



December 18, 2020

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CBAK Energy Technology Inc. (CBAT US)

Share Price in USD	\$4.69
Market Cap (in mln USD)	\$356.3
TEV/Revenue	15.6x
Avg vol (mln shares)	14.8

CBAK Energy Technology Inc. (CBAT US) last share price in USD (blue, right) and volume (green, left, mln shares)



Source: S&P Capital IQ December 18, 2020

CBAK Energy Technology Inc. (CBAT US)

The Undead: CBAT Why China BAK Has Zero Value

CBAK Energy Technology Inc. (CBAT) represents the barely re-animated corpse of CBAK, a Chinese reverse merger that lost all its manufacturing assets to default in 2014.¹ In 2015-16, CBAT raised \$113 mln from investors to build new factories—and, we will show, appears to have simply taken a lot of that cash.



This is the Nanjing facility that CBAT claims will be an 8GW production base. | Photo by J Capital researcher December 2020

¹ See the Geoinvesting report on the default: <https://geoinvesting.com/loan-default-and-foreclosure-bring-china-bak-batterys-solvency-and-viability-into-question/>

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CBAT represents a rare trifecta of Chinese fraud: a reverse merger, a Tier 3 auditor, and a suspect broker.



We visited the Nanjing "base" and it was completely empty. | Photos by J Capital researcher December 2020.

History is repeating itself. CBAT appears to be on the brink of another default. CBAT “is about to go bust; the factory director already ran away,” said a recently departed engineer on the phone with us. “It’s all along been half dead, half alive, mainly relying on the parent company for cash injections to stay alive.”

CBAT has all the hallmarks of a Chinese fraud: a 30-year-old interim CFO who took over following the sudden resignation in August last year of the former CFO, an audit firm that was fined by the Hong Kong authorities and banned in the United States, and a rogues gallery of transaction advisors that includes Cowan, Roth, and a one-man broker-dealer called FT Global that is registered to someone named Ke Jian. The auditor, Centurion ZD, was also the auditor of Wins Finance,² which was delisted in October after credible accusations of fraud. The dubious relationships don’t end there. CBAT’s auditors were previously involved with a questionable audit of CBAT’s largest new client, Kandi Technologies (KNDI). and FT Global was exclusive placement agent for a KNDI issue in November.³ The current CEO is little more than a straw man for a founder who is in such dire financial straits that he has been banned in China from taking airplanes. It is telling that this straw man, CEO Li Yunfei, resides close to the old CEO’s company

² <https://www.prnewswire.com/news-releases/wins-finance-holdings-announces-change-of-auditors-300524308.html>

³ <https://www.chinaipo.com/usstock/136082.html>

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CBAT claims to be an EV company. Actually, its bread and butter is AA-size batteries for small appliances

in Shenzhen, thousands of miles from CBAT's headquarters in Dalian.⁴

CBAT claims to be an EV company. Actually, it makes AA-size batteries for small appliances. We contacted the auto companies CBAT claims are big clients, and they denied they do business with CBAT.

We think CBAT is taking money from shareholders via the capital construction budget. Our analysis concludes that at least \$32 mln in construction assets held on the balance sheet in 2019 is fake. We will show that about \$10 mln in 2014 and at least \$21 mln since then has been diverted. The company has consistently reported massive construction at its subsidiary in Dalian, from 2015 through the most recent quarter, yet satellite photos and a 2016 government assessment report prove that little has been built there since 2016.

We have visited all the CBAT facilities and can confirm that no there is no construction under way now.

On the brink

CBAT's financial distress is the subject of a half dozen lawsuits in China. CBAT has been told by at least three courts in the last five months, under pain of criminal detention, that neither the company nor its executives may spend anything more than what is strictly necessary to operate the business. This includes construction of new facilities.

These are three examples of court orders, from July 13, August 20, and October 13, 2020, restricting expenditures by CBAT and its executives. CBAT is informed by courts that neither the company nor its CEO may invest in physical plant, buy cars for personal use, book star-rated hotels, purchase airplane tickets, or otherwise spend more than is absolutely necessary to sustain the business. The court warns the company that violations of these orders will incur fines and criminal detention.



Screenshots of Chinese court documents. The full documents can be downloaded from the J Capital website. https://www.jcapitalresearch.com/cbat.html

4 See Hong Kong registration documents for China BAK Asia Holdings Limited, which provide Li's Shenzhen home address.

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Government databases report that CBAT founder Li Xiangqian has had his expenditures restricted due to unpaid debts.

李向前 HOT
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限制高消费 **比克电池集团**

人物简介 中文名: 李向前 国籍: 中国 民族: 汉 出生地: 吉林省长春市 出生日期: 1968年 职业: 深圳市比克电池有限公司董事长兼总裁 毕业院校: 兰州铁道学院 (兰州交通大学) 主要成就: 比克电池融资的神话 性别: 男 人物经历 1991年7月毕业于兰州铁道学院 (兰州交通大学) 内燃机车专业, 并获学士学位; 2005年12月在吉林大学商学院授予经济学博士学位; 1991年8月至1993年5月在沈阳铁路局长春铁路分局长春机务段工作; 1993年5月至1994年3月在吉林东北亚铁路集团股份有限公司铁运处工作; 1994年3月至1995年5月自己经营股票、国债和其他债券等证券业务; 1995年5月至1998年6月在中国民族国际信托投资公司吉林办事处任证券部经理; 1998年9月至2000年12月任深圳市远扬轩实业有限公司董事长兼总经理; 2000年12月至2001年3月任深圳市比克锂电有限公司董事长兼总经理; 2001年3月至2001年6月任吉林省华软技术有限公司董事长兼总经理; 2001年6月至2003年6月任吉林省华软技术股份有限公司董事长; 2001年8月至2003年12月兼任深圳市比克电池有限公司董事长; 2003年12月至今在任深圳市比克电池有限公司董事长兼总裁。 [收起 ^](#)

High expenditures restricted

Li Xiangqian

BAK Group

CBAT claims to be building a 6 GW or 8 GW production line in Nanjing.⁵ The company has three subsidiaries in Nanjing and has legally committed to injecting \$103 mln in capital. But our researcher visited the Nanjing site. We found one decrepit, empty building at CBAT’s address in Nanjing and two registered addresses where other companies reside.

The company’s Suzhou subsidiary has already had its accounts frozen for non-payment of debt.⁶ It ceased operating in 2019, and the premises have been occupied by another company. CBAT is still registered at this old address.

5 “CBAK Joined Hands with LEAD,” press release December 7, 2020: <https://www.prnewswire.com/news-releases/cbak-energy-joined-hands-with-lead-to-develop-smart-lithium-battery-automatic-production-line-301187333.html> In the November 23, 2020 S3, the company says it will be an 8 GW facility.

6 See 2019 10K page 32 and Chinese government records for CBAK New Energy (Suzhou) Co., Ltd (中比新能源 (苏州) 有限公司)

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统一社会信用代码	91320594MA1WGE7R9Y	组织机构代码	MA1WGE7R9
注册号	320594000835477	经营状态	在业
所属行业	电气机械和器材制造业	成立日期	2018-05-04
公司类型	有限责任公司(自然人投资或控股)	营业期限	2018-05-04 - 2048-05-03
法定代表人	李云飞 [出 法人对外投资]	核准日期	2018-10-12
注册资本	1000 万人民币	实缴资本	1000 万人民币
登记机关	苏州工业园区市场监督管理局		
企业地址	<u>苏州工业园区金田路1号东景工业坊26幢</u>		
经营范围	研发、生产、销售：锂离子电池及配件，并提供相关售后服务和技术咨询、技术转让；从事上述商品及技术的进出口业务。（依法须经批准的项目，经相关部门批准后方可开展经营活动）		

Suzhou Industrial Zone No. 1 Jintian Road, Dongjing Industrial Zone Building 26



Address of the former CBAT Suzhou subsidiary, which went bust in 2019. Four building staff we contacted had never heard of CBAT. | Photo by J Capital researcher December 2020.

Although CBAT discloses that the Suzhou company's bank accounts have been frozen, that its employees are suing for non-payment of salary, and that its landlord is suing, CBAT continues to pretend that Suzhou is a going concern:

CBAK Suzhou is intended to be engaged in development and manufacture of new energy high power battery packs. 10Q November 16, 2020 page 9

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CBAT warns that it may go bust. In the Q3 report, CBAT said “The Company had a working capital deficiency, accumulated deficit from recurring net losses and short-term debt obligations as of December 31, 2019 and September 30, 2020. These factors raise substantial doubts about the Company’s ability to continue as a going concern.”

CBAT is embroiled in dozens of legal proceedings seeking payment of debt. Pages 29-32 of the most recent 10K list a half dozen outstanding cases, and the Chinese documents for company subsidiary Dalian BAK list no fewer than 65 legal proceedings.

Relabeling an old-timey battery company

CBAT claims to be a new energy company. Actually, its main product consists of small, rechargeable commodity batteries for flashlights and other small appliances.

In its November 23, 2020 S3, the company states:

We are a manufacturer of new energy high power lithium batteries that are mainly used in electric vehicles, light electric vehicles, electric tools, energy storage, uninterruptible power supply (UPS) and other high-power applications.

We interviewed several former longtime employees of the only operating facility, in Dalian, who told us that the company exclusively makes Model 26650 lithium-ion batteries, AA-size batteries that are used in flashlights, toys, vaping devices, etc. They retail for about \$2.

At a stretch, some of these flashlight-size batteries can be used in electric vehicles, and CBAT supplies a few to vehicle companies so that the disclosures are not technically a lie. But very few batteries go into vehicles: in the Q3 report, CBAT disclosed that sales of batteries to electric vehicles amounted to a pathetic \$408,000 out of \$10.6 mln. Meanwhile, apparently to bulk up sales, the company mysteriously started selling “raw materials used in lithium batteries.”

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

	Three months ended September 30		Change	
	2019	2020	\$	%
High power lithium batteries used in:				
Electric vehicles	\$2,885.00	\$408.00	-\$2,477.00	-86%
Light electric vehicles	-	\$23.00	\$23.00	-
Uninterruptable supplies	\$5,204.00	\$5,920.00	\$716.00	14%
	\$8,089.00	\$6,351.00	-\$1,738.00	
Raw materials used in lithium batteries	-	\$4,269.00	\$4,269.00	-
Total	\$8,089.00	\$10,620.00	\$2,531.00	31%

Q3 2020 report



Source: <https://www.912688.com/supply/304195100.html>

CBAT claims it has developed a new type of battery, the 32140.⁷ Technical staff know nothing of this “development” and insist that the company produces only the 26650.

“These cylindrical batteries have inefficient energy output and low efficiency in charging. The cost of maintenance is also high,” a recently departed production manager at the Dalian factory told us on the phone.

“High-end cars don’t dare use cylindrical batteries,” a Chinese battery expert told us. “They are not very safe. In 2015-16, the government halted the use of ternary batteries in passenger cars. This was a big challenge to CBAT.” The expert explained that safety required that battery packs assem-

⁷ “According to the news released by the Company in September, CBAK Energy has already successfully developed the large-sized tab-less battery: model 32140, and achieved the capability of massive production.” Press release December 7, 2020: <https://www.prnewswire.com/news-releases/cbak-energy-joined-hands-with-lead-to-develop-smart-lithium-battery-automatic-production-line-301187333.html>

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bled from small batteries were required to use the 18650, which CBAT does not make, and that those battery packs tend to be unstable. “So, domestic auto manufacturers really don’t dare use those battery packs made up of several thousand batteries strung together.”

CBAT is singing from the BYD hymnal: if you can persuade investors that you have a path from making batteries to building electric vehicles, they will shower you with capital and you can buy the technology you need.

CBAT says it is going to make electric vehicles as well as batteries.

On September 24, 2020, our wholly-owned Hong Kong subsidiary, BAK Asia Investments Limited, entered into another framework investment agreement with Gaochun EDZ, under which we intend to develop light electric vehicle projects.⁸

Faking half the revenue?

We estimate that CBAT made no more than \$15 mln in revenue in 2019, one-third less than the reported \$22 mln.

We interviewed a former sales executive with CBAT, who told us that the company had total revenue of about ¥100 mln in each of 2018 and 2019. That is \$15 mln. The sales executive said that at least 70% of the 26650 batteries produced by the Dalian company are for consumer appliances and sell at low prices.

We suspect that a large chunk of sales may be faked. There is evidence of this in the high trade receivables—some customers do not pay. In Q3 2020, 69% of the massive increase in sales is yet to be paid, and we believe they are fake sales. The company is almost certainly booking fake contracts for which the counterparty—likely Zhengzhou BAK—has no obligation to pay.

Table 2. Revenue vs Receivable Increase

	Q1 2020	Q2 2020	Q3 2020
Net Revenues	\$6.9	\$4.6	\$10.6
Increase in Receivables	\$2.8	\$0.8	\$7.3
% of Revenue	40%	17%	69%

Source: Company quarterly reports

CBAT contracts with two off-balance-sheet related party companies both

8 S3 November 23, 2020 page 2.

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called Zhengzhou BAK. CBAT buys batteries from these companies and sells them back at a 2.5% mark-up, according to disclosures with a former CBAT executive. This circular business accounts for 58% of sales, the company reports. CBAT reported in the 10K that Dalian BAK bought about \$3.8 mln in raw materials from the Zhengzhou company in 2019 and sold these same companies products worth \$3.9 mln.

We learned in interviews that the company manufactures about 45,000 batteries per day. Our interviews and web searches indicate that the average price for a battery is around \$1.40, and staff told us that the factory produces on about 240 days per year. If CBAT produces 45,000 batteries at that price every day for 240 days of the year, revenue would be \$15 mln.

In Q3, desperate to raise its share price, CBAT claimed that its revenue had increased by 2.5x—as did its contract receivables. In other words, someone signed a big contract and didn't pay. Next, CBAT announced a \$122 mln contract with none other than KNDI.⁹

The KNDI announcement is far from the first suspicious huge contract that CBAT has announced. On January 28, 2019, CBAT announced a supply agreement with California-based SimpliPhi Power Inc. The release said SimpliPhi would buy 19 mln 26650 batteries. The Chinese version of the announcement¹⁰ reported that the contract was for ¥300 mln—about double CBAT's total revenue for 2019. CBAT never mentioned SimpliPhi again. We repeatedly contacted SimpliPhi to ask about this contract but did not receive a response.

⁹ <https://hindenburesearch.com/kandi/>

¹⁰ <https://gg-lb.com/art-36057.html>

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The EV story

So how does CBAT manage to claim that it makes batteries for electric vehicles? The company’s website has a page for electric cars, but the page cannot be reached. A battery expert from a competing company who is very familiar with CBAT told us that a small portion of the EV market, around 7-8%, uses the cylindrical batteries that CBAT makes but, because these batteries are unstable and pose a combustion risk, they are no longer used in passenger cars. He also commented that top-tier auto companies would never use CBAT but that CBAT has gotten contracts for golf carts, tricycle carts, and the like from companies like Gotion.



产品与方案

轻型电动车 (LEV)

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电芯产品

电动乘用车及电动巴士 (EV)

电动乘用车解决方案
电动巴士解决方案

轻型电动车 (LEV)

暂无数据!

Lightweight electric vehicles

No Data!

CBAT website. <http://www.cbak.com.cn/product/list.aspx?classid=3>



Photo of a CBAT high-end vehicle battery from the CBAT official store on Taobao. The retail price of the battery is ¥395. The company prints “listed on NASDAQ as CBAT” on most of its batteries.

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We contacted the named auto companies CBAT says are clients. They all denied they buy from CBAT.

CBAT claims several EV customers, but we believe every disclosure should be treated with skepticism:

- ▶ A procurement executive from Sichuan Yema Auto Co., most recently disclosed as a customer in the 2019 10K, said he had never heard of CBAT. This executive said he was aware of all Yema procurement contracts in 2019.
- ▶ CBAT discloses that 58% of revenue is from two related-party companies in Zhengzhou. A former executive in charge of procurement told us he believed the company did not transact with the Zhengzhou companies.
- ▶ CBAT says that Dongfeng Autos, a large, state-owned group, is a client. But both Dongfeng subsidiaries disclosed as clients said they do not contract with CBAT. A battery expert from BYD told us “I saw the procurement list from Dongfeng Motors last year, and I didn’t see CBAT’s name.”

Not only does Dongfeng deny that it is a customer of CBAT—Dongfeng successfully sued in August to limit expenditures by Zhengzhou BAK because BAK owes Dongfeng money.

Dongfeng Auto, last reported in May 2020 as a “well-known customer,” received this court judgment on August 5, 2020 restricting expenditures by Zhengzhou BAK and CBAT founder Li Xiangqian due to unpaid debts.

中牟县人民法院
限制消费令

来源: [查看全文](#) 案号: (2020)豫0122执2764号 立案日期: 2020-08-05

限令正文

郑州比克电池有限公司

本院于2020年08月05日立案执行申请人[东风汽车财务有限公司](#)申请执行你单位与公司、证券、保险、票据有关案件一案，因你单位未按执行通知书指定的期间履行生效法律文书确定的给付义务，本院依法依照《中华人民共和国民事诉讼法》第二百五十五条和《最高人民法院关于限制被执行人高消费及有关消费的若干规定》第一条、第三条的规定，对你单位采取限制消费措施，限制你单位及你单位法定代表人[李向前](#)不得实施以下高消费及非生活和工作必需的消费行为：（一）乘坐交通工具时，选择飞机、列车软卧、轮船二等以上舱位；（二）在星级以上宾馆、酒店、夜总会、高尔夫球场等场所进行高消费；（三）购买不动产或者新建、扩建、高档装修房屋；（四）租赁高档写字楼、宾馆、公寓等场所办公；（五）购买非经营必需车辆；（六）旅游、度假；（七）子女就读高收费私立学校；（八）支付高额保费购买保险理财产品；（九）乘坐G字头动车组列车全部座位、其他动车组列车一等以上座位等其他非生活和工作的消费行为。如你单位（法定代表人、主要负责人、影响债务履行的直接责任人员、实际控制人）因私消费以个人财产实施前述行为的，可以向本院提出申请。如你单位因经营必需而进行前述禁止的消费活动的，应当向本院提出申请，获批准后方可进行。如违反限制消费令，经查属实的，本院将依照《中华人民共和国民事诉讼法》第一百一十一条的规定，予以罚款、拘留；情节严重，构成犯罪的，依法追究刑事责任。

此令
二〇二〇年十月二十四日

Li Xiangqian (company founder and former chairman and CEO) Dongfeng Auto Finance Co. Ltd.

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CBAT made the following disclosures, showing that its own related party is worth an amazing 58% of sales:

The Company had the following customers that individually comprised 10% or more of net revenue for the three months ended September 30, 2019 and 2020 as follows:

Table 3. Concentrated Customers

	Three months ended September 30, 2019		2020	
Sales of finished goods and raw materials				
Customer A	\$ 2,118,783	26%	\$ 1,588,192	15%
Customer B	\$ 2,264,415	28%	*	*
Customer C	*	*	\$ 1,278,893	12%
Zhengzhou BAK Battery Co., Ltd (note a)	\$ 1,941,101	24%	\$ 4,269,312	40%
Zhengzhou BAK New Energy Technology Co., Ltd (note b)	*	*	\$ 1,896,207	18%

Source: CBAT 2019 Q3 10Q

We spoke with a procurement executive from Pisen, which makes mobile power packs. The executive said that Pisen had halved its purchases from CBAT since 2018.

CBAT's former subsidiary and current 58% customer, BAK, is well known in China for bad debt. The following A-share companies have disclosed unpaid debts:

- ▶ Zhejiang HangKe Technology Inc (688006) in 2020 provisioned 80% of receivables from BAK as possibly uncollectable: the total value of receivables was ¥107 mln.¹¹
- ▶ Beijing Dangsheng Materials Technology Co., Ltd. had ¥378 mln in receivables from BAK. They sent dunning letters, visited the company, went through a law firm, and halted deliveries to BAK. Ultimately, they collected ¥243.9 mln. BAK submitted a payment plan but did

¹¹ See company disclosure November 11, 2019 <http://static.cninfo.com.cn/finalpage/2020-06-30/1207967924.PDF>

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A whopping 58% of revenue comes from related parties. We suspect this revenue is fake.

not honor it. Dansheng planned to write off the remainder.¹²

- ▶ Ningbo Rongbai in November 2019 was owed ¥207 mln by BAK and had been paid ¥1 mln. BAK's commercial acceptance notes turned out to be worthless.¹⁵

Faked PPE

We believe CBAT is making up assets by reporting that it's building new facilities. It's not. CBAT disclosures indicate that around \$51 mln has been spent on building the Dalian facilities since 2014. We believe that roughly \$32 mln of that is fake.

Satellite images show that, when CBAT purchased the site in August 2014 for ¥53.1 mln (largely paid for by a ¥46.2 mln subsidy from the Dalian government), there were already two factory buildings and one office block on the site. A government environmental report shows that construction commenced in March 2015.¹⁴ Therefore, claims of spending \$9.8 mln on construction in 2014 are unlikely to be true. Environmental approval was granted to start production in July 2016.¹⁵ CBAT claims production commenced in 2015, but we highly doubt that and believe the company continued purchasing product from the divested Tianjin factory.

Up until 2018, we believe the overstatement was roughly \$10 mln. From 2016 to 2018, PPE, largely machinery and equipment, increases by around \$18 mln, and that is matched by transfers from construction in progress. We think it is unlikely, but it is plausible. After 2016, claims that the company built physical plant are evidently false. The company reports in 2017-2019 that it was building a further two factory buildings:

"We are currently constructing two more plants and have completed their civil work and the product lines are expected to be completed by September 2018, but we cannot give assurance that the construction will be com-

¹² Dangsheng disclosure: <http://static.cninfo.com.cn/finalpage/2020-04-16/1207505815.PDF>

¹³ Ningbo Rongbai disclosure: <http://static.cninfo.com.cn/finalpage/2019-11-07/1207071086.PDF>

¹⁴ 建设项目竣工环境保护验收监测报告大环监验字(2016)第012号项目名称:大连比克动力电池有限公司年产1.2亿Ah高能动力锂离子电池项目

¹⁵ Ibid

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pleted as scheduled or, without cost overrun.” 2017 10K 17 Apr 2018

“We are also in the progress to construct two more buildings with a total area of 32,543 square meters including a manufacturing plant and a warehouse of finished goods.” 2018 10K 16 Apr 2019

“We are also in the progress to construct two more buildings with a total area of 29,329 square meters including a manufacturing plant and a warehouse of finished goods.” 2019 10K 14 May 2020

We can see from satellite images in 2017 and 2020 that little construction occurred in that period at the Dalian site. We can confidently conclude, therefore, that the \$21.7 mln in construction in progress held on the balance sheet as of December 31, 2019 is fake.

Table 4. Construction in Progress in Dalian

	December 31, 2018	December 31, 2019
Construction in progress	\$ 23,562,557	\$ 21,613,577
Prepayment for acquisition of property, plant and equipment	\$ 1,439,256	\$ 94,047
Carrying amount	\$ 25,001,813	\$ 21,707,624

Source: CBAT 2019 10K

We have spoken with two former executives of CBAT who are very familiar with the Dalian facility. They told us that there was no construction in 2019. Satellite photos indicate that there has been little major construction since 2016.

When CBAT moved to Dalian in 2014, the site already contained two factory buildings and an office block, apparently gifted to the company by the local government.

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Dalian CBAT office block



Dalian CBAT offices. | Photo by J Capital researcher December 2020

CBAT reported spending \$19 mln in 2015 on facilities. Below is an artist's rendering of the planned factory complex as shown on the CBAT website.

CBAT Dalian Factory 3D Rendering From Website

Two factory buildings not constructed when production commenced in 2016



Source: <http://www.cbak.com.cn/Block/BlockContent.aspx?BlockId=8>

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Satellite pictures show that basically nothing has been built in Dalian since 2016. But the company reports spending tens of millions of dollars.

CBAT Dalian Factory At Purchase Date

Satellite Image
Aug 3, 2014

CBAT Land
Purchase August
2014



CBAT Dalian Factory Location: 辽宁省大连花园口经济区玫瑰街东段 11 号. No.11 Rose Street East part, Huayuankou Development Zone, Dalian, Liaoning. 39.549003, 122.657480

According to a government report, construction began in March 2015 and was completed in March 2016. Environmental approval for production was granted in July 2016.

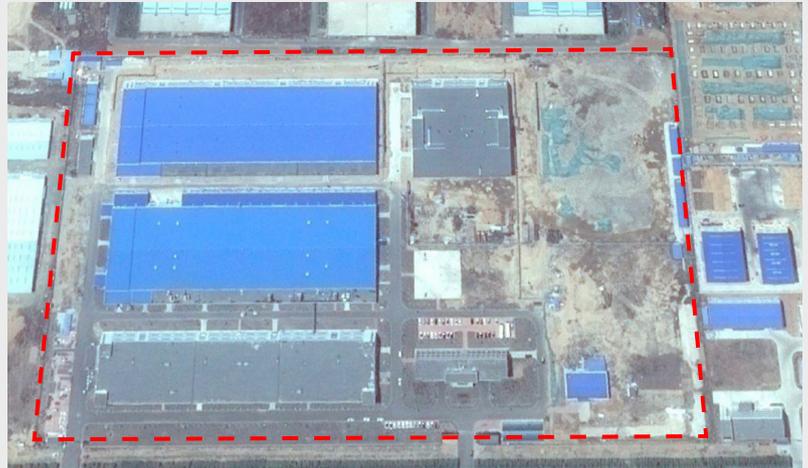
CBAT Dalian Factory Completed 2016

Satellite Image
May 12, 2017

Construction Starts
March 2015

Construction
Completed March
2016

Environmental
approval for
production granted
July 2016



2016 Dalian BAK Environment Approval (Chinese) 建设项目竣工环境保护验收监测报告大环监验字 (2016) 第 012 号项目名称: 大连比克动力电池有限公司年产 1.2 亿 Ah 高能动力锂离子电池项目

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In 2020, CBAT had still not built the two new factory buildings the company advertises on its website. In fact, apart from some trailers or dormitories on the west side of the complex, there was no new construction.

CBAT Dalian Factory 2020

Satellite Image
February 6, 2020

Since March 2016 only minor structures built. Two additional factory buildings not started.



Indeed, the facilities do not look very new.



Dalian CBAT. The smaller building consists of offices and the larger one is a factory, cafeteria, and R&D center. The facility was built in 2015. | Photo by J Capital researcher

The Dalian zone hosting CBAT already sports many empty companies. No wonder the zone gave \$22.9 mln (¥150 mln) to CBAT to entice them to set up there.¹⁶

¹⁶ See Note 14 of CBAT Q3 10Q: “Deferred Government Grants,” page 26

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A bankrupt company next door to the Dalian CBAT factory. See bankruptcy notice: http://www.gujin-auction.com/MANAGE/NEWS/info_c.asp?news_id=880

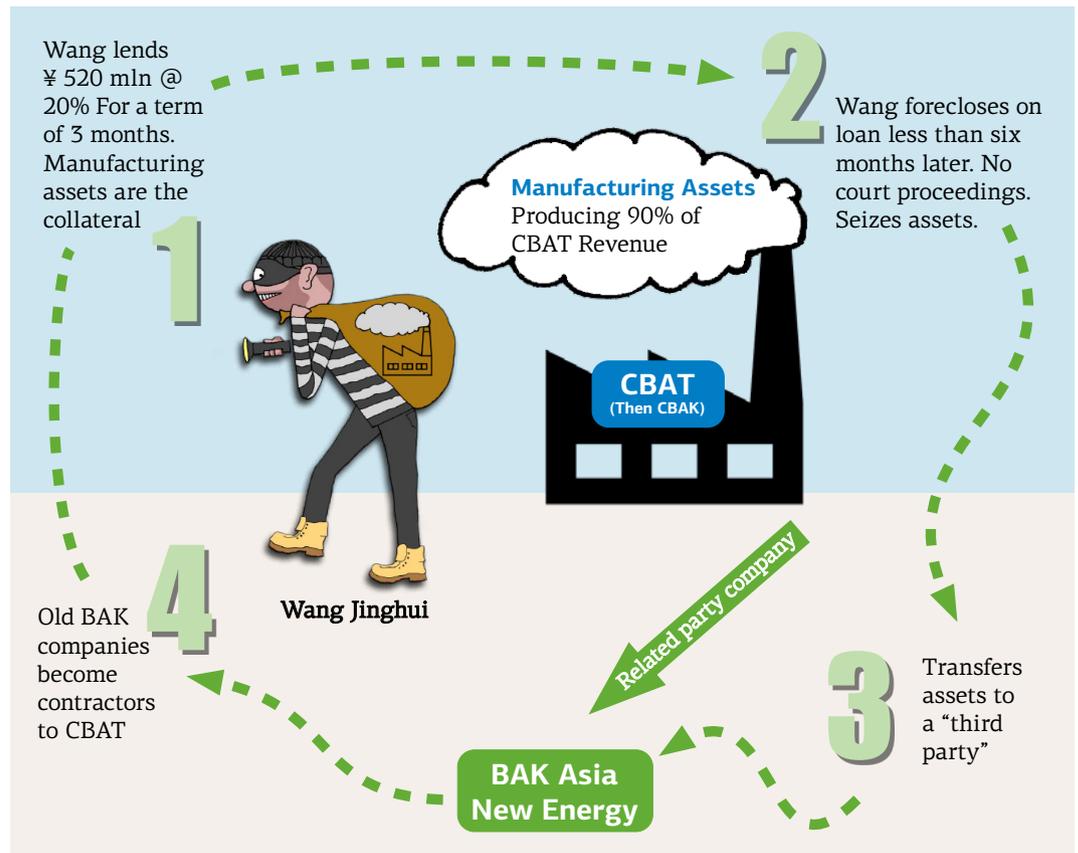


Area next door to the Dalian CBAT factory. | Photos by J Capital researcher December 2020

Seizing assets: 2014

It may seem confusing that there are so many battery companies in China called BAK that are not part of the CBAT group. That is because CBAT—then using the ticker CBAK—in 2014 lost all its assets when it defaulted on a debt. In a strange series of transactions, the director who had lent the money and seized the assets sold them to a seemingly related shell company and then started supplying the newly constituted CBAT. These now-privatized assets use the same URL as CBAT. CBAT continued to use its old factories but as a contractor and meanwhile invested heavily in new facilities. Or so it says.

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The 2014 "default" had the effect of whisking all the assets into the hands of the founder, who then put up a straw man CEO to manage the listed company.

The 2014 "default" was actually not a court proceeding but simply a transfer of investor assets to a shareholder named Wang Jinghui. Wang Jinghui is a co-investor with company founder Li Xiangqian in several companies.

Wang's two loans, worth about \$79 mln, were deemed in breach, and six months after the loans were issued, Wang whisked all the operating subsidiaries out of the U.S.-listed shell and into a holding company in Hong Kong. The company reported: "On June 30, 2014, the Company received from Mr. Wang notice that due to Shenzhen BAK's default under the Loans, he had foreclosed his security interest in and sold and transferred to a third party the Pledged BAK International Equity for a purchase price of RMB520 million." CBAT Q2 2014 10Q, page 2, August 19, 2014

The subsidiaries reportedly owed BAK \$17.8 mln, so Wang Jinghui privatized the company for a total of \$61.2 mln.

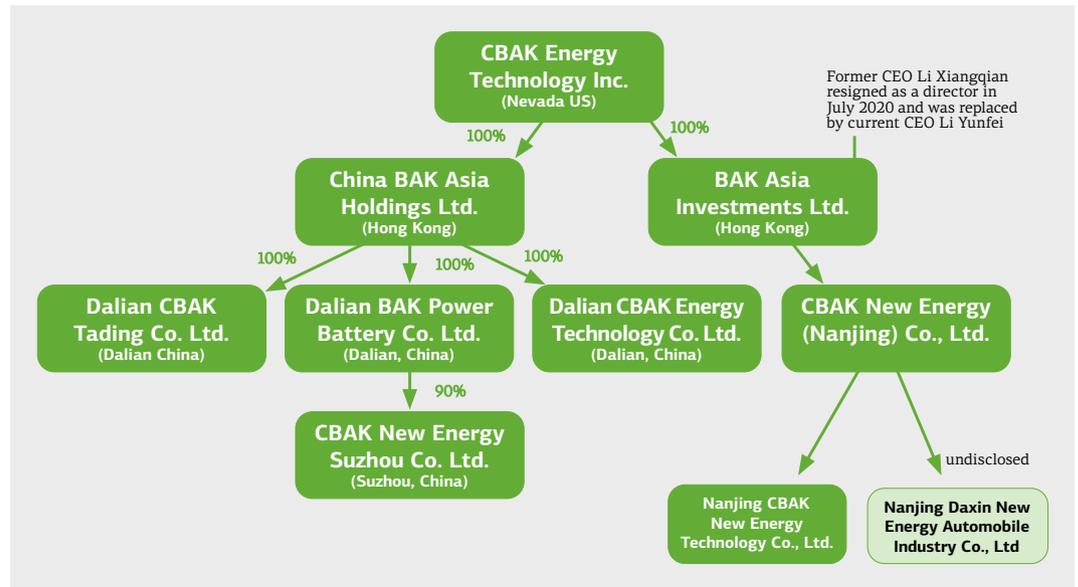
The privatization seems to have been planned all along. Records in Hong Kong and on the mainland indicate that the "third party" who received the assets was BAK Asia New Energy, a Hong Kong company that had been registered in April 2014. CBAT insiders still control the assets.

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BAK did not have much of a chance. The two loans from Wang, in December 2013 and January 2014, came at 20% interest and matured in March 2014, three months after being extended.

As a result of the 2014 “foreclosure,” revenue went from \$123 mln in 2014 to \$13.9 mln in 2015.

CBAT Corporate Structure

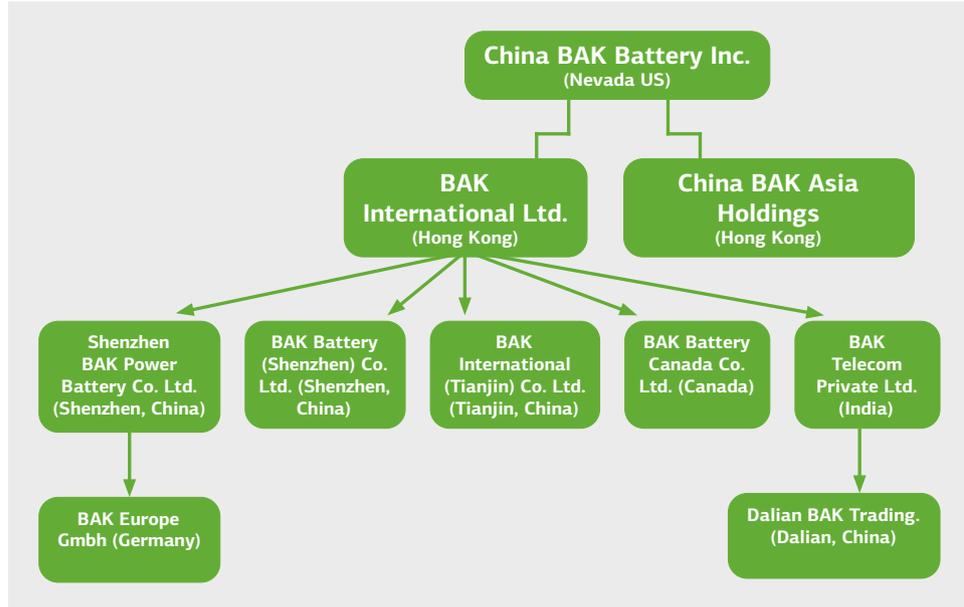


Source: Company filings

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Before the default, the company owned a number of operating subsidiaries. The China-based companies are all still operating but are controlled by the CBAT founder.

Pre-2014 Default Structure



Source: Company filings

These companies are important suppliers to and customers of CBAT. In fact, most employees and customers believe that CBAT and the BAK group are all part of the same company.

BAK Shadow Company: Majority-owned subs



Source: Company filings

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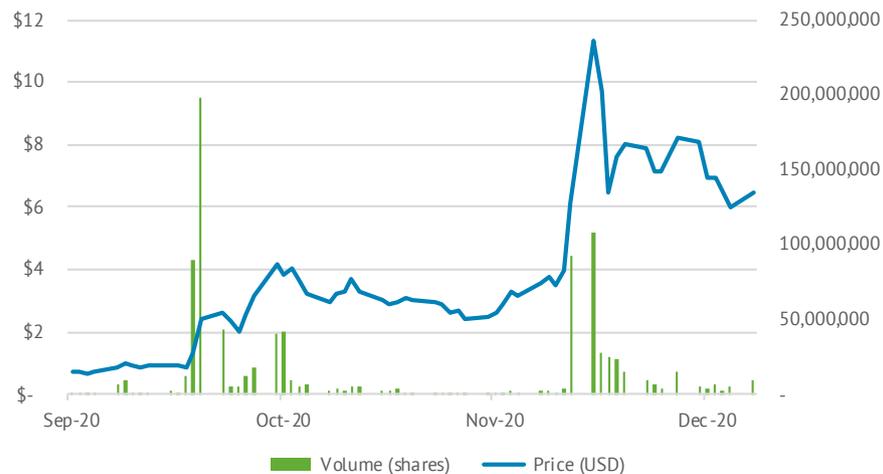


Above is a picture of BAK International in Zhengzhou, a plant that was seized from U.S. investors but that management of CBAT still controls. | Photo by J Capital researcher December 2020

Could CBAT be planning on going back to the same playbook? The company has twice received infusions from Atlas Sciences in Utah, a dodgy funder of biotech plays that include penny stocks Jaguar Health, Innovate Biopharmaceuticals, and AXIM Biotechnologies, Inc.

After the 2014 debacle, the company’s share price hovered under \$1. That brought on warnings from NASDAQ that the company would be delisted if it couldn’t pull up. Miraculously, the share price rose 6x in three months from late September to early December.

Chart 1. Price/Volume



Source: Capital IQ

Taking advantage, CBAT issued a \$200 mln shelf registration in November 2020. In December, the company sold \$49.2 mln in stock at more than \$5

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per share.¹⁷

The 2020 delisting warning was not the first. CBAK received two consecutive delisting warning letters in October 2011 and May 2012. On October 26, 2012, just before the delisting would have taken effect, CBAK announced a 5-for-1 reverse split that brought the share price up to \$2.

CBAT is holding onto the NASDAQ listing by the skin of its teeth, even as its Chinese assets get frozen and the court orders pile up. We expect CBAT will raise as much money as possible from U.S. investors before delisting. Or perhaps it will whisk the Dalian factory into private hands and get investors to fund yet another re-animation. After all, Michael Myers, the psychopathic killer from the Halloween series, has been killed at least six times in the films, but he keeps coming back.

¹⁷ “BAK Energy Announces the Closing of \$49.2 Million Registered Direct Offering,” PR Newswire December 11,2020

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