

**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, 2023**

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 (§232.405 of this chapter) 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 checked="" type="checkbox"/>
Non-Accelerated Filer	<input 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, 2023 (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 \$1.22 per share) was approximately \$95.2 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 89,919,190 shares of the registrant's common stock outstanding as of March 14, 2024.

DOCUMENTS INCORPORATED BY REFERENCE

None.



CBAK ENERGY TECHNOLOGY, INC.

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INTRODUCTORY NOTE

Use of Terms

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

- “Company”, “we”, “us” and “our” are to the combined business of CBAK Energy Technology, Inc., a Nevada corporation, and its consolidated subsidiaries;
- “BAK Asia” are to our Hong Kong subsidiary, China BAK Asia Holdings Limited;
- “CBAK New Energy” are to our PRC subsidiary, Dalian CBAK New Energy Co., Ltd., a company that was previously named Dalian CBAK Trading Co., Ltd. until December 12, 2023;
- “CBAK Power” are to our PRC subsidiary, Dalian CBAK Power Battery Co., Ltd.;
- “CBAK Shangqiu” are to our PRC subsidiary, CBAK New Energy (Shangqiu) 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 Energy Technology Co., Ltd.;
- “BAK Investments” are to our Hong Kong subsidiary, BAK Asia Investments Limited;
- “CBAK Nanjing” are to our PRC subsidiary, CBAK New Energy (Nanjing) Co., Ltd.;
- “Nanjing CBAK” are to our PRC subsidiary, Nanjing CBAK New Energy Technology Co., Ltd.;
- “Nanjing 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 Holdings” are to our Cayman Islands subsidiary, Hitrans Holdings Co., Ltd., a company that was previously named CBAK Energy Technology, Inc. until February 29, 2024;
- “Nacell Holdings” are to our Hong Kong subsidiary, Hong Kong Nacell Holdings Company Limited;
- “CBAK Energy Investments” are to our Cayman Islands subsidiary, CBAK Energy Investments Holdings;
- “CBAK Energy Lithium Holdings” are to our Cayman Islands subsidiary, CBAK Energy Lithium Battery Holdings Co., Ltd., a company that was previously named Hitrans Holdings until February 29, 2024;
- “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 72.99% 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.
- “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 and data privacy, as well as with U.S. regulations, for instance, the risk relating to 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 not 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 has 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” on page 17, “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 19 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 20.

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, 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 former auditor, Centurion ZD CPA & Co. 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 were not identified as a Commission-Identified Issuer after we filed on April 15, 2023 the annual report on Form 10-K for the fiscal year ended December 31, 2022 and 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. Our current auditor, ARK Pro CPA & CO, is headquartered in Hong Kong. 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 former auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our former 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 16.

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 17.

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, 2022 and 2023, we transferred nil and \$0.2 million to our PRC subsidiaries as capital contribution, respectively. As of December 31, 2023, CBAK Energy Technology, Inc., the Nevada issuer, had made cumulative capital contributions of \$138.64 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 as of the date of this report. 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”* On page 17 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 22.

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 former auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our former 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.
- The acquisition of a controlling interest in Hitrans may fail to result in anticipated benefits but has involved significant investment 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.
- 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 residential energy supply and 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 rely significantly on technology and systems to support our production, supply chain, payments, financial reporting and other key aspects of our business. Any failure, inadequacy, interruption or security failure of those systems could have a material adverse effect on our business, reputation and brand, financial condition, and results of operations.
- System security risk issues, and disruption of our internal operations or information technology systems, could have a material adverse effect on our business, financial condition, and results of operations.
- We and our independent public accounting firm identified material weaknesses in our internal control over financial reporting as of December 31, 2023. If we fail to remediate the material weaknesses, 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 and sodium batteries that are mainly used in light electric vehicles, electric vehicles, energy storage such as residential energy supply & uninterruptible power supply (UPS) application, and other high-power applications. Our primary product offering consists of new energy high power lithium and sodium batteries. In addition, 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 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 on batteries that would be applied to electric vehicles, electric tools, high-end digital products and storage, among others.

We acquired most of our operating assets of CBAK Power, 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, 2023, we report financial and operational information in two segments: (i) production of high-power lithium and sodium battery cells, and (ii) manufacture and sale of materials used in high-power lithium battery cells.

We generated revenues of \$204.4 million and \$248.7 million for the fiscal years ended December 31, 2023 and 2022, respectively. We had a net loss of \$8.5 million and \$11.3 million in the fiscal years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, we had an accumulated deficit of \$134.6 million and net assets of \$113.5 million. We had a working capital deficiency, accumulated deficit from recurring net losses and significant short-term debt obligations maturing in less than one year as of December 31, 2023.

Favorable Policies for New Energy Industry

The clean energy industry is of strategic importance in China and many other countries. With the global emphasis on the new energy industry, we anticipate securing more potential orders from our clients.

The Chinese government has been providing support for the development of new energy facilities and vehicles for several years. Considering our major operations are in China, the policy support to the new energy industry is crucial to our business. With the growing demand for high-power lithium-ion and sodium-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 June 21, 2023, the Chinese government announced the extension of the purchase tax exemption from December 31, 2022 to December 31, 2027.

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 9.587 million new energy vehicles manufactured and 9.495 million sold in 2023, representing 35.8% and 37.9% increases from 2022. However, the electric vehicle market is highly competitive and faces increased downward pressure on pricing. We believe this situation presents growth potential for the light electric vehicle market, including electric bicycles, as well as the energy storage market. A research report from China Energy Storage Alliance shows a 300% increase in installed capacity in the energy storage market compared to 2022. We plan to maintain our focus on cylindrical batteries for residential energy supply & 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

We have three major manufacturing centers for new energy batteries, including lithium and sodium batteries in Nanjing, Dalian and Shangqiu, and a manufacturing plant for precursors and cathode materials in Shaoxing.

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”), a company affiliated with the local government of Gaochun Economic Development Zone in Nanjing, Jiangsu, PRC. According to the agreement, we intended to develop certain lithium battery projects within Gaochun EDZ which are expected to have a total production capacity of 20 GWh per year after completion (the “Nanjing Project”). As of December 31, 2023, we had received government subsidies in an amount of RMB47.1 million (approximately \$6.6 million) from Gaochun EDZ. We plan to utilize the targeted 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 under the Nanjing Project through two phases of construction. In Phase I, we secured plant rentals and completed interior construction by 2021, featuring two production lines. One line is dedicated to manufacturing model 32140 lithium batteries, while the other is versatile, capable of producing either model 32140 lithium or sodium batteries. Our production capacity for Phase I stands at 2 GWh annually when both lines are assigned to lithium battery production. However, allocating one line exclusively for sodium battery production reduces the capacity to 1.5 GWh per year. The completed Phase I plants spans roughly 27,173 square meters, and as of December 31, 2023, the two production lines constructed during Phase I have been put into operation. Phase II, scheduled for completion by the end of 2027, aims to add another three large manufacturing facilities and augment our annual production capacity by an additional 18 GWh. As of December 31, 2023, the initial major plant has reached the ceiling construction stage, with interior construction ongoing. However, the actual production capacities and construction schedules for Phase II may be adjusted based on market reception of our new battery offerings.

Our sales have continued to grow in recent years. Our model 26650 batteries produced in our Dalian manufacturing center have gained popularity in European and American markets. As a result, our Dalian facilities had experienced client demand that exceeded then-existing supply. As of December 31, 2023, we had three production lines in Dalian, with a total capacity of 1 GWh per year.

In addition to adding one more production line in our Dalian facilities, we rented a manufacturing center in Shangqiu, Henan, China to acquire an additional annual capacity of 0.5 GWh per year with two production lines for model 26700 lithium batteries.

Our Hitrans facilities currently have a manufacturing capacity of 13,000 tons for NCM precursors and 3,000 tons for NCM cathode materials. Hitrans is actively engaged in constructing a new manufacturing plant, slated for completion in June 2024 and expected to be operational in the first half of 2025. Upon completion, this new facility will increase Hitrans' NCM precursor production capacity by an additional 37,000 tons.

Additionally, we continue to renovate our existing facilities, upgrade equipment, add new equipment, improve 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, and 32140 sodium cells. Model 26650, 26700 and 32140 batteries can be used in light electric vehicles, electric vehicles, electric tools, energy storage (such as residential energy supply & uninterruptible power supply (UPS) application), and other high-power applications. Our sodium cells can be used in ultra-low temperature conditions and have fast-charging capability. Actual testing data shows that our model 32140 sodium cells retain 85% capacity under -40°C and could be charged to 90% capacity within 10 minutes.

To maintain our competitive position, we are expanding the range of our cylindrical battery models to include larger products, such as model 40140 and 46120. Larger cylindrical batteries typically offer superior performance at lower manufacturing costs. As of December 31, 2023, the model 40140 was in the A-sample stage, which precedes the B-sample stage and mass production, while the model 46120 was in the B-sample stage. We anticipate that the development of the model 40140 will progress to the B-sample stage, and the model 46120 will be ready for mass production by the end of 2024. Based on different client demand, we may produce sodium versions of these models.

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 of December 31, 2023, CBAK Power had not recovered the RMB3 million from Juzhong Daxin.

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 Investments”). Under the resolution, 10% of the Management Shareholder Investments (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 Investments 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 Investments was received. Another 25% (RMB10 million) and 50% (RMB20 million) of the Management Shareholder Investments were required to be received before December 31, 2022 and June 30, 2024, respectively. As of December 31, 2023, the 25% (RMB10 million) of the Management Shareholder Investments were received. Shaoxing Haiji and Mr. Haijun Wu are currently in negotiations with other shareholders of Hitrans to extend the payment due date for the remaining unpaid 25% and 50% of the Management Shareholder Investments to May 31, 2029. 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 and 72.99% of paid-up capital as of December 31, 2023.

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, energy storage (such as residential energy supply & 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. During 2019-2021, 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 had reduced incentives 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 \$2.9 million and \$4.7 million in revenues from electric vehicle customers in 2023 and 2022, respectively. Our largest revenue-generating market has been 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

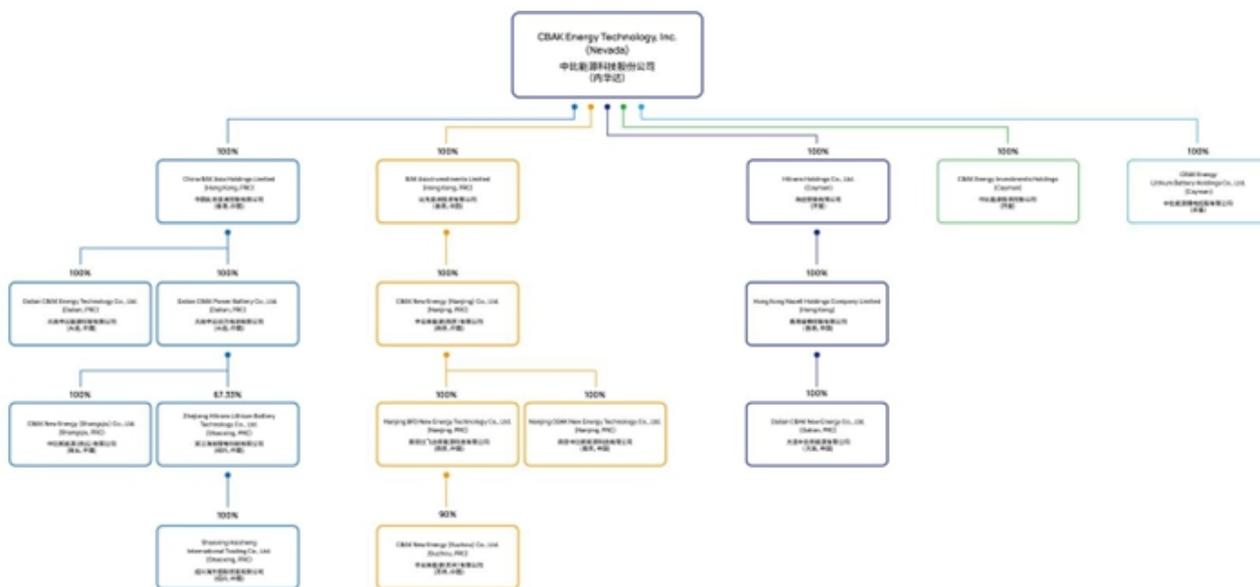
CBAK Energy Technology, Inc. was incorporated in the State of Nevada on October 4, 1999. The shares of common stock of CBAK Energy Technology, Inc. traded in the over-the-counter market through the Over-the-Counter Bulletin Board between 2005 and May 31, 2006. On May 31, 2006, CBAK Energy Technology, 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) CBAK Power, a wholly-owned subsidiary in China that we own through BAK Asia, an investment holding company formed under the laws of Hong Kong on July 9, 2013; (ii) Nanjing CBAK, a 100% owned subsidiary of CBAK Nanjing (as further described below); (iii) CBAK Shangqiu, a wholly owned subsidiary in China that we own through CBAK Power; (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 72.99% of paid-up capital):

- 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 Shangqiu, wholly-owned by CBAK Power, located in Shangqiu, China, incorporated on July 25, 2023, focuses on the development and manufacture of high-power lithium batteries.
- CBAK Energy, wholly-owned by BAK Asia, located in Dalian, China, incorporated on November 21, 2019. CBAK Energy does not have any significant operations as of the date of this report.
- 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 as soon as practicable.
- 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 NCM lithium batteries.
- Guangdong Meidu Hitrans Resources Recycling Technology Co., Ltd. (“Guangdong Hitrans”), 80% owned by Hitrans, located in Dongguan, Guangdong, China, incorporated on July 6, 2018, principally engaged in the business of wastes recycling. Guangdong Hitrans was dissolved on January 30, 2024.
- Haisheng, wholly-owned by Hitrans, located in Shangyu, Shaoxing, China, incorporated on October 9, 2021, principally engaged in the business of cathode raw materials trading.
- CBAK Nanjing, wholly-owned by BAK Investments located in Nanjing, China, incorporated on July 31, 2020. CBAK Nanjing does not have any significant operations as of the date of this report.
- Nanjing CBAK, wholly owned by CBAK Nanjing, located in Nanjing, China, incorporated on August 6, 2020, focuses on the development and manufacture of larger-sized cylindrical lithium batteries.
- CBAK New Energy, wholly-owned by BAK Investments, located in Dalian, China, incorporated on August 14, 2013, previously named Dalian CBAK Trading Co., Ltd. until December 12, 2023, was transferred from BAK Asia to BAK Investments on December 26, 2023. On March 5, 2024, CBAK New Energy was transferred from BAK Investments to Nacell Holdings. CBAK New Energy does not have any significant operations as of the date of this report.
- 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 sodium-ion batteries. Nanjing BFD’s original business of the development and manufacture of electric bicycle, motorcycle and automotive spare parts will be gradually marginalized.
- Daxin New Energy Automobile Technology (Jiangsu) Co., Ltd. (“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. Jiangsu Daxin was dissolved on December 22, 2023.
- Hitrans Holdings, our wholly owned subsidiary, incorporated on July 28, 2021 under the laws of the Cayman Islands, previously named “CBAK Energy Technology, Inc.,” was renamed as “Hitrans Holdings Co., Ltd.” on February 29, 2024. Hitrans Holdings owns 100% equity interests of Nacell Holdings.
- Nacell Holdings, a direct, wholly owned subsidiary of Hitrans Holdings, was incorporated on July 7, 2023 under the laws of Hong Kong. Nacell Holdings had no significant operations as of the date of this report.
- CBAK Energy Lithium Holdings, our wholly owned subsidiary, incorporated on July 12, 2023 under the laws of the Cayman Islands in the name of “Hitrans Holdings,” was renamed as “CBAK Energy Lithium Holdings” on February 29, 2024.
- CBAK Energy Investments, our wholly owned subsidiary, was incorporated on February 26, 2024 under the laws of the Cayman Islands. CBAK Energy Investments does not have any significant operations as of the date of this report.

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

Corporate Structure



Our Products

The use of new materials has enabled the configuration of high-power lithium battery cells to contain much higher energy density and higher voltage and have a longer life cycle and shorter charge time than other types of lithium-based batteries. These special attributes, coupled with intrinsic safety features, are suitable for batteries used for high-power applications, such as electric cars, electric bicycles, electric tools, and energy storage such as residential energy supply and 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 Residential Energy Supply and 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 since then have incorporated 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 NCM lithium battery
Precursor	NCM 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, electric tricycles, smaller-sized electric cars; and energy storage applications including but not limited to residential energy supply and uninterruptible power supply, and other high-power applications.

Electric Vehicles

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

2014 was considered the inaugural year for China's new energy vehicle (NEV) industry, with explosive growth seen in 2017. Despite a slight decline in 2019, the production and sales of NEVs continued to surge in 2018, 2020, and 2021. According to the Ministry of Industry and Information Technology of China, production in China reached 1,270,000 units in 2018, up 43.4% year-on-year, with sales reaching 1,256,000 units, up 61.7% year-on-year. In 2019, production and sales dropped to 1,242,000 units and 1,206,000 units, down 2.3% and 4.0% year-on-year, respectively. However, 2020 saw a rebound, with production and sales reaching 1,366,000 units and 1,267,000 units, up 10.0% and 5.1% from 2019. In 2021, both production and sales of NEVs reached record highs of 3,545,000 units and 3,521,000 units, respectively, nearly 1.6 times higher than the previous year. This growth trend continued in 2022, with 7,058,000 units manufactured and 6,887,000 units sold, marking increases of 96.9% and 93.4%, respectively. In 2023, production and sales figures climbed to 9,587,000 units and 9,495,000 units, up by 35.8% and 37.9%, respectively. The subsidy policy on NEVs was discontinued on December 31, 2022. However, the purchase tax exemption policy aimed at boosting NEV purchases was extended from the end of 2023 to 2027. Looking ahead, we anticipate that the NEV market will gradually become highly competitive, with NEVs gaining increasing popularity in the long term.

Light Electric Vehicles

Light electric vehicles include bicycles, scooters, and motorcycles, tricycles and smaller-sized electric cars. 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 significant.

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 considerably. 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." Additionally, 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 has stimulated the development of food delivery industry that increases the demand for shared electric bicycles.

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, we believe that light electric vehicles including electric bicycles still have great growth potential.

Residential Energy Supply & Uninterruptible Power Supplies ("UPS")

Energy storage primarily involves the storage of electric energy using batteries, inductors, and capacitors. Battery energy storage is widely used for storing power for residential buildings, outdoor applications, emergency backup, electric vehicles, and for storing excess energy generated by power plants. Uninterruptible Power Supplies (UPS) and residential energy storage units are examples of energy storage applications. UPS systems provide emergency power from a separate source when the main utility power is unavailable, while portable power banks serve outdoor needs. Residential energy storage units offer a reliable power supply for entire households, a popular choice in some European regions.

Sales and Marketing

Currently, our marketing and promotional efforts are primarily undertaken by our marketing department in both Dalian and Nanjing. We plan to build an extensive sales and service network in China, as we expand our presence into the regions where China's main lithium battery productions are located, such as Tianjin City, Shandong Province, Guangdong Province and Jiangsu Province.

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. The cost of these raw materials is a key factor in pricing our products. We source such raw materials from a number of suppliers across 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 constantly 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

As of December 31, 2023, CBAK Power held 142 patents in the PRC, which will expire between 2024 to 2042. Among the 142 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, 2023, CBAK Energy held 8 patents in the PRC, all of which will expire between 2030 and 2040; Nanjing CBAK held 29 patents in the PRC, all of which will expire between 2031 and 2043; Nanjing BFD held 18 patents in the PRC, all of which will expire between 2028 and 2043; and Hitrans held 21 patents in the PRC, all of which will expire between 2028 and 2039.

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 our business operations, 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, Northvolt Battery System Poland Sp. z.o.o., Anker Innovations, Shenzhen ACE Battery Co., Ltd., PowerOAK, NSURE Energy, Hello Tech (Jackery) and JinPeng Group. 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, 2022		December 31, 2023	
	Amount	% of Net Revenues	Amount	% of Net Revenues
	(in thousands of U.S. dollars, except percentages)			
Mainland China	\$ 198,114,578	79	\$ 119,307,085	58
USA	36,525	-	5,216	-
Europe	50,378,076	20	78,575,290	38
Others	196,306	1	6,550,774	4
Total	<u>\$ 248,725,485</u>	<u>100</u>	<u>\$ 204,438,365</u>	<u>100</u>

Competition

We face intense competition from high-power lithium battery makers and raw materials manufacturers in China. The following table sets forth our major competitors in the battery market broken down by battery models as well as in the materials market, as of December 31, 2023:

Product Type	Competitors
Model 26650/26700	China: Shandong Goldencell; EVPS; Power Long Battery
Model 32140	China: Gotion Hi-tech; EVE Battery
Cathode & Precursor	China: Beijing Easpring; Ronbay Technology; Huayou Cobalt

We believe that we are able to leverage our cutting-edge battery manufacturing techniques and R&D capabilities to compete favorably with our competitors. 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 and new-type energy storage in China has created a significant demand for the R&D of next-generation advanced lithium, sodium and other type of 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, residential energy supply & UPS, and other applications. We are setting up a larger R&D center as part of our Nanjing Project, and we anticipate that eventually our battery R&D department will be headquartered in Nanjing.

Our R&D personnel developed model 32140 lithium cell in house which has become one of the best cylindrical battery models in the world. Furthermore, our R&D team successfully developed model 32140 sodium cell, making us one of only a few companies in the world that are capable of mass producing sodium-ion batteries. Our sodium cells can be used in ultra low temperature conditions and have fast-charging capability. Actual testing data shows that our model 32140 sodium cells retain 85% capacity under -40°C and could be charged to 90% capacity within 10 minutes.

To maintain our competitive position, we are expanding the range of our cylindrical battery models to include larger options, such as models 40140 and 46120. Larger cylindrical batteries typically offer superior performance at lower manufacturing costs. As of December 31, 2023, the model 40140 was in the A-sample stage, which precedes the B-sample stage and mass production, while the model 46120 was in the B-sample stage. We anticipate that the development of the model 40140 will progress to the B-sample stage, and the model 46120 will be ready for mass production by the end of 2024. Based on different client demand, we may produce sodium versions of these models.

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.

Human Capital

We had a total of approximately 1,456 employees as of December 31, 2023, all of whom are full-time employees. The following table sets forth the number of our employees by function.

Function	Number
Production	798
Research and development	363
Sales and marketing	37
General and administrative	258
Total	1,456

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.

Regulations

Company Law

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.

Foreign Investment Law

On March 15, 2019, the National People's Congress approved the Foreign Investment Law of the PRC, or the "Foreign Investment Law," which came into effect on January 1, 2020, repealing simultaneously the Law of the PRC on Sino-foreign Equity Joint Ventures, the Law of the PRC on Wholly Foreign-owned Enterprises, and the Law of the PRC on Sino-foreign Cooperative Joint Ventures. The Foreign Investment Law adopts the management system of pre-establishment national treatment and negative list for foreign investment. Regulations for the Implementation of the Foreign Investment Law of the PRC came into effect on January 1, 2020. Policies in support of enterprises shall apply equally to foreign-funded enterprises according to laws and regulations. Pursuant to Foreign Investment Law and the Negative List, promulgated jointly by MOFCOM and NDRC on December 27, 2021, and became effective on January 1, 2022, foreign investors shall not invest in sectors that forbid foreign investment as specified in the Negative List. In sectors under the Negative List where foreign investment is restricted, foreign investors shall comply with the special administrative measures for restrictive access set in the Negative List on equity ratio, senior management, etc., when making investments. Where a foreign investor or enterprise with foreign investment invests in a field other than those in the Negative List, it shall register by the principle of consistency of domestic and foreign investment. Fair competition for foreign investment enterprises to participate in government procurement activities shall be protected. The Foreign Investment Law also stipulates the protection of intellectual property rights and trade secrets.

Notice on the Implementation of Foreign Investment Law and the Registration of Foreign-funded Enterprises was issued by the SAMR on December 31, 2019. According to such notice, the SAMR conducts business registration, and the applicant shall apply for the registration of foreign-funded enterprises through the enterprise registration system. The registration authority shall conduct a formal examination on relevant application materials.

The Measures for Reporting Foreign Investment Information were adopted by the MOFCOM on December 19, 2019, approved by the SAMR, and became effective on January 1, 2020. According to such measures, when a foreign investor directly or indirectly conducts investment activities in China, the foreign investor or foreign-invested enterprise shall submit investment information to the competent department of commerce in accordance with the 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.

Regulations Relating to Intellectual Property

Copyright

China has adopted comprehensive legislation governing intellectual property rights, including trademarks and copyrights. China is a signatory to the primary international conventions on intellectual property rights and has been a member of the Agreement on Trade Related Aspects of Intellectual Property Rights since its accession to the WTO in December 2001.

In September 1990, the SCNPC promulgated the Copyright Law of the People's Republic of China, effective in June 1991 and amended in 2001, 2010 and 2020 respectively. The amended Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the Copyright Protection Centre of China.

In order to further implement the Computer Software Protection Regulations, promulgated by the State Council in December 2001 and amended in 2011 and 2013 respectively, the National Copyright Administration issued Computer Software Copyright Registration Procedures in February 2002, which specify detailed procedures and requirements with respect to the registration of software copyrights.

Trademark

According to the Trademark Law of the People's Republic of China, promulgated by the SCNPC in August 1982, and amended in 1993, 2001, 2013 and 2019 respectively, the Trademark Office of China National Intellectual Property Administration is responsible for the registration and administration of trademarks and is also responsible for resolving trademark disputes in China. Registered trademarks are valid for ten years from the date the registration is approved. A registrant may apply to renew a registration within twelve months before the expiration date of the registration. If the registrant fails to apply in a timely manner, a grace period of six additional months may be granted. If the registrant fails to apply before the grace period expires, the registered trademark shall be deregistered. Renewed registrations are valid for ten years. In April 2014, the State Council issued the revised Implementation of the Trademark Law, which specified the requirements of applying for trademark registration and review.

Patent

According to the Patent Law of the People's Republic of China promulgated by the SCNPC in 1984 and amended in 1992, 2000, 2008 and 2020, respectively, a patentable invention or a utility model must meet three criteria: novelty, inventiveness and practicability. A patent is valid for a twenty-year term for an invention and a ten-year term for a utility model or design, starting from the application date.

Domain Names

In May 2012, the China Internet Network Information Center issued the Implementing Rules for Domain Name Registration setting forth the detailed rules for registration of domain names. In August 2017, China's Ministry of Industry and Information Technology promulgated the Administrative Measures on Internet Domain Names, or the Domain Name Measures. The Domain Name Measures regulate the registration of domain names, such as the top-level domain name ".cn".

Regulations Relating to Foreign Exchange

Pursuant to the Foreign Exchange Administration Regulations, as amended in August 2008, the RMB is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside the PRC, unless SAFE's prior approval is obtained and prior registration with SAFE is made. In May 2013 SAFE promulgated the Circular of the SAFE on Printing and Distributing the Administrative Provision on Foreign Exchange in Domestic Direct Investment by Foreign Investors and Relevant Supporting Documents which provides for and simplifies the operational steps and regulations on foreign exchange matters related to direct investment by foreign investors, including foreign exchange registration, account opening and use, receipt and payment of funds, and settlement and sales of foreign exchange.

Pursuant to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles or the SAFE Circular 37, promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle, or Overseas Special Purpose Vehicles (SPV), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV's PRC Resident shareholder(s), name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV's registered capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies, or the SAFE Notice 13, which was promulgated on February 13, 2015 and with effect from June 1, 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment is directly reviewed and handled by banks in accordance with the SAFE Notice 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

Regulations Relating to Dividend Distributions

According to the PRC Company Law and Foreign Investment Law, each of our PRC subsidiaries, as a foreign invested enterprise, or FIE, are required to draw 10% of its after-tax profits each year, if any, to fund a common reserve, which may stop drawing its after-tax profits if the aggregate balance of the common reserve has already accounted for over 50% of its registered capital. These reserves are not distributable as cash dividends. Furthermore, under the EIT Law, which became effective in January 2008, the maximum tax rate for the withholding tax imposed on dividend payments from PRC foreign invested companies to their overseas investors that are not regarded as “resident” for tax purposes is 20%. The rate was reduced to 10% under the Implementing Regulations for the EIT Law issued by the State Council. However, a lower withholding tax rate might be applied if there is a tax treaty between China and the jurisdiction of the foreign holding companies, such as tax rate of 5% in the case of Hong Kong companies that holds at least 25% of the equity interests in the foreign-invested enterprise, and certain requirements specified by PRC tax authorities are satisfied.

Regulations Relating to Overseas Listings

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the “Opinions on Severely Cracking Down on Illegal Securities Activities According to Law,” or the Opinions. The Opinions emphasized the need to strengthen the administration over illegal securities activities, and the need to strengthen the supervision over overseas listings by Chinese companies. Effective measures, such as promoting the construction of relevant regulatory systems will be taken to deal with the risks and incidents of China-concept overseas listed companies, and cybersecurity and data privacy protection requirements and similar matters.

On December 24, 2021, the China Securities Regulatory Commission, or the CSRC, issued Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (the “Administration Provisions”), and the Measures for the Overseas Issuance of Securities and Listing Record-Filings by Domestic Enterprises (Draft for Comments) (the “Measures”), which were published for public comments only, for which the comment period expired on January 23, 2022.

The Administration Provisions and Measures (collectively, the “Draft Rules Regarding Overseas Listing”) for overseas listings lay out specific requirements for filing documents and include unified regulation management, strengthening regulatory coordination, and cross-border regulatory cooperation. Domestic companies seeking to list abroad must carry out relevant security screening procedures if their businesses involve such supervision. Companies endangering national security are among those off-limits for overseas listings.

However, on February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Trial Measures, and five supporting guidelines, which came into effect on March 31, 2023. The Trial Measures and its supporting guidelines are formal regulations issued based on the Draft Rules Regarding Overseas Listing. The State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), although still in draft form, has effectively been replaced by the Trial Measures and its supporting guidelines. The Trial Measures and its supporting guidelines, reiterate the basic principles of the Draft Rules Regarding Overseas Listing and impose substantially the same requirements for the overseas securities offering and listing by domestic enterprises. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, shall complete filing procedures with the CSRC pursuant to the requirements of the Trial Measures within three working days following its submission of initial public offerings or listing application. If a domestic company fails to complete the required filing procedures or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as orders to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

According to the Notice on the Administrative Arrangements for the Filing of the Overseas Securities Offering and Listing by Domestic Companies from the CSRC, or the CSRC Notice, which was promulgated on February 17, 2023 and became effective on the same day, the domestic companies that have already been listed overseas before the effective date of the Overseas Listing Trial Measures (i.e. March 31, 2023) shall be deemed as existing issuers (the “Existing Issuers”). Existing Issuers are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC for any subsequent offerings. The Opinions, the Trial Measures and any related implementing rules to be enacted may subject us to additional compliance requirements in future financial activities.

In August 2006, six PRC regulatory authorities, including the CSRC, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, amended in June 2009. The M&A Rules, among other things, require that if an overseas company established or controlled by PRC companies or individuals, or PRC Citizens, intends to acquire equity interests or assets of any other PRC domestic company affiliated with the PRC Citizens, such acquisition must be submitted to the MOFCOM for approval. The M&A Rules also require that an Overseas SPV formed for overseas listing purposes and controlled directly or indirectly by the PRC Citizens shall obtain the approval of the CSRC prior to overseas listing and trading of such Overseas SPV's securities on an overseas stock exchange.

Based on current PRC laws and regulations, our corporate structure and arrangements are not subject to the M&A Rules. However, there are substantial uncertainties as to how the M&A Rules will be interpreted or implemented in the context of an overseas offering, and its opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules.

Regulations Relating to Employment

The Labor Law of the People's Republic of China, or the Labor Law, which became effective in January 1995 and was amended in 2008, and the Employment Contract Law of the People's Republic of China, or the Employment Contract Law, effective in January 2008 and amended in 2008, require employers to provide written contracts to their employees, restrict the use of temporary workers and aim to give employees long-term job security. Employers must pay their employees' wages equal to or above local minimum wage standards, establish labor safety and workplace sanitation systems, comply with state labor rules and standards and provide employees with appropriate training on workplace safety. In September 2008, the State Council promulgated the Implementing Regulations for the PRC Employment Contract Law which became effective immediately and interprets and supplements the provisions of the Employment Contract Law.

Under the Labor Contract Law, an employer shall limit the number of dispatched workers so that they do not exceed a certain percentage of its total number of workers. In January 2014, the MOHRSS issued the Interim Provisions on Labor Dispatching, which became effective in March 2014, pursuant to which it provides that the number of dispatched workers used by an employer shall not exceed 10% of the total number of its employees.

The PRC governmental authorities have passed a variety of laws and regulations regarding social insurance and housing funds from time to time, including, among others, the Social Insurance Law of the People's Republic of China, the Regulation of Insurance for Labor Injury, the Regulations of Insurance for Unemployment, the Provisional Insurance Measures for Maternal Employees, the Interim Administrative Provisions on Registration of Social Insurance and the Administrative Regulations on the Housing Provident Fund. Pursuant to these laws and regulations, enterprises in the PRC shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance, as well as housing fund and other welfare plans. Failure to comply with such laws and regulations may result in various fines and legal sanctions and supplemental contributions to the local social insurance and housing fund regulatory authorities.

Regulations Relating to Environmental Protection

The Environmental Protection Law of the PRC, or the Environmental Protection Law, was promulgated and effective on December 26, 1979, and most recently amended on April 24, 2014.

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 Tax in the PRC

Income Tax

The PRC Enterprise Income Tax Law was promulgated in March 2007 and was most recently amended in December 2018. The PRC Enterprise Income Tax Law applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. Under the PRC Enterprise Income Tax Law, an enterprise established outside China with “de facto management bodies” within China is considered a “resident enterprise” for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. Under the implementation regulations to the PRC Enterprise Income Tax Law, a “de facto management body” is defined as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise.

In April 2009, the Ministry of Finance, or MOF, and SAT jointly issued the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business, or the Circular 59. In December 2009, SAT issued the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or the Circular 698. Both Circular 59 and Circular 698 became effective retroactively as of January 2008. In March 2011, SAT issued the Notice on Several Issues Regarding the Income Tax of Non-PRC Resident Enterprises, or the SAT Circular 24, effective in April 2011. By promulgating and implementing these circulars, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise.

In February 2015, SAT issued the Notice on Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-PRC Resident Enterprises, or the SAT Circular 7, to supersede existing provisions in relation to the indirect transfer as set forth in Circular 698, while the other provisions of Circular 698 remain in force. SAT Circular 7 introduces a new tax regime that is significantly different from that under Circular 698. SAT Circular 7 extends its tax jurisdiction to capture not only indirect transfers as set forth under Circular 698 but also transactions involving transfer of immovable property in China and assets held under the establishment, and placement in China, of a foreign company through the offshore transfer of a foreign intermediate holding company. SAT Circular 7 also addresses transfer of the equity interest in a foreign intermediate holding company broadly. In addition, SAT Circular 7 provides clearer criteria than Circular 698 on how to assess reasonable commercial purposes and introduces safe harbor scenarios applicable to internal group restructurings. However, it also brings challenges to both the foreign transferor and transferee of the indirect transfer as they have to determine whether the transaction should be subject to PRC tax and to file or withhold the PRC tax accordingly. In October 2017, SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, or the SAT Circular 37, amended in June 2018. The SAT Circular 37 superseded the Non-resident Enterprises Measures and SAT Circular 698 as a whole and partially amended some provisions in SAT Circular 24 and SAT Circular 7. SAT Circular 37 purports to clarify certain issues in the implementation of the above regime, by providing, among others, the definition of equity transfer income and tax basis, the foreign exchange rate to be used in the calculation of withholding amount, and the date of occurrence of the withholding obligation. Specifically, SAT Circular 37 provides that where the transfer income subject to withholding at source is derived by a non-PRC resident enterprise in installments, the installments may first be treated as recovery of costs of previous investments. Upon recovery of all costs, the tax amount to be withheld must then be computed and withheld.

Value-Added Tax

The PRC Provisional Regulations on Value-Added Tax were promulgated by the State Council on December 13, 1993, which became effective on January 1, 1994 and were subsequently amended from time to time. The Detailed Rules for the Implementation of the PRC Provisional Regulations on Value-Added Tax (2011 Revision) was promulgated by the Ministry of Finance on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011. On November 19, 2017, the State Council promulgated the Decisions on Abolishing the PRC Provisional Regulations on Business Tax and Amending the PRC Provisional Regulations on Value-Added Tax. Pursuant to these regulations, rules and decisions, all enterprises and individuals engaged in sale of goods, provision of processing, repair, and replacement services, sales of services, intangible assets, real property, and the importation of goods within the PRC territory are VAT taxpayers. On March 21, 2019, the Ministry of Finance, the SAT, and the General Administration of Customs jointly issued the Announcement on Relevant Policies on Deepen the Reform of Value-Added Tax. Sales revenue represents the invoiced value of goods, net of VAT. The VAT is based on gross sales price, starting from April 1, 2019, VAT rate was lowered to 13%.

ITEM 1A. RISK FACTORS.

RISKS RELATED TO DOING BUSINESS IN CHINA

The PCAOB had historically been unable to inspect our former auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our former 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 current auditor, ARK Pro CPA & CO, as well as our former auditor, Centurion ZD CPA & Co, the independent registered public accounting firms that issue the audit reports included elsewhere in this annual report, as auditors of companies that are traded publicly in the United States and firms registered with the PCAOB, are currently subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess their compliance with the applicable professional standards. Both our current and former auditors are 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 until 2022. 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 firms' 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 were not identified as a Commission-Identified Issuer after we filed on April 15, 2023 the annual report on Form 10-K for the fiscal year ended December 31, 2022 and 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, 2023.

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. Nevertheless, the Chinese government has been actively promoting exports and adopting customs policies in line with those of major global economies. In recent years, despite potentially rapid changes, domestic rules and regulations in China have significantly supported the development of the clean energy industry. However, in the event of significant geopolitical conflicts, the Chinese government may adjust its export promotion policies to restrict the sale of certain products to specific regions.

All of our operations are conducted in the PRC, while a portion of our products are sold to Europe, the US, India, Southeast Asian countries, and other regions. 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. However, the PRC government has actively encouraged foreign capital to invest in China and has an open mindset welcoming a free-market economy in areas unrelated to military and national security.

The Chinese government in recent years 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 with-in 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 ‘sub-stance over form’ in order to identify and argue whether the issuer should complete a filing under the Trial Measures. Sub-sequent 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 require 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, although effectively replaced by the Trial Measures and its supporting guidelines, remain in draft form. The 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 a working capital deficiency, 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, 2023. 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, 2023. We generated revenues of \$204.44 million and \$248.73 million for the fiscal years ended December 31, 2023 and 2022, 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 42% of our sales in 2023. 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 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 (representing 72.99% of paid-up capital) as of December 31, 2023, as a result of Hitrans's subsequent equity financings and our transfer of some of our equity interests in Hitrans). In addition, as of December 31, 2023, we had paid all registered capital of Hitrans that we had subscribed for. 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. 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. Our inability to take advantage of growth opportunities or address risks associated with this acquisition and investment may negatively affect our operating results.

Additionally, we have recognized impairment losses for long-lived assets of \$7.1 million and \$4.8 million for the years ended December 31, 2023 and 2022, respectively. Such impairment charges represented the excess of carrying amounts of long-lived assets over the estimated fair value of the production facilities in Hitrans for the production of materials used in manufacturing of lithium batteries. In addition, we recognized impairment losses for goodwill of \$1.6 million for the year ended December 31, 2022 due to the underperformance of the Hitrans segment. Any additional impairment of goodwill or other intangible assets acquired in connection with Hitrans's acquisition or in another 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.

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.

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.

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. According to this agreement, we intended to develop certain lithium battery projects which are expected to have a total production capacity of 20 GWh per year with support from Gaochun EDZ. See also “Item 1. Business—Expansion of Manufacturing Capabilities” for additional information on our cooperation with Gaochun EDZ. We have put into operation two production lines of model 32140 large-sized cylindrical “tabless” batteries with a production capacity of 2 GWh per year. Model 32140 batteries can be used in light electric vehicles, electric vehicles, electric tools and energy storage. We also announced in June 2023 that we had succeeded in mass-producing Model 32140 sodium-ion cylindrical batteries, making us one of only a few companies in the world that have the capacity to mass produce sodium-ion batteries. We are also in the process of developing larger-sized cylindrical batteries including Model 40140 and Model 46120.

In addition, as of December 31, 2023, we have been gradually phasing out our light electric vehicle business. In 2020, we ventured into developing 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. However, the development of this new line of business was not successful due to the competitive landscape and evolving market preferences. Consequently, Nanjing BFD has shifted away from the development and manufacture of electric bicycles, motorcycles and automotive spare parts and pivoted towards the manufacture of sodium-ion batteries since 2023. Jiangsu Daxin, a subsidiary wholly-owned by Nanjing BFD, incorporated on August 4, 2021 and focused on the development and manufacture of electric bicycle, motorcycle and automotive spare parts, was dissolved on December 22, 2023.

We cannot provide assurance that market acceptance of our new products will occur due to the highly competitive nature of the business, or our future business ventures will not fail. The Company has operated and competed in industries 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 337 R&D staffers and over 8,254 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.

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 \$12.4 million and \$31.1 million for the years ended December 31, 2022 and 2023, 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 and companies engaged in the development of batteries incorporating new technologies. Other manufacturers of high-power lithium batteries currently include Gotion Hi-tech, EVE Battery, Shandong Goldencell, EVPS and Power Long Battery.

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, cylindrical 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 59.2% and 69.5% of our revenues for the years ended December 31, 2023 and 2022, 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 prominent 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 other suppliers for certain battery models that we do not produce. If our business relationship with these suppliers changes negatively or their financial condition deteriorates, or their operating environment changes, our business may be harmed in many ways. 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 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 residential energy supply and 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 residential energy supply and 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 residential energy supply & 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 \$2.8 million revenues from electric vehicle customers in 2023. In 2023, our sales of cathode materials and precursors reached \$71.4 million. However, we cannot guarantee that the market demand for the cathode materials and precursors will not decline.

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.

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 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 are discussing with multiple insurance service providers aiming to secure comprehensive insurance coverage for the remaining properties. 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, our subsidiary, Hitrans, maintains property insurance coverage against certain property and inventory damages and losses.

However, such insurance may not adequately compensate us 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 our continuing operations. If damages or losses exceed the insurance coverage, we may not be able to return to operation for an extended period of time, potentially even threatening our 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 experienced significant increases in the costs of nickel and cobalt in 2022, as a result of the Ukrainian-Russian conflict, as well as in the cost of lithium carbonate due to large market demand and supply imbalance from 2021 to 2022. Although we are not dependent on single suppliers for the supply of any 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 rely significantly on technology and systems to support our production, supply chain, payments, financial reporting and other key aspects of our business. Any failure, inadequacy, interruption or security failure of those systems could have a material adverse effect on our business, reputation and brand, financial condition, and results of operations.

The satisfactory performance, reliability and availability of our technology systems are critical to our business. A failure or malfunction of our information technology system can result in substantial losses, damage and harm to our business, operations or brand. To manage our operations and personnel, we will need to continue to improve and expand our operational and financial systems, transaction processing and internal controls and business processes; in doing so, we could encounter transitional issues and incur substantial additional expenses. The failure of our information systems to operate effectively, problems with transitioning to upgraded or replacement systems or expanding them, or a breach in security of these systems, could materially adversely affect the promptness and accuracy of our manufacturing process, products delivery, transaction processing, financial accounting and reporting, the efficiency of our operations and our ability to properly forecast earnings and cash requirements. We could be required to make significant additional expenditures to remediate any such failure, problem or breach. Any such events could have a material adverse effect on our business, financial condition, and results of operations.

Further, we house a portion of our systems offsite at third-party data centers. Our data centers may be subject to cyber-attacks or other technology-related incidents, and also break-ins, sabotage and intentional acts of vandalism that could cause disruptions in our ability to serve our customers and protect data. Some of our systems are not fully redundant, and our disaster recovery planning cannot account for all eventualities. The occurrence of a natural disaster, intentional sabotage or other anticipated problems could result in lengthy interruptions to our operations. Any errors or vulnerability in our systems or damage to or failure of our systems, or a third-party data center hosting our data, could result in interruptions in our operations and could have a material adverse effect on our business, financial condition, and results of operations.

In addition, we may now and in the future implement new systems to increase efficiency and profitability. We may encounter transitional issues and incur substantial additional expenses in connection with any implementation or change to existing processes, any of which could have a material adverse effect on our business, financial condition, and results of operations.

System security risk issues, and disruption of our internal operations or information technology systems, could have a material adverse effect on our business, financial condition, and results of operations.

External parties, such as experienced computer programmers and hackers, or even internal users (including both employees and non-employees with authorized access), may be able to penetrate or create systems disruptions or cause shutdowns of our networks, systems and applications or those of third-party vendors. We collect and store identifiable information about our employees, customers and others, and sometimes rely upon third-party service providers to maintain or process data on our behalf and to provide security for the information in their possession. Such compromise of such information could subject us to governmental investigations and/or enforcement actions, fines and penalties, litigation, claims and other liabilities, and harm our reputation, which could have a material adverse effect on our business, financial condition and results of operations. Moreover, we could incur significant expenses or disruptions of our operations in connection with system failures, timeliness of applying updates to vulnerable systems or other factors within or beyond our control. Such failures or breaches in our information systems could also result in the disclosure, misappropriation or misuse of or unauthorized access to our confidential, proprietary, or personal information, disruption of our operations or damage to our networks and systems. An increasing number of companies have recently disclosed breaches of their security, some of which have involved increasingly sophisticated and highly targeted attacks on portions of their sites.

Although we take steps to protect our networks, systems, applications and data, we or our service providers may be unable to anticipate, defend against, or timely identify and respond to such activity, including but not limited to hacking, malware, viruses, social engineering (such as phishing or other scams), extortion, account takeover attacks, denial or degradation of service attacks, supply chain attacks, computer and network vulnerabilities or the negligence and malfeasance of individuals with authorized access to our data. In addition, sophisticated hardware and operating system software and applications that we buy or license from third parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the security and operation of the systems. The costs to us to eliminate or alleviate security problems, viruses and bugs, or any problems associated with the outsourced services provided to us, could be significant, and efforts to address these problems could result in interruptions, delays or cessation of service that may impede our production, supply chain, sales, financial reporting or other critical functions and have a material adverse effect on our business, financial condition and results of operations.

In addition, the Chinese government and governments in other jurisdictions have enacted laws or regulations that require companies to notify individuals about certain types of security incidents or breaches, and any such disclosures may lead to negative publicity. It is also possible that security breaches affecting our competitors or others in our industry could also result in negative publicity that indirectly harms our reputation. Increasing public, industry, and governmental focus on privacy and data security may continue to lead to additional guidance or legislative and regulatory action. As a result, we may have to modify our business systems and practices with the goal of further improving data security, which could result in reduced net revenue, increased expenditures and operating complexity. Any compromise of our security or security breach could result in a violation of applicable privacy and other laws, significant legal and financial exposure or damage to our reputation, which could have a material adverse effect on our business, financial condition, and results of operations.

We currently do not carry insurance to cover any potential claims or expenses related to security breaches that affect us. In addition, we cannot assure investors that the limitations on liability in our contracts would be enforceable or adequate or would otherwise protect us from any such liabilities with respect to any particular claim. Any imposition of liability that is not covered by insurance would increase our operating expenses and reduce our net income, if any, or increase our net loss.

The use of technology based on artificial intelligence presents risks relating to confidentiality, creation of inaccurate and flawed outputs and emerging regulatory risk, any or all of which may adversely affect our business and results of operations.

As with many technological innovations, artificial intelligence (“AI”) presents great promise but also risks and challenges that could adversely affect our business. Sensitive, proprietary, or confidential information of the Company and employees, could be leaked, disclosed, or revealed as a result of or in connection with the use of generative AI technologies by our employees or vendors. Any such information input into a third-party generative AI or machine learning platform could be revealed to others, including if information is used to train the third party’s generative AI or machine learning models. Additionally, where a generative AI or machine learning model ingests personal information and makes connections using such data, those technologies may reveal other sensitive, proprietary, or confidential information generated by the model. Moreover, generative AI or machine learning models may create incomplete, inaccurate, or otherwise flawed outputs, some of which may appear correct. Due to these issues, these models could lead us to make flawed decisions that could result in adverse consequences to us, including exposure to reputational and competitive harm, customer loss, and legal liability. In addition, uncertainty in the legal regulatory regime relating to AI may require significant resources to modify and maintain business practices to comply with applicable law, the nature of which cannot be determined at this time. Several jurisdictions have already proposed or enacted laws governing AI. These obligations may prevent or limit our ability to use AI in our business, lead to regulatory fines or penalties, or require us to change our business practices. If we cannot use AI, or that use is restricted, our business may be less efficient, or we may be at a competitive disadvantage. Any of these factors could 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, 2023 and 2022, we derived 42% and 20%, 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 Chief Financial Officer, Mr. Jiewei Li. 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.

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.

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 and our independent public accounting firm identified material weaknesses in our internal control over financial reporting as of December 31, 2023. If we fail to remediate the material weaknesses, 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. A report of our management is included under Item 9A of this annual report. In addition, as we became an "accelerated filer" in 2023, our independent registered public accounting firm is required to attest to and report on the effectiveness of our internal control over financial reporting. Our management has identified the following material weaknesses in our internal control over financial reporting: (i) we did not have appropriate policies and procedures in place to evaluate the proper accounting and disclosures of key documents and agreements, and (ii) 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. 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 the material weaknesses. 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 weaknesses 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 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 September 27, 2023, 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 January 8, 2024.

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.

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.

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. As of December 31, 2023, the warrants to purchase 3,795,920 shares of common stock at an exercise price of \$6.46 per share, and the warrants to purchase 379,592 shares of common stock at an exercise price of \$6.475 per share, all issued in December 2020, had expired.

Our directors and executive officers, collectively, own approximately 12.89% 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 12.89% of outstanding common stock of CBAK Energy Technology, Inc. as of December 31, 2023. 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

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.

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 1C. CYBERSECURITY

We have taken a multifaceted approach to addressing cybersecurity risks, including leadership from our senior management and Board of Directors, direct supervision and operational execution from our information technology (“IT”) department and active involvement of employees. The Company’s senior management devotes significant resources to cybersecurity and risk management processes to adapt to the changing cybersecurity landscape and respond to emerging threats. We periodically assess the threat landscape and take a holistic view of cybersecurity risks, with a layered cybersecurity strategy based on prevention, detection and mitigation. Our IT team reviews cybersecurity risks, and we have a set of Company-wide policies and procedures concerning cybersecurity matters, including policies related to encryption standards, remote access, multi factor authentication, confidential information, the use of the internet, social media, email and wireless devices and incident response.

The Company’s Chief Executive Officer, an engineering expert with over eight years of experience in leading our company, is responsible for developing and implementing our information security measures and overseeing our IT department. The Company has established a physical firewall, with physical gateways that filter suspicious files and data flows entering and exiting our Company’s network. In addition, the computers in our R&D department are equipped with behavior control software, which makes emails and files sent from the R&D computers in an encrypted state and inaccessible without specific authorization from designated supervisors.

The Company’s IT department is directly responsible for cybersecurity matters and routinely reports to the senior management. In the event of a cybersecurity incident, the IT department will initially report to the Company’s senior management, including our Chief Executive Officer. If the incident is assessed as a material threat or incident to our information systems, our senior management will escalate the issue to the Board of Directors. Given that our core operations are in manufacturing and involve limited network-related activities, we believe that our existing cybersecurity measures are adequate. The Company’s Board of Directors and senior management are committed to continuously evaluating and upgrading our cybersecurity prevention, detection, and mitigation strategies in line with the evolution of our business needs and cybersecurity risks.

In the fiscal year ended December 31, 2023, we did not identify any cybersecurity threats that have materially affected or are reasonably likely to materially affect our business strategy, results of operations or financial condition. However, despite our efforts, we cannot eliminate all risks from cybersecurity threats, or provide assurances that we have not experienced undetected cybersecurity incidents. For additional information about these risks, see “Risks Related to Our Business—We rely significantly on technology and systems to support our production, supply chain, payments, financial reporting and other key aspects of our business. Any failure, inadequacy, interruption or security failure of those systems could have a material adverse effect on our business, reputation and brand, financial condition, and results of operations” and “Risks Related to Our Business—System security risk issues, and disruption of our internal operations or information technology systems, could have a material adverse effect on our business, financial condition, and results of operations” in Item 1A-Risk Factors.

ITEM 2. PROPERTIES.

We have completed the construction of the facilities in our Dalian site with a total area of 72,809 square meters comprising manufacturing facilities, warehousing and packaging facilities and administrative offices at the BAK Industrial Park in Dalian. Of that space, approximately 35,355 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 27,141 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 13,772 square meters. Of that space, approximately 10,660 square meters are manufacturing facilities.

In July 2023, we secured a rental agreement for a facility in Shangqiu, Henan, PRC, spanning an area of 22,000 square meters. This space includes 12,000 square meters allocated for production purposes, specifically aimed at expanding our capacity to manufacture model 26700 cells. This strategic move is in response to the escalating demand for our battery products. Additionally, Nanjing BFD has leased a property covering 548 square meters.

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 tables sets forth the breakdown of our facilities as of December 31, 2023 based on use.

Facility	Usage	Area (m ²)
Constructions completed – facilities owned	Manufacturing	46,016
	R&D and administrative	9,745
	Warehousing	29,018
	Other facilities	1,803
	Total	86,582
Constructions–completed - facilities rented	Manufacturing	31,743
	Warehousing	9,674
	Administrative	8,272
	Total	49,689

The following table presents the total acreage of facilities controlled by each of our major operating subsidiaries as of December 31, 2023:

	Total	Area (m ²)
Dalian CBAK Power facilities site area	Total	72,810
Nanjing CBAK facility site area	Total	27,141
Nanjing BFD facilities site area	Total	548
Hitrans facilities site area	Total	13,772

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 machinery, equipment and buildings located at our owned facilities. We are discussing with multiple insurance service providers aiming to secure comprehensive insurance coverage for the remaining properties. In addition, our subsidiary, Hitrans, maintains property insurance coverage against certain property and inventory damages and losses. 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 28 (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 March 14, 2024, there were approximately 54 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.

Recent Sales of Unregistered Securities

There were no unregistered sales of equity securities during the 2023 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 2023 fiscal year.

Purchases of Equity Securities

No repurchases of our common stock were made during the fiscal year of 2023.

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 and sodium 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, electric tricycles and smaller-sized electric cars; and
- Energy storage including but not limited to residential energy supply & uninterruptible power supply application, and other high-power applications.

In 2023, we experienced higher demand for our model 26650 lithium-ion batteries than our Dalian facilities could supply. To address this demand, we increased our capacity at both our Dalian manufacturing center and the Phase I project in Nanjing by adding new production lines. Currently, we have three production lines in our Dalian manufacturing center, with a total capacity of 2 GWh per year. In Nanjing, our Phase I project has two production lines, capable of producing 2 GWh per year (or 1.7 GWh if one line is used exclusively for sodium battery manufacturing). Additionally, we have two production lines in our Shangqiu manufacturing center, which we have rented to meet the high client demand, with a total capacity of 0.5 GWh per year.

We generated revenues from the manufacture and sale of high-power lithium and sodium batteries as well as raw materials for lithium batteries in the aggregate amounts of \$204.4 million and \$248.7 million for the fiscal years ended December 31, 2023 and 2022, respectively. We incurred a net loss of \$8.5 million and \$11.3 million during the fiscal years ended December 31, 2023 and 2022, respectively. New revenues derived 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 batteries used in residential energy supply and UPS and light-electric-vehicle related products, contributed to the total increase in net revenues. For more details, see "*Item 1. Business—Overview of Our Business.*" Specifically, total net revenue from sales of batteries for residential energy supply and uninterruptible supplies was \$124.5 million for the fiscal year ended December 31, 2023, as compared to \$83.6 million for fiscal year ended December 31, 2022, an increase of \$40.9 million, or 49%. Net revenue from sales of cathode materials and precursors was \$71.4 million for the fiscal year ended December 31, 2023, as compared to \$154.0 million for fiscal year ended December 31, 2022. In addition, net revenues from sales of batteries for light electric vehicles was \$5.6 million for the fiscal year ended December 31, 2023, as compared to \$6.4 million for fiscal year ended December 31, 2022, a decrease of \$0.1 million, or 13%. 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 began commercial production in July 2015. We have successfully integrated most of BAK Tianjin's operating assets into our Dalian facilities. This includes machinery and equipment for battery and battery pack production, customers, management team, technical staff, as well as patents and technologies. In 2020, we initiated the construction of our Nanjing facilities, planned in two phases. The Phase I commenced operations in the second half of 2021, covering an area of approximately 27,173 square meters. Since then, we have been steadily increasing its production capacity to 2GWh. Construction of the Phase II began in 2022 and includes three major manufacturing plants. The construction of the ceiling stage for the first of these three plants in Phase II was completed in 2023, and we anticipate it will commence operations in the last quarter of 2024. Once fully operational with these three new plants, the Nanjing facilities are expected to provide a total capacity of 20 GWh, supporting the growing demand from our customers. In 2023, our client demand for batteries soared, prompting us to rent additional manufacturing space in Shangqiu, Henan, PRC. Our Shangqiu facility has a capacity of 0.5 GWh per year. We have two production lines at this leased facility, and the renovation costs were covered by the owner. Additionally, subject to meeting certain criteria, the rental expenses can be offset by the taxes incurred. In addition to our construction efforts, we have also invested in machinery and equipment to expand our production capacity. Thanks to the booming demand from our clients, our battery segment has successfully returned to profitability in 2023. We are confident that our battery segment will continue to improve its profitability as we move forward.

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, 2023, our equity interests in Hitrans had reduced to 67.33% (representing 72.99% of paid-up capital) after Hitrans accepted 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 each was recognized as a “High and New Technology Enterprise” and enjoyed a preferential tax rate of 15% from 2021 to 2024. CBAK Nanjing obtained “High and New Technology Enterprise” certificate in late 2023 can enjoy a preferential tax rate of 15% for three years starting from 2023. Our Hong Kong subsidiaries, BAK Asia, BAK Investment and Nacell Holdings, 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, BAK Investment and Nacell Holdings had not paid any such tax.

Results of Operations

Comparison of Years Ended December 31, 2022 and 2023

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)

	Year Ended December 31,		Change	
	2022	2023	\$	%
Net revenues	\$ 248,725	\$ 204,438	(44,287)	-18%
Cost of revenues	(230,630)	(172,714)	57,916	-25%
Gross profit	18,095	31,724	13,629	75%
Operating expenses:				
Research and development expenses	(10,635)	(11,928)	(1,293)	12%
Sales and marketing expenses	(2,008)	(4,904)	(2,896)	144%
General and administrative expenses	(9,738)	(13,789)	(4,051)	42%
Impairment charge on property, plant and equipment	(4,832)	(7,070)	(2,238)	46%
Impairment charge on goodwill	(1,556)	-	1,556	-100%
Provision of expected credit losses	(831)	(1,285)	(454)	55%
Total operating expenses	(29,600)	(38,976)	(9,376)	32%
Operating loss	(11,505)	(7,252)	4,253	-37%
Finance income, net	491	433	(58)	-12%
Impairment charges on equity investee	-	(2,366)	(2,366)	n/a
Share of loss of equity investee	-	(27)	(27)	n/a
Other expense, net	(7,252)	3,023	10,275	-142%
Change in fair value of warrants liability	5,710	136	(5,574)	-98%
Loss before income tax	(12,556)	(6,053)	6,503	-52%
Income tax credit (expense)	1,228	(2,486)	(3,714)	-302%
Net loss	(11,328)	(8,539)	2,789	-25%
Less: Net loss attributable to non-controlling interests	1,879	6,090	4,211	224%
Net loss attributable to shareholders of CBAK Energy Technology, Inc.	\$ (9,449)	(2,449)	7,000	-74%

Net revenues. Net revenues were \$204.4 million for the fiscal year ended December 31, 2023, as compared to \$248.7 million for the fiscal year ended December 31, 2022, a decrease of \$44.3 million, or 18%.

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, 2022	December 31, 2023	\$	%
High-power lithium batteries used in:				
Electric vehicles	\$ 4,695	\$ 2,883	(1,812)	-39%
Light electric vehicles	6,415	5,607	(808)	-13%
Residential Energy Supply & Uninterruptable supplies	83,603	124,503	40,900	49%
Trading of Raw materials used in lithium batteries	2	-	(2)	-100%
	94,715	132,993	38,278	40%
Materials used in manufacturing of lithium batteries				
Cathode	75,331	39,846	(35,485)	-47%
Precursor	78,679	31,599	(47,080)	-60%
	154,010	71,445	(82,565)	-54%
Total	\$ 248,725	\$ 204,438	(44,287)	-18%

Net revenues from sales of batteries for electric vehicles were \$2.9 million for the fiscal year ended December 31, 2023, as compared to \$4.7 million for 2022, a decrease of 39%. The market for batteries used in electric vehicles has become highly competitive in 2023, with key players consistently reducing sales prices. Consequently, we have scaled back our marketing efforts in this sector and plan to reassess our strategy once the price level recovers.

Net revenues from sales of batteries for light electric vehicles was approximately \$5.6 million for the fiscal year ended December 31, 2023, as compared \$6.4 million for 2022, representing a decrease of \$0.8 million, or 13%. Similarly, the domestic market for batteries used in light electric vehicles has become extremely competitive. We have reduced our marketing efforts in the Chinese market and instead begun seeking collaboration with light electric vehicle manufacturers in international markets, including India. We believe that our sales campaign in the international market will contribute to a rebound in our sales volume in this sector in the near future.

Net revenues from sales of batteries for residential energy supply & uninterruptable supplies was \$124.5 million for the fiscal year ended December 31, 2023, as compared to \$83.6 million for fiscal year ended December 31, 2022, an increase of \$40.9 million, or 49%. The increase in sales of batteries for residential energy supply & uninterruptable supplies in 2023 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 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 was nil for the fiscal year ended December 31, 2023, as compared with \$2,172 in the same period in 2022.

Net revenues from sales of materials for use in manufacturing of lithium battery cells were \$71.4 million for the fiscal year ended December 31, 2023, as compared to \$154.0 million for 2022. This primarily resulted from a rapid decrease in raw material prices during 2023, which led to significant downward pressure on the pricing of our battery material products.

Cost of revenues. Cost of revenues decreased to \$172.7 million for the fiscal year ended December 31, 2023, as compared to \$230.6 million for 2022, a decrease of \$57.9 million, or 25.1%. The decrease in cost of revenues was in line with the decrease of net revenues.

Gross profit. Gross profit for the year ended December 31, 2023 was \$31.7 million, or 15.5% of net revenues as compared to gross profit of \$18.1 million, or 7.3% of net revenues, for the fiscal year ended December 31, 2022. Gross profit margin significantly increased largely due to our ability to sell our battery products at a relatively higher price to certain customers.

Research and development expenses. Research and development expenses increased to \$11.9 million for the year ended December 31, 2023, as compared to \$10.6 million for 2022, an increase of \$1.3 million, or 12.2%. The increase primarily resulted from salaries and social insurance expenses due to a growing number of employees at Nanjing CBAK and Hitrans and compensation expenses incurred for restricted share units and options granted to our employees on April 11, 2023 and August 22, 2023. We incurred \$5.8 million in salaries and social insurance cost (including share-based compensation) for the year ended December 31, 2023 compared to \$4.7 million for the year ended December 31, 2022.

Sales and marketing expenses. Sales and marketing expenses increased to \$4.9 million for the year ended December 31, 2023, as compared to \$2.0 million for 2022, an increase of \$2.9 million, or 144.2%. As a percentage of revenues, sales and marketing expenses were 2.4% and 0.8% of revenues for the years ended December 31, 2023 and 2022, respectively. We have expanded our marketing effort since the beginning of 2023 after the lift of travel restrictions and quarantine requirements, including hosting the Company's inaugural corporate open day on June 28, 2023.

General and administrative expenses. General and administrative expenses increased to \$13.8 million for the year ended December 31, 2023, as compared to \$9.7 million for 2022, an increase of \$4.1 million, or 41.6%. The increase primarily resulted from salaries and social insurance expenses due to a growing number of employees at Nanjing CBAK and Hitrans and compensation expenses incurred for restricted share units and options granted to our employees on April 11, 2023 and August 22, 2023. We incurred \$6.9 million in salaries and social insurance cost (including share-based compensation) for the year ended December 31, 2023 compared to \$4.9 million for the year ended December 31, 2022. With the expansion of Nanjing CBAK, our operating expenses and consultancy expenses increased by \$1.2 million to \$4.3 million for the year ended December 31, 2023 compared to \$3.1 million for the year ended December 31, 2022.

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 \$7.1 million and \$4.8 million for the years ended December 31, 2023 and 2022, 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.

Provision for expected credit losses. Provision for expected credit losses was \$1.3 million for the year ended December 31, 2023, as compared to \$0.8 million for 2022. 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 \$7.3 million for the year ended December 31, 2023, as compared to \$11.5 million for 2022, a decrease of \$4.3 million or 37.0%.

Finance income, net. Finance income, net was \$0.5 million for both the years ended December 31, 2023 and 2022.

Other income (expenses), net. Other income was \$3.0 million for the year ended December 31, 2023, as compared to other expenses of approximately \$7.3 million for 2022. For the year ended December 31, 2023, we have generated services income and materials sales compared to written off our long-lived assets for \$7.4 million for the year ended December 31, 2022.

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 expenses was \$2.5 million for the year ended December 31, 2023, compared to an income tax credit of \$1.2 million for the years ended December 31, 2022. The increase in the income tax expenses was primarily due to the "full valuation allowance" of the deferred tax assets.

Net loss. As a result of the foregoing, we had a net loss of \$8.5 million and \$11.3 million for the year ended December 31, 2023 and 2022, respectively.

Liquidity and Capital Resources

We have financed our liquidity requirements from a variety of sources, including 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 \$8.5 million in the fiscal year ended December 31, 2023. As of December 31, 2023, we had cash and cash equivalents and restricted cash of \$58.8 million. Our total current assets were \$128.4 million and our total current liabilities were \$160.5 million, resulting in a net working capital deficit of \$32.1 million.

Lending from Financial Institutions

On November 16, 2021, we obtained banking facilities from Shaoxing Branch of Bank of Communications Co., Ltd with a maximum amount of RMB120.1 million (approximately \$16.6 million) with the term from November 18, 2021 to November 18, 2026. The facility was secured by our land use rights and buildings. Under the facility, we have borrowed RMB59.0 million (approximately \$8.5 million) as of December 31, 2022.

In January 2023, we renewed the banking facilities with Shaoxing Branch of Bank of Communications Co., Ltd with a maximum amount of RMB160.0 million (approximately \$22.1 million) with the term from January 2023 to December 2027. The facility was secured by our land use rights and buildings. Under the facility, we have borrowed RMB142.8 million (approximately \$20.1 million) as of December 31, 2023, bearing interest at 3.55% to 3.65% per annum expiring through February to May 2024.

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 \$11.6 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 \$1.4 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 our cash totaling RMB10 million (approximately \$1.4 million). We repaid the bills in January to February 2022.

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 (\$9.9 million) with other terms remain the same. Under the facilities, as of December 31, 2022 and 2023, we borrowed a total of RMB15.9 million (approximately \$2.3 million) and RMB45.4 million (approximately \$6.4 million), respectively, in the form of bills payable for various terms expiring from January 2024 to May 2024, which was secured by our cash totaling RMB15.9 million (approximately \$2.3 million) and RMB45.4 million (approximately \$6.4 million), respectively.

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 our 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 January 20, 2022 for a term until January 16, 2023. We repaid RMB10 million (approximately \$1.4 million) early on January 5, 2023. On January 6, 2023, we borrowed a one-year term loan 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 remain the same.

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 our 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. The Company repaid RMB10 million (approximately \$1.4 million) on January 16, 2023. On January 17, 2023, we borrowed 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 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 our CEO, Mr. Yunfei Li. We borrowed RMB10 million (approximately \$1.4 million) on the same date. On May 17, 2022, we repaid the loan principal and related loan interests early.

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 facility was guaranteed by the Company's CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan. Under the facility, we borrowed RMB10 million (approximately \$1.5 million) on April 29, 2022, bearing interest at 3.95% per annum for a term until April 29, 2023. We repaid RMB10 million (approximately \$1.4 million) on April 19, 2023. On April 20, 2023, we borrowed another one-year loan of RMB10 million (approximately \$1.4 million) bearing interest at 102.5% of benchmark rate of PBOC for short-term loans, which is 3.90% per annum for a term until April 19, 2024.

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. On November 10, 2022, we repaid the loan principal and the related loan interests early.

On September 25, 2022, we 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 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. We repaid the loan on September 24, 2023.

We entered into another one-year term facility with Jiangsu Gaochun Rural Commercial Bank with a maximum amount of RMB9 million (approximately \$1.2 million) bearing interest rate at 4.6% per annum for a period from September 27, 2023 to August 31, 2024. 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. We borrowed RMB9 million (approximately \$1.3 million) on September 27, 2023 for a term until September August 31, 2024.

On November 8, 2022, we 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. We borrowed RMB10 million (approximately \$1.4 million) on the same date. We has repaid RMB5 million (approximately \$0.7 million), RMB0.2 million (approximately \$0.1 million) and RMB4.8, million (approximately \$0.7 million) on November 16, 2022, December 27, 2022 and August 9, 2023, respectively. We 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. We entered into another loan agreement with China CITIC Bank Shaoxing Branch for a short-term loan of RMB4.8 million (approximately \$0.7 million) from August 10, 2023 to May 2, 2024, bearing interest rate at 4.3% per annum.

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, 2023 for settlement of Hitrans purchase. We utilized RMB1.5 million (approximately \$0.2 million) letter of credit at an interest rate of 2.7% for a period of one year to January 5, 2023.

On January 7, 2023, we obtained a two-year term facility from Postal Savings Bank of China, Nanjing Gaochun 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 our 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 repaid the above early on June 15, 2023. On June 27, 2023, we entered into another loan agreement for one year from June 27, 2023 to June 26, 2024 under the two-year term facility for a maximum loan amount of RMB10 million (approximately \$1.4 million) bearing interest rate at 3.65 % pr annum. The Company borrowed RMB10 million (approximately \$1.4 million) on the same date. The loan was guaranteed by our CEO, Mr. Yunfei Li, Mr. Yunfei Li's wife Ms. Qinghui Yuan and CBAK New Energy (Nanjing) Co., Ltd.

On March 29, 2023, we and Bank of China Limited entered into a short-term loan agreement for one year from March 29, 2023 to March 28, 2024 for a maximum loan amount to RMB5 million (approximately \$0.7 million) bearing interest rate at 3.65% per annum. We borrowed RMB5 million (approximately \$0.7 million) on the same date. The loan was secured by our buildings in Dalian.

On April 19, 2023, we and Bank of Nanjing Gaochun Branch entered into a short-term loan agreement for one year from April 10, 2023 to April 9, 2024 for RMB10 million (approximately \$1.4 million) bearing interest rate at 3.7% per annum. We borrowed RMB10 million (approximately \$1.4 million) on April 23, 2023. The loan was guaranteed by our CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan.

On June 9, 2023, we and China Zheshang Bank Co., Ltd Shangyu Branch entered into a short-term loan agreement for one year from June 9, 2023 to June 7, 2024 for a maximum loan amount to RMB4 million (approximately \$0.6 million) bearing interest rate at 4.55% per annum. We borrowed RMB4 million (approximately \$0.6 million) on the same date. We early repaid the loan principal and related loan interests on December 22, 2023.

On July 31, 2023, we obtained a three-year term facility from Bank of China Gaochun Branch, with a maximum amount of RMB10 million (approximately \$1.4 million) with the term from July 31, 2023 to July 30, 2026. The facility was 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 July 31, 2023, bearing interest rate at 3.15% per annum.

On August 3, 2023, we and Bank of China entered into a short term loan agreement for one year from August 3, 2023 to August 2, 2024 for a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest rate at 3.55% per annum. We borrowed RMB10 million (approximately \$1.4 million) on September 27, 2023. The loan was secured by our buildings in Dalian.

We borrowed a series of acceptance bills from Agricultural Bank of China totaling RMB4.6 million (approximately \$0.7 million) for various terms expiring in April 2024, which was secured by our cash totaling RMB4.6 million (approximately \$0.7 million).

We borrowed a series of acceptance bills from China Zheshang Bank Co. Ltd Shenyang Branch totaling RMB174.0 million (approximately \$24.5 million) for various terms expiring through January to June 2024, which was secured by our cash totaling RMB174 million (approximately \$24.5 million).

We borrowed a series of acceptance bills from China Zheshang Bank Co. Ltd Shangyu Branch totaling RMB109.9 million (approximately \$15.5 million) for various terms expiring through January to June 2024, which was secured by our cash totaling RMB106.3 million (approximately \$15.0 million) (Note 3) and the Company's bills receivable totaling RMB2 million (approximately \$0.3 million).

We borrowed a series of acceptance bills from China Merchants Bank Dalian Branch totaling RMB9.3 million (approximately \$1.3 million) for various terms through June 2024, which was secured by our cash totaling RMB9.3 million (approximately \$1.3 million).

We borrowed a series of acceptance bills from Bank of China Limited totaling RMB4.9 million (approximately \$0.7 million) for various terms through January 2024, which was secured by our cash totaling RMB4.9 million (approximately \$0.7 million).

We borrowed a series of acceptance bills from Jiangsu Gaochun Rural Commercial Bank totaling RMB30.6 million (approximately \$4.3 million) for various terms expiring through March to April 2024, which was secured by our cash totaling RMB30.6 million (approximately \$4.3 million).

We borrowed a series of acceptance bills from China CITIC Bank totaling RMB0.4 million (approximately \$0.1 million) for various terms expiring through March 2024, which was secured by our cash totaling RMB0.6 million (approximately \$0.1 million).

We borrowed a series of acceptance bills from Bank of Ningbo Shaoxing Shangyu Branch totaling RMB6.7 million (approximately \$0.9 million) for various terms expiring through May 2024, which was secured by our cash totaling RMB6.7 million (approximately \$0.9 million).

As of December 31, 2023, we had unutilized committed banking facilities of \$2.8 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 in the past:

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 (collectively, the “2020 Warrants”), 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 investors to exercise the Series B warrants, which, along with the Series A-2 warrants, had expired. As of December 31, 2023, we had not received any notices from investors to exercise the 2020 Warrants, which had also expired.

We currently are expanding our product lines and manufacturing capacity in our Dalian and Nanjing facilities, 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, 2022	December 31, 2023
Net cash provided by operating activities	\$ 15,115	\$ 46,507
Net cash used in investing activities	(7,928)	(42,310)
Net cash provided by financing activities	5,611	18,615
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(1,797)	(1,345)
Net increase in cash and cash equivalents and restricted cash	11,001	21,467
Cash and cash equivalents and restricted cash at the beginning of the year	26,355	37,356
Cash and cash equivalents and restricted cash at the end of the year	<u>\$ 37,356</u>	<u>\$ 58,823</u>

Operating Activities

Net cash provided by operating activities was \$46.5 million in the year ended December 31, 2023. The net cash provided by operating activities in 2023 was mainly attributable to our net income of \$17.1 million (before loss on disposal of property, plant and equipment, impairment charge of long-lived assets, impairment loss of equity investee and excluding non-cash depreciation and amortization, write-down of inventories, share-based compensation and changes in fair value of warrants liability), increase of trade and bills payable by \$16.8 million, a decrease of inventories of \$11.2 million, a decrease of trade receivable from Shenzhen BAK Battery Co., Ltd. (“Shenzhen BAK”) of \$5.4 million, offset by an increase of trade and bills receivable of \$3.0 million.

Net cash provided by operating activities was \$15.1 million in the year ended December 31, 2022. 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 Shenzhen BAK of \$3.5 million.

Investing Activities

Net cash used in investing activities was \$42.3 million in the fiscal year ended December 31, 2023. The net cash used in investing activities comprised the purchases of property, plant and equipment and construction in progress \$31.1 million, \$4.0 million on investment in equity method investment and \$7.1 million on deposit paid for acquisition of long-term investments.

Net cash used in investing activities was \$7.9 million in the fiscal year ended December 31, 2022. 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.

Financing Activities

Net cash provided by financing activities was \$18.6 million in the fiscal year ended December 31, 2023. The net cash provided by financing activities for the year ended December 31, 2023 mainly comprised \$36.1 million bank borrowings, and \$1.7 million from finance leases, partially offset by repayment of bank borrowings of \$18.0 million and \$0.9 million repayment on finance lease.

Net cash provided by financing activities was \$5.6 million in the fiscal year ended December 31, 2022. The net cash provided by financing activities for the year ended December 31, 2022 mainly comprised \$21.6 million bank borrowings, \$1.5 million from non-controlling interests injections, and \$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.

As of December 31, 2023, 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	\$ 22,547	\$ 20,076
Industrial and Commercial Bank of China Limited	1,691	1,409
Postal Savings Bank of China Nanjing Gaochun Branch	1,409	1,409
	<u>25,647</u>	<u>22,894</u>
Short-term credit facilities:		
China CITIC Bank	705	676
Jiangsu Gaochun Rural Commercial Bank	2,677	2,677
Agricultural Bank of China	1,409	1,409
Bank of Nanjing Gaochun Branch	1,409	1,409
Bank of China Gaochun Branch	1,409	1,409
Bank of China Dalian Jinpu New Area Branch	2,114	2,114
	<u>9,723</u>	<u>9,694</u>
Other lines of credit:		
Agricultural Bank of China	653	653
Jiangsu Gaochun Rural Commercial Bank	4,311	4,311
Bank of Ningbo Nanjing Gaochun Branch	6,404	6,404
Bank of Ningbo Shaoxing Shangyu Branch	941	941
China Zheshang Bank Co., Ltd	15,490	15,490
China Merchants Bank Co., Ltd, Dalian Development Zone Branch	1,315	1,315
Bank of China, Dalian Jinzhou Branch	685	685
Bank of Jilin Co., Ltd	875	875
China Citibank Shaoxing Shangyu Branch	51	51
Zhejiang Commercial Bank Shenyang Branch	24,517	24,517
	<u>55,242</u>	<u>55,242</u>
Total	<u>\$ 90,612</u>	<u>\$ 87,830</u>

Capital Expenditures

We incurred capital expenditures of \$30.7 million and \$12.4 million in the fiscal years ended December 31, 2023 and 2022, respectively. Our capital expenditures in 2023 were primarily allocated to the construction of our Dalian, Nanjing and Zhejiang 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, 2022	December 31, 2023
Purchase of property, plant and equipment and construction in progress	\$ 12,373	\$ 31,141

We estimate that our total capital expenditures in fiscal year 2024 will reach approximately \$30.0 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 and current expected credit losses

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.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments–Credit Losses, which introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments, including, but not limited to, trade and other receivables and net investments in leases. The Company assessed that trade receivable and other current assets are within the scope of ASC 326. The Company has identified the relevant risk characteristics of trade receivables and other current assets which include size, type of the services or the products the Company provides, or a combination of these characteristics, the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses, etc. Other key factors that influence the expected credit loss analysis include industry-specific factors that could impact the credit quality of the Company's receivables. This is assessed at each quarter based on the Company's specific facts and circumstances. All forward looking statements are, by their nature, subject to risks and uncertainties, many of which are beyond the Company's control. Additionally, external data and macroeconomic factors are also considered.

The Company adopted this ASC 326 and several associated ASUs on January 1, 2023 using a modified retrospective approach. As of January 1, 2023, upon the adoption, the expected credit loss provision for the current assets was \$2.3 million. For the year ended December 31, 2023, the Company recorded \$1.0 million in expected credit losses. As of December 31, 2023, the expected credit loss provision recorded in current assets was \$3.2 million.

The Company provides an allowance against trade receivable based on the expected credit loss approach and writes off trade receivables when they are deemed uncollectible. The Company considers the historical write-off experience, customer specific facts and economic conditions in assessing the expected credit losses. Other key factors that influence the expected credit loss analysis include customer demographics, payment terms offered in the normal course of business to customers, and industry-specific factors that could impact the Company's receivables. This is assessed at each quarter based on the Company's specific facts and circumstances.

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

Inventories

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

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

Warranties

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

Government Grants

Our subsidiaries in China receive government subsidies from local Chinese government agencies in accordance with relevant Chinese government policies. In general, we present the government subsidies received as 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 RMB amounts into 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, 2022	December 31, 2023
Balance sheet items, except for equity accounts	6.9091	7.0971
Amounts included in the statement of income and comprehensive loss and statement of cash flows	6.7264	7.0719

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, 2022 AND 2023**

**CBAK ENERGY TECHNOLOGY, INC.
AND SUBSIDIARIES**

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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 sheet of CBAK Energy Technology, Inc. and subsidiaries (the “Company”) as of December 31, 2023 and the related consolidated statements of operations and comprehensive loss, changes in shareholders’ equity and cash flows for the year ended December 31, 2023, 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, 2023, and the consolidated results of its operations and its cash flows for the year ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2024, expressed an adverse opinion on the Company’s internal control over financial reporting because of material weaknesses.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has a working capital deficiency, accumulated deficit from recurring net losses and significant short-term debt obligations maturing in less than one year as of December 31, 2023. 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 PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

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

Going concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has a working capital deficiency, accumulated deficit from recurring net losses and significant short-term debt obligations maturing in less than one year as of December 31, 2023. 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 the effectiveness of controls relating to management’s assessment of the Company’s ability to continue as a going concern, including controls relating to evaluate the appropriateness of management’s process for developing the estimates of forecast operating cash flows; (ii) testing key assumptions underlying management’s forecast operating cash flows, including revenue growth, gross margin and operating expenses assumptions; (iii) evaluating the probability that the Company will be able to access funding from the capital market; (iv) evaluating the probability that the Company will be able to reduce capital expenditures and other operating expenditures if required; and (v) 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, 2023, the Company recorded inventory write-downs of \$3.6 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) testing the effectiveness of controls relating to management’s assessment on inventory write-down process, including controls relating to evaluate the appropriateness of management’s process for developing the estimates of net realizable value; (ii) observing the physical condition of inventories during inventory counts; (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 (f) 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 \$7.1 million for the year ended December 31, 2023.

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) testing the effectiveness of controls relating to management's impairment assessment on of long-lived assets, including controls relating to fair value determination of the long-lived assets; (ii) evaluating the appropriateness of the valuation model, by reviewing the valuation report and the calculation schedules prepared by the management and third party valuation specialists engaged by the Company (iii) 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; (iv) 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; (v) evaluating the competence, capabilities and objectivity of the professionals engaged by the Company; and (vi) 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 allowance for current expected credit losses ("CECL")

As discussed in Note 2 (d) to the consolidated financial statements, the Company adopted ASU No. 2016-13, Financial Instruments-Credit Losses (codified as Accounting Standard Codification Topic 326) and several associated ASUs on January 1, 2023 using a modified retrospective approach. The Company assessed that trade receivable and other current assets are within the scope of ASC 326. The Company has identified the relevant risk characteristics of trade receivables and other current assets which include size, type of the services or the products the Company provides, or a combination of these characteristics, the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses, etc. Other key factors that influence the expected credit loss analysis include industry-specific factors that could impact the credit quality of the Company's receivables. This is assessed at each quarter based on the Company's specific facts and circumstances. All forward looking statements are, by their nature, subject to risks and uncertainties, many of which are beyond the Company's control. Additionally, external data and macroeconomic factors are also considered. As of January 1, 2023, upon the adoption, the expected credit loss provision for the current assets was \$2.3 million. For the year ended December 31, 2023, the Company recorded \$1.3 million in expected credit losses. As of December 31, 2023, the expected credit loss provision recorded in current assets was \$3.5 million.

We identified the assessment of allowances for CECL as a critical audit matter due to the involvement of subjective judgment and management estimates in evaluating the CECL of the current asset items, and the significance to the Company's consolidated financial position.

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 the effectiveness of controls relating to the assessment of allowances for CECL and assessing management's method for developing the allowance for doubtful accounts (credit losses); (ii) evaluating the appropriateness of the valuation model, by reviewing the valuation report and the calculation schedules prepared by the management and third party valuation specialists engaged by the Company; (iii) testing the accuracy of management's basic input in calculating CECL including aging report, historical write-offs and recoveries, on a sample basis; (iv) engaging independent valuation specialist with specialized skills and knowledge, to evaluate the reasonableness of significant assumptions and judgments made by management to estimate the allowance for credit loss, including the Company's assessment on significant factors, and the basis of estimated loss rates applied with reference to historical default rates and forward-looking information; (v) sending confirmations to debtors to confirm the accuracy of the basic information and terms of the loan receivables and other receivable accounts; (vi) evaluating subsequent collections occurring after the balance sheet date; and (vii) evaluating the competence, capabilities and objectivity of the professionals engaged by the Company.

/s/ ARK Pro CPA & Co
ARK Pro CPA & Co

We have served as the Company's auditor since 2023.
Hong Kong, China
March 15, 2024
PCAOB ID: 3299

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting

We have audited CBAK Energy Technology, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, because of the effect of the material weaknesses described below on the achievement of the objectives of the control criteria, CBAK Energy Technology, Inc. and subsidiaries (the "Company") has not maintained effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

A material weakness is a deficiency, or 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. The following material weaknesses have been identified and included in management's assessment:

The Company 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 the financial reporting requirements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2023, the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2023, and the related notes. These material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the 2023 consolidated financial statements, and this report does not affect our report dated March 15, 2024, which expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's 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.

/s/ ARK Pro CPA & Co
ARK Pro CPA & Co

We have served as the Company's auditor since 2023.
Hong Kong, China
March 15, 2024
PCAOB ID: 3299

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 sheet of CBAK Energy Technology, Inc. and subsidiaries (the “Company”) as of December 31, 2022, and the related consolidated statements of operations and comprehensive loss, changes in shareholders’ equity and cash flows for the year then ended, 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 financial position of the Company at December 31, 2022, and the results of its operations and its cash flows for the year then ended, 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 (1) 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.
Centurion ZD CPA & Co.

We served as the Company's auditor from 2016 to 2023.
Hong Kong, China
April 14, 2023
PCAOB ID: 2769

CBAK Energy Technology, Inc. and Subsidiaries
Consolidated Balance Sheets
As of December 31, 2022 and 2023
(In US\$ except for number of shares)

	<u>Note</u>	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2023</u>
Assets			
<i>Current assets</i>			
Cash and cash equivalents		\$ 6,519,212	\$ 4,643,267
Pledged deposits	3	30,836,864	54,179,549
Trade and bills receivable, net	4	27,413,575	28,653,047
Inventories	5	49,446,291	33,413,422
Prepayments and other receivables	6	5,915,080	7,459,254
Receivables from former subsidiary	18	5,518,052	74,946
Income tax recoverable		57,934	-
Total current assets		<u>125,707,008</u>	<u>128,423,485</u>
Property, plant and equipment, net	7	90,004,527	91,628,832
Construction in progress	8	9,954,202	37,797,862
Long-term investments, net	9	945,237	2,565,005
Prepaid land use rights	10	12,361,163	11,712,704
Intangible assets, net	11	1,309,058	841,360
Deposit paid for acquisition of long-term investments	14	-	7,101,492
Operating lease right-of-use assets, net	10	1,264,560	1,084,520
Deferred tax assets, net	21	2,486,979	-
Total assets		<u>\$ 244,032,734</u>	<u>\$ 281,155,260</u>
Liabilities			
<i>Current liabilities</i>			
Trade and bills payable	15	\$ 67,491,435	82,429,575
Short-term bank borrowings	16	14,907,875	32,587,676
Other short-term loans	16	689,096	339,552
Accrued expenses and other payables	17	25,605,661	41,992,540
Payable to a former subsidiary, net	18	358,067	411,111
Deferred government grants, current	19	1,299,715	375,375
Product warranty provisions	20	26,215	23,870
Warrants liability	27	136,000	-
Operating lease liability, current	10	575,496	691,992
Finance lease liability, current	10	844,297	1,643,864
Total current liabilities		<u>111,933,857</u>	<u>160,495,555</u>
Deferred government grants, non-current	19	5,577,020	6,203,488
Product warranty provisions	20	450,613	522,574
Operating lease liability, non-current	10	607,222	475,302
Accrued expenses and other payables, non-current	17	1,085,525	-
Total liabilities		<u>119,654,237</u>	<u>167,696,919</u>
Commitments and contingencies	28		
Shareholders' equity			
Common stock \$0.001 par value; 500,000,000 authorized; 89,135,064 issued and 88,990,858 outstanding as of December 31, 2022; and 90,063,396 issued and 89,919,190 outstanding as of December 31, 2023			
		89,135	90,063
Donated shares		14,101,689	14,101,689
Additional paid-in capital		246,240,998	247,465,817
Statutory reserves	22	1,230,511	1,230,511
Accumulated deficit		(131,946,705)	(134,395,762)
Accumulated other comprehensive loss		(8,153,644)	(11,601,403)
		<u>121,561,984</u>	<u>116,890,915</u>
Less: Treasury shares		<u>(4,066,610)</u>	<u>(4,066,610)</u>
Total shareholders' equity		117,495,374	112,824,305
Non-controlling interests		6,883,123	634,036
Total equity		<u>124,378,497</u>	<u>113,458,341</u>
Total liabilities and shareholder's equity		<u>\$ 244,032,734</u>	<u>\$ 281,155,260</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, 2022 and 2023
(In US\$ except for number of shares)

	<i>Note</i>	<i>Year ended December 31, 2022</i>	<i>Year ended December 31, 2023</i>
Net revenues	30	\$ 248,725,485	\$ 204,438,365
Cost of revenues		(230,630,161)	(172,714,042)
Gross profit		<u>18,095,324</u>	<u>31,724,323</u>
Operating expenses:			
Research and development expenses		(10,635,486)	(11,928,070)
Sales and marketing expenses		(2,007,812)	(4,903,926)
General and administrative expenses		(9,737,711)	(13,789,108)
Impairment charge on long-lived assets	7	(4,831,708)	(7,070,236)
Impairment charge on goodwill	13	(1,556,078)	-
Provision for expected credit losses and bad debts written off	4	(831,132)	(1,284,795)
Total operating expenses		<u>(29,599,927)</u>	<u>(38,976,135)</u>
Operating loss		(11,504,603)	(7,251,812)
Finance income, net		491,060	432,900
Other (expenses) income, net		(7,252,475)	3,023,238
Impairment charges on equity investee		-	(2,366,080)
Share of loss of equity investee		-	(27,428)
Changes in fair value of warrants liability		5,710,000	136,000
Loss before income tax		(12,556,018)	(6,053,182)
Income tax credit (expenses), net	21	1,228,207	(2,486,145)
Net loss		(11,327,811)	(8,539,327)
Less: Net loss attributable to non-controlling interests		1,879,365	6,090,270
Net loss attributable to shareholders of CBAK Energy Technology, Inc.		<u>\$ (9,448,446)</u>	<u>\$ (2,449,057)</u>
Net loss		(11,327,811)	(8,539,327)
Other comprehensive loss			
– Foreign currency translation adjustment		(11,189,175)	(3,606,576)
Comprehensive loss		(22,516,986)	(12,145,903)
Less: Comprehensive loss attributable to non-controlling interests		2,425,879	6,249,087
Comprehensive loss attributable to CBAK Energy Technology, Inc.		<u>\$ (20,091,107)</u>	<u>\$ (5,896,816)</u>
Loss per share	26		
– Basic		\$ (0.11)	\$ (0.03)
– Diluted		<u>\$ (0.11)</u>	<u>\$ (0.03)</u>
Weighted average number of shares of common stock:	26		
– Basic		88,927,671	89,252,085
– Diluted		<u>88,927,671</u>	<u>89,252,085</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 2022 and 2023
(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 Income (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, 2022	88,849,222	\$ 88,849	\$14,101,689	\$ 241,946,362	\$ 1,230,511	\$(122,498,259)	\$ 2,489,017	\$ 7,593,014	(144,206)	\$(4,066,610)	\$ 140,884,573
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	89,135,064	\$ 89,135	\$14,101,689	\$ 246,240,998	\$ 1,230,511	\$(131,946,705)	\$ (8,153,644)	\$ 6,883,123	(144,206)	\$(4,066,610)	\$ 124,378,497
Net loss	-	-	-	-	-	(2,449,057)	-	(6,090,270)	-	-	(8,539,327)
Share-based compensation for employee and director stock awards	-	-	-	1,225,747	-	-	-	-	-	-	1,225,747
Common stock issued to employees and directors for stock award	928,332	928	-	(928)	-	-	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	(3,447,759)	(158,817)	-	-	(3,606,576)
Balance as of December 31, 2023	90,063,396	\$ 90,063	\$14,101,689	\$ 247,465,817	\$ 1,230,511	\$(134,395,762)	\$ (11,601,403)	\$ 634,036	(144,206)	\$(4,066,610)	\$ 113,458,341

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, 2022 and 2023
(In US\$)

	<i>Year Ended December 31, 2022</i>	<i>Year Ended December 31, 2023</i>
Cash flows from operating activities		
Net loss	\$ (11,327,811)	(8,539,327)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	8,062,303	9,695,472
(Reversal) provision for credit losses	(2,428,449)	1,271,730
Write-down of inventories	1,658,432	3,554,962
Share-based compensation	64,193	1,225,747
Changes in fair value of warrants liability	(5,710,000)	(136,000)
Loss on disposal of property, plant and equipment	7,722,451	544,481
Impairment charge on long-lived assets	4,831,708	7,070,236
Impairment charge on goodwill	1,556,078	-
Impairment loss of equity investee	-	2,366,080
Share of loss of equity investees	-	27,428
Amortization of operating lease right-of-use assets	496,720	640,375
Changes in operating assets and liabilities:		
Trade and bills receivable	21,021,110	(2,960,147)
Inventories	(23,977,795)	11,207,281
Prepayments and other receivables	7,146,992	(2,050,039)
Investment in sales-type lease	1,539,120	-
Trade and bills payable	7,557,193	16,785,569
Accrued expenses and other payables and product warranty provisions	581,074	(2,490,859)
Lease liabilities	1,188,476	347,511
Trade receivable from and payables to a former subsidiary	(3,529,467)	5,359,249
Income tax payables	(109,307)	157,434
Deferred tax assets	(1,228,207)	2,429,726
Net cash provided by operating activities	<u>15,114,814</u>	<u>46,506,909</u>
Cash flows from investing activities		
Deposit paid for acquisition of long-term investment	-	(7,126,798)
Purchases of property, plant and equipment and construction in progress	(12,373,112)	(31,140,550)
Proceeds on disposal of property, plant and equipment	282,164	1,139
Investment in equity method investment	(297,336)	(4,044,175)
Cash receipt from disposal of equity interest of a subsidiary without losing control	4,460,038	-
Net cash used in investing activities	<u>(7,928,246)</u>	<u>(42,310,384)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	21,594,593	36,125,794
Repayment of bank borrowings	(14,607,200)	(17,986,680)
Repayment of borrowings from unrelated parties	-	(277,466)
Borrowings from related parties	1,486,679	-
Repayment of borrowings from related parties	(1,486,679)	-
Borrowings from a shareholder	-	199,942
Repayment of borrowings from shareholders	(4,559)	(258,316)
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	1,696,857
Principal payments on finance leases	(628,122)	(884,911)
Net cash provided by financing activities	<u>5,611,372</u>	<u>18,615,220</u>
Effect of exchange rate changes on cash and cash equivalents and restricted cash	<u>(1,796,488)</u>	<u>(1,345,005)</u>
Net increase in cash and cash equivalents and restricted cash	11,001,452	21,466,740
Cash and cash equivalents and restricted cash at the beginning of year	<u>26,354,624</u>	<u>37,356,076</u>
Cash and cash equivalents and restricted cash at the end of year	<u>\$ 37,356,076</u>	<u>\$ 58,822,816</u>
Supplemental non-cash investing and financing activities:		
Transfer of construction in progress to property, plant and equipment	<u>\$ 22,667,373</u>	<u>\$ 19,538,431</u>
Lease liabilities arising from obtaining right-of-use assets	<u>\$ 1,012,740</u>	<u>\$ 476,995</u>
Cash paid during the year for:		
Income taxes	<u>\$ 59,508</u>	<u>\$ -</u>
Interest, net of amounts capitalized	<u>\$ 571,118</u>	<u>\$ 181,611</u>

CBAK Energy Technology, Inc. and subsidiaries
Notes to the consolidated financial statements
For the years ended December 31, 2022 and 2023
(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, 2023, 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. On December 12, 2023, CBAK Trading changed its name to Dalian CBAK New Energy Co., Ltd (“CBAK New Energy”). Up to the date of this report, the Company has contributed \$2,435,000 to CBAK Trading in cash. CBAK Trading is dormant as of the date of the report.

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. CBAK Power principal engaged in development and manufacture of high-power lithium batteries.

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. In April 14, 2023, CBAK Power and Nanjing BFD Energy Technology Co., Ltd entered into shares transfer agreement to transfer the 90% shares of CBAK Suzhou owned by CBAK Power to Nanjing BFD, no gain or loss was incurred for the transfer. CBAK Suzhou is dormant as of the date of the report.

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. CBAK Energy is dormant as of the date of the report.

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. BAK Investments principally engaged in investment holding.

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. CBAK Nanjing principally engaged in investment holding.

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. Nanjing CBAK principally engaged in development and manufacture of larger-sized cylindrical lithium batteries.

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 (“Nanjing BFD”). The Company has paid in full to Nanjing BFD through injection of a series of cash. Nanjing BFD principally engaged in development and manufacture of sodium-ion batteries.

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. Jiangsu Daxin was dissolved on December 22, 2023, no gain or loss resulted from the dissolution.

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, 2023, RMB10 million (approximately \$1.4 million), representing the 25% of the investments were received. Shaoxing Haiji and Mr. Haijun Wu are currently in negotiations with other shareholders of Hitrans to extend the payment due date for the remaining unpaid 25% and 50% of the Management Shareholder Investments to May 31, 2029. Hitrans principally engaged in research and development, production and sales of cathode materials and precursors for NCM lithium batteries.

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, 2023, CBAK Power’s equity interests in Hitrans was 67.33% and representing 72.99% 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 was dissolved on January 30, 2024.

On July 28, 2021, Hitrans Holdings, was established as a wholly owned subsidiary of CBAK, under the laws of the Cayman Islands, formerly named as “CBAK Energy Technology, Inc.,” was renamed as “Hitrans Holdings Co., Ltd.” on February 29, 2024. Hitrans Holdings owns 100% equity interests of Nacell Holdings.

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. Haisheng principally engaged in the business of cathode materials trading.

On July 7, 2023, Hong Kong Nacell Holdings Company Limited (“Nacell Holdings”) was established as a wholly owned subsidiary of Hitrans Holdings, incorporated under the laws of Hong Kong. Nacell Holdings had no significant operations as of the date of this report.

On July 12, 2023, CBAK Energy Lithium Holdings was established as a wholly owned subsidiary of CBAK, incorporated under the laws of the Cayman Islands in the name of “Hitrans Holdings,” was renamed as “CBAK Energy Lithium Holdings” on February 29, 2024.

On February 26, 2024, CBAK Energy Investments Holdings was established as a wholly wned subsidiary of CBAK, under the laws of the Cayman Islands. CBAK Energy Investments does not have any significant operations as of the date of this report.

On July 25, 2023, CBAK New Energy (Shangqiu) Co., Ltd (“CBAK Shangqiu”) was established as a wholly owned subsidiary of CBAK Power with a registered capital of RMB50 million (approximately \$6.9 million). Pursuant to CBAK Shangqiu’s articles of association and relevant PRC regulations, CBAK Power was required to contribute the capital to Shangqiu on or before July 24, 2043. Up to the date of this report, CBAK Power has contributed RMB1.2 million (\$0.2 million) to Shangqiu. CBAK Shsngqiu principally engaged in manufacture and sales of lithium-ion batteries.

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.

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, 2023, the Company had \$32.6 million bank loans and approximately \$127.9 million of other current liabilities.

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 a working capital deficiency, accumulated deficit from recurring net losses incurred and significant short-term debt obligations maturing in less than one year as of December 31, 2023. 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, 2022 and 2023, cash held in accounts managed by online payment platforms such as Alipay amounted to \$14,625 and \$10,519 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 \$30.8 million and \$54.2 million as of December 31, 2022 and 2023, respectively.

(d) Trade and Bills Receivable and current expected credit losses

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.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments–Credit Losses, which introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments, including, but not limited to, trade and other receivables and net investments in leases. The Company assessed that trade receivable and other current assets are within the scope of ASC 326. The Company has identified the relevant risk characteristics of trade receivables and other current assets which include size, type of the services or the products the Company provides, or a combination of these characteristics, the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses, etc. Other key factors that influence the expected credit loss analysis include industry-specific factors that could impact the credit quality of the Company’s receivables. This is assessed at each quarter based on the Company’s specific facts and circumstances. All forward looking statements are, by their nature, subject to risks and uncertainties, many of which are beyond the Company’s control. Additionally, external data and macroeconomic factors are also considered.

The Company adopted this ASC 326 and several associated ASUs on January 1, 2023 using a modified retrospective approach. As of January 1, 2023, upon the adoption, the expected credit loss provision for the current assets was \$2.3 million. For the year ended December 31, 2023, the Company recorded \$1.3 million in expected credit losses. As of December 31, 2023, the expected credit loss provision recorded in current assets was \$3.5 million.

The Company provides an allowance against trade receivable based on the expected credit loss approach and writes off trade receivables when they are deemed uncollectible. The Company considers the historical write-off experience, customer specific facts and economic conditions in assessing the expected credit losses. Other key factors that influence the expected credit loss analysis include customer demographics, payment terms offered in the normal course of business to customers, and industry-specific factors that could impact the Company’s receivables. This is assessed at each quarter based on the Company’s specific facts and circumstances.

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.

(e) 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.

(f) 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.

(g) 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, and the corresponding operating lease liabilities are included within current and non-current operating lease liabilities on the Company’s consolidated balance sheets. As of December 31, 2022 and 2023, 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, 2022 and 2023, all of the Company’s finance lease assets were generated from leased assets in the PRC.

(h) 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, 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
Year ended December 31, 2023	
Balance sheet, except for equity accounts	RMB 7.0971 to US\$1.00
Income statement and cash flows	RMB 7.0719 to US\$1.00

(i) *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

(j) *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.

(k) *Goodwill*

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business combination. The Company assesses goodwill for impairment in accordance with ASC subtopic 350-20, Intangibles—Goodwill and Other: Goodwill (“ASC 350-20”), which requires that goodwill be tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events, as defined by ASC 350-20.

A reporting unit is defined as an operating segment or one level below an operating segment referred to as a component. The Company determines its reporting units by first identifying its operating segments, and then assesses whether any components of these segments constituted a business for which discrete financial information is available and where the Company’s segment manager regularly reviews the operating results of that component.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment, which simplifies the accounting for goodwill impairment by eliminating Step two from the goodwill impairment test. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, versus determining an implied fair value in Step two to measure the impairment loss. The Company adopted this guidance on a prospective basis on January 1, 2023 with no material impact on its consolidated financial statements and related disclosures as a result of adopting the new standard.

The Company has the option to assess qualitative factors first to determine whether it is necessary to perform the quantitative impairment test in accordance with ASC 350-20. If the Company believes, as a result of the qualitative assessment, that it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, the quantitative impairment test described above is required. Otherwise, no further testing is required. 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. The quantitative goodwill impairment test, used to identify both the existence of impairment and the amount of impairment loss, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit is greater than zero and its fair value exceeds its carrying amount, goodwill of the reporting unit is considered not impaired.

(l) Long-term investments

The Company's long-term investments include equity investments in entities and non-marketable equity.

Investments in entities in which the Company can exercise significant influence and holds an investment in voting common stock or in substance common stock (or both) of the investee but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC topic 323, Investments — Equity Method and Joint Ventures ("ASC 323"). Under the equity method, the Company initially records its investments at fair value. The Company subsequently adjusts the carrying amount of the investments to recognize the Company's proportionate share of each equity investee's net income or loss into earnings after the date of investment. The Company evaluates the equity method investments for impairment under ASC 323. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary.

Equity securities with readily determinable fair values and over which the Company has neither significant influence nor control through investments in common stock or in-substance common stock are measured at fair value, with changes in fair value reported through earnings.

Equity securities without readily determinable fair values and over which the Company has neither significant influence nor control through investments in common stock or in-substance common stock are measured and recorded using a measurement alternative that measures the securities at cost minus impairment, if any, plus or minus changes resulting from qualifying observable price changes.

Available-for-sale debt security investments are reported at estimated fair value with the aggregate unrealized gains and losses, net of tax, reflected in accumulated other comprehensive loss in the consolidated balance sheets. Gain or losses are realized when the investments are sold or when dividends are declared or payments are received or when other than temporarily impaired.

Held-to-maturity debt security investment are reported at amortized cost. The securities are held to collect contractual cash flows, and the Company has the positive intent and ability to hold those securities to maturity.

The Company monitors its investments measured under equity method for other-than-temporary impairment by considering factors including, but not limited to, current economic and market conditions, the operating performance of the companies including current earnings trends and other company-specific information.

(m) 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, 2022 and 2023, respectively:

	<i>December 31,</i> <i>2022</i>	<i>December 31,</i> <i>2023</i>
Balance at beginning of year	\$ 784,000	\$ 1,869,525
Development fees collected/ deposits received	1,115,010	-
Development and sales of batteries revenue recognized	-	(1,060,535)
Exchange realignment	(29,485)	(24,990)
Balance at end of year	<u>\$ 1,869,525</u>	<u>\$ 784,000</u>

(n) 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.

(o) 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.

(p) 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.

(q) 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. Advertising expenses was \$334,556 and \$1,640,476 for the years ended December 31, 2022 and 2023.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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 \$2,589,157 (RMB17,405,185) and \$2,952,247 (RMB20,877,994) for the years ended December 31, 2022 and 2023, respectively.

(w) 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).

(x) 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, depreciable lives of long-lived assets, allowance for current expected credit loss, 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.

(y) 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.

(z) 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.

(aa) 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.

(ab) Recent Accounting Pronouncements

Recently Adopted Accounting Standards

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. In March 2022, the FASB issued ASU 2022-02, Topic 326. The ASU eliminates the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, and enhances the disclosure requirements for modifications of loans to borrowers experiencing financial difficulty. Additionally, the ASU requires disclosure of gross writeoffs of receivables by year of origination for receivables within the scope of Subtopic 326-20, Financial Instruments - Credit Losses - Measured at Amortized Cost. This ASU is effective for periods beginning after December 15, 2022. The Company applied the new standard beginning January 1, 2023 using the modified retrospective method. This adoption did not have material impact on the Company's consolidated financial statements.

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 adoption did not have material impact on the Company's consolidated financial statement.

Recently Issued But Not Yet Adopted Accounting Pronouncements

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires the recognition and measurement of contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, Revenue from Contracts with Customers. This creates an exception to the general recognition and measurement principles in ASC 805. As a smaller reporting company, ASU 2021-08 will be effective for the Company for interim and annual reporting periods beginning after December 15, 2023, with early adoption permitted. The amendments in this ASU should be applied prospectively to business combinations occurring on or after the effective date of the amendments. The Company does not anticipate that the adoption of this guidance will have a material impact on the consolidated financial statements.

In March 2023, the FASB issued ASU 2023-01, Lease (Topic 842): Common Control Arrangements, which clarifies the accounting for leasehold improvements associated with leases between entities under common control (hereinafter referred to as common control lease). ASU 2023-01 requires entities to amortize leasehold improvements associated with common control lease over the useful life to the common control group (regardless of the lease term) as long as the lessee controls the use of the underlying asset through a lease, and to account for any remaining leasehold improvements as a transfer between entities under common control through an adjustment to equity when the lessee no longer controls the underlying asset. This ASU will be effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been made available for issuance. An entity may apply ASU 2023-01 either prospectively or retrospectively. The Company is currently evaluating the impact that the adoption of ASU 2023-01 will have on the consolidated financial statement presentations and disclosures.

In March 2023, the FASB issued ASU No. 2023-02, Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method, that is intended to improve the accounting and disclosures for investments in tax credit structures. This ASU allows reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for all entities in any interim period. The Company does not anticipate that the adoption of ASU 2023-02 to have material impact on the consolidated financial statement presentation or disclosures.

In October 2023, the FASB issued Accounting Standards Update No. 2023-06 to clarify or improve disclosure and presentation requirements of a variety of topics, which will allow users to more easily compare entities subject to the SEC’s existing disclosures with those entities that were not previously subject to the requirements, and align the requirements in the FASB accounting standard codification with the SEC’s regulations. The Company is currently evaluating the provisions of the amendments and the impact on its consolidated financial statement presentations and 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, 2022 and 2023 consisted of pledged deposits with banks for bills payable (note 15).

4. Trade and Bills Receivable, net

Trade and bills receivable as of December 31, 2022 and 2023:

	<i>December 31, 2022</i>	<i>December 31, 2023</i>
Trade receivable	\$ 23,422,733	\$ 29,368,296
Less: Allowance for credit losses	(2,274,513)	(3,198,249)
	21,148,220	26,170,047
Bills receivable	6,265,355	2,483,000
	<u>\$ 27,413,575</u>	<u>\$ 28,653,047</u>

Included in trade and bills receivables are retention receivables of \$1,066,146 and \$65,162 as of December 31, 2022 and 2023. 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 the credit losses are as follows:

Balance as at December 31, 2022	\$ 2,274,513
Adoption of ASC Topic 326	-
Balance as at January 1, 2023	<u>2,274,513</u>
Current period provision, net	1,012,404
Reversal – recoveries by cash	(10,250)
Written-off	(14,661)
Foreign exchange adjustment	<u>(63,757)</u>
Balance as at December 31, 2023	<u>\$ 3,198,249</u>

5. Inventories

Inventories as of December 31, 2022 and 2023 consisted of the following:

	<i>December 31,</i> <i>2022</i>	<i>December 31,</i> <i>2023</i>
Raw materials	\$ 7,101,426	\$ 3,779,414
Work in progress	17,274,033	9,525,568
Finished goods	<u>25,070,832</u>	<u>20,108,440</u>
	<u>\$ 49,446,291</u>	<u>\$ 33,413,422</u>

During the years ended December 31, 2022 and 2023 write-downs of obsolete inventories to lower of cost or net realizable value of \$1,658,432 and \$3,554,962, respectively, were charged to cost of revenues.

6. Prepayments and Other Receivables

Prepayments and other receivables as of December 31, 2022 and 2023 consisted of the following:

	<i>December 31,</i> <i>2022</i>	<i>December 31,</i> <i>2023</i>
Value added tax recoverable	\$ 4,234,082	\$ 5,248,210
Prepayments to suppliers	220,671	1,341,596
Deposits	43,914	108,492
Staff advances	51,826	113,336
Prepaid operating expenses	706,190	645,390
Receivables from sales of vehicles	371,105	-
Others	<u>294,292</u>	<u>292,458</u>
	5,922,080	7,749,482
Less: Allowance for doubtful accounts	<u>(7,000)</u>	<u>(290,228)</u>
	<u>\$ 5,915,080</u>	<u>\$ 7,459,254</u>

An analysis of the allowance for credit losses are as follows:

Balance as at December 31, 2022	\$ 7,000
Adoption of ASC Topic 326	-
Balance as at January 1, 2023	<u>7,000</u>
Current period provision, net	284,238
Foreign exchange adjustment	<u>(1,010)</u>
Balance as at December 31, 2023	<u>\$ 290,228</u>

7. Property, Plant and Equipment, net

Property, plant and equipment as of December 31, 2022 and 2023 consisted of the following:

	<i>December 31, 2022</i>	<i>December 31, 2023</i>
Buildings	\$ 47,086,680	\$ 45,843,428
Leasehold improvements	5,156,705	7,214,436
Machinery and equipment	71,665,842	83,625,645
Office equipment	1,545,026	1,983,601
Motor vehicles	507,882	727,452
	<u>125,962,135</u>	<u>139,394,562</u>
Impairment	(13,025,161)	(17,358,096)
Accumulated depreciation	(22,932,447)	(30,407,634)
Carrying amount	<u>\$ 90,004,527</u>	<u>\$ 91,628,832</u>

During the years ended December 31, 2022 and 2023, the Company incurred depreciation expense of \$9,414,421 and \$10,422,306, respectively.

The Company has not yet obtained the property ownership certificates of the buildings in its Dalian manufacturing facilities with a carrying amount of \$7,360,242 as of December 31, 2022. 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. The Company has obtained the remaining property ownership certificates on July 6, 2023.

During the course of the Company's strategic review of its operations in the years ended December 31, 2022 and 2023, the Company assessed the recoverability of the carrying value of certain property, plant and equipment which resulted in impairment losses of approximately \$4,831,708 and \$7,070,236, 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, 2022 and 2023.

8. Construction in Progress

Construction in progress as of December 31, 2022 and 2023 consisted of the following:

	<i>December 31, 2022</i>	<i>December 31, 2023</i>
Construction in progress	\$ 7,828,975	\$ 24,876,463
Prepayment for acquisition of property, plant and equipment	2,125,227	12,921,399
Carrying amount	<u>\$ 9,954,202</u>	<u>\$ 37,797,862</u>

Construction in progress as of December 31, 2022 and 2023 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, 2022 and 2023, the Company capitalized interest of \$162,052 and \$870,670, respectively, to the cost of construction in progress.

9. Long-term investments, net

Long-term investments as of December 31, 2022 and 2023, consisted of the following:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2023</u>
Investments in equity method investees	\$ 289,473	\$ 1,926,611
Investments in non-marketable equity	655,764	638,394
	<u>\$ 945,237</u>	<u>\$ 2,565,005</u>

The following is the carrying value of the long-term investments:

	<u>December 31,</u> <u>2022</u>		<u>December 31,</u> <u>2023</u>	
	<u>Carrying</u> <u>Amount</u>	<u>Economic</u> <u>Interest</u>	<u>Carrying</u> <u>Amount</u>	<u>Economic</u> <u>Interest</u>
<u>Investments in equity method investees</u>				
Guangxi Guiwu CBAK New Energy Technology Co., Ltd (a)	\$ 289,473	20%	\$ 254,475	20%
Zhejiang Shengyang Renewable Resources Technology Co., Ltd. (b)	-	n/a	1,672,136	26%
	<u>\$ 289,473</u>		<u>\$ 1,926,611</u>	

Investments in non-marketable equity

Hunan DJY Technology Co., Ltd	\$ 655,764		\$ 638,394	
Nanjing CBAK Education For Industry Technology Co., Ltd	-		-	
	<u>\$ 655,764</u>		<u>\$ 638,394</u>	

(a) Investments in Guangxi Guiwu CBAK New Energy Technology Co., Ltd

Balance as at 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>
Loss from investment	(27,428)
Foreign exchange adjustment	(7,570)
Balance as of December 31, 2023	<u>\$ 254,475</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, 2023 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.

For the year ended December 31, 2022 and 2023, share of loss from the above equity investment was nil and \$27,428.

(b) Investments in Zhejiang Shengyang Renewable Resources Technology Co., Ltd.

Balance as at January 1, 2023	\$ -
Investments made	4,044,175
Loss from investment	(2,366,080)
Foreign exchange adjustment	(5,959)
Balance as of December 31, 2023	<u>\$ 1,672,136</u>

On September 27, 2023, Hitrans, entered into an Equity Transfer Contract (the “Equity Transfer Contract”) with Mr. Shengyang Xu, pursuant to which Hitrans will initially acquire a 26% equity interest in Zhejiang Shengyang Renewable Resources Technology Co., Ltd. (“Zhejiang Shengyang”) from Mr. Xu, an individual who currently holds 97% of Zhejiang Shengyang, for a price of RMB28.6 million (approximately \$3.9 million) (the “Initial Acquisition”). Hitrans shall pay the Initial Acquisition price in two (2) installments as follows: (i) 50% of the price due within five business days following the execution of the Equity Transfer Contract and satisfaction of other conditions precedent set forth in the same; and (ii) the remaining 50% of the price due within five business days following Mr. Xu successful transfer to Hitrans of the 26% equity interest in Zhejiang Shengyang. Within fifteen business days after Hitrans has paid 50% of the price, or RMB14.3 million, the parties shall complete the registration of equity change with the local governmental authorities. Zhejiang Shengyang is a material suppliers of Hitrans since June 2020. On November 6, 2023, Hitrans completed the registration of 26% equity interest of Zhejiang Shengyang. The Company recorded an impairment loss of \$2.4 million (RMB16.7 million) from the investment to Zhejiang Shengyang for the year ended December 31, 2023.

And within three months following the Initial Acquisition, Mr. Xu shall transfer an additional 44% equity interest in Zhejiang Shengyang to Hitrans at the same price per share as that of the Initial Acquisition (the “Follow-on Acquisition”). The parties shall enter into another agreement to detail the terms of the Follow-on Acquisition. Neither Mr. Xu, nor Zhejiang Shengyang, is related to the Company.

Investments in non-marketable equity

	<i>December 31, 2022</i>	<i>December 31 2023</i>
Cost	\$ 1,302,630	\$ 1,268,124
Impairment	(646,866)	(629,730)
Carrying amount	<u>\$ 655,764</u>	<u>\$ 638,394</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 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 April 2023, DJY board declared dividend of \$0.8 million (approximately RMB6 million). The dividend was distributed in May 2023 and based on the paid up capital of each shareholders, the dividend income shared by CBAK Power was \$82,637 (approximately RMB0.6 million) which was included in other income (expense) for the year ended December 31, 2023. No dividend was declared in 2022.

On November 28, 2022, Nanjing CBAK along with Shenzhen Education for Industry Investment Co., Ltd. and Wenyuan 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.

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. No impairment was recorded on the non-marketable equity securities for the year ended December 31, 2022 and 2023, respectively.

10. Lease

(a) Prepaid land use rights

	<i><u>Prepaid land lease payments</u></i>
Balance as of January 1, 2022	\$ 13,797,230
Amortization charge for the year	(338,706)
Foreign exchange adjustment	(1,097,361)
Balance as of December 31, 2022	<u>12,361,163</u>
Amortization charge for the period	(322,160)
Foreign exchange adjustment	(326,299)
Balance as of December 31, 2023	<u><u>\$ 11,712,704</u></u>

In August 2014 and November 2021, the Company 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, 2022 and 2023.

(b) 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.

On April 20, 2023, Hitrans entered into another lease agreement for extra staff quarters spaces in Zhejiang with a three year term commencing on May 1, 2023 and expiring on April 30, 2026. The monthly rental payment is RMB28,000 (\$3,945) per month.

Nanjing CBAK entered into a lease agreement for office and factory spaces in Nanjing for a period of one year, commencing on August 1, 2023 and expiring on July 31, 2024. The monthly rental payment is approximately RMB160,743 (\$22,649) per month.

CBAK Shangqiu entered into a lease agreement for staff quarters spaces in Shangqiu with a six year term commencing on October 1, 2023 and expiring on September 30, 2029. The monthly rental payment is RMB11,400 (\$1,606) per month.

Operating lease expenses for the years ended December 31, 2022 and 2023 for the capitiation agreement was as follows:

	<i>December 31,</i> <i>2022</i>	<i>December 31,</i> <i>2023</i>
Operating lease cost – straight line	<u>\$ 495,478</u>	<u>\$ 680,076</u>

(c) Company as lessee - Finance lease

	<i>December 31, 2022</i>	<i>December 31, 2023</i>
Property, plant and equipment, at cost	\$ 1,890,396	\$ 4,598,426
Accumulated depreciation	(251,626)	(828,351)
Impairment	(662,006)	(3,770,075)
Property, plant and equipment, net under finance lease	<u>976,764</u>	<u>-</u>
Finance lease liabilities, current	844,297	1,643,864
Finance lease liabilities, non-current	-	-
Total finance lease liabilities	<u>\$ 844,297</u>	<u>\$ 1,643,864</u>

The components of finance lease expenses for the years ended December 31, 2022 and 2023 were as follows:

	<i>December 31, 2022</i>	<i>December 31, 2023</i>
Finance lease cost:		
Depreciation of assets	\$ 76,861	\$ 114,123
Interest of lease liabilities	8,672	12,915
Total lease expenses	<u>\$ 85,533</u>	<u>\$ 127,038</u>

The following is a schedule, by years, of maturities of lease liabilities as of December 31, 2023:

	<i>Operating leases</i>	<i>Finance leases</i>
2024	\$ 718,807	\$ 1,691,536
2025	284,202	-
2026	160,210	-
2027	31,559	-
2028	19,275	-
Thereafter	14,457	-
Total undiscounted cash flows	<u>1,228,510</u>	<u>1,691,536</u>
Less: imputed interest	(61,216)	(47,672)
Present value of lease liabilities	<u>\$ 1,167,294</u>	<u>\$ 1,643,864</u>

Lease term and discount rate:

	<i>December 31, 2022</i>	<i>December 31, 2023</i>
Weighted-average remaining lease term (years)		
Land use rights	37.9	36.9
Operating leases	3.39	2.71
Finance lease	0.5	0.96
Weighted-average discount rate		
Land use rights	Nil	Nil
Operating lease	4.94%	4.69%
Finance lease	1.40	1.37%

Supplemental cash flow information related to leases where the Company was the lessee for the year ended December 31, 2022 and 2023 was as follows:

	<i>December 31, 2022</i>	<i>December 31, 2023</i>
Operating cash outflows from operating assets	<u>\$ 230,382</u>	<u>\$ 369,608</u>

11. Intangible Assets, net

Intangible assets as of December 31, 2022 and 2023 consisted of the followings:

	<i>December 31, 2022</i>	<i>December 31, 2023</i>
Computer software at cost	\$ 104,211	\$ 139,732
Sewage discharge permit*	1,762,129	1,715,450
	<u>1,866,340</u>	<u>1,855,182</u>
Accumulated amortization	(557,282)	(1,013,822)
	<u>\$ 1,309,058</u>	<u>\$ 841,360</u>

Amortization expenses were \$513,311 and \$472,980 for the years ended December 31, 2022 and 2023, respectively.

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

2024	\$ 120,896
2025	469,557
2026	200,893
2027	9,197
2028	8,236
Thereafter	32,581
Total	<u>\$ 841,360</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).

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, 2022 and 2023 are as follows:

Balance as of January 1, 2022	\$ 1,645,232
Impairment of goodwill	(1,556,078)
Foreign exchange adjustment	(89,154)
Balance as of December 31, 2022 & December 31, 2023	<u>\$ -</u>

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.

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. Deposit paid for acquisition of long-term investments

Deposit paid for acquisition of long-term investments as of December 31, 2022 and 2023 consisted of the following:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2023</u>
Investments in non-marketable equity	<u>\$ -</u>	<u>\$ 7,101,492</u>

On September 27, 2023, Nanjing CBAK New Energy Technology Co., Ltd. (“Nanjing CBAK”) entered into an Equity Transfer Agreement (the “Equity Transfer Agreement”) with Shenzhen BAK Battery Co., Ltd. (“SZ BAK”), under which SZ BAK shall sell a five percent (5%) equity interest in Shenzhen BAK Power Battery Co., Ltd. (“BAK SZ”) to Nanjing CBAK for a purchase price of RMB260 million (approximately \$35.7 million) (the “Target Equity”). Pursuant to the terms of the Equity Transfer Agreement, Nanjing CBAK will pay the Target Equity in three (3) installments as follows: (i) RMB40 million (approximately \$5.5 million) due prior to December 31, 2023; (ii) RMB90 million (approximately \$12.4 million) due prior to September 30, 2024, and (iii) the remaining Target Equity balance of RMB130 million (approximately \$17.8 million) due following SZ BAK’s successful transfer to Nanjing CBAK of the five percent (5%) equity interest in BAK SZ. Upon Nanjing CBAK having paid RMB130 million of the Target Equity, the parties shall work together to complete the registration of equity change with the local governmental authorities. The Company has contributed RMB50.4 million (approximately \$7.1 million) as of December 31, 2023. Up to the date of this report, Nanjing CBAK has paid RMB67.8 million (approximately \$9.6 million) to SZ BAK. The Equity Transfer Agreement may be terminated in writing through negotiation by all parties and the deposit paid was refundable on demand.

SZ BAK and BAK SZ were the Company’s former subsidiary up to June 30, 2014. Mr. Xiangqian Li, the Company’s former CEO, is the director of SZ BAK and BAK SZ.

The Company will measure the investments in BAK SZ as 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 upon the completion. The fair value of non-marketable equity securities that have been remeasured due to impairment are classified within Level 3.

15. Trade and Bills Payable

Trade and bills payable as of December 31, 2022 and 2023 consisted of the followings:

	<i>December 31,</i> <i>2022</i>	<i>December 31,</i> <i>2023</i>
Trade payable	\$ 32,516,445	\$ 26,764,807
Bills payable		
– Bank acceptance bills	34,974,990	55,664,768
	<u>\$ 67,491,435</u>	<u>\$ 82,429,575</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) \$3.4 million and \$0.3 million of the Company’s bills receivable as of December 31, 2022 and 2023, respectively (Note 4).
- (iii) the Company’s prepaid land use rights (Note 10)

16. Loans

Bank loans:

Bank borrowings as of December 31, 2022 and 2023 consisted of the followings:

	<i>December 31,</i> <i>2022</i>	<i>December 31,</i> <i>2023</i>
Short-term bank borrowings	\$ 14,907,875	\$ 32,587,676

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 \$16.6 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 RMB59.0 million (approximately \$8.5 million) as of December 31, 2022.

In January 2023, the Company renewed the banking facilities with Shaoxing Branch of Bank of Communications Co., Ltd with a maximum amount of RMB160.0 million (approximately \$22.1 million) with the term from January 2023 to December 2027. The facility was secured by the Company's land use rights and buildings. Under the facility, the Company has borrowed RMB142.8 million (approximately \$20.1 million) as of December 31, 2023, bearing interest at 3.55% to 3.65% per annum expiring through February to May 2024.

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 \$11.6 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 \$1.4 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 totaling RMB10 million (approximately \$1.4 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 (\$9.9 million) with other terms remain the same. Under the facilities, as of December 31, 2022 and 2023, the Company borrowed a total of RMB15.9 million (approximately \$2.3 million) and RMB45.4 million (approximately \$6.4 million), respectively, in the form of bills payable for various terms expiring from January 2024 to May 2024, which was secured by the Company's cash totaling RMB15.9 million (approximately \$2.3 million) and RMB45.4 million (approximately \$6.4 million) (Note 3), respectively.

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 repaid RMB10 million (approximately \$1.4 million) early on January 5, 2023. On January 6, 2023, the Company borrowed a one-year term loan 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 remain the same.

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 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 repaid RMB10 million (approximately \$1.4 million) on January 16, 2023. On January 17, 2023, the Company borrowed 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 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 \$1.4 million) on the same date. On May 17, 2022, the Company repaid the loan principal and related loan interests early.

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 facility was 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 \$1.5 million) on April 29, 2022, bearing interest at 3.95% per annum for a term until April 29, 2023. The Company repaid RMB10 million (approximately \$1.4 million) on April 19, 2023. On April 20, 2023, the Company borrowed another one-year loan of RMB10 million (approximately \$1.4 million) bearing interest at 102.5% of benchmark rate of PBOC for short-term loans, which is 3.90% per annum for a term until April 19, 2024.

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 repaid the loan principal and the related loan interests early.

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. The Company repaid the loan on September 24, 2023.

The Company entered into another one-year term facility with Jiangsu Gaochun Rural Commercial Bank with a maximum amount of RMB9 million (approximately \$1.2 million) bearing interest rate at 4.6% per annum for a period from September 27, 2023 to August 31, 2024. 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, 2023 for a term until September August 31, 2024.

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 borrowed RMB10 million (approximately \$1.4 million) on the same date. The Company has repaid RMB5 million (approximately \$0.7 million), RMB0.2 million (approximately \$0.1 million) and RMB4.8 million (approximately \$0.7 million) on November 16, 2022, December 27, 2022 and August 9, 2023, respectively. 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. The Company entered into another loan agreement with China CITIC Bank Shaoxing Branch for a short-term loan of RMB4.8 million (approximately \$0.7 million) from August 10, 2023 to May 2, 2024, bearing interest rate at 4.3% 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, 2023 for settlement of Hitrans purchase. The Company utilized RMB1.5 million (approximately \$0.2 million) letter of credit at an interest rate of 2.7% for a period of one year to January 5, 2023.

On January 7, 2023, the Company obtained a two-year term facility from Postal Savings Bank of China, Nanjing Gaochun 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. The Company repaid the above early on June 15, 2023. On June 27, 2023, the Company entered into another loan agreement for one year from June 27, 2023 to June 26, 2024 under the two-year term facility for a maximum loan amount of RMB10 million (approximately \$1.4 million) bearing interest rate at 3.65 % per annum. The Company borrowed RMB10 million (approximately \$1.4 million) on the same date. The loan 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.

On March 29, 2023, the Company and Bank of China Limited entered into a short-term loan agreement for one year from March 29, 2023 to March 28, 2024 for a maximum loan amount to RMB5 million (approximately \$0.7 million) bearing interest rate at 3.65% per annum. The Company borrowed RMB5 million (approximately \$0.7 million) on the same date. The loan was secured by the Company's buildings in Dalian.

On April 19, 2023, the Company and Bank of Nanjing Gaochun Branch entered into a short-term loan agreement for one year from April 10, 2023 to April 9, 2024 for RMB10 million (approximately \$1.4 million) bearing interest rate at 3.7% per annum. The Company borrowed RMB10 million (approximately \$1.4 million) on April 23, 2023. The loan was guaranteed by the Company's CEO, Mr. Yunfei Li and Mr. Yunfei Li's wife Ms. Qinghui Yuan.

On June 9, 2023, the Company and China Zheshang Bank Co., Ltd Shangyu Branch entered into a short-term loan agreement for one year from June 9, 2023 to June 7, 2024 for a maximum loan amount to RMB4 million (approximately \$0.6 million) bearing interest rate at 4.55% per annum. The Company borrowed RMB4 million (approximately \$0.6 million) on the same date. The Company early repaid the loan principal and related loan interests on December 22, 2023.

On July 31, 2023, the Company obtained a three-year term facility from Bank of China Gaochun Branch, with a maximum amount of RMB10 million (approximately \$1.4 million) with the term from July 31, 2023 to July 30, 2026. The facility was 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 July 31, 2023, bearing interest rate at 3.15% per annum.

On August 3, 2023, the Company and Bank of China entered into a short term loan agreement for one year from August 3, 2023 to August 2, 2024 for a maximum amount of RMB10 million (approximately \$1.4 million) bearing interest rate at 3.55% per annum. The Company borrowed RMB10 million (approximately \$1.4 million) on September 27, 2023. The loan was secured by the Company's buildings in Dalian.

The Company borrowed a series of acceptance bills from Agricultural Bank of China totaling RMB4.6 million (approximately \$0.7 million) for various terms expiring in April 2024, which was secured by the Company's cash totaling RMB4.6 million (approximately \$0.7 million) (Note 3).

The Company borrowed a series of acceptance bills from China Zheshang Bank Co. Ltd Shenyang Branch totaling RMB174.0 million (approximately \$24.5 million) for various terms expiring through January to June 2024, which was secured by the Company's cash totaling RMB174 million (approximately \$24.5 million) (Note 3).

The Company borrowed a series of acceptance bills from China Zheshang Bank Co. Ltd Shangyu Branch totaling RMB109.9 million (approximately \$15.5 million) for various terms expiring through January to June 2024, which was secured by the Company's cash totaling RMB106.3 million (approximately \$15.0 million) (Note 3) and the Company's bills receivable totaling RMB2 million (approximately \$0.3 million) (Note 4).

The Company borrowed a series of acceptance bills from China Merchants Bank Dalian Branch totaling RMB9.3 million (approximately \$1.3 million) for various terms through June 2024, which was secured by the Company's cash totaling RMB9.3 million (approximately \$1.3 million) (Note3).

The Company borrowed a series of acceptance bills from Bank of China Limited totaling RMB4.9 million (approximately \$0.7 million) for various terms through January 2024, which was secured by the Company's cash totaling RMB4.9 million (approximately \$0.7 million) (Note 3).

The Company borrowed a series of acceptance bills from Jiangsu Gaochun Rural Commercial Bank totaling RM30.6 million (approximately \$4.3 million) for various terms expiring through March to April 2024, which was secured by the Company's cash totaling RMB30.6 million (approximately \$4.3 million) (Note 3).

The Company borrowed a series of acceptance bills from China CITIC Bank totaling RMB0.4 million (approximately \$0.1 million) for various terms expiring through March 2024, which was secured by the Company's cash totaling RMB0.6 million (approximately \$0.1 million) (Note 3).

The Company borrowed a series of acceptance bills from Bank of Ningbo Shaoxing Shangyu Branch totaling RMB6.7 million (approximately \$0.9 million) for various terms expiring through May 2024, 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>2022</i>	<i>December 31,</i> <i>2023</i>
Pledged deposits (note 3)	\$ 30,836,864	\$ 54,167,834
Bills receivables (note 4)	3,383,130	281,805
Right-of-use assets (note 10)	5,598,716	5,287,708
Buildings	4,419,749	9,707,862
	<u>\$ 44,238,459</u>	<u>\$ 69,445,209</u>

As of December 31, 2023, the Company had unutilized committed banking facilities totaled \$2.8 million.

During the years ended December 31, 2022 and 2023, interest of \$646,013 and \$637,667 were incurred on the Company's bank borrowings, respectively.

Other short-term loans:

Other short-term loans as of December 31, 2022 and 2023 consisted of the following:

	<i>Note</i>	<i>December 31,</i> <i>2022</i>	<i>December 31,</i> <i>2023</i>
Advance from related parties			
– Mr. Xiangqian Li, the Company's Former CEO	(a)	\$ 100,000	\$ 100,000
– Mr. Yunfei Li	(b)	223,927	160,536
		<u>323,927</u>	<u>260,536</u>
Advances from unrelated third party			
– Mr. Wenwu Yu	(c)	15,896	1,385
– Ms. Longqian Peng	(c)	276,905	7,179
– Suzhou Zhengyuanwei Needle Ce Co., Ltd	(d)	72,368	70,452
		<u>365,169</u>	<u>79,016</u>
		<u>\$ 689,096</u>	<u>\$ 339,552</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) Advances from unrelated third parties were unsecured, non-interest bearing and repayable on demand.

(d) 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, 2023, loan amount of RMB0.5 million (\$72,368) remained outstanding.

During the year 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, 2022 and 2023, interest of \$9,044 and \$8,062 were incurred on the Company's borrowings from unrelated parties, respectively.

17. Accrued Expenses and Other Payables

Accrued expenses and other payables as of December 31, 2022 and 2023 consisted of the following:

	<i>December 31,</i> <i>2022</i>	<i>December 31,</i> <i>2023</i>
Construction costs payable	\$ 2,143,730	\$ 15,571,808
Equipment purchase payable	9,710,187	13,665,499
Liquidated damages*	1,210,119	1,210,119
Accrued staff costs	2,961,781	3,386,142
Customer deposits	4,845,382	2,875,131
Deferred revenue (note 2m)	1,869,525	784,000
Accrued expenses	2,476,605	2,781,730
Dividend payable to non-controlling interest to Hitrans	1,290,942	1,256,745
Other payable	182,915	461,366
	<u>26,691,186</u>	<u>41,992,540</u>
Less: non-current portion		
Deferred revenue	1,085,525	-
	<u>\$ 25,605,661</u>	<u>\$ 41,992,540</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, 2022 and 2023, 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, 2022 and 2023, 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.

18. 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
Zhengzhou BAK Battery Co., Ltd	Note a
Shenzhen BAK Battery Co., Ltd ("SZ BAK")	Former subsidiary and refer to Note b
Shenzhen BAK Power Battery Co., Ltd ("BAK SZ")	Former subsidiary and refer to Note b
Zhejiang Shengyang Renewable Resources Technology Co., Ltd.	Note c
Fuzhou BAK Battery Co., Ltd	Note d

- (a) Mr. Xiangqian Li, the Company's former CEO, is a director of Zhengzhou BAK Battery Co., Ltd. Zhengzhou BAK Battery Co., Ltd is a wholly owned subsidiary of BAK SZ.
- (b) Mr. Xiangqian Li, the Company's former CEO, is a director of Shenzhen BAK Battery Co., Ltd and Shenzhen BAK Power Battery Co., Ltd. On September 27, 2023, Nanjing CBAK New Energy Technology Co., Ltd. ("Nanjing CBAK") entered into an Equity Transfer Agreement (the "Equity Transfer Agreement") with Shenzhen BAK Battery Co., Ltd. ("SZ BAK"), under which SZ BAK shall sell a five percent (5%) equity interest in Shenzhen BAK Power Battery Co., Ltd. ("BAK SZ") to Nanjing CBAK for a purchase price of RMB260 million (approximately \$35.7 million) (note 13).
- (c) On September 27, 2023, Hitrans entered into an Equity Transfer Contract (the "Equity Transfer Contract") with Mr. Shengyang Xu, pursuant to which Hitrans will initially acquire a 26% equity interest in Zhejiang Shengyang Renewable Resources Technology Co., Ltd. ("Zhejiang Shengyang") from Mr. Xu, an individual who currently holds 97% of Zhejiang Shengyang, for a price of RMB28.6 million (approximately \$3.9 million) (the "Initial Acquisition"). Neither Mr. Xu, nor Zhejiang Shengyang is related to the Company.
- (d) Zhengzhou BAK Battery Co., Ltd has 51% equity interest in Fuzhou BAK Battery Co., Ltd. Zhengzhou BAK Battery Co., Ltd is a wholly owned subsidiary of BAK SZ.

Related party transactions

The Company entered into the following significant related party transactions:

	<i>For the year ended December 31, 2022</i>	<i>For the year ended December 31, 2023</i>
Purchase of batteries from Zhengzhou BAK Battery Co., Ltd	\$ 26,819,454	\$ 10,999,732
Purchase of materials from Zhejiang Shengyang Renewable Resources Technology Co., Ltd.	20,303,783	12,725,193
Sales of cathode raw materials to Zhengzhou BAK Battery Co., Ltd	53,236,804	27,872,002
Sales of cathode raw materials to Shenzhen BAK Power Battery Co., Ltd	8,681,496	66,560
Sales of batteries to Fuzhou BAK Battery Co., Ltd	-	105,010

Related party balances

Apart from the above, the Company recorded the following significant related party balances as of December 31, 2022 and 2023:

Receivables from former subsidiary

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2023</u>
Receivables from Shenzhen BAK Power Battery Co., Ltd	\$ 5,518,052	\$ 74,946

Balance as of December 31, 2022 and 2023 represented trade receivable for sales of cathode raw materials to Shenzhen BAK Power Battery Co., Ltd.

Other balances due from/ (to) related parties

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2023</u>
Trade receivable, net – Zhengzhou BAK Battery Co., Ltd (i)	\$ 9,156,383	\$ 12,441,715
Bills receivable – Issued by Zhengzhou BAK Battery Co., Ltd (ii)	\$ 2,941,683	\$ -
Trade payable, net – Zhengzhou BAK Battery Co., Ltd (iii)	\$ 5,629,343	\$ 803,685
Trade payable, net – Zhejiang Shengyang Renewable Resources Technology Co., Ltd	\$ 3,201,814	\$ 3,489,324
Deposit paid for acquisition of long-term investments – Shenzhen BAK Power Battery Co., Ltd (note 14)	\$ -	\$ 7,101,492
Dividend payable to non-controlling interest of Hitrans (note 17)	\$ 1,290,942	\$ 1,256,745

(i) Representing trade receivable 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 \$7.4 million to the Company.

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

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

Payables to a former subsidiary

Payables to a former subsidiary as of December 31, 2022 and 2023 consisted of the following:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2023</u>
Payables to Shenzhen BAK Power Battery Co., Ltd	\$ (358,067)	\$ (411,111)

Balance as of December 31, 2022 and 2023 consisted of payables for purchase of inventories from Shenzhen BAK Power Battery Co., Ltd.

19. Deferred Government Grants

Deferred government grants as of December 31, 2022 and 2023 consist of the following:

	<i>December 31,</i> <i>2022</i>	<i>December 31,</i> <i>2023</i>
Total government grants	\$ 6,876,735	\$ 6,578,863
Less: Current portion	(1,299,715)	(375,375)
Non-current portion	<u>\$ 5,577,020</u>	<u>\$ 6,203,488</u>

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.

On November 2, 2023, the Company received a subsidiary of RMB8.4 million (\$1.2 million) for its development of new production line. 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>2022</i>	<i>December 31,</i> <i>2023</i>
Cost of revenues	\$ 2,146,341	\$ 1,253,899
Research and development expenses	17,568	16,710
General and administrative expenses	40,226	38,261
Other income (expenses), net	2,040,615	153,153
	<u>\$ 4,244,750</u>	<u>\$ 1,462,023</u>

20. 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>2022</i>	<i>December 31,</i> <i>2023</i>
Balance at beginning of year	\$ 2,028,266	\$ 476,828
Warranty costs incurred	(81,954)	16,359
Provision (reversal) for the year	(1,344,572)	66,182
Foreign exchange adjustment	(124,912)	(9,925)
Balance at end of year	476,828	549,444
Less: Current portion	(26,215)	(23,870)
Non-current portion	<u>\$ 450,613</u>	<u>\$ 525,574</u>

21. 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>2022</i>	<i>December 31,</i> <i>2023</i>
PRC income tax	\$	\$
Current income tax credit, net	-	-
Deferred income tax credit (expenses)	1,228,207	(2,486,145)
	<u>\$ 1,228,207</u>	<u>\$ (2,486,145)</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, 2022 and 2023.

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, 2022 and 2023 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. Nanjing CBAK was regarded as a "High-new technology enterprise" pursuant to a certificate jointly issued by the relevant Nanjing Government authorities. Under the preferential tax treatment, Nanjing CBAK was entitled to enjoy a tax rate of 15% for the years from 2023 to 2025 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, 2022</i>	<i>Year ended December 31, 2023</i>
Income (loss) before income taxes	\$ (12,556,018)	\$ (6,053,182)
United States federal corporate income tax rate	21%	21%
Income tax credit computed at United States statutory corporate income tax rate	(2,636,764)	(1,271,168)
Reconciling items:		
Over provision of deferred taxation in prior year		
Rate differential for PRC earnings	(685,944)	(160,672)
Tax effect of entity at preferential tax rate	683,459	1,918,084
Non-deductible (income) expenses	(978,010)	171,936
Share based payments	13,481	257,407
Tax effect of utilisation of tax losses previously not recognised	(885,021)	(222,354)
Valuation allowance on deferred tax assets	3,260,592	1,792,912
Income tax (credit) expenses	<u>\$ (1,228,207)</u>	<u>\$ 2,486,145</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, 2022 and 2023 are presented below:

	<i>December 31, 2022</i>	<i>December 31, 2023</i>
Deferred tax assets		
Trade accounts receivable	\$ 1,976,354	1,156,095
Inventories	554,041	2,942,702
Property, plant and equipment	2,353,141	2,398,035
Non-marketable equity securities	161,716	157,432
Equity method investment	157,432	380,982
Intangible assets	97,468	31,601
Accrued expenses, payroll and others	224,795	541,665
Provision for product warranty	119,207	136,611
Net operating loss carried forward	34,379,188	36,103,945
Valuation allowance	(37,122,551)	(43,645,828)
Deferred tax assets, non-current	<u>\$ 2,743,359</u>	<u>203,240</u>
Deferred tax liabilities, non-current		
Long-lived assets arising from acquisitions	<u>\$ 256,380</u>	<u>\$ 203,240</u>

As of December 31, 2023, 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, 2023, the Company's PRC subsidiaries had net operating loss carry forwards of \$65,349,412, which will expire in various years through 2023 to 2032. 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.

22. 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's 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, 2022 and 2023, are also considered under restriction for distribution.

23. 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 27).

The fair value of share options was determined using the Binomial Model, with level 3 inputs (Note 25).

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.

24. 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 \$2,589,157 (RMB17,405,185) and \$2,952,247 (RMB20,877,994) for the years ended December 31, 2022 and 2023, respectively.

25. 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, 2023, there was no unrecognized stock-based compensation associated with the above restricted shares. As of December 31, 2023, 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, 2023, 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 \$23,778 for the year ended December 31, 2022, in respect of the restricted shares granted on August 23, 2019.

All the restricted share units granted in respect of the restricted share units granted on August 23, 2019 had been vested on March 2022. As of December 31, 2023, 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 \$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.

The Company recorded non-cash share-based compensation expense of \$6,529 for the year ended December 31, 2023, in respect of the restricted shares granted on October 23, 2020 of which allocated to research and development expenses.

As of December 31, 2023, non-vested restricted share units granted on October 23, 2020 are as follows:

Non-vested share units as of January 1, 2023	16,665
Vested	(16,665)
Non-vested share units as of December 31, 2023	-

All the restricted share units granted on October 23, 2020 had been vested on April 30, 2023. As of December 31, 2023, there was no unrecognized stock-based compensation with the above restricted share units.

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, 2022 and 2023, the Company recorded 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, 2022 and 2023, the Company recorded nil as stock compensation expenses, respectively.

As of December 31, 2023, there was unrecognized stock-based compensation \$1,328,299 associated with the above options granted.

Restricted share units granted and stock ownership program on April 11, 2023

On April 11, 2023, pursuant to the Company's 2015 Plan, the Compensation Committee granted an aggregate of 894,000 restricted share units and 2,124,000 options to certain employees, officers and directors of the Company, of which 230,000 restricted share units and 460,000 options were granted to the Company's executive officers and directors. The restricted share units will vest semi-annually on June 30, 2023 and December 31, 2023. The fair value of these restricted shares units was \$0.95 per share on April 11, 2023. The Company recognizes the share-based compensation expenses over the vesting period (or the requisite service period) on a graded-vesting method. The option exercise price was \$0.9780. The shares will be vested semi-annually in 4 equal installments over a 2 year period with the first vesting on June 30, 2024. The options will expire on the 70-month anniversary of the grant date.

The Company recorded non-cash share-based compensation expense of \$831,250 for the year ended December 31, 2023, in respect of the restricted share units granted on April 11, 2023.

The fair value of the stock options granted to directors and 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: estimate life of 5.83 years, volatility of 106.59%, risk free interest rate of 3.51% and dividend yield of 0%. The fair value of options of the Company was \$838,190 at the grant date. For the year ended December 31, 2023, the Company recorded \$343,960 as share-based compensation expenses in respect of the stock options granted on April 11, 2023.

As of December 31, 2023, non-vested restricted share units granted on April 11, 2023 are as follows:

Non-vested share units as of April 11, 2023	
Granted	894,000
Vested	(875,000)
Forfeited	(19,000)
Non-vested share units as of December 31, 2023	<u><u>-</u></u>

All the restricted share units granted on April 11, 2023 had been vested on December 31, 2023. As of December 31, 2023, there was no unrecognized stock-based compensation with the above restricted share units.

Restricted share units granted and stock ownership program on August 22, 2023

On August 22, 2023, pursuant to the Company's 2015 Plan, the Compensation Committee granted an aggregate of 40,000 restricted share units and 160,000 options to employees of the Company. The restricted share units will vest semi-annually on October 15, 2023 and April 15, 2023. The fair value of these restricted shares units was \$0.88 per share on August 22, 2023. The Company recognizes the share-based compensation expenses over the vesting period (or the requisite service period) on a graded-vesting method. The option exercise price was \$0.8681. The shares will be vested semi-annually in 4 equal instalments over a 2 year period with the first vesting on February 15, 2025. The options will expire on the 70-month anniversary of the grant date.

The Company recorded non-cash share-based compensation expense of \$34,086 for the year ended December 31, 2023, in respect of the restricted share units granted on August 22, 2023.

The fair value of the stock options granted to directors and 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: estimate life of 5.83 years, volatility of 106.34%, risk free interest rate of 4.47% and dividend yield of 0%. The fair value of options of the Company was \$56,521 at the grant date. For the year ended December 31, 2023, the Company recorded \$9,922 as share-based compensation expenses in respect of the stock options granted on August 22, 2023.

As of December 31, 2023, non-vested restricted share units granted on August 22, 2023 are as follows:

Non-vested share units as of August 22, 2023	
Granted	40,000
Vested	(20,000)
Forfeited	-
Non-vested share units as of December 31, 2023	<u>20,000</u>

As of December 31, 2023, there was unrecognized stock-based compensation \$55,746 associated with the above restricted share units and options granted and nil vested shares were to be issued.

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

	Number of Shares	Average Exercise Price per Share	Aggregate Intrinsic Value*	Weighted Average Remaining Contractual Term in Years
Outstanding at January 1, 2023	1,650,086	1.96	-	4.7
Exercisable at January 1, 2023	549,958	1.96	\$ -	4.7
Granted	2,284,000	0.97	-	5.8
Exercised	-	-	-	-
Forfeited	(70,000)	0.98	-	5.8
Outstanding at December 31, 2023	<u>3,864,086</u>	<u>\$ 1.39</u>	<u>\$ -</u>	<u>4.3</u>
Exercisable at December 31, 2023	<u>549,958</u>	<u>\$ 1.96</u>	<u>\$ -</u>	<u>3.7</u>

* The intrinsic value of the stock options at December 31, 2023 is the amount by which the market value of the Company's common stock of \$1.05 as of December 31, 2023 exceeds the average exercise price of the option. As of December 31, 2023, 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, 2022 and 2023.

26. 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, 2022</i>	<i>Year ended December 31, 2023</i>
Net loss	\$ (11,327,811)	\$ (8,539,327)
Less: Net loss attributable to non-controlling interests	1,879,365	6,090,270
Net loss attributable to shareholders of CBAK Energy Technology, Inc.	<u>(9,448,446)</u>	<u>(2,449,057)</u>
Weighted average shares used in basic and diluted computation	<u>88,927,671</u>	<u>89,252,085</u>
Loss per share of common stock – basic and diluted	<u>\$ (0.11)</u>	<u>\$ (0.03)</u>

Note: Including 22,501 and 5,384 vested restricted shares granted pursuant to the 2015 Plan that were not yet issued as of December 31, 2022 and 2023, respectively.

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.

For the year ended December 31, 2023, 20,000 unvested restricted shares units, 3,224,128 unvested options and all the outstanding warrants were anti-dilutive and excluded from shares used in the diluted computation.

27. 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. The options were expired as of the report date. 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 815-40-15-7I, 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 5,296,579 warrants issued and outstanding as of December 31, 2023.

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, 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%
	<i>December 31, 2023</i>	<i>December 31, 2023</i>
<i>Appraisal Date</i>		
Market price per share (USD/share)	\$ n/a	\$ 1.05
Exercise price (USD/price)	n/a	6.475
Risk free rate	n/a	5.3%
Dividend yield	n/a	0%
Expected term/ Contractual life (years)	n/a	0.4 year
Expected volatility	n/a	53.90%

Warrants issued in the 2021 Financing

<i>Warrants holder</i>	<i>Investor Warrants</i>	<i>Placement Agent</i>
	<i>Series A1</i>	<i>Warrants</i>
<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)	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%

<i>Appraisal Date</i>	<i>December 31, 2023</i>	<i>December 31, 2023</i>
Market price per share (USD/share)	1.05	1.05
Exercise price (USD/price)	7.67	9.204
Risk free rate	5.1%	5.1%
Dividend yield	0%	0%
Expected term/ Contractual life (years)	0.6 year	0.6 year
Expected volatility	63.00%	63.00%

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</i>	<i>Year ended</i>
	<i>December 31, 2022</i>	<i>December 31, 2023</i>
Balance at the beginning of the year	\$ 5,846,000	\$ 136,000
Warrants issued to institution investors	-	-
Warrants issued to placement agent	-	-
Warrants redeemed	-	-
Fair value change of the issued warrants included in earnings	(5,710,000)	(136,000)
Balance at end of year	136,000	-

The following is a summary of the warrant activity:

	<i>Number of Warrants</i>	<i>Average Exercise Price</i>	<i>Weighted Average Remaining Contractual Term in Years</i>
Outstanding at January 1, 2023	9,092,499	\$ 7.19	1.33
Exercisable at January 1, 2023	9,092,499	\$ 7.19	1.33
Granted	-	-	-
Exercised / surrendered	-	-	-
Expired	(3,795,920)	6.460	-
Outstanding at December 31, 2023	5,296,579	7.71	0.60
Exercisable at December 31, 2023	5,296,579	7.71	0.60

28. Commitments and Contingencies

(i) Capital Commitments

As of December 31, 2022 and 2023, the Company had the following contracted capital commitments:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2023</u>
For construction of buildings	\$ 21,406,584	\$ 1,104,571
For purchases of equipment	4,249,801	31,437,525
Capital injection	137,739,785	267,557,243
	<u>\$ 163,396,170</u>	<u>\$ 300,099,339</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. On April 28, 2023, the Court of Zhuanghe made the judgement to dismiss the construction contract between Shenzhen Huijie and CBAK Power, other claims made by Shenzhen Huijie and the following appellate petition by CBAK Power. Shenzhen Huijie filed an appellate petition to the Court of Dalian to seek overturning the judgement by the Court of Zhuanghe, while CBAK Power filed an appellate petition to the Court of Dalian to seek the return of all paid construction costs and the interests incurred. On November 15, 2023, the Court of Dalian made the final judgement to dismiss the appellate petitions from both Shenzhen Huijie and CBAK Power. According to this final judgement, CBAK Power has no longer had any obligations or liabilities to Shenzhen Huijie.

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, 2023, 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.

29. 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, 2022 and 2023 as follows:

Sales of finished goods and raw materials	Year ended December 31, 2022		Year ended December 31, 2023	
	Customer B	\$ 28,071,738	11.29%	*
Customer C	*	%	66,881,853	32.7%
Customer D	57,856,658	23.26%	*	%
Zhengzhou BAK Battery Co., Ltd (note 18)	53,236,804	21.40%	27,872,002	13.6%

* 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, 2022 and 2023 as follows:

	December 31, 2022		December 31, 2023	
	Customer A	\$ 4,004,880	18.94%	\$ *
Customer D	*	*	7,239,247	27.7%
Zhengzhou BAK Battery Co., Ltd (note 18)	9,156,383	43.30%	12,441,715	47.5%

* 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, 2022 and 2023 as follows:

	Year ended December 31, 2022		Year ended December 31, 2023	
	Supplier A	\$ 33,781,075	14.46%	\$ 18,786,335
Supplier B	*	*	17,786,678	11.5%
Zhengzhou BAK Battery Co., Ltd (note 18)	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, 2022 and 2023 as follows:

	<i>December 31, 2022</i>		<i>December 31, 2023</i>	
Supplier A	\$	*	\$	10.1%
Supplier C				
Zhengzhou BAK Battery Co., Ltd (note 18)				
Zhejiang Shengyang Renewable Resources Technology Co., Ltd.				

(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, 2022 and 2023 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.

30. Segment Information

The Company’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 Company determined that Hitrans met the criteria for separate reportable segment given its financial information is separately reviewed by the Company’s CEO. As a result, the Company determined that for the year ended December 31, 2022 and 2023, 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, 2022 and 2023 were as follows:

<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) income	(5,107,311)	(5,280,537)	(1,116,755)	(11,504,603)
Finance income (expenses), net	929,756	(438,387)	(309)	491,060
Other income, net	(3,590,693)	(3,661,782)	5,710,000	(1,542,475)
Income tax credit	-	1,228,207	-	1,228,207
Net income	(7,768,248)	(8,152,499)	4,592,936	(11,327,811)

<i>For the year ended December 31, 2023</i>	<i>CBAT</i>	<i>Hitrans</i>	<i>Corporate unallocated (note)</i>	<i>Consolidated</i>
Net revenues	\$ 132,993,518	\$ 71,444,847	\$ -	\$ 204,438,365
Cost of revenues	(101,413,350)	(71,300,692)	-	(172,714,042)
Gross profit	31,580,168	144,155	-	31,724,323
Total operating expenses	(20,861,844)	(17,159,677)	(954,614)	(38,976,135)
Operating income (loss)	10,718,324	(17,015,522)	(954,614)	(7,251,812)
Finance income (expenses), net	337,243	95,816	(159)	432,900
Other income (expenses), net	2,906,648	(2,276,918)	136,000	765,730
Income tax expenses	-	(2,486,145)	-	(2,486,145)
Net income (loss)	13,962,215	(21,682,769)	(818,773)	(8,539,327)

<i>As of December 31, 2023</i>	<i>CBAT</i>	<i>Hitrans</i>	<i>Corporate unallocated</i>	<i>Consolidated</i>
Identifiable long-lived assets	100,815,622	42,249,656	-	143,065,278
Total assets	196,166,083	84,950,872	38,305	281,155,260

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 two types of Li-ion rechargeable batteries: battery pack and high-power cylindrical 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, 2022</i>	<i>Year ended December 31, 2023</i>
High power lithium batteries used in:		
Electric vehicles	\$ 4,694,694	\$ 2,883,385
Light electric vehicles	6,415,277	5,607,435
Residential energy supply & uninterruptable supplies	83,603,046	124,502,698
Trading of raw materials used in lithium batteries	2,172	-
	<u>94,715,189</u>	<u>132,993,518</u>
Materials used in manufacturing of lithium batteries		
Cathode	75,331,144	39,845,626
Precursor	78,679,152	31,599,221
	<u>154,010,296</u>	<u>71,444,847</u>
Total consolidated revenue	<u>\$ 248,725,485</u>	<u>\$ 204,438,365</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, 2022</i>	<i>Year ended December 31, 2023</i>
Mainland China	\$ 198,114,578	\$ 119,307,085
Europe	50,378,076	78,575,290
USA	36,525	5,216
Others	196,306	6,550,774
Total	\$ 248,725,485	\$ 204,438,365

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

31. 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, 2022 and 2023, additional transfers of \$166,414,198 and \$219,322,375 were required before the statutory general reserve reached 50% of the registered capital of the PRC subsidiaries. As of December 31, 2022 and 2023 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, 2022 and 2023.

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, 2022 and 2023
 (Unaudited)

	<i>Year ended December 31, 2022</i>	<i>Year ended December 31, 2023</i>
REVENUE, net	\$ -	\$ -
OPERATING EXPENSES:		
Salaries and consulting expenses	227,588	1,386,099
General and administrative	889,169	794,262
Total operating expenses	<u>(1,116,757)</u>	<u>(2,180,361)</u>
LOSS FROM OPERATIONS	<u>(1,116,757)</u>	<u>(2,180,361)</u>
Changes in fair value of warrants liability	5,710,000	136,000
INCOME (LOSS) ATTRIBUTABLE TO PARENT COMPANY	4,593,243	(2,044,361)
EQUITY IN LOSS OF SUBSIDIARIES	<u>(14,041,689)</u>	<u>(609,897)</u>
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS	<u>\$ (9,448,446)</u>	<u>\$ (2,654,258)</u>

CBAK ENERGY TECHNOLOGY, INC.
PARENT COMPANY BALANCE SHEETS
As of December 31, 2022 and 2023
(Unaudited)

	<i>December 31,</i> <u>2022</u>	<i>December 31,</i> <u>2023</u>
ASSETS		
Interests in subsidiaries	\$ 119,120,917	\$ 114,257,553
Cash and cash equivalents	118,559	26,922
Total assets	<u>\$ 119,239,476</u>	<u>\$ 114,284,475</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accrued expenses and other payables	1,608,102	1,586,745
Warrants liability	136,000	-
Total current liabilities	<u>1,744,102</u>	<u>1,586,745</u>
SHAREHOLDERS' EQUITY	<u>117,495,374</u>	<u>112,697,730</u>
Total liabilities and shareholders' equity	<u>\$ 119,239,476</u>	<u>\$ 114,284,475</u>

CBAK ENERGY TECHNOLOGY, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2023
(Unaudited)

	<i>Year ended December 31, 2022</i>	<i>Year ended December 31, 2023</i>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (9,448,446)	\$ (2,449,057)
Adjustments to reconcile net loss to net cash used in operating activities:		
Equity in loss of subsidiaries	(14,041,689)	(815,098)
Share based compensation	64,193	1,225,747
Changes in fair value of warrants liability	(5,710,000)	(136,000)
Change in operating assets and liabilities		
Accrued expenses and other payable	(2,127)	(21,357)
Net cash used in operating activities	<u>(29,138,069)</u>	<u>(2,195,765)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in interest in subsidiaries	28,540,148	2,104,128
Net cash used in investing activities	<u>28,540,148</u>	<u>2,104,128</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(597,921)	(91,637)
CASH AND CASH EQUIVALENTS, beginning of year	<u>716,480</u>	<u>118,559</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 118,559</u>	<u>\$ 26,922</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.

32. 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 11, 2024, the Company utilized RMB15 million (approximately \$2.1 million) banking facilities granted by Shaoxing Branch of Bank of Communications Co., Ltd at an interest rate of 3.45% for a period of one year to January 11, 2025. The Company borrowed RMB15 million (approximately \$2.1 million) on the same date.

On January 18, 2024, the Company further utilized RMB14.7 million (approximately \$2.1 million) banking facilities granted by Shaoxing Branch of Bank of Communications Co., Ltd at an interest rate of 3.45% for a period of one year to January 18, 2025. The Company borrowed RMB14.7 million (approximately \$2.1 million) on the same date.

On January 29, 2024, the Company utilized another RMB20 million (approximately \$2.8 million) banking facilities granted by Shaoxing Branch of Bank of Communications Co., Ltd at an interest rate of 3.45% for a period of one year to January 29, 2025. The Company fully repaid the loan on February 1, 2024. The Company borrowed RMB20 million (approximately \$2.8 million) on the same date.

On February 2, 2024, the Company utilized another RMB30 million (approximately \$4.2 million) banking facilities granted by Shaoxing Branch of Bank of Communications Co., Ltd at an interest rate of 3.45% for a period of one year to February 2, 2025. The Company borrowed RMB30 million (approximately \$4.2 million) on the same date.

On January 24, 2024, the Company entered into a short-term credit-guaranteed loan agreement with Zhejiang Shangyu Rural Commercial Bank to January 17, 2025 with an amount of RMB5 million (approximately \$0.7 million) bearing interest at 4.1% per annum. The Company borrowed RMB5 million (approximately \$0.7 million) on the same date.

On February 20, 2024, the Company entered into a six-month loan agreement with China Zheshang Bank Co., Ltd. Shengyang Branch to August 20, 2024 with an amount of RMB5 million (approximately \$0.7 million) bearing interest at 3.1% per annum. The loan was secured by restricted cash and bills receivables of the Company. The Company borrowed RMB5 million (approximately \$0.7 million) on the same date.

On February 28, 2024, the Company entered into another six-month loan agreement with China Zheshang Bank Co., Ltd. Shengyang Branch to August 28, 2024 with an amount of RMB8 million (approximately \$1.1 million) bearing interest at 3.1% per annum. The loan was secured by restricted cash and bills receivables of the Company. The Company borrowed RMB8 million (approximately \$1.1 million) on the same date.

On March 8, 2024, the Company entered into a short-term credit-guaranteed loan agreement with China Zheshang Bank Co., Ltd. Shangyu Branch to March 7, 2025 with an amount of RMB3 million (approximately \$0.4 million) bearing interest at 4.05% per annum. The Company borrowed RMB3 million (approximately \$0.4 million) on the same date.

On March 13, 2024, the Company entered into another six-month loan agreement with China Zheshang Bank Co., Ltd. Shengyang Branch to September 13, 2024 with an amount of RMB2 million (approximately \$0.3 million) bearing interest at 3.1% per annum. The loan was secured by restricted cash and bills receivables of the Company. The Company borrowed RMB2 million (approximately \$0.3 million) on the same date.

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

On July 18, 2023, the Board of Directors of the Company approved the dismissal of Centurion ZD CPA & Co. (“Centurion”) as independent registered public accounting firm of the Company, effective immediately.

Centurion’s reports on the consolidated financial statements of the Company as of and for the years ended December 31, 2022 and 2021 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle, except for an explanatory paragraph in such reports regarding substantial doubt about the Company’s ability to continue as a going concern.

For the years ended December 31, 2022 and 2021, and in the subsequent interim period through July 18, 2023, (i) there were no disagreements with Centurion (within the meaning of Item 304(a)(1)(iv) of Regulation S-K (“Regulation S-K”) of the rules and regulations of the SEC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure that if not resolved to Centurion’s satisfaction, would have caused Centurion to make reference to the subject matter of the disagreements in connection with its reports; and (ii) there were no reportable events (as defined by Item 304(a)(1)(v) of Regulation S-K), except for the material weaknesses in the Company’s internal control over financial reporting previously disclosed in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022. As previously disclosed, the following control deficiencies were identified that represent material weaknesses as of December 31, 2022: (1) we did not have appropriate policies and procedures in place to evaluate the proper accounting and disclosures of key documents and agreements, and (2) we do not have sufficient and skilled accounting personnel with an appropriate level of technical accounting knowledge and experience in the application of US GAAP commensurate with our financial reporting requirements.

On July 18, 2023, the Board of Directors of the Company approved the appointment of ARK Pro CPA & Co (“ARK”) as its independent registered public accounting firm for the fiscal year ending December 31, 2023. During the Company’s fiscal years ended December 31, 2022 and 2021, and the subsequent interim period through July 18, 2023, neither the Company nor anyone on its behalf has consulted with ARK on either (a) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the consolidated financial statements of the Company and its subsidiaries, and no written report or oral advice was provided by ARK to the Company that ARK concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue, or (b) any matter that was the subject of either a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, our management has carried out an evaluation, with the participation and under the supervision of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2023. Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating and implementing possible controls and procedures.

Management conducted its evaluation of disclosure controls and procedures under the supervision of our Chief Executive Officer and our Chief Financial Officer. Based upon, and as of the date of this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were ineffective as of December 31, 2023.

Management's Annual Report on Internal Control over Financial Reporting

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

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

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

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2023. In making this assessment, management used the framework set forth in the report entitled Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. The COSO framework summarizes each of the components of a company's internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v) monitoring.

Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that the Company's internal control over financial reporting as of December 31, 2023 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 weaknesses, 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. Ms. Xiangyu Pei resigned as our Interim Chief Financial Officer on August 22, 2023 but has continued to serve in the Company's finance department and on the board of director. Mr. Jiewei Li was appointed as the Company's Chief Financial Officer on August 22, 2023.
- 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 weaknesses that we have identified.

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, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

ARK Pro CPA & Co, our independent registered public accounting firm has issued an attestation report regarding the effectiveness of our internal controls over financial reporting which is included under Item 8 above.

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 2023, but was not reported.

During the fiscal quarter ended December 31, 2023, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement.

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

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information concerning our directors, executive officers, compliance with Section 16(a) of the Exchange Act, and corporate governance required by this Item 10 of Form 10-K is incorporated by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after our fiscal year ended December 31, 2023.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by Item 11 of Form 10-K is incorporated herein by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after our fiscal year ended December 31, 2023.

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

The information required by Item 12 of Form 10-K is incorporated herein by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after our fiscal year ended December 31, 2023.

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

The information required by Item 13 of Form 10-K is incorporated herein by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after our fiscal year ended December 31, 2023.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required by Item 14 of Form 10-K is incorporated herein by reference from the information contained in the Definitive Proxy Statement for the Annual Meeting of Stockholders, which is expected to be filed within 120 days after our fiscal year ended December 31, 2023.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

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

(1) Consolidated Financial Statements:

The financial statements are set forth under Item 8 of this annual report on Form 10-K.

(2) Financial Statement Schedules:

Financial statement schedules have been omitted since they are either not required, not applicable, or the information is otherwise included in the consolidated financial statements or notes thereto.

(3) Index to Exhibits

See exhibits listed under Item 15(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	Description of Securities Registered Pursuant to Section 12 of the Exchange Act
4.2	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)
4.3	Form of Investors Warrant (incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed on February 9, 2021)
4.4	Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.2 to the registrant's Current Report on Form 8-K filed on February 9, 2021)
4.5	Form of Investors Warrant (incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed on December 9, 2020)
4.6	Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.2 to the registrant's Current Report on Form 8-K filed on December 9, 2020)
10.1	Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on January 3, 2011)
10.2	CBAK Energy Technology, Inc. 2015 Equity Incentive Plan (incorporated by reference to Appendix D to the registrant's Definitive Proxy Statement on Schedule 14A filed April 24, 2015)
10.3	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)
10.4	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)
10.5	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)
10.6	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)
10.7	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)
10.8	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)
10.9	CBAK Energy Technology, Inc. 2023 Equity Incentive Plan (incorporated by reference to Appendix A to the registrant's Definitive Proxy Statement on Schedule 14A filed on October 20, 2023)
10.10	Form of Restricted Share Award Agreement under the 2023 Equity Incentive Plan
10.11	Form of Restricted Stock Unit Award Agreement under the 2023 Equity Incentive Plan
10.12	Form of Share Option Agreement under the 2023 Equity Incentive Plan

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)c
21.1	List of subsidiaries of the registrant.
23.1	Consent of Centurion ZD CPA & Co.
23.2	Consent of ARK Pro 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
97.1	Clawback Policy
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).

(c) Financial Statement Schedule

See Item 15(a) above.

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: March 15, 2024

CBAK ENERGY TECHNOLOGY, INC.

By: /s/ Yunfei Li
Yunfei Li
Chief Executive 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)	March 15, 2024
<u>/s/ Jiewei Li</u> Jiewei Li	Chief Financial Officer (Principal Financial and Accounting Officer)	March 15, 2024
<u>/s/ J. Simon Xue</u> J. Simon Xue	Director	March 15, 2024
<u>/s/ Martha C. Agee</u> Martha C. Agee	Director	March 15, 2024
<u>/s/ Jianjun He</u> Jianjun He	Director	March 15, 2024
<u>/s/ Xiangyu Pei</u> Xiangyu Pei	Director	March 15, 2024

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, 2023, there were 89,919,190 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 the event of our liquidation, dissolution or winding up, holders of our Common Stock are entitled to receive, ratably, the net assets available to stockholders after payment of all creditors.

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, 2023, the Company had the following outstanding warrants to purchase the Common Stock:

- 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; and
- 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.

CBAK ENERGY TECHNOLOGY, INC.

2023 EQUITY INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE AWARD

Unless otherwise defined in this Notice of Restricted Share Award or the attached Restricted Share Award Agreement, capitalized terms shall have the meanings ascribed to them in the CBAK Energy Technology, Inc. 2023 Equity Incentive Plan (the "Plan").

Grantee Name: _____

Address: _____

You have been granted Restricted Shares subject to the terms and conditions of the Plan and the attached Restricted Share Award Agreement, each of which is incorporated herein by reference, as follows:

Grant Date:	_____
Vesting Commencement Date (if different from Grant Date):	_____
Purchase Price per Share:	_____
Total Number of Shares Granted:	_____
Agreement Date:	_____
Vesting Schedule:	_____

CBAK ENERGY TECHNOLOGY, INC.

2023 EQUITY INCENTIVE PLAN

RESTRICTED SHARE AWARD AGREEMENT

This **RESTRICTED SHARE AWARD AGREEMENT** (the "Agreement"), dated as of the Agreement Date specified on the attached Notice of Restricted Share Award (the "Notice") is made by and between CBAK ENERGY TECHNOLOGY, INC., a Nevada corporation (the "Company"), and the grantee named on the Notice (the "Grantee," which term as used herein shall be deemed to include any successor to Grantee by will or by the laws of descent and distribution, unless the context shall otherwise require). Capitalized terms used but not otherwise defined in this Agreement have the meanings ascribed to them in the CBAK Energy Technology, Inc. 2023 Equity Incentive Plan (the "Plan," which, along with the Notice, is expressly incorporated herein and made a part hereof).

BACKGROUND

Pursuant to the Plan, the Company, acting through the Administrator, approved the issuance to Grantee, effective as of the date set forth on the Notice, of an award of the number of Restricted Shares ("Restricted Shares") as set forth on the Notice, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual premises and undertakings hereinafter set forth, the parties agree as follows:

1. **Grant and Purchase of Restricted Shares.** The Company hereby grants to Grantee, and Grantee hereby accepts and purchases, the number of Restricted Shares set forth in the Notice.

2. **Shareholder Rights.**

(a) **Voting Rights.** Until such time as all or any part of the Restricted Shares are forfeited to the Company under this Agreement, if ever, Grantee (or any successor in interest) has the rights of a shareholder, including voting rights, with respect to the Restricted Shares subject, however, to the transfer restrictions or any other restrictions set forth in the Plan.

(b) **Dividends and Other Distributions.** Subject to the terms of the Plan and this Agreement, Grantee holding Restricted Shares is entitled to all regular cash dividends or other distributions paid with respect to all Restricted Shares while they are so held. If any such dividends or distributions are paid in Restricted Shares, such Restricted Shares will be subject to the same restrictions on transferability and forfeitability as the Restricted Shares with respect to which they were paid.

3. **Vesting of Restricted Shares.**

(a) The Restricted Shares are restricted and subject to forfeiture until vested. The Restricted Shares which have vested and are no longer subject to forfeiture are referred to as "Vested Shares." All Restricted Shares which have not become Vested Shares are referred to as "Nonvested Shares."

(b) The Restricted Shares will be scheduled to vest and become nonforfeitable in accordance with the vesting schedule contained in the Notice. In the event of a Change in Control, the Administrator, pursuant to the Plan, may accelerate the time at which all or any portion of Grantee's Restricted Shares will be scheduled to vest.

(c) Definitions. Terms used in Section 5 hereof have the following meanings:

(i) "Cause" has the meaning ascribed to such term or words of similar import in Grantee's written employment or service contract with the Company or its Affiliate and, in the absence of such agreement or definition, means Grantee's (i) conviction of, or plea of nolo contendere to, a felony or any other crime involving moral turpitude; (ii) fraud on or misappropriation of any funds or property of the Company or any of its Affiliates, customer or vendor; (iii) personal dishonesty, incompetence, willful misconduct, willful violation of any law, rule or regulation (other than minor traffic violations or similar offenses), or breach of fiduciary duty which involves personal profit; (iv) willful misconduct in connection with Grantee's duties or willful failure to perform Grantee's responsibilities in the best interests of the Company or any of its Affiliates; (v) illegal use or distribution of drugs; (vi) violation of any rule, regulation, procedure or policy of the Company or any of its Affiliates; or (vii) breach of any provision of any employment, non-disclosure, non-competition, non-solicitation or other similar agreement executed by Grantee for the benefit of the Company or any of its Affiliates, all as determined by the board of directors of the Company or its Affiliate (as the case may be), which determination will be conclusive.

(ii) "Retirement" means Grantee's retirement from Company employ as determined in accordance with the policies of the Company or its Affiliates in good faith by the Board of Directors of the Company, which determination will be final and binding on all parties concerned.

4. Restrictions on Nonvested Shares. Nonvested Shares may not be sold, transferred, assigned, pledged, or otherwise disposed of, directly or indirectly, whether by operation of law or otherwise. The restrictions set forth in this Section 4 will terminate upon a Change of Control.

5. Forfeiture of Nonvested Shares. Except as otherwise provided herein, if Grantee's Service ceases for any reason other than Grantee's (a) death, (b) disability, (c) Retirement, or (d) termination by the Company without Cause, any Nonvested Shares will be forfeited to the Company, subject to the repayment by the Company at the lesser of (1) the original purchase price paid by the Grantee pursuant to this Agreement or (2) the Shares' Fair Market Value on the date of repurchase. However, the Administrator may cause any Nonvested Shares immediately to vest and become nonforfeitable in its sole discretion.

(a) Legend. Each certificate evidencing Restricted Shares granted pursuant to the Notice may bear a legend substantially as follows:

"THE SALE OR OTHER TRANSFER OF THE SHARES EVIDENCED BY THIS CERTIFICATE, WHETHER VOLUNTARY, INVOLUNTARY OR BY OPERATION OF LAW, IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE CBAK ENERGY TECHNOLOGY, INC. 2023 EQUITY INCENTIVE PLAN AND IN A RESTRICTED SHARE AWARD AGREEMENT. A COPY OF SUCH PLAN AND SUCH AGREEMENT MAY BE OBTAINED FROM CBAK ENERGY TECHNOLOGY, INC."

(b) Escrow of Nonvested Shares. The Company has the right to retain the certificates evidencing Nonvested Shares in the Company's possession until such time as all restrictions applicable to such Shares have been satisfied.

(c) Removal of Restrictions. The Grantee is entitled to have the legend removed from certificates evidencing Vested Shares.

6. **Recapitalizations, Exchanges, Mergers, Etc.** The provisions of this Agreement apply to the full extent set forth herein with respect to any and all shares of the Company or successor of the Company which may be issued in respect of, in exchange for, or in substitution for the Restricted Shares by reason of any share dividend, split, reverse split, combination, recapitalization, reclassification, merger, consolidation or otherwise which does not terminate this Agreement. Except as otherwise provided herein, this Agreement is not intended to confer upon any other person except the parties hereto any rights or remedies hereunder.

7. **Grantee Representations.**

Grantee represents to the Company the following:

(a) **Acknowledgement of Terms.** Grantee acknowledges that Grantee has received, read and understood the Plan and this Agreement and agrees to abide by and be bound by their terms and conditions.

(b) **Restrictions on Transfer.** If, at the time of grant of the Restricted Shares, there does not exist a registration statement under the US Securities Act of 1933, as amended (the "**Act**"), which registration statement shall have become effective and is current with respect to the Restricted Shares, Grantee acknowledges that the Restricted Shares to be issued to Grantee must be held indefinitely unless subsequently registered and qualified under the Act, or unless an exemption from registration and qualification is otherwise available. Grantee hereby covenants and agrees with the Company that (i) Grantee is purchasing the Restricted Shares for Grantee's own account and not with a view to the resale or distribution thereof, (ii) at no time was Grantee presented with or solicited by any publicly issued or circulated newspaper, mail, radio, television or other form of general advertising or solicitation in connection with the offer, sale and issue of the Restricted Shares, (iii) at the time Grantee was offered the Restricted Shares, it was, and as of the date hereof it is, an Accredited Investor, as such term is defined in Rule 501(a) of Regulation D promulgated under the Act, and has initialed the category of Accredited Investor applicable to Grantee on the Grantee Questionnaire presented to Grantee; *provided* that if a Purchaser is not a U.S. domestic Person, such Purchaser shall initial the category for foreign persons on the Grantee Questionnaire. Grantee is not required to be registered as a broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and is not affiliated with any broker-dealer registered under Section 15 of the Exchange Act; (iv) any subsequent offer for sale or sale of any such Restricted Shares shall be made either pursuant to either (x) a registration statement under that Act, which registration statement shall have become effective and shall be current with respect to the Restricted Shares being offered and sold, or (y) an exemption from the registration statement requirements of that Act, including the provisions of Regulation S promulgated under the Act ("**Regulation S**"), *provided* that Grantee is not a U.S. person (as defined in Regulation S) and is not acquiring the Restricted Shares for the account or benefit of a U.S. person, will resell the Restricted Shares only in accordance with the provisions of Regulation S and will not engage in any hedging transactions with regard to the Restricted Shares unless in compliance with the Act, but in claiming the exemption in (y), Grantee shall, prior to any offer for sale or sale of such Restricted Shares, obtain a favorable written opinion from counsel for or reasonably approved by the Company as to the applicability of such exemption, and (iii) the certificate evidencing such Restricted Shares shall bear an additional legend to the effect of the foregoing substantially as follows:

"THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR UNDER APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF OTHER THAN IN COMPLIANCE WITH AN AVAILABLE EXEMPTION FROM THE REGISTRATION STATEMENT REQUIREMENTS OF THE SECURITIES ACT, INCLUDING THE PROVISIONS OF REGULATION S PROMULGATED UNDER THE SECURITIES ACT, UNLESS REGISTERED UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS, PROVIDED THAT THE SELLER DELIVERS TO THE COMPANY AN OPINION OF COUNSEL (WHICH OPINION IS REASONABLY SATISFACTORY TO THE COMPANY) CONFIRMING THE AVAILABILITY OF SUCH EXEMPTION. THESE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT SECURED BY SUCH SECURITIES TO THE EXTENT PERMITTED BY APPLICABLE FEDERAL AND STATE SECURITIES LAWS."

Grantee understands that the Restricted Shares are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Grantee's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Grantee set forth herein in order to determine the availability of such exemptions and the eligibility of the Grantee to acquire the Restricted Shares. All of the information which the Grantee has provided to the Company is true, correct and complete as of the date of this Agreement.

Grantee further acknowledges that the Restricted Shares may be subject to such restrictions, conditions or limitations as the Company determines appropriate as to the timing and manner of any resales by Grantee or other subsequent transfers by Grantee of any Restricted Shares, including without limitation (a) restrictions under an insider trading policy, (b) restrictions designed to delay and/or coordinate the timing and manner of sales by Grantee, and (c) restrictions as to the use of a specified brokerage firm for such resales or other transfers.

(c) Relationship to the Company; Experience. Grantee hereby acknowledges that Grantee is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Restricted Shares. Grantee hereby acknowledges and understands that the grant, vest, or receipt of the Restricted Shares may be subject to and limited by the Act, the Exchange Act (collectively, the "Securities Acts"), and other rules and regulations. Should the Company fail to register any grant, vest, or fail to issue the Restricted Shares to Grantee due to any restriction or limitation under the Securities Acts or such other rules and regulations, Grantee shall hold the Company, its Affiliates, or any of its or their officers and directors free from any liability for any of the foregoing failure.

(d) Grantee's Liquidity. In reaching the decision to invest in the Restricted Shares, Grantee has carefully evaluated Grantee's financial resources and investment position and the risks associated with this investment, and Grantee acknowledges that Grantee is able to bear the economic risks of the investment. Grantee (i) has adequate means of providing for Grantee's current needs and possible personal contingencies, (ii) has no need for liquidity in Grantee's investment, (iii) is able to bear the substantial economic risks of an investment in the Restricted Shares for an indefinite period and (iv) at the present time, can afford a complete loss of such investment. Grantee's commitment to investments which are not readily marketable is not disproportionate to Grantee's net worth and Grantee's investment in the Restricted Shares will not cause Grantee's overall commitment to become excessive.

(e) Access to Data. Grantee acknowledges that during the course of this transaction and before deciding to acquire the Restricted Shares, Grantee has been provided with financial and other written information about the Company. Grantee has been given the opportunity by the Company to obtain any information and ask questions concerning the Company, the Restricted Shares, and Grantee's investment that Grantee felt necessary; and to the extent Grantee availed him or herself of that opportunity, Grantee has received satisfactory information and answers concerning the business and financial condition of the Company in response to all inquiries in respect thereof.

(f) **Risks.** Grantee acknowledges and understands that (i) an investment in the Company constitutes a high risk, (ii) the Restricted Shares are highly speculative, and (iii) there can be no assurance as to what investment return, if any, there may be. Grantee is aware that the Company may issue additional securities in the future which could result in the dilution of Grantee's ownership interest in the Company.

(g) **Valid Agreement.** This Agreement when executed and delivered by Grantee will constitute a valid and legally binding obligation of Grantee which is enforceable in accordance with its terms.

(h) **Residence.** The address set forth on the Notice is Grantee's current address and accurately sets forth Grantee's place of residence.

(i) **Tax Consequences.** Grantee has reviewed with Grantee's own tax advisors the national, federal, state, provincial and local and tax consequences of this investment and the transactions contemplated by this Agreement. Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Grantee understands that Grantee (and not the Company) is responsible for Grantee's own tax liability that may arise as a result of the transactions contemplated by this Agreement. Grantee understands that Section 83 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), taxes as ordinary income the difference between the purchase price for the Restricted Shares and the fair market value of the Restricted Shares as of the date any restrictions on the Restricted Shares lapse for U.S. Federal income tax purposes. Grantee understands that Grantee may elect to be taxed at the time the Restricted Shares are granted rather than when and as the restrictions lapse by filing an election under Section 83(b) of the Code with the U.S. Internal Revenue Service within 30 days from the Grant Date. The form for making this election is attached as **Exhibit A** hereto.

GRANTEE ACKNOWLEDGES THAT IT IS GRANTEE'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO FILE TIMELY ANY ELECTION UNDER SECTION 83(b), EVEN IF GRANTEE REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON GRANTEE'S BEHALF.

(j) If Grantee is subject to the laws of the People's Republic of China (the "PRC"), Grantee hereby acknowledges that Grantee is aware of the relevant requirements under the laws of the PRC regarding overseas investment, including the requirements for approval and registration of overseas securities with competent authorities. Grantee is acquiring the Restricted Shares after obtaining requisite approval or registration from competent authorities of the PRC. Failure to obtain requisite approval or registration shall relieve the Company, and any Affiliate, of any liability in respect of the failure to issue the Restricted Shares. If the failure is revealed or occurs after the issuance of the Restricted Shares, the Company shall be entitled, at its sole discretion, to redeem or request Grantee to transfer the Restricted Shares to a transferee who is legally entitled to hold the Restricted Shares at a redemption price (if any) to be determined by the Administrator in its sole discretion. The Company and its Affiliates shall be relieved from any liability for any redemption or request for transfer made pursuant to the foregoing.

8. **No Employment Contract Created.** The issuance of the Restricted Shares is not to be construed as granting to Grantee any right with respect to continuance of any Service with the Company or any of its Affiliates. The right of the Company or any of its Affiliates to terminate at will Grantee's Service at any time (whether by dismissal, discharge or otherwise), with or without Cause, is specifically reserved, subject to any other written employment or other agreement to which the Company and Grantee may be a party.

9. **Tax Withholding.** The Company has the power and the right to deduct or withhold, or require Grantee to remit to the Company, an amount sufficient to satisfy national, federal, state, provincial and local taxes (including income and employment taxes) required by Applicable Laws to be withheld with respect to the grant and vesting of the Restricted Shares.

10. **Interpretation.** The Restricted Shares are being issued pursuant to the terms of the Plan, and are to be interpreted in accordance therewith. The Administrator will interpret and construe this Agreement and the Plan, and any action, decision, interpretation or determination made in good faith by the Administrator will be final and binding on the Company and Grantee.

11. **Notices.** All notices or other communications which are required or permitted hereunder will be in writing and sufficient if (i) personally delivered or sent by telecopy, (ii) sent by nationally-recognized overnight courier or (iii) sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

(a) if to Grantee, to the address (or telecopy number) set forth on the Notice; and

(b) if to the Company, to its principal executive office as specified in any report filed by the Company with the Securities and Exchange Commission or to such address as the Company may have specified to Grantee in writing, Attention: Corporate Secretary;

or to such other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith. Any such communication will be deemed to have been given (i) when delivered, if personally delivered, or when telecopied, if telecopied with confirmation of transmission by the transmission equipment, (ii) on the first Business Day (as hereinafter defined) after dispatch, if sent by nationally-recognized overnight courier and (iii) on the fifth Business Day following the date on which the piece of mail containing such communication is posted, if sent by mail. As used herein, "Business Day" means a day that is not a Saturday, Sunday or a day on which banking institutions in the city to which the notice or communication is to be sent are not required to be open.

12. **Specific Performance.** Grantee expressly agrees that the Company will be irreparably damaged if the provisions of this Agreement and the Plan are not specifically enforced. Upon a breach or threatened breach of the terms, covenants and/or conditions of this Agreement or the Plan by Grantee, the Company will, in addition to all other remedies, be entitled to a temporary or permanent injunction, without showing any actual damage, and/or decree for specific performance, in accordance with the provisions hereof and thereof. The Administrator has the power to determine what constitutes a breach or threatened breach of this Agreement or the Plan. Any such determinations will be final and conclusive and binding upon Grantee.

13. **No Waiver.** No waiver of any breach or condition of this Agreement will be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature.

14. **Grantee Undertaking.** Grantee hereby agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on Grantee pursuant to the express provisions of this Agreement.

15. **Modification of Rights.** The rights of Grantee are subject to modification and termination in certain events as provided in this Agreement and the Plan.

16. **Governing Law.** This Agreement is governed by, and construed in accordance with, the laws of the State of Nevada, without regard to the principles of conflicts of law thereof.

17. **Counterparts; Facsimile Execution.** This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which together will constitute one and the same instrument. Facsimile execution and delivery of this Agreement or electronic transmission of signatures in portable document format (pdf) is legal, valid and binding execution and delivery for all purposes.

18. **Entire Agreement.** This Agreement (including the Notice) and the Plan, constitute the entire agreement between the parties with respect to the subject matter hereof, and supersede all previously written or oral negotiations, commitments, representations and agreements with respect thereto.

19. **Severability.** In the event one or more of the provisions of this Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Agreement, and this Agreement will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

20. **WAIVER OF JURY TRIAL.** GRANTEE HEREBY EXPRESSLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Restricted Share Award Agreement as of the date first written above.

CBAK ENERGY TECHNOLOGY, INC.

By: _____
Name: _____
Title: _____

GRANTEE

Name: _____

SPOUSE'S CONSENT TO AGREEMENT
(Required where Grantee resides in a community property jurisdiction)

I acknowledge that I have read the Agreement and the Plan and that I know and understand the contents of both. I am aware that my spouse has agreed therein to the imposition of certain forfeiture provisions and restrictions on transferability with respect to the Restricted Shares that are the subject of the Agreement, including with respect to my community interest therein, if any, on the occurrence of certain events described in the Agreement. I hereby consent to and approve of the provisions of the Agreement, and agree that I will abide by the Agreement and bequeath any interest in the Restricted Shares which represents a community interest of mine to my spouse or to a trust subject to my spouse's control or for my spouse's benefit or the benefit of our children if I predecease my spouse.

Dated: _____

Signature

Print Name

Exhibit A

**ELECTION UNDER SECTION 83(b)
OF THE INTERNAL REVENUE CODE OF 1986**

The undersigned taxpayer hereby elects, pursuant to Sections 55 and 83(b) of the Internal Revenue Code of 1986, as amended, to include in taxpayer's gross income or alternative minimum taxable income, as the case may be, for the current taxable year the amount of any compensation taxable to taxpayer in connection with taxpayer's receipt of the property described below.

1. The name, address, taxpayer identification number and taxable year of the undersigned are as follows:

TAXPAYER:

SPOUSE:

NAME:
ADDRESS:
IDENTIFICATION NO.:
TAXABLE YEAR:

2. The property with respect to which the election is made is described as follows: ____ shares of common stock (the "Shares") of CBAK Energy Technology, Inc. (the "Company").
3. The date on which the property was transferred is: _____, _____.
4. The property is subject to the following restrictions:

The Shares may not be transferred and are subject to forfeiture under the terms of an agreement between the taxpayer and the Company. These restrictions lapse upon the satisfaction of certain conditions contained in such agreement.
5. The fair market value at the time of transfer, determined without regard to any restriction other than a restriction which by its terms will never lapse, of such property is: US\$_____.

The undersigned has submitted a copy of this statement to the person for whom the services were performed in connection with the undersigned's receipt of the above-described property. The transferee of such property is the person performing the services in connection with the transfer of said property.

The undersigned understands that the foregoing election may not be revoked except with the consent of the Commissioner.

Dated: _____, _____

Taxpayer

The undersigned spouse of taxpayer joins in this election.

Dated: _____, _____

Spouse of Taxpayer

CBAK ENERGY TECHNOLOGY, INC.

2023 EQUITY INCENTIVE PLAN

NOTICE OF RESTRICTED STOCK UNITS AWARD

Unless otherwise defined in this Notice of Restricted Stock Units Award or the attached Restricted Stock Units Award Agreement, capitalized terms shall have the meanings ascribed to them in the CBAK Energy Technology, Inc. 2023 Equity Incentive Plan (the "Plan").

Grantee Name:

Date of Grant:

Total Number of RSUs Granted:

Agreement Date:

Vesting Schedule:

Provided that you remain in continuous Service of the Company or an Affiliate through the applicable vesting date, your RSUs will be scheduled to vest as follows: [NUMBER] shares vested on [DATE]; and the remaining [NUMBER] shares vested on [DATE].

CBAK ENERGY TECHNOLOGY, INC.

2023 EQUITY INCENTIVE PLAN

RESTRICTED STOCK UNITS AWARD AGREEMENT

This **RESTRICTED STOCK UNITS AWARD AGREEMENT** (this "Agreement"), dated as of the Agreement Date specified on the Notice of Restricted Stock Units Award (the "Notice") is made by and between CBAK ENERGY TECHNOLOGY, INC., a Nevada corporation (the "Company"), and the grantee named on the Notice (the "Grantee," which term as used herein shall be deemed to include any successor to Grantee by will or by the laws of descent and distribution, unless the context shall otherwise require). Capitalized terms used but not otherwise defined in this Agreement have the meanings ascribed to them in the CBAK Energy Technology, Inc. 2023 Equity Incentive Plan (the "Plan," which, along with the Notice, is expressly incorporated herein and made a part hereof).

BACKGROUND

Pursuant to the Plan, the Company, acting through the Administrator, approved the issuance to Grantee, effective as of the Agreement Date set forth on the Notice, of an award of the number of Restricted Stock Units ("Restricted Stock Units" or "RSUs"), upon the terms and conditions hereinafter set forth. This award of Restricted Stock Units is subject to all of the terms and conditions set forth in the Plan, the Notice and this Agreement.

NOW, THEREFORE, in consideration of the mutual premises and undertakings hereinafter set forth, the parties agree as follows:

1. Award of Restricted Stock Units. Subject to the restrictions and other terms and conditions set forth on the Notice, this Agreement and the Plan, the Company hereby grants to you the number of RSUs identified on the Notice as of the Grant Date therein specified.

2. Vesting of RSUs.

(a) Subject to Section 5 hereof, the RSUs awarded as set forth on the Notice will vest and become nonforfeitable, with respect to the applicable portion thereof, according to the vesting schedule set forth on the Notice (the "Vesting Schedule") and subject to Grantee's continued Service through the applicable vesting dates as a condition to the vesting of the applicable installment of the RSUs and the rights and benefits under this Agreement. In the event of a Change in Control, the Administrator, pursuant to the Plan, at its sole discretion, may accelerate the time at which all or any portion of Grantee's RSUs will vest. The RSUs which have vested and are no longer subject to forfeiture are referred to as "Vested RSUs." All RSUs which have not become Vested RSUs are referred to as "Nonvested RSUs."

(b) Definitions. Terms used in Section 5 hereof have the following meanings:

(i) "Cause" has the meaning ascribed to such term or words of similar import in Grantee's written employment or service contract with the Company or its Affiliate and, in the absence of such agreement or definition, means Grantee's (i) conviction of, or plea of nolo contendere to, a felony or any other crime involving moral turpitude; (ii) fraud on or misappropriation of any funds or property of the Company or any of its Affiliates, customer or vendor; (iii) personal dishonesty, incompetence, willful misconduct, willful violation of any law, rule or regulation (other than minor traffic violations or similar offenses), or breach of fiduciary duty which involves personal profit; (iv) willful misconduct in connection with Grantee's duties or willful failure to perform Grantee's responsibilities in the best interests of the Company or any of its Affiliates; (v) illegal use or distribution of drugs; (vi) violation of any rule, regulation, procedure or policy of the Company or any of its Affiliates; or (vii) breach of any provision of any employment, non-disclosure, non-competition, non-solicitation or other similar agreement executed by Grantee for the benefit of the Company or any of its Affiliates, all as determined by the Board of Directors of the Company or its Affiliate (as the case may be), which determination will be conclusive.

(ii) "Retirement" means Grantee's retirement from Company Service as determined in accordance with the policies of the Company or its Affiliates in good faith by the Board of Directors of the Company, which determination will be final and binding on all parties concerned.

3. Consideration to the Company. In consideration of the grant of the award of RSUs by the Company, Grantee agrees to render faithful and efficient services to the Company or any Affiliate. Nothing in the Plan, the Notice or this Agreement shall confer upon Grantee any right to continue in the employ or service of the Company or any Affiliate or shall interfere with or restrict in any way the rights of the Company and its Affiliates, which rights are hereby expressly reserved, to discharge or terminate the services of Grantee at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or an Affiliate and Grantee.

4. Grant is Not Transferable. During the lifetime of Grantee, the RSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the shares of Common Stock of the Company (the "Shares") underlying the RSUs have been issued, and all restrictions applicable to such Shares have lapsed. Neither the RSUs nor any interest or right therein shall be liable for the debts, contracts or engagements of Grantee or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

5. Forfeiture of Nonvested RSUs. Except as otherwise provided herein, if Grantee's service with the Company terminates for any reason other than Grantee's (a) death, (b) disability, (c) Retirement, or (d) termination by the Company without Cause, any Nonvested RSUs will be automatically forfeited, terminated and cancelled as of the applicable termination date without payment of any consideration by the Company, and Grantee, or Grantee's beneficiary or personal representative, as the case may be, shall have no further rights hereunder. In the event of Grantee's death, disability, Retirement, or termination by the Company without Cause, all Nonvested RSUs shall become fully vested and no longer such just to forfeiture upon the date of such event.

6. Payment upon Vesting.

(a) As soon as administratively practicable following the vesting of any RSUs pursuant to Section 2 hereof, but in no event later than sixty (60) days after such vesting date (for the avoidance of doubt, this deadline is intended to comply with the “short-term deferral” exemption from Section 409A of the Code), the Company shall deliver to Grantee (or any transferee permitted under Section 4 hereof) a number of Shares (either by delivering one or more certificates for such shares or by entering such shares in book entry form, as determined by the Company in its sole discretion) equal to the number of RSUs subject to this award that vest on the applicable vesting date, unless such RSUs terminate prior to the given vesting date pursuant to Section 5 hereof. Notwithstanding the foregoing, in the event Shares cannot be issued pursuant to Section 6(a), Section 6(b) and Section 6(c) hereof, then the Shares shall be issued pursuant to the preceding sentence as soon as administratively practicable after the Administrator determines that Shares can again be issued in accordance with Section 6(a), Section 6(b) and Section 6(c) hereof.

(b) Notwithstanding anything to the contrary in this Agreement, the Company shall be entitled to require payment by Grantee of any sums required by applicable law to be withheld with respect to the grant of RSUs or the issuance of Shares. Such payment shall be made by deduction from other compensation payable to Grantee or in such other form of consideration acceptable to the Company which may, in the sole discretion of the Administrator, include:

(i) Cash or check;

(ii) Surrender of Shares (including, without limitation, Shares otherwise issuable under the RSUs) held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences and having a Fair Market Value on the date of delivery equal to the minimum amount required to be withheld by statute; or

(iii) Other property acceptable to the Administrator (including, without limitation, through the delivery of a notice that Grantee has placed a market sell order with a broker with respect to Shares then issuable under the RSUs, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of its withholding obligations; *provided* that payment of such proceeds is then made to the Company at such time as may be required by the Company, but in any event not later than the settlement of such sale).

The Company shall not be obligated to deliver any new certificate representing Shares to Grantee or Grantee’s legal representative or enter such Share in book entry form unless and until Grantee or Grantee’s legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local or foreign taxes applicable to the taxable income of Grantee resulting from the grant or vesting of the RSUs or the issuance of Shares.

If Grantee is subject to the laws of the People’s Republic of China (the “PRC”), Grantee hereby acknowledges that Grantee is aware of the relevant requirements under the laws of the PRC regarding overseas investment, including the requirements for approval and registration of overseas securities with competent authorities. Grantee is acquiring the Shares after obtaining requisite approval or registration from competent authorities of the PRC. Failure to obtain requisite approval or registration shall relieve the Company, and any Affiliate, of any liability in respect of the failure to issue the Shares subject to the RSUs. If the failure is revealed or occurs after the issuance of the Shares, the Company shall be entitled, at its sole discretion, to redeem or request Grantee to transfer the Shares to a transferee who is legally entitled to hold the Restricted Shares at a redemption price (if any) to be determined by the Administrator in its sole discretion. The Company and its Affiliates shall be relieved from any liability for any redemption or request for transfer made pursuant to the foregoing.

7. Conditions to Delivery of Shares. Subject to Section 5 hereof, the Shares deliverable hereunder, or any portion thereof, may be either previously authorized but unissued Shares or issued Shares which have then been reacquired by the Company. Such Shares shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any Shares deliverable hereunder or portion thereof prior to fulfillment of all of the following conditions:

(a) The admission of such Shares to listing on all stock exchanges on which such Shares are then listed;

(b) The completion of any registration or other qualification of such Shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or of any other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its absolute discretion, determine to be necessary or advisable;

(d) The receipt by the Company of full payment for such Shares, including payment of any applicable withholding tax, which may be in one or more of the forms of consideration permitted under Section 5 hereof; and

(e) The lapse of such reasonable period of time following the vesting of any RSUs as the Administrator may from time to time establish for reasons of administrative convenience.

8. No Rights as Shareholder. The holder of the RSUs shall not be, nor have any of the rights or privileges of, a shareholder of the Company, including, without limitation, voting rights and rights to dividends, in respect of the RSUs and any Shares underlying the RSUs and deliverable hereunder unless and until such Shares shall have been issued by the Company and held of record by such holder (as evidenced by the appropriate entry of the name of the holder of Shares underlying the RSUs on the register of members of the Company). No adjustment will be made for a dividend or other right for which the record date is prior to the date of such entry.

9. Administration. The Administrator shall have the power to interpret the Plan, the Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules (including, but not limited to, the determination of whether or not any RSUs have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon Grantee, the Company and all other interested persons. Neither any person or persons acting as the Administrator and nor any member of the Administrator shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, the Notice and this Agreement.

10. Incorporation of Terms of Plan. The text of the Plan is incorporated in this Agreement by reference. This Agreement and the Notice are subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement or the Notice and one or more provisions of the Plan, the provisions of the Plan will govern.

11. Notices. All notices or other communications which are required or permitted hereunder will be in writing and sufficient if (i) personally delivered or sent by email, (ii) sent by nationally-recognized overnight courier or (iii) sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

(a) if to Grantee, to Grantee's last mailing address or email address reflected on the Company's records; and

(b) if to the Company, to its principal executive office as specified in any report filed by the Company with the Securities and Exchange Commission or to such address as the Company may have specified to Grantee in writing, Attention: Corporate Secretary;

or to such other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith. Any such communication will be deemed to have been given (i) when delivered, if personally delivered, (ii) on the first Business Day (as hereinafter defined) after sent by the electronic mail (assuming that there is no error in delivery) or nationally-recognized overnight courier and (iii) on the fifth Business Day following the date on which the piece of mail containing such communication is posted, if sent by mail. As used herein, "Business Day" means a day that is not a Saturday, Sunday or a day on which banking institutions in the city to which the notice or communication is to be sent are not required to be open.

12. Entire Agreement. The Plan, the Notice and this Agreement constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Grantee with respect to the subject matter hereof.

13. Amendments, Suspension and Termination. To the extent permitted by the Plan, the Notice and this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator; *provided* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the RSUs in any material way without the prior written consent of Grantee.

14. Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth in Section 4 hereof, this Agreement shall be binding upon Grantee and his heirs, executors, administrators, successors and assigns.

15. Governing Law. This Agreement is governed by, and construed in accordance with, the laws of the State of Nevada, without regard to the principles of conflicts of law thereof.

16. Conformity to Securities Laws. Grantee acknowledges that the Plan, the Notice and this Agreement are intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, state and applicable foreign securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the RSUs are granted, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan, the Notice and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

17. **No Waiver.** No waiver of any breach or condition of this Agreement will be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature.

18. **Grantee Undertaking.** Grantee hereby agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on Grantee pursuant to the express provisions of this Agreement.

19. **Severability.** In the event one or more of the provisions of this Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Agreement, and this Agreement will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

20. **WAIVER OF JURY TRIAL.** GRANTEE HEREBY EXPRESSLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN.

21. **Section 409A.** The RSUs are intended to be exempt from Section 409A of the Code and this Agreement shall be administered and interpreted in accordance with such intent. The Administrator reserves the right to unilaterally amend this Agreement without the consent of Grantee in order to maintain an exclusion from the application of, or to maintain compliance with, Code Section 409A; and Grantee hereby acknowledges and consents to such rights of the Administrator.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Restricted Stock Units Award Agreement as of the date first written above.

CBAK ENERGY TECHNOLOGY, INC.

By: _____

Name:

Title:

GRANTEE

Name:

CBAK ENERGY TECHNOLOGY, INC.

2023 EQUITY INCENTIVE PLAN

SHARE OPTION AGREEMENT

Unless otherwise defined herein, the capitalized terms used in this Share Option Agreement (the “Option Agreement”) shall have the meanings ascribed to them in the CBAK Energy Technology, Inc. 2023 Equity Incentive Plan (the “Plan”):

I. NOTICE OF SHARE OPTION GRANT**Optionee Name:**

Address:

You have been granted an option (the “Option”) to purchase shares of the common stock (the “Shares”) of CBAK Energy Technology, Inc. (the “Company”).

Grant Date:

Total Number of Shares Granted:

Type of Option:

Nonstatutory Share Option

Exercise Price per Share:

[No less than fair market value at Grant Date]

Vesting Commencement Date:

Vesting Schedule:

Expiration Date:

To the extent vested, this Option will be exercisable for three (3) months after Optionee ceases Service, unless termination is due to Optionee’s death or disability, in which case this Option will be exercisable for twelve (12) months after Optionee ceases Service. Notwithstanding the foregoing sentence, in no event may this Option be exercised after any termination of Optionee’s Service for Cause (as hereinafter defined) or after the Expiration Date as provided above and this Option may be subject to earlier termination as provided in the Plan.

“Cause” has the meaning ascribed to such term or words of similar import in Optionee’s written employment or service contract with the Company or its Affiliate and, in the absence of such agreement or definition, means Optionee’s (i) conviction of, or plea of nolo contendere to, a felony or any other crime involving moral turpitude; (ii) fraud on or misappropriation of any funds or property of the Company or any of its Affiliates, customer or vendor; (iii) personal dishonesty, incompetence, willful misconduct, willful violation of any law, rule or regulation (other than minor traffic violations or similar offenses), or breach of fiduciary duty which involves personal profit; (iv) willful misconduct in connection with Optionee’s duties or willful failure to perform Optionee’s responsibilities in the best interests of the Company or any of its Affiliates; (v) illegal use or distribution of drugs; (vi) violation of any rule, regulation, procedure or policy of the Company or any of its Affiliates; or (vii) breach of any provision of any employment, non-disclosure, non-competition, non-solicitation or other similar agreement executed by Optionee for the benefit of the Company or any of its Affiliates, all as determined by the Board of Directors of the Company or its Affiliate (as the case may be), which determination will be conclusive.

II. AGREEMENT

1. Grant of Option. The Administrator grants to the Optionee named in the Notice of Share Option Grant in Part I of this Option Agreement (the "Notice"), an Option to purchase the number of Shares set forth on the Notice, at the exercise price per Share set forth on the Notice (the "Exercise Price"), and subject to the terms and conditions of the Plan, which are incorporated herein by reference. In the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Plan prevail.

To the extent this Option exceeds the US\$100,000 rule of Section 422(d) of the Code, this Option will be treated as an NSO (as defined in the Plan).

2. Exercise of Option.

(a) Right to Exercise. This Option is exercisable during its term in accordance with the Vesting Schedule set out in the Notice and with the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise. This Option is exercisable by (i) delivery of an exercise notice in the form attached as Exhibit A (the "Exercise Notice"), or in a manner and pursuant to procedures as the Administrator may determine, which will state the election to exercise the Option, the number of Shares with respect to which the Option is being exercised, and other representations and agreements as may be required by the Company and (ii) paying the Company in full the aggregate Exercise Price as to all Shares being acquired, together with any applicable tax withholding.

This Option will be deemed to be exercised upon receipt by the Company of a fully executed Exercise Notice accompanied by the aggregate Exercise Price, together with any applicable tax withholding.

No Shares will be issued pursuant to the exercise of an Option unless the issuance and exercise of Shares complies with applicable laws. Assuming compliance, for income tax purposes the Shares will be considered transferred to Optionee on the date on which the Option is exercised with respect to the Shares.

3. Method of Payment. Subject to Section 23 hereof, the aggregate Exercise Price may be paid by any of the following, or a combination thereof, at the election of Optionee:

(a) cash or check;

(b) to the extent permitted by the Administrator and not prohibited by Section 402 of the Sarbanes-Oxley Act of 2002, a promissory note;

(c) to the extent permitted by the Administrator, other Shares, provided such Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which the Option will be exercised;

(d) if the Shares are publicly traded, and to the extent not prohibited by Section 402 of the Sarbanes-Oxley Act of 2002, in accordance with any broker-assisted cashless exercise procedures approved by the Company and as in effect from time to time;

(e) to the extent permitted by the Administrator, by asking the Company to withhold Shares from the total Shares to be delivered upon exercise equal to the number of Shares having a value equal to the aggregate Exercise Price of the Shares being acquired;

(f) any combination of the foregoing methods of payment; or

(g) such other consideration and method of payment for the issuance of Shares to the extent permitted by the Administrator and applicable laws.

4. Restrictions on Exercise. This Option may not be exercised (a) until such time as the Plan has been approved by the shareholders of the Company, or (b) if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable laws. The Company will be relieved of any liability with respect to any delayed issuance of shares or its failure to issue shares if such delay or failure is necessary to comply with applicable laws.

5. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution or, upon notice to and consent of the Company, to family members (as defined in the Plan), and may be exercised only by Optionee or designated beneficiary. The terms of the Plan and this Option Agreement are binding upon the executors, administrators, heirs, successors and assigns of Optionee.

6. Term of Option. This Option may be exercised only within the term set out in the Notice, and may be exercised during the term only in accordance with the Plan and the terms of this Option Agreement.

7. No Rights as Shareholder. Until the issuance of the Shares (as evidenced by the appropriate entry in the register of members of the Company), no right to vote or receive dividends or any other rights as a shareholder exists with respect to the Shares, notwithstanding the exercise of the Option. Subject to the requirements of Section 8 and Section 11 below, the Shares will be issued to Optionee as soon as practicable after the Option is exercised in accordance with the Option Agreement. No adjustment will be made for a dividend or other right for which the record date is prior to the date of issuance except as provided in the Plan.

8. Tax Obligations.

(a) Withholding Taxes. Optionee agrees to arrange for the satisfaction of all national, federal, state, provincial and local taxes (including income and employment taxes) required by applicable laws to be withheld with respect to the grant and exercise of the Option. Optionee acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver the Shares if withholding amounts are not delivered at the time of exercise. In this regard, Optionee authorizes the Company or his or her actual employer to withhold all applicable tax withholding legally payable by Optionee from Optionee's wages or other cash compensation payable to Optionee by the Company or his or her employer or from any equivalent cash payment received upon exercise of the Option. Alternatively, the Company or the employer may permit Optionee to satisfy such withholding or payment on account obligations, in whole or in part (without limitation) by paying cash. In addition, if permissible under local law, the Company or the employer, in their sole discretion and pursuant to such procedures as they may specify from time to time, may (a) withhold otherwise deliverable Shares having a Fair Market Value equal to the minimum amount required to be withheld, and/or (b) sell or arrange for the sale of a sufficient number of such Shares otherwise deliverable to Optionee through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld. Optionee shall pay to the Company or to the employer any amount of tax that the Company or the employer may be required to withhold as a result of the grant, vesting or exercise of the Option that cannot be satisfied by the means previously described.

(b) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Optionee is an ISO (as defined in the Plan), and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two (2) years after the Grant Date, or (ii) the date one (1) year after the date of exercise, Optionee must immediately notify the Company of the disposition in writing. Optionee agrees that Optionee may be subject to income tax withholding by the Company on the compensation income recognized by Optionee.

(c) Code Section 409A. Under Section 409A of the Code, an Option that vests after December 31, 2004, that was granted with a per Share exercise price that is determined by the U.S. Internal Revenue Service (the “IRS”) to be less than the Fair Market Value of a Share on the Grant Date (a “discount option”) may be considered deferred compensation. For an Optionee subject to U.S. income tax, an Option that is a discount option may result in (i) income recognition by Optionee prior to the exercise of the Option, (ii) an additional twenty percent (20%) tax, and (iii) potential penalty and interest charges. Optionee acknowledges that the Company cannot and has not guaranteed that the IRS will agree that the per Share Exercise Price of this Option equals or exceeds Fair Market Value of a Share on the Grant Date in a later examination. Optionee agrees that if the IRS determines that the Option was granted with a per Share exercise price that was less than the Fair Market Value of a Share on the Grant Date, Optionee will be solely responsible for any and all resulting tax consequences.

9. No Guarantee of Continued Service. OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING SERVICE AT THE WILL OF THE COMPANY (OR THE AFFILIATE EMPLOYING OR RETAINING OPTIONEE) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT THIS OPTION AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED SERVICE FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH OPTIONEE’S RIGHT OR THE RIGHT OF THE COMPANY (OR THE AFFILIATE EMPLOYING OR RETAINING OPTIONEE) TO TERMINATE OPTIONEE’S SERVICE AT ANY TIME, WITH OR WITHOUT CAUSE.

10. Notices. All notices or other communications which are required or permitted hereunder will be in writing and sufficient if (i) personally delivered or sent by electronic mail, (ii) sent by nationally-recognized overnight courier or (iii) sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

(a) if to Optionee, to the address (or email address) set forth on the Notice; and

(b) if to the Company, to its principal executive office as specified in any report filed by the Company with the Securities and Exchange Commission or to such address as the Company may have specified to the Grantee in writing, Attention: Corporate Secretary;

or to any other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith. Any communication will be deemed to have been given (i) when delivered, if personally delivered, or when sent, if sent by email, (ii) on the first Business Day (as hereinafter defined) after dispatch, if sent by nationally-recognized overnight courier and (iii) on the fourth Business Day following the date on which the piece of mail containing the communication is posted, if sent by mail. As used herein, “Business Day” means a day that is not a Saturday, Sunday or a day on which banking institutions in the city to which the notice or communication is to be sent are not required to be open.

11. Refusal to Transfer. The Company will not (i) transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Option Agreement, or (ii) be required to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares have been so transferred. Optionee further acknowledges that the Shares issued upon the exercise of the Option may be subject to such restrictions, conditions or limitations as the Company determines appropriate as to the timing and manner of any resales by Optionee or other subsequent transfers by Optionee of any Shares, including without limitation (a) restrictions under an insider trading policy, (b) restrictions designed to delay and/or coordinate the timing and manner of sales by Optionee, and (c) restrictions as to the use of a specified brokerage firm for such resales or other transfers.

12. Successors and Assigns. The Company may assign any of its rights under this Option Agreement to single or multiple assignees, and this Option Agreement inures to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Option Agreement is binding upon Optionee and his or her heirs, executors, administrators, successors and assigns.

13. Interpretation. Any dispute regarding the interpretation of this Option Agreement will be submitted by Optionee or by the Company forthwith to the Administrator for review at its next regular meeting. The resolution of disputes by the Administrator will be final and binding on all parties.

14. Specific Performance. Optionee expressly agrees that the Company will be irreparably damaged if the provisions of this Option Agreement and the Plan are not specifically enforced. Upon a breach or threatened breach of the terms, covenants and/or conditions of this Option Agreement or the Plan by Optionee, the Company will, in addition to all other remedies, be entitled to a temporary or permanent injunction, without showing any actual damage, and/or decree for specific performance, in accordance with the provisions hereof and thereof. The Administrator has the power to determine what constitutes a breach or threatened breach of this Option Agreement or the Plan. The Administrator's determinations will be final and conclusive and binding upon Optionee.

15. No Waiver. No waiver of any breach or condition of this Option Agreement will be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature.

16. Optionee Undertaking. Optionee agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on Optionee pursuant to the express provisions of this Option Agreement.

17. Modification of Rights. The rights of Optionee are subject to modification and termination in certain events as provided in this Option Agreement and the Plan.

18. Governing Law. This Option Agreement is governed by, and construed in accordance with, the laws of the State of Nevada, without regard to the principles of conflicts of law thereof.

19. Counterparts; Facsimile Execution. This Option Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which together constitute one and the same instrument. Facsimile execution and delivery or electronic transmission of signatures in portable document format (pdf) of this Option Agreement is legal, valid and binding execution and delivery for all purposes.

20. Entire Agreement. The Plan, this Option Agreement, and upon execution, the Exercise Notice (which is incorporated herein by reference), constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements between the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to Optionee's interest except by means of a writing signed by the Company and Optionee.

21. Severability. In the event one or more of the provisions of this Option Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Option Agreement, and this Option Agreement will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

22. WAIVER OF JURY TRIAL. OPTIONEE EXPRESSLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS OPTION AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN.

23. Representations of Optionee. The following representations shall be true and accurate on and as of the date of any exercise of the Option:

(a) Optionee acknowledges that Optionee has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

(b) If, at the time of exercise of the Option, there does not exist a registration statement under the US Securities Act of 1933, as amended (the "Act"), which registration statement shall have become effective and is current with respect to the Shares subject to the Option, Optionee hereby covenants and agrees with the Company that (i) Optionee is purchasing the Shares for Optionee's own account and not with a view to the resale or distribution thereof, (ii) any subsequent offer for sale or sale of any such Shares shall be made either pursuant to either (x) a registration statement under that Act, which registration statement shall have become effective and shall be current with respect to the Shares being offered and sold, or (y) an exemption from the registration statement requirements of that Act, including the provisions of Regulation S promulgated under the Act ("Regulation S"), provided that Optionee is not a U.S. person (as defined in Regulation S) and is not acquiring the Shares for the account or benefit of a U.S. person, will resell the Shares only in accordance with the provisions of Regulation S and will not engage in any hedging transactions with regard to the Shares unless in compliance with the Act, but in claiming the exemption in (y), Optionee shall, prior to any offer for sale or sale of such Shares, obtain a favorable written opinion from counsel for or reasonably approved by the Company as to the applicability of such exemption, and (iii) the certificate evidencing such Shares shall bear a legend to the effect of the foregoing substantially as follows:

"THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR UNDER APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF OTHER THAN IN COMPLIANCE WITH AN AVAILABLE EXEMPTION FROM THE REGISTRATION STATEMENT REQUIREMENTS OF THE SECURITIES ACT, INCLUDING THE PROVISIONS OF REGULATION S PROMULGATED UNDER THE SECURITIES ACT, UNLESS REGISTERED UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS, PROVIDED THAT THE SELLER DELIVERS TO THE COMPANY AN OPINION OF COUNSEL (WHICH OPINION IS REASONABLY SATISFACTORY TO THE COMPANY) CONFIRMING THE AVAILABILITY OF SUCH EXEMPTION. THESE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT SECURED BY SUCH SECURITIES TO THE EXTENT PERMITTED BY APPLICABLE FEDERAL AND STATE SECURITIES LAWS."

(c) Optionee hereby acknowledges that Optionee is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Shares. Optionee hereby acknowledges and understands that the grant, vest, exercise of Option, or receipt of the Shares may be subject to and limited by the Act, the US Securities Exchange Act of 1934, as amended (collectively, the "Securities Acts"), and other rules and regulations. Should the Company fail to register any grant, vest, exercise of Option, or fail to issue the Shares to Optionee due to any restriction or limitation under the Securities Acts or such other rules and regulations, Optionee shall hold the Company, its Affiliates, or any of its or their officers and directors free from any liability for any of the foregoing failure.

(d) If Optionee is subject to the laws of the People's Republic of China (the "PRC"), Optionee hereby acknowledges that Optionee is aware of the relevant requirements under the laws of the PRC regarding overseas investment, including, among others, the requirements for approval and registration of overseas securities with competent authorities and methods of payment of consideration for such Shares. Optionee is acquiring the Shares after obtaining requisite approval or registration from competent authorities of the PRC. Failure to obtain requisite approval or registration shall relieve the Company, and any Affiliate, of any liability in respect of the failure to issue the Shares subject to the Options. If the failure is revealed or occurs after the issuance of the Shares upon an exercise of the Options, the Company shall be entitled, at its sole discretion, to redeem or request Optionee to transfer the Shares to a transferee who is legally entitled to hold the Shares at a redemption price (if any) to be determined by the Administrator in its sole discretion. The Company and its Affiliates shall be relieved from any liability for any redemption or request for transfer made pursuant to the foregoing.

24. Tax Consultation. Optionee understands that Optionee may suffer adverse tax consequences as a result of Optionee's purchase or disposition of the Shares. Optionee represents that Optionee has consulted with any tax consultants Optionee deems advisable in connection with the purchase or disposition of the Shares and that Optionee is not relying on the Company for any tax advice.

25. Other Agreements.

(a) Optionee understands and acknowledges that (i) the Plan is entirely discretionary, (ii) the Company and his or her employer have reserved the right to amend, suspend or terminate the Plan at any time, (iii) the grant of an Option does not in any way create any contractual or other right to receive additional grants of Options (or benefits in lieu of Options) at any time or in any amount and (iv) all determinations with respect to any additional grants, including (without limitation) the times when Options will be granted, the number of Shares offered, the exercise price and the vesting schedule, will be at the sole discretion of the Company.

(b) The value of this Option shall be an extraordinary item of compensation outside the scope of Optionee's employment contract, if any, and shall not be considered a part of Optionee's normal or expected compensation for purposes of calculating severance, resignation, redundancy or end-of-service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

(c) Optionee understands and acknowledges that participation in the Plan ceases upon termination of Optionee's Service for any reason, except as may explicitly be provided otherwise in the Plan or this Option Agreement.

(d) Optionee hereby authorizes and directs his or her employer to disclose to the Company or any Affiliate any information regarding his or her employment, the nature and amount of his or her compensation and the fact and conditions of Optionee's participation in the Plan, as Optionee's employer deems necessary or appropriate to facilitate the administration of the Plan. Optionee consents to the collection, use and transfer of personal data (the "Data") for use by the Company, its Affiliates and third parties as necessary or appropriate to administer the Plan. Optionee may, at any time, view the Data, require any necessary modifications of Data or withdraw the consents set forth in this subsection by contacting the Human Resources Department of the Company in writing.

(e) Optionee agrees that the Company may deliver by e-mail all documents relating to the Plan or this Option (including without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including without limitation, annual reports and proxy statements). Optionee also agrees that the Company may deliver these documents by posting them on a website maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a website, it will notify Optionee by e-mail.

[remainder of page intentionally left blank]

Optionee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and accepts this Option subject to all of the terms and provisions thereof. Optionee has reviewed the Plan and this Option Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option Agreement and fully understands all provisions of the Option Agreement. Optionee agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option Agreement. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

OPTIONEE

CBAK ENERGY TECHNOLOGY, INC.

Signature

By

Print Name

Print Name

Title

Residence Address

EXHIBIT A

2023 EQUITY INCENTIVE PLAN

NOTICE OF EXERCISE OF OPTION

CBAK Energy Technology, Inc.
[ADDRESS]

Attention: _____, _____

1. Exercise of Option. Effective as of today, _____, _____, the undersigned (“Optionee”) elects to exercise Optionee’s option (the “Option”) to purchase _____ shares of common stock (the “Shares”) of CBAK Energy Technology, Inc. (the “Company”) under and pursuant to the CBAK Energy Technology, Inc. 2023 Equity Incentive Plan (the “Plan”) and the Share Option Agreement dated _____, ____ (the “Option Agreement”).

2. Optionee Representations. The representations in Section 23 of the Option Agreement are true and accurate on and as of the date hereof.

3. Delivery of Payment. Optionee herewith delivers to the Company the full purchase price of the Shares, as set forth in the Option Agreement, and any and all withholding taxes due in connection with the exercise of the Option.

4. Entire Agreement. The Plan and Option Agreement are incorporated herein by reference. This Exercise Notice, the Plan and the Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to Optionee’s interest except by means of a writing signed by the Company and Optionee.

[signature page follows]

Submitted by:
OPTIONEE

Signature

Print Name

Address:

Accepted by:
CBAK ENERGY TECHNOLOGY, INC.

By

Print Name

Title

Address:

Date Received

LIST OF SUBSIDIARIES

Name of Subsidiary	Jurisdiction of Incorporation or Organization	Percentage of Ownership
CBAK Energy Investments Holdings	Cayman Islands	100%
CBAK Energy Lithium Battery Holdings Co., Ltd.	Cayman Islands	100%
Hitrans Holdings Co., Ltd.	Cayman Islands	100%
Hong Kong Nacell Holdings Company Limited	Hong Kong	100%
China BAK Asia Holdings Limited	Hong Kong	100%
Dalian CBAK New Energy Co., Ltd.	PRC	100%
Dalian CBAK Power Battery Co., Ltd.	PRC	100%
Dalian CBAK Energy Technology Co., Ltd.	PRC	100%
CBAK New Energy (Suzhou) Co., Ltd.	PRC	90%
BAK Asia Investments Limited	Hong Kong	100%
CBAK New Energy (Nanjing) Co., Ltd	PRC	100%
Nanjing BFD New Energy Technology Co., Ltd.	PRC	100%
Nanjing CBAK New Energy Technology Co., Ltd	PRC	100%
CBAK New Energy (Shangqiu) Co., Ltd.	PRC	100%
Zhejiang Hitrans Lithium Battery Technology Co., Ltd (“Hitrans”)	PRC	67.33%
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
March 15, 2024



T : (852) 3105 3983
F : (852) 3105 3887
E : info@arkcpa.com.hk

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 March 15, 2024, 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) and the effectiveness of the Company's internal control over financial reporting, which appears in this Annual Report on Form 10-K of the Company for the year ended December 31, 2023.

/s/ ARK Pro CPA & Co

Hong Kong, China
March 15, 2024

香港九龍新蒲崗太子道東698號寶光商業中心16樓1602-03室
Unit 1602-03, 16/F., Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong

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: March 15, 2024

/s/ Yunfei Li

Yunfei Li

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATIONS

I, Jiewei 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: March 15, 2024

/s/ Jiewei Li

Jiewei Li

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, 2023 (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 15th day of March, 2024.

/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, Jiewei Li, the Chief Financial Officer of CBAK ENERGY TECHNOLOGY, INC. (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (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 15th day of March, 2024.

/s/ Jiewei Li

Jiewei Li

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

CBAK ENERGY TECHNOLOGY, INC.

CLAWBACK POLICY

A. OVERVIEW

In accordance with the applicable rules of The Nasdaq Stock Market (the “**Nasdaq Rules**”), Section 10D and Rule 10D-1 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) (“**Rule 10D-1**”), the Board of Directors (the “**Board**”) of CBAK Energy Technology, Inc. (the “**Company**”) has adopted this Policy (the “**Policy**”) to provide for the recovery of erroneously awarded Incentive-based Compensation from Executive Officers. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in Section H, below.

B. RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

(1) In the event of an Accounting Restatement, the Company will reasonably promptly recover the Erroneously Awarded Compensation Received in accordance with Nasdaq Rules and Rule 10D-1 as follows:

- (i) After an Accounting Restatement, the Compensation Committee of the Board (the “**Committee**”) shall determine the amount of any Erroneously Awarded Compensation Received by each Executive Officer and shall promptly notify each Executive Officer with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable.
- (a) For Incentive-based Compensation based on (or derived from) the Company’s stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement:
 - i. The amount to be repaid or returned shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the Company’s stock price or total shareholder return upon which the Incentive-based Compensation was Received; and
 - ii. The Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation as required to the Nasdaq.
- (ii) The Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances. Notwithstanding the foregoing, except as set forth in Section B(2) below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer’s obligations hereunder.
- (iii) To the extent that the Executive Officer has already reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.
- (iv) To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

(2) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section B(1) above if the Committee determines that recovery would be impracticable *and* any of the following three conditions are met:

- (i) The Committee has determined that the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before making this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Compensation, document such attempt(s) and provide such documentation to the Nasdaq;
- (ii) Recovery would violate home country law where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to the Nasdaq, that recovery would result in such a violation and a copy of the opinion is provided to Nasdaq; or
- (iii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

C. DISCLOSURE REQUIREMENTS

The Company shall file all disclosures with respect to this Policy required by applicable U.S. Securities and Exchange Commission (“SEC”) filings and rules.

D. PROHIBITION OF INDEMNIFICATION

The Company shall not be permitted to insure or indemnify any Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company’s enforcement of its rights under this Policy. Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation that is granted, paid or awarded to an Executive Officer from the application of this Policy or that waives the Company’s right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy). It is hereby acknowledged that Rule 10D-1(b)(1)(v) and Nasdaq Rule 5608 provide that the Company is prohibited from indemnifying any executive officer or former executive officer against the loss of erroneously awarded compensation. It is therefore acknowledged that such indemnification is prohibited by applicable law for all purposes, including any and all such agreements.

E. ADMINISTRATION AND INTERPRETATION

This Policy shall be administered by the Committee, and any determinations made by the Committee shall be final and binding on all affected individuals.

The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy and for the Company’s compliance with Nasdaq Rules, Section 10D, Rule 10D-1 and any other applicable law, regulation, rule or interpretation of the SEC or Nasdaq promulgated or issued in connection therewith.

F. AMENDMENT; TERMINATION

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything in this Section F to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or Nasdaq rule.

G. OTHER RECOVERY RIGHTS

This Policy shall be binding and enforceable against all Executive Officers and, to the extent required by applicable law or guidance from the SEC or Nasdaq, their beneficiaries, heirs, executors, administrators or other legal representatives. The Committee intends that this Policy will be applied to the fullest extent required by applicable law. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with an Executive Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Executive Officer to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangement.

H. DEFINITIONS

For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(1) “**Accounting Restatement**” means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a “Big R” restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “little r” restatement).

(2) “**Clawback Eligible Incentive Compensation**” means all Incentive-based Compensation Received by an Executive Officer (i) on or after the effective date of the applicable Nasdaq rules, (ii) after beginning service as an Executive Officer, (iii) who served as an Executive Officer at any time during the applicable performance period relating to any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period (as defined below).

(3) “**Clawback Period**” means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date (as defined below), and if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three completed fiscal years.

(4) “**Erroneously Awarded Compensation**” means, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

(5) “**Executive Officer**” means each individual who is currently or was previously designated as an “officer” of the Company as defined in Rule 16a-1(f) under the Exchange Act. For the avoidance of doubt, the identification of an executive officer for purposes of this Policy shall include each executive officer who is or was identified pursuant to Item 401(b) of Regulation S-K or Item 6.A of Form 20-F, as applicable, as well as the principal financial officer and principal accounting officer (or, if there is no principal accounting officer, the controller).

(6) “**Financial Reporting Measures**” means measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall, for purposes of this Policy, be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company’s financial statements or included in a filing with the SEC.

(7) “**Incentive-based Compensation**” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(8) “**Nasdaq**” means The Nasdaq Stock Market.

(9) “**Received**” means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the payment or grant of the Incentive-based Compensation to the Executive Officer occurs after the end of that period.

(10) “**Restatement Date**” means the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

Effective as of November 14, 2023.