock options granted to directors of the Company is estimated on the date of the grant using the Binomial Model. The fair value of the options was calculated using the following assumptions: estimated life of six months to five years, volatility of 106.41%, risk free interest rate of 1.26%, and dividend yield of 0%. The fair value of 350,000 stock options to directors of the Company was \$479,599 at the grant date. During the year ended December 31, 2021 and 2022, the Company recorded \$93,537 and nil as stock compensation expenses, respectively.

The fair value of the stock options granted to certain employees and officers of the Company is estimated on the date of the grant using the Binomial Model. The fair value of the options was calculated using the following assumptions: estimated life of six months to five years, volatility of 106.41%, risk-free interest rate of 1.26% and dividend yield of 0%. The fair value of 2,400,002 stock options to certain employees and officers of the Company was \$2,805,624 at the grant date. During the year ended December 31, 2021 and 2022, the Company recorded \$565,927 and nil as stock compensation expenses, respectively.

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

	<u>Number of Shares</u>	<u>Average Exercise Price per Share</u>	<u>Aggregate Intrinsic Value*</u>	<u>Weighted Average Remaining Contractual Term in Years</u>
Outstanding at January 1, 2022	2,750,002	1.96	-	5.7
Exercisable at January 1, 2022	-	-	\$ -	-
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(549,958)	1.96	-	-
Outstanding at December 31, 2022	2,200,044	\$ 1.96	\$ -	4.7
Exercisable at December 31, 2022	549,958	\$ 1.96	\$ -	4.7

* The intrinsic value of the stock options at December 31, 2022 is the amount by which the market value of the Company's common stock of \$0.99 as of December 31, 2022 exceeds the average exercise price of the option. As of December 31, 2022, the intrinsic value of the outstanding and exercisable stock options was \$nil.

As the Company itself is an investment holding company which is not expected to generate operating profits to realize the tax benefits arising from its net operating loss carried forward, no income tax benefits were recognized for such stock-based compensation cost under the stock option plan for the year ended December 31, 2021 and 2022.

25. Income (Loss) Per Share

Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is computed similar to basic net income per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if all the potential common shares pertaining to warrants, stock options, and similar instruments had been issued and if the additional common shares were dilutive. Diluted earnings per share are based on the assumption that all dilutive convertible shares and stock options and warrants were converted or exercised. Dilution is computed by applying the treasury stock method for the outstanding unvested restricted stock, options and warrants, and the if-converted method for the outstanding convertible instruments. Under the treasury stock method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later) and as if funds obtained thereby were used to purchase common stock at the average market price during the period. Under the if-converted method, outstanding convertible instruments are assumed to be converted into common stock at the beginning of the period (or at the time of issuance, if later).

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

	<i>Year ended December 31, 2021</i>	<i>Year ended December 31, 2022</i>
Net income (loss)	\$ 61,559,144	\$ (11,327,811)
Less: Net (income) loss attributable to non-controlling interests	(73,092)	1,879,365
Net income (loss) attributable to shareholders of CBAK Energy Technology, Inc.	<u>61,486,052</u>	<u>(9,448,446)</u>
Weighted average shares outstanding – basic (note)	87,605,493	88,927,671
Dilutive unvested restricted stock	278,864	-
Weighted average shares outstanding – diluted	<u>87,884,357</u>	<u>88,927,671</u>
Income (loss) per share of common stock		
Basic	<u>\$ 0.70</u>	<u>\$ (0.11)</u>
Diluted	<u>\$ 0.70</u>	<u>\$ (0.11)</u>

Note: Including 5,834 and 22,501 vested restricted shares granted pursuant to the 2015 Plan that were not yet issued as of December 31, 2021 and 2022, respectively.

For the year ended December 31, 2021, 2,750,002 unvested options and all the outstanding warrants were anti-dilutive and excluded from shares used in the diluted computation.

For the year ended December 31, 2022, 2,200,044 unvested options and all the outstanding warrants were anti-dilutive and excluded from shares used in the diluted computation.

26. Warrants

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

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

On May 10, 2021, the Company entered into that Amendment No. 1 to the Series B Warrant (the “Series B Warrant Amendment”) with each of the holders of the Company’s outstanding Series B warrants. Pursuant to the Series B Warrant Amendment, the term of the Series B warrants was extended from May 11, 2021 to August 31, 2021.

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

There was a total of 9,092,499 warrants issued and outstanding as of December 31, 2022.

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

Warrants issued in the 2020 Financing

<i>Warrants holder</i>	<i>Investor Warrants</i>	<i>Placement Agent Warrants</i>
<i>Appraisal Date</i>	<i>December 31, 2021</i>	<i>December 31, 2021</i>
Market price per share (USD/share)	\$ 1.56	\$ 1.56
Exercise price (USD/price)	6.46	6.475
Risk free rate	0.7%	0.8%
Dividend yield	0.0%	0.0%
Expected term/ Contractual life (years)	1.9 years	2.4 years
Expected volatility	140.3%	132.3%

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

Warrants issued in the 2021 Financing

<i>Warrants holder</i>	<i>Investor Warrants</i>	<i>Placement Agent</i>
<i>Appraisal Date</i>	<i>Series A1 December 31, 2021</i>	<i>Warrants December 31, 2021</i>
Market price per share (USD/share)	1.56	1.56
Exercise price (USD/price)	7.67	9.204
Risk free rate	0.9%	0.9%
Dividend yield	0.0%	0.0%
Expected term/ Contractual life (years)	2.6 years	2.6 years
Expected volatility	129.2%	129.2%

<i>Appraisal Date</i>	<i>Series A1 December 31, 2022</i>	<i>December 31, 2022</i>
Market price per share (USD/share)	0.99	0.99
Exercise price (USD/price)	7.67	9.204
Risk free rate	4.5%	4.5%
Dividend yield	0%	0%
Expected term/ Contractual life (years)	1.6 years	1.6 years
Expected volatility	80.4%	80.4%

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, 2021</i>	<i>Year ended December 31, 2022</i>
Balance at the beginning of the year	\$ 17,783,000	\$ 5,846,000
Warrants issued to institution investors	47,519,000	-
Warrants issued to placement agent	2,346,000	-
Warrants redeemed	-	-
Fair value change of the issued warrants included in earnings	(61,802,000)	(5,710,000)
Balance at end of year	<u>5,846,000</u>	<u>136,000</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, 2022	9,092,499	\$ 7.19	2.33
Exercisable at January 1, 2022	9,092,499	\$ 7.19	2.33
Granted	-	-	-
Exercised / surrendered	-	-	-
Expired	-	-	-
Outstanding at December 31, 2022	9,092,499	7.19	1.33
Exercisable at December 31, 2022	9,092,499	7.19	1.33

27. Commitments and Contingencies

(i) Capital Commitments

As of December 31, 2021 and 2022, the Company had the following contracted capital commitments:

	<u>December 31, 2021</u>	<u>December 31, 2022</u>
For construction of buildings	\$ 1,199,606	\$ 21,406,584
For purchases of equipment	12,867,786	4,249,801
Capital injection	159,905,519	137,739,785
	<u>\$ 173,972,911</u>	<u>\$ 163,396,170</u>

(ii) Litigation

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

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

On June 30, 2017, according to the trial of first instance, the Court of Zhuanghe ruled that CBAK Power should pay the remaining contract amount of RMB6,135,860 (approximately \$0.9 million) claimed by Shenzhen Huijie as well as other expenses incurred including deferred interest, discounted charge on bills payable, litigation fee and property preservation fee totaled \$0.1 million. The Company has accrued for these amounts as of December 31, 2017. On July 24, 2017, CBAK Power filed an appellate petition to the Intermediate Peoples' Court of Dalian ("Court of Dalian") to appeal the adjudication dated on June 30, 2017. On November 17, 2017, the Court of Dalian rescinded the original judgement and remanded the case to the Court of Zhuanghe for retrial. The Court of Zhuanghe conducted a retrial and requested an appraisal to be performed by a third-party appraisal institution on the construction cost incurred and completed by Shenzhen Huijie on the subject project. On November 8, 2018, the Company received from the Court of Zhuanghe the construction-cost-appraisal report which determined that the construction cost incurred and completed by Shenzhen Huijie for the subject project to be \$1,344,605 (RMB9,129,868). On May 20, 2019, the Court of Zhuanghe entered a judgment that Shenzhen Huijie should pay back to CBAK Power \$261,316 (RMB1,774,337) (the amount CBAK Power paid in excess of the construction cost appraised by the appraisal institution) and the interest incurred since April 2, 2019. Shenzhen Huijie filed an appellate petition to the Court of Dalian. On June 28, 2020, the Court of Dalian entered the final judgment that Shenzhen Huijie should pay back to CBAK Power \$245,530 (RMB1,667,146) (the amount CBAK Power paid in excess of the construction cost appraised by the appraisal institution) and the interest incurred since April 2, 2019, and reimburse the litigation fees totaling \$30,826 (RMB209,312) that CBAK Power has paid. As of December 31, 2022, CBAK Power have not received the final judgement amount totaled \$276,356 (RMB 1,876,458) from Shenzhen Huijie. Shenzhen Huijie filed an appellate petition to High Peoples' Court of Liaoning ("Court of Liaoning") to appeal the adjudication dated on June 28, 2020. In April 2021, the Court of Liaoning rescinded the original judgement and remanded the case to the Court of Dalian for retrial. On December 21, 2021, the Court of Dalian remanded the case to the Court of Zhuanghe for retrial. Upon receiving the notice from the Court of Liaoning, CBAK Power has accrued the construction cost of \$0.9 million (RMB6,135,860) as of December 31, 2022.

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 \$1.5 million (RMB10,257,030), including equipment cost of \$1.3 million (RMB9,072,000) and interest amount of \$0.2 million (RMB1,185,030). In August 2021, CBAK Power and Haoneng reached an agreement that the term of the purchase contract will be extended to December 31, 2023 under which CBAK Power and its related parties shall execute the purchase of equipment in an amount not lower than \$2.4 million (RMB15,120,000) from Haoneng, or CBAK Power has to pay 15% of the amount equal to RMB 15,120,000 (\$2.2 million) net of the purchased amount to Haoneng. Haoneng withdrew the filed lawsuit after the agreement. As of December 31, 2022, the equipment was not received by CBAK Power, CBAK Power has included the equipment cost of \$2.2 million (RMB15,120,000) under capital commitments.

28. Concentrations and Credit Risk

(a) Concentrations

The Company had the following customers that individually comprised 10% or more of net revenue for the years ended December 31, 2021 and 2022 as follows:

Sales of finished goods and raw materials	Year ended		Year ended	
	December 31, 2021		December 31, 2022	
Customer B	*	*	28,071,738	11.29 %
Customer C	6,089,524	11.56%	*	*
Customer D	5,508,616	10.46%	57,856,658	23.26%
Zhengzhou BAK Battery Co., Ltd (note 17)	8,339,088	15.83%	53,236,804	21.40%

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

The Company had the following customers that individually comprised 10% or more of net trade receivable (included VAT) as of December 31, 2021 and 2022 as follows:

	<i>December 31, 2021</i>		<i>December 31, 2022</i>	
Customer A	\$ *	*	\$ 4,004,880	18.94%
Customer D	14,443,551	32.76%	*	*
Zhengzhou BAK Battery Co., Ltd (note 17)	14,583,061	33.08%	9,156,383	43.30%

* 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, 2021 and 2022 as follows:

	<i>Year ended December 31, 2021</i>		<i>Year ended December 31, 2022</i>	
Supplier A	\$ 6,550,080	13.92%	\$ 32,492,418	13.91%
Supplier B	5,883,999	12.50%	*	*
Zhengzhou BAK Battery Co., Ltd (note 17)	5,522,832	11.74%	26,819,454	11.48%
Supplier C	*	*	24,720,344	10.58%

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

The Company had the following suppliers that individually comprised 10% or more of trade payable as of December 31, 2021 and 2022 as follows:

	<i>December 31, 2021</i>		<i>December 31, 2022</i>	
Supplier A	\$ 6,837,722	16.94%	\$ *	*
Supplier B	20,592,979	51.03%	*	*
Supplier C	*	*	4,064,942	12.50%
Zhengzhou BAK Battery Co., Ltd (note 17)	*	*	5,629,343	17.31%

(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, 2021 and 2022 substantially all of the Company's cash and cash equivalents were held by major financial institutions and online payment platforms located in the PRC, which management believes are of high credit quality. The Company has not experienced any losses on cash and cash equivalents to date. The Company does not require collateral or other securities to support financial instruments that are subject to credit risk.

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

29. Segment Information

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

As a result of the Hitrans acquisition discussed in Note 12, the Group determined that Hitrans met the criteria for separate reportable segment given its financial information is separately reviewed by the Group's CEO. As a result, the Group determined that for the year ended December 31, 2021 and 2022, it operated in two operating segments namely CBAK and Hitrans. CBAK's segment mainly includes the manufacture, commercialization and distribution of a wide variety of standard and customized lithium ion rechargeable batteries for use in a wide array of applications. Hitrans' segment mainly includes the development and manufacturing of NCM precursor and cathode materials.

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

The Company's chief operating decision maker evaluates performance based on each reporting segment's net revenue, cost of revenues, operating expenses, operating income, finance income (expense), other income and net income. Net revenue, cost of revenues, operating expenses, operating income, finance income (expense), other income (expenses) and net income (loss) by segment for the years ended December 31, 2021 and 2022 were as follows:

<i>For the year ended December 31, 2021</i>	<i>CBAT</i>	<i>Hitrans</i>	<i>Corporate unallocated (note)</i>	<i>Consolidated</i>
Net revenues	\$ 34,804,089	\$ 17,865,644	\$ -	\$ 52,669,733
Cost of revenues	(30,946,417)	(16,612,826)	-	(47,559,243)
Gross profit	3,857,672	1,252,818	-	5,110,490
Total operating expenses	(13,132,161)	(979,547)	(2,711,288)	(16,822,996)
Operating (loss) income	(9,274,489)	273,271	(2,711,288)	(11,712,506)
Finance income (expenses), net	286,741	(137,178)	635,317	784,880
Other income, net	2,641,329	310,395	61,802,000	64,753,724
Income tax credit	7,713,191	19,855	-	7,733,046
Net income	1,366,772	466,343	59,726,029	61,559,144

<i>For the year ended December 31, 2022</i>	<i>CBAT</i>	<i>Hitrans</i>	<i>Corporate unallocated (note)</i>	<i>Consolidated</i>
Net revenues	\$ 94,715,189	\$ 154,010,296	\$ -	\$ 248,725,485
Cost of revenues	(86,333,047)	(144,297,114)	-	(230,630,161)
Gross profit	8,382,142	9,713,182		18,095,324
Total operating expenses	(13,489,453)	(14,993,719)	(1,116,755)	(29,599,927)
Operating loss	(5,107,311)	(5,280,537)	(1,116,755)	(11,504,603)
Finance income (expenses), net	929,756	(438,387)	(309)	491,060
Other (expenses) income, net	(3,590,693)	(3,661,782)	5,710,000	(1,542,475)
Income tax credit	-	1,228,207	-	1,228,207
Net (loss) income	(7,768,248)	(8,152,499)	4,592,936	(11,327,811)
As of December 31, 2022				
Identifiable long-lived assets	93,661,521	21,231,988	-	114,893,509
Total assets	170,755,502	73,122,074	155,158	244,032,734

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

Net revenues by product:

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

	<i>Year ended December 31, 2021</i>	<i>Year ended December 31, 2022</i>
High power lithium batteries used in:		
Electric vehicles	\$ 243,837	\$ 4,694,694
Light electric vehicles	733,382	6,415,277
Uninterruptable supplies	33,307,073	83,603,046
Trading of raw materials used in lithium batteries	519,796	2,172
	<u>34,804,088</u>	<u>94,715,189</u>
Materials used in manufacturing of lithium batteries		
Cathode	8,726,240	75,331,144
Precursor	9,139,405	78,679,152
	<u>17,865,645</u>	<u>154,010,296</u>
Total consolidated revenue	<u>\$ 52,669,733</u>	<u>\$ 248,725,485</u>

Net revenues by geographic area:

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

	<i>Year ended December 31, 2021</i>	<i>Year ended December 31, 2022</i>
Mainland China	\$ 43,745,765	198,114,578
Europe	8,503,338	50,378,076
USA	440	36,525
Others	420,190	196,306
Total	\$ 52,669,733	\$ 248,725,485

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

30. 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, 2021 and 2022, additional transfers of \$171,681,915 and \$166,414,198 were required before the statutory general reserve reached 50% of the registered capital of the PRC subsidiaries. As of December 31, 2021 and 2022, 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, 2021 and 2022.

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, 2021 and 2022
(Unaudited)

	<i>Year ended December 31, 2021</i>	<i>Year ended December 31, 2022</i>
REVENUE, net	\$ -	\$ -
OPERATING EXPENSES:		
Salaries and consulting expenses	1,212,239	227,588
General and administrative	1,499,049	889,167
Total operating expenses	<u>(2,711,288)</u>	<u>(1,116,755)</u>
LOSS FROM OPERATIONS	<u>(2,711,288)</u>	<u>(1,116,757)</u>
Finance (expenses) income	636,425	-
Changes in fair value of warrants liability	61,802,000	5,710,000
INCOME ATTRIBUTABLE TO PARENT COMPANY	59,727,137	4,593,243
EQUITY IN INCOME (LOSS) OF SUBSIDIARIES	<u>1,758,915</u>	<u>(14,041,689)</u>
NET INCOME (LOSS) ATTRIBUTABLE TO SHAREHOLDERS	<u>\$ 61,486,052</u>	<u>\$ (9,448,446)</u>

CBAK ENERGY TECHNOLOGY, INC.
PARENT COMPANY BALANCE SHEETS
As of December 31, 2021 and 2022
(Unaudited)

	<i>December 31,</i> <u>2021</u>	<i>December 31,</i> <u>2022</u>
ASSETS		
Interests in subsidiaries	\$ 140,031,308	\$ 119,120,917
Cash and cash equivalents	716,480	118,559
Total assets	<u><u>\$ 140,747,788</u></u>	<u><u>\$ 119,239,476</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accrued expenses and other payables	1,610,229	1,608,102
Warrants liability	5,846,000	136,000
Total current liabilities	<u><u>7,456,229</u></u>	<u><u>1,744,102</u></u>
SHAREHOLDERS' EQUITY	133,291,559	117,495,374
Total liabilities and shareholders' equity	<u><u>\$ 140,747,788</u></u>	<u><u>\$ 119,239,476</u></u>

CBAK ENERGY TECHNOLOGY, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2022
(Unaudited)

	<i>Year ended December 31, 2021</i>	<i>Year ended December 31, 2022</i>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 61,486,052	\$ (9,448,446)
Adjustments to reconcile net loss to net cash used in operating activities:		
Equity in income (loss) of subsidiaries	(1,758,915)	(14,041,689)
Share based compensation	1,047,777	64,193
Changes in fair value of warrants liability	(61,802,000)	(5,710,000)
Change in operating assets and liabilities		
Accrued expenses and other payable	(112,585)	(2,127)
Net cash used in operating activities	<u>(1,139,671)</u>	<u>(29,138,069)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Decrease) increase in interest in subsidiaries	(68,746,346)	28,540,148
Net cash used in investing activities	<u>(68,746,346)</u>	<u>28,540,148</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of shares	65,495,011	-
Net cash provided by financing activities	<u>65,495,011</u>	<u>-</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(4,391,006)	(597,921)
CASH AND CASH EQUIVALENTS, beginning of year	<u>5,107,486</u>	<u>716,480</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 716,480</u>	<u>\$ 118,559</u>

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.

31. Subsequent events

The Company has evaluated subsequent events through the date of the issuance of the consolidated financial statements and the following subsequent event has been identified.

On January 5, 2023, the Company renewed the one-year term facility from Agricultural Bank of China, for a maximum amount of RMB10 million (approximately \$1.6 million) for a period of one year to January 4, 2024, bearing interest at 120% of benchmark rate of the PBOC for short-term loans, which is 3.85% per annum. The facility was guaranteed by the Company's CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan and secured by an unrelated third party, Jiangsu Credits Financing Guarantee Co., Ltd. The Company borrowed RMB10 million (approximately \$1.4 million) on January 6, 2023.

On January 14, 2023, the Company renewed the one-year term facility from Jiangsu Gaochun Rural Commercial Bank, for a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest at 129% of benchmark rate of the People's Bank of China ("PBOC") for short-term loans, which is 4.7% per annum. The Company borrowed RMB10 million (approximately \$1.4 million) on January 17, 2023 for a term until January 13, 2024.

On January 5, 2023, the Company utilized RMB 1.5 million (approximately \$0.2 million) letter of credit facilities granted by China CITIC Bank at an interest rate of 2.7% for a period of one year to January 5, 2024.

On January 7, 2023, the Company obtained a two-year term facility from Postal Savings Bank of China, Nanjing Tianhe Branch with a maximum amount of RMB10 million (approximately \$1.4 million) for a period from January 7, 2023 to January 6, 2025. The facility was guaranteed by the Company's CEO, Mr. Yunfei Li, Mr. Yunfei Li's wife Ms. Qinghui Yuan and CBAK New Energy (Nanjing) Co., Ltd. The Company borrowed RMB5 million (approximately \$0.7 million) on January 12, 2023 for a term of one year until January 11, 2024, bearing interest at 3.65% per annum.

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, 2022. 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, 2022.

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, 2022. 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, 2022 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.
- We have regularly offered our financial personnel trainings on internal control and risk management. We have regularly provided trainings to our financial personnel on U.S. GAAP accounting guidelines. We plan to continue to provide trainings to our financial team and our other relevant personnel on the U.S. GAAP accounting guidelines applicable to our financial reporting requirements.

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

Changes in internal control over financial reporting

Except for the matters described above, there were no changes in our internal controls over financial reporting during the fourth quarter of our fiscal year ended December 31, 2022 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 2022, but was not reported.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

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	GENDER	POSITION
Yunfei Li	57	Male	Chairman of the Board and Chief Executive Officer
J. Simon Xue	69	Male	Director
Martha C. Agee	68	Female	Director
Jianjun He	51	Male	Director
Xiangyu Pei	34	Female	Director and 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 of management experience in real estate development, battery and new energy industries. 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.

Xiangyu Pei has served as our director since September 24, 2021 and 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.

Board Diversity Matrix

The matrix below summarizes the gender and ethnic diverse attributes on our Board.

Board Diversity Matrix (As of April 14, 2023)				
Country of Principal Executive Offices	China			
Foreign Private Issuer	No			
Disclosure Prohibited under Home Country Law	No			
Total Number of Directors	5			
	Female	Male	Non-Binary	Did Not Disclose Gender
Part I: Gender Identity				
Directors	2	3	0	0
Part II: Demographic Background				
Underrepresented Individual in Home Country Jurisdiction	0			
LGBTQ+	0			
Did Not Disclose Demographic Background	0			

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.

Ms. Pei, has been with the Company since 2017 and served as the Company's interim chief financial officer since 2019. She contributes valuable financial expertise and management insights to the Board.

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 been the subject of the follow events, during the past ten years:

- 1) A petition under the federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;
- 2) Convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);
- 3) The subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:
 - i. Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;
 - ii. Engaging in any type of business practice; or
 - iii. Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;
- 4) The subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph 3)i in the preceding paragraph or to be associated with persons engaged in any such activity;
- 5) Was found by a court of competent jurisdiction in a civil action or by the SEC to have violated any federal or state securities law, and the judgment in such civil action or finding by the SEC has not been subsequently reversed, suspended, or vacated;
- 6) Was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;
- 7) Was 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, relating to an alleged violation of:
 - i. Any federal or state securities or commodities law or regulation; or
 - ii. 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
 - iii. Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- 8) Was 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 Xiangyu Pei.

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; and
- 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, 2022, 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 2022.

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.

Name and Principal Position	Year	Salary (\$) ⁽¹⁾	Stock	Option	Total (\$)
			Awards (\$)	Awards (\$) ⁽²⁾	
Yunfei Li, President, Chief Executive Officer	2021	120,107	120,001	53,450	293,557
	2022	117,658	60,000	-	177,658
Xiangyu Pei Interim Chief Financial Officer	2021	74,979	54,000	40,087	169,066
	2022	88,556	27,000	-	115,556

(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 RMB6.7264 (fiscal year 2022 exchange rate), \$1.00 to RMB6.4525 (fiscal year 2021 exchange rate).

(2) On November 29, 2021, the Company granted Mr. Yunfei Li performance-based options to purchase a total of 200,000 shares of common stock, under the Company’s 2015 Equity Incentive Plan, with an exercise price of \$1.96 per share. The value of performance-vesting stock options is computed assuming achievement of performance goals based on probable outcomes of such performance goals under ASC Topic 718. Amount shown does not reflect compensation actually received or that may be realized in the future by Mr. Li. In accordance with SEC regulations, such amount reflects the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for stock and option awards made in the referenced fiscal year. This performance-based option award is subject to performance and service-vesting requirements. See Note 24 of the Notes to Consolidated Financial Statements in our Annual Report for information, including assumptions made, regarding the valuation of equity awards.

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 2022

The following table sets forth the equity awards outstanding at December 31, 2022 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 unearned options (#)	Option exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)	Equity incentive plan awards: Number of unearned shares, units or 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	40,000	-	120,000(1)	1.96	09/26/2027	-	-	-	-
Xiangyu Pei Interim Chief Financial officer	30,000	-	9,000(2)	1.96	09/26/2027	-	-	-	-

(1) On November 29, 2021, pursuant to the 2015 Plan, the Company granted Mr. Li an aggregate of 200,000 performance-based stock options to purchase the Company's common stock. Subject to continued service and attainment of the performance goals relating to the Company's operating results, the options will vest semi-annually in 10 equal installments over a five-year period with the first vesting on May 30, 2022. The options will expire on the 70-month anniversary of the grant date.

(2) On November 29, 2021, pursuant to the 2015 Plan, the Company granted Ms. Pei an aggregate of 150,000 performance-based stock options to purchase the Company's common stock. Subject to continued service and attainment of the performance goals relating to the Company's operating results, the options will vest semi-annually in 10 equal installments over a 5-year period with the first vesting on May 30, 2022. The options will expire on the 70-month anniversary of the grant date.

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, 2022:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Total (\$)
J. Simon Xue	20,000	3,000	23,000
Martha C. Agee	20,000	3,000	23,000
Jianjun He	20,000	3,000	23,000

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 Ms. Xiangyu Pei, 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 10, 2023 (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⁾
Officers and Directors		
Yunfei Li ^{(5) (7) (8) (12)}	11,025,871	12.38%
J. Simon Xue ^{(6) (9)}	30,000	*
Martha C. Agee ^{(4) (9)}	50,000	*
Jianjun He ^{(4) (9)}	50,000	*
Xiangyu Pei ⁽¹¹⁾	267,983	*
All executive officers and directors as a group (5 persons)	11,423,854	12.82%
Principal Stockholders		
Daiwei Li ^{(7) (8)}	6,733,359	7.57%

* 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 89,007,525 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. 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.

Includes 20,000 options vested on May 30, 2022 and 20,000 options vested on November 30, 2022. On November 29, 2021, pursuant to the 2015 Plan, the Company granted Mr. Li an aggregate of 200,000 performance-based stock options to purchase the Company's common stock. Subject to continued service and attainment of the performance goals relating to the Company's operating results for each of the fiscal years ending December 31, 2021, 2022, 2023, 2024 and 2025, the options will vest semi-annually in 10 equal installments over a 5-year period with the first vesting on May 30, 2022. The options will expire on the 70-month anniversary of the grant date. The performance goals for 2021 were met, resulting in vesting of 20,000 options on May 30 and November 30, 2022, respectively.

- (6) 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.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) 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.
- (11) 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.

Includes 15,000 options vested on May 30, 2022 and 15,000 options vested on November 30, 2022. On November 29, 2021, pursuant to the 2015 Plan, the Company granted Ms. Pei an aggregate of 150,000 performance-based stock options to purchase the Company's common stock. Subject to continued service and attainment of the performance goals relating to the Company's operating results for each of the fiscal years ending December 31, 2021, 2022, 2023, 2024 and 2025, the options will vest semi-annually in 10 equal installments over a 5-year period with the first vesting on May 30, 2022. The options will expire on the 70-month anniversary of the grant date. The performance goals for 2021 were met, resulting in vesting of 15,000 options on May 30 and November 30, 2022, respectively.

- (12) 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.

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, 2022. 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)
Equity compensation plans approved by security holders	2,216,709	\$ 1.88	4,854,518
Equity compensation plans not approved by security holders	-	-	-
Total	2,216,709	\$ 1.88	4,854,518

(a) Amounts include 16,665 outstanding RSUs and 2,200,044 outstanding options.

(b) The weighted-average exercise price is calculated based solely on the exercise price of the outstanding options and does not reflect shares that will be issued upon the vesting of outstanding RSUs, which have no exercise price.

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 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, 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. The restricted shares will vest semi-annually in six equal installments over a three-year period with the first vesting on October 30, 2020.

On November 29, 2021, pursuant to the 2015 Plan, the Compensation Committee granted an aggregate of 2,750,002 performance-based stock options to purchase the Company's common stock to certain employees, officers and directors of the Company. Subject to continued service and attainment of the performance goals, these options will vest semi-annually in 10 equal installments over a five-year period with the first vesting on May 30, 2022. The options will expire on the 70-month anniversary of the grant date.

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

Transactions with Related Persons

The following is a summary of reportable transactions in which we were or are to be a participant and the amount involved exceeded or exceeds the lesser of \$120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years, and in which any related person had or will have a direct or indirect material interest (other than compensation described under Item 11 “Executive Compensation”).

<u>Name of Entity or Individual</u>	<u>Relationship with the Company</u>
New Era Group Zhejiang New Energy Materials Co., Ltd.	A minority shareholder of Hitrans
Shenzhen Baijun Technology Co., Ltd	The minority shareholder of Guangdong Hitrans
Zhengzhou BAK Battery Co., Ltd	Note (a) below
Zhengzhou BAK New Energy Technology Co., Ltd	Note (b) below
Shenzhen BAK Battery Co., Ltd	Former subsidiary and refer to Note (c) below
Shenzhen BAK Power Battery Co., Ltd	Former subsidiary and refer to Note (c) below
Zhejiang New Era Zhongneng Recycling Technology Co., Ltd.	Note (d) below
Hangzhou Juzhong Daxin Asset Management Co., Ltd	Note (e) below
Mr. Junnan Ye	Former shareholder of Hitrans

- (a) Mr. Xiangqian Li, the Company’s former CEO, is a director of Zhengzhou BAK Battery Co., Ltd.
- (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.
- (c) Mr. Xiangqian Li is a director of Shenzhen BAK Battery Co., Ltd and Shenzhen BAK Power Battery Co., Ltd.
- (d) New Era Group Zhejiang New Energy Materials Co., Ltd. is a shareholder of Zhejiang New Era Zhongneng Recycling Technology Co., Ltd., holding 27.08% equity interests.
- (e) Hangzhou Juzhong Daxin Asset Management Co., Ltd. was the trustee of 85% of registered equity interests of Hitrans

Related party transactions

The Company entered into the following reportable related party transactions:

	<u>For the year ended December 31, 2021</u>	<u>For the year ended December 31, 2022</u>
Purchase of batteries from Zhengzhou BAK Battery Co., Ltd	\$ 5,522,832	\$ 26,819,454
Sales of cathode raw materials to Zhengzhou BAK Battery Co., Ltd	8,339,088	53,236,804
Sales return of batteries to Zhengzhou BAK New Energy Technology Co., Ltd	(91,974)	-
Sales of cathode raw materials to Shenzhen BAK Power Battery Co., Ltd	10,032	8,681,496
Interest expense charge by Mr. Junnan Ye	135,606	-

Related party balances

Apart from the above, the Company recorded the following related party balances as of December 31, 2021 and December 31, 2022:

Receivables from former subsidiary

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2022</u>
Receivables from Shenzhen BAK Power Battery Co., Ltd	\$ 2,263,955	\$ 5,518,052

Balance as of December 31, 2021 and 2022 represented trade receivable for sales of cathode raw materials to Shenzhen BAK Power Battery Co., Ltd. As of the date of this report, Shenzhen BAK Power Battery Co., Ltd repaid \$4.5 million to the Company.

Amount due from non-controlling interest

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2022</u>
Shenzhen Baijun Technology Co., Ltd	\$ 125,883	\$ -
Current	62,941	-
Non-current	\$ 188,824	\$ -

In August 2018, Guangdong Hitrans and Shenzhen Baijun entered into a services contract for the provision of consultancy service to assist Guangdong Hitrans to obtain the license for recycling solid wastes with a contract sum of RMB3,000,000 (\$465,362). During August and September 2018, RMB1,500,000 (\$232,681) was paid to Shenzhen Baijun as deposit. In 2020, Guangdong Hitrans and Shenzhen Baijun entered into supplemental agreement to cancel the services contract and Shenzhen Baijun agreed to refund the deposit paid by four installments from 2021 throughout 2023.

Hitrans assessed the recoverability of the amount due from Shenzhen Baijun and considered the recoverability to be low so it had written off the whole amount due from Shenzhen Baijun as of December 31, 2022.

Amount due from related party

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2022</u>
Hangzhou Juzhong Daxin Asset Management Co., Ltd	472,061	-

The above balances are due on demand, interest-free and unsecured. The Company assessed the recoverability of the amount due from Juzhong Daxin and considered the recoverability to be low so it had written off the whole amount due from Juzhong Daxin as of December 31, 2022.

Other balances due from/ (to) related parties

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2022</u>
Trade receivable, net – Zhengzhou BAK Battery Co., Ltd (i)	\$ 14,583,061	\$ 9,156,383
Trade receivable, net – Zhengzhou BAK New Energy Technology Co., Ltd (ii)	\$ 459,714	\$ -
Bills receivable – Issued by Zhengzhou BAK Battery Co., Ltd (iii)	\$ 1,861,280	\$ 2,941,683
Trade payable, net – Zhengzhou BAK Battery Co., Ltd	\$ (572,768)	\$ (5,629,343)
Dividend payable to non-controlling interest of Hitrans	\$ 1,444,737	\$ 1,290,942

(i) Representing trade receivables from sales of cathode raw materials to Zhengzhou BAK Battery Co., Ltd. As of the date of this report, Zhengzhou BAK Battery Co., Ltd. repaid \$5.1 million to the Company.

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

(iii) Representing bills receivable issued by Zhengzhou BAK Battery Co., Ltd. The Company endorsed the bills receivable to suppliers for settling trade payables subsequent to December 31, 2022.

Payables to a former subsidiary

Payables to a former subsidiary as of December 31, 2021 and 2022 consisted of the following:

	December 31, 2021	December 31, 2022
Payables to Shenzhen BAK Power Battery Co., Ltd	<u>\$ (326,507)</u>	<u>\$ (358,067)</u>

Balance as of December 31, 2021 and December 31, 2022 consisted of payables for purchase of inventories from Shenzhen BAK Power Battery Co., Ltd.

Guarantees for the Company

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

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

On March 8, 2022, we obtained a one-year term facility from China Zheshang Bank Co., Ltd. Shangyu Branch with a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest at 5.5% per annum. The facility was guaranteed by 100% equity in CBAK Power held by BAK Asia and the Company's CEO, Mr. Yunfei Li. The Company borrowed RMB10 million (approximately \$1.6 million) on the same date. On May 17, 2022, we repaid the loan principal and related loan interests.

On April 28, 2022, we obtained a three-year term facility from Industrial and Commercial Bank of China Nanjing Gaochun branch, with a maximum amount of RMB12 million (approximately \$1.7 million) with the term from April 21, 2022 to April 21, 2025. The facilities were guaranteed by our CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan. Under the facility, we borrowed RMB10 million (approximately \$1.4 million) on April 29, 2022, bearing interest at 3.95% per annum for a term until April 29, 2023.

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

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

On January 7, 2023, we obtained a two-year term facility from Postal Savings Bank of China, Nanjing Tianhe Branch with a maximum amount of RMB10 million (approximately \$1.4 million) for a period from January 7, 2023 to January 6, 2025. The facility was guaranteed by the Company's CEO, Mr. Yunfei Li, Mr. Yunfei Li's wife Ms. Qinghui Yuan and CBAK New Energy (Nanjing) Co., Ltd. We borrowed RMB5 million (approximately \$0.7 million) on January 12, 2023 for a term of one year until January 11, 2024, bearing interest at 3.65% per annum.

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 \$513,721 and \$265,000 and for the fiscal years ended December 31, 2022 and 2021, 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

The fees for the audit-related services billed and to be billed by Centurion ZD CPA & Co. for the year ended December 31, 2022 and 2021 amounted to \$2,500 and \$67,500, respectively.

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.

All Other Fees

We did not engage our principal accountants to render services to us during the last two fiscal years, 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 (PCAOB ID No. 2769)
- Consolidated Balance Sheets as of December 31, 2021 and 2022
- Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2021 and 2022
- Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2021 and 2022
- Consolidated Statements of Cash Flows for the years ended December 31, 2021 and 2022
- Notes to Consolidated Financial Statements

(2) Index to Financial Statement Schedules:

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

(3) Index to Exhibits

See exhibits listed under Part (b) below.

(b) Exhibits:

Exhibit No.	Description
2.1	Articles of Merger (incorporated by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed on January 17, 2017)
3.1	Articles of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the registrant's Annual Report on Form 10-K filed on December 8, 2006)
3.2	By-laws of the registrant (incorporated by reference to Exhibit 3.2 to the registrant's Annual Report on Form 10-K filed on December 19, 2007)
3.3	Certificate of Change Pursuant to NRS 78.209 filed by the Company on October 22, 2012 (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on October 26, 2012)
3.4	Certificate of Amendment to Articles of Incorporation filed by the Company on June 23, 2015 (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on June 26, 2015)
3.5	Certificate of Amendment to Articles of Incorporation filed by the Company on December 9, 2021 (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on December 13, 2021)
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)
4.2	Description of Securities Registered Pursuant to Section 12 of the Exchange Act
4.3	Form of Amendment No. 1 to Series B Warrant to Purchase Common Stock (incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed on May 11, 2021)
4.4	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)
4.5	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)
4.6	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)
4.7	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)
10.7	English translation of Framework Agreement Relating to Dalian CBAK Power Battery Co., Ltd.'s Investment in Zhejiang Meidu Hitrans Lithium Battery Technology Co., Ltd., dated July 20, 2021 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on July 26, 2021)

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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the iXBRL document).

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 14, 2023

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 14, 2023
<u>/s/ Xiangyu Pei</u> Xiangyu Pei	Interim Chief Financial Officer and Director (Principal Financial and Accounting Officer)	April 14, 2023
<u>/s/ J. Simon Xue</u> J. Simon Xue	Director	April 14, 2023
<u>/s/ Martha C. Agee</u> Martha C. Agee	Director	April 14, 2023
<u>/s/ Jianjun He</u> Jianjun He	Director	April 14, 2023

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 filed on June 23, 2015, Certificate of Amendment to Articles of Incorporation filed on December 9, 2021, Articles of Merger and By-laws incorporated by reference as Exhibits 3.1, 3.3, 3.4, 3.5, 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 and 10,000,000 shares of preferred stock, par value \$0.001 per share (the “Preferred 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.

The Board of Directors is authorized, at any time and from time to time, to provide for the issuance of shares of Preferred Stock in one or more series with such designations, preferences, voting powers and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof as are stated and expressed in the resolution or resolutions providing for the issuance of such Preferred Stock adopted by the Board of Directors, and as are not stated and expressed in the Company’s articles of incorporation or any amendment thereto. As of December 31, 2022, there were 88,990,858 shares of Common Stock and no Preferred Stock outstanding.

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 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.

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, as amended, 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 or Preferred 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 and Preferred Stock could render more difficult or discourage an attempt to obtain control of a majority of the voting power of our outstanding capital 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.

Warrants

As of December 31, 2022, the Company had the following outstanding warrants to purchase the Common Stock:

- warrants to purchase 3,795,920 shares of Common Stock of the Company at an exercise price of \$6.46 per share, 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. These warrants are exercisable for 36 months from the date of issuance, December 10, 2020;
- Series A-1 warrants to purchase 4,469,988 shares of Common Stock of the Company, at a per share exercise price of \$7.67, subject to full-ratchet anti-dilution adjustment in the case of future issuances or deemed issuances of shares of Common Stock below the Series A-1 warrants' exercise price then in effect, as well as customary adjustment in case of stock splits, stock dividends, stock combinations and similar recapitalization transactions. The Series A-1 warrants are exercisable for 42 months from the date of issuance, February 10, 2021.
- warrants to purchase 446,999 shares of Common Stock, at an exercise price of \$9.204 per share, with a term of 42 months from the issuance date, February 10, 2021, subject to customary adjustment in case of stock dividends, stock splits, stock combinations and similar recapitalization transactions; and
- warrants to purchase 379,592 shares of Common Stock, at an exercise price of \$6.475, with a term of 36 months from the issuance date, December 10, 2020, subject to customary adjustment in case of stock dividends, stock splits, stock combinations and similar recapitalization transactions.

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 New 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 BFD New Energy Technology Co., Ltd.	PRC	100%
Nanjing CBAK New Energy Technology Co., Ltd	PRC	100%
Daxin New Energy Automobile Industry Technology (Jiangsu) Co., Ltd.	PRC	100%
Zhejiang Hitrans Lithium Battery Technology Co., Ltd (“Hitrans”)	PRC	67.33%
Guangdong Meidu Hitrans Resources Recycling Technology Co., Ltd.	PRC	80% owned by Hitrans
Shaoxing Haisheng International Trading Co., Ltd.	PRC	100% owned by Hitrans



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

Unit 1304, 13/F, Two Harbourfront, 22 Tak Fung Street, Hunghom, Hong Kong.

香港 紅磡 德豐街22號 海濱廣場二期 13樓1304室

Tel 電話: (852) 2126 2388 Fax 傳真: (852) 2122 9078

Email 電郵: info@czdcpa.com

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-250893, No. 333-253349 and No. 333-257658) 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 14, 2023, 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 14, 2023

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 14, 2023

/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 14, 2023

/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, 2022 (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 14th day of April, 2023.

/s/ Yunfei Li

Yunfei Li

Chief Executive Officer

(Principal Executive Officer)

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

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

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

The undersigned, 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, 2022 (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 14th day of April, 2023.

/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.