

CHINA BAK BATTERY, INC.

AUDIT COMMITTEE CHARTER

(as amended on Oct 11, 2014)

PURPOSE

The purpose of the Audit Committee of the Board of Directors (the “**Board**”) of China BAK Battery, Inc. (the “**Company**”) shall be to oversee the Company’s accounting practices and processes, system of internal controls, risk assessment, independent auditor relationships, financial statement audits and audit processes, and financial reporting processes.

MEMBERSHIP AND STRUCTURE

The members of the Audit Committee are appointed by the Board, considering the recommendation of its Nominating and Corporate Governance Committee. The members of the Audit Committee may be removed by the Board on its own motion or on the recommendation of its Nominating and Corporate Governance Committee.

The Audit Committee is comprised of at least three directors determined by the Board to meet the director and audit committee member independence requirements and financial literacy requirements of The NASDAQ Stock Market LLC (“**NASDAQ**”), the Securities and Exchange Commission or any other applicable requirements.

At least one member of the Audit Committee must be financially sophisticated, as determined by the Board, and no Audit Committee member may have participated in the preparation of the financial statements of the Company or any of the Company’s current subsidiaries at any time during the past three years, each as required by NASDAQ listing standards. Appointment to the Audit Committee, including the designation of the Chair of the Audit Committee and the designation of any Audit Committee members as “audit committee financial experts,” shall be made on an annual basis by the full Board upon recommendation of the Nominating and Corporate Governance Committee.

The Board may appoint the Chair of the Audit Committee. Alternatively, the Board may direct that the members of the Audit Committee elect the Chair.

OPERATIONS

The Audit Committee meets at least four times a year, on a quarterly basis. Additional meetings may occur as the Audit Committee or its Chair deems advisable.

The Audit Committee will meet separately with members of the Company’s management, the Company’s independent auditors and, to the extent applicable, internal auditors (or other persons responsible for monitoring the Company’s compliance with internal control over financial reporting) at such times as the Audit Committee deems appropriate.

The Audit Committee will cause adequate minutes of all its proceedings to be kept, and will report on its actions and activities at the next quarterly meeting of the Board. Audit Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent. The Audit Committee is governed by the same rules regarding meetings (including meetings by conference

telephone or similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.

The Audit Committee may request that any directors, officers or employees of the Company, or other persons whose advice and counsel are sought by the Audit Committee, attend any meeting of the Audit Committee to provide such pertinent information as the Audit Committee requests.

The Audit Committee is authorized to adopt its own rules of procedure not inconsistent with (a) any provision of this Charter, (b) any provision of the Company's Articles of Incorporation and Bylaws, or (c) the laws of the State of Nevada.

AUTHORITY

The Audit Committee will have the resources and authority necessary to discharge its duties and responsibilities. The Audit Committee shall have the authority to engage independent legal, accounting and other advisers, as it determines necessary to carry out its duties. The Audit Committee shall have sole authority to approve related fees and retention terms. The Company will provide adequate funding, as determined by the Audit Committee, to pay the independent auditor, any outside advisors hired by the Audit Committee and any administrative expenses that are necessary or appropriate in carrying out its activities. Any communications between the Audit Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company and the Audit Committee will take all necessary steps to preserve the privileged nature of those communications.

The Audit Committee may, to the extent permitted under applicable law, the applicable rules of NASDAQ and the Securities and Exchange Commission, and the Company's articles of incorporation and bylaws, delegate to one or more designated members of the Committee the authority to pre-approve audit and permissible non-audit services, provided that such pre-approval decision is presented to the full Audit Committee at a scheduled meeting.

LIMITATION ON AUDIT COMMITTEE'S ROLE

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that Company's financial statements and disclosures are complete, accurate and in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditors. It also is not the duty of the Audit Committee to assure compliance with laws or regulations or the Company's internal policies, procedures and controls. These are the responsibilities of management.

It is recognized that the members of the Audit Committee are not full-time employees of the Company, that it is not the duty or responsibility of the Audit Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards, and that each member of the Audit Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from which the Audit Committee receives information and (ii) the accuracy of the financial and other information provided to the Audit Committee, in either instance absent actual knowledge to the contrary.

RESPONSIBILITIES

The Audit Committee:

1. is directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor (including resolution of disagreements between management and the auditors regarding financial reporting), who shall report directly to the Audit Committee;
2. obtains and reviews annually a report by the independent auditor describing the firm's internal quality-control procedures, any material issues raised by the most recent internal quality-control review or peer review or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues;
3. reviews and discusses with the independent auditor the written statement from the independent auditor concerning any relationship between the auditor and the Company or any other relationships that may adversely affect the independence of the auditor, and, based on such review, assesses the independence of the auditor;
4. reviews and pre-approves all auditing services and permissible non-audit services (including the fees and terms thereof) to be performed by the independent auditor;
5. reviews and discusses with the independent auditor (a) its audit plans, and audit procedures, including the general audit approach, scope, staffing, fees and timing of the audit, (b) the results of the annual audit examination and accompanying management letters, and (c) the results of the independent auditor's procedures with respect to interim periods;
6. reviews and discusses reports from the independent auditor on (a) all critical accounting policies and practices used by the Company, (b) alternative accounting treatments within generally accepted accounting principles, related to material items that have been discussed with management, including the ramifications of the use of the alternative treatments and the treatment preferred by the independent auditor, and (c) other material written communications between the independent auditor and management;
7. reviews and discusses with the independent auditor the independent auditor's judgments as to the quality, not just the acceptability, of the Company's accounting principles and such further matters as the independent auditors present the Audit Committee under generally accepted accounting principles;
8. discusses with management and the independent auditor quarterly earnings press releases, including the interim financial information and business discussion included therein, reviews and discusses with management and independent auditor the unaudited quarterly or interim financial statements, the year-end audited financial statements and the management discussion and analysis in the quarterly report or the annual report, and, if deemed appropriate, recommends to the Board that the audited financial statements be included in the Annual Report on Form 10-K for the year;
9. reviews and discusses with management and the independent auditor various topics and events that may have significant financial impact on the Company or that are the subject of discussions between management and the independent auditors;
10. reviews and discusses with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures;
11. reviews and approves related-party transactions (as defined in the relevant NASDAQ requirements);

12. reviews and discusses with management, the independent auditor, and the Company's chief internal auditor (a) the adequacy and effectiveness of the Company's internal controls (including any significant deficiencies and significant changes in internal controls reported to the Audit Committee by the independent auditor or management), (b) the Company's internal audit procedures, and (c) the adequacy and effectiveness of the Company's disclosure controls and procedures, and management reports thereon;
13. reviews annually with the chief internal auditor the scope of the internal audit program, and reviews annually the performance of both the internal audit group and the independent auditor in executing their plans and meeting their objectives;
14. reviews and concurs in the appointment, replacement, reassignment, or dismissal of any chief internal auditor of the Company;
15. reviews the use of auditors other than the independent auditor in cases such as management's request for second opinions;
16. reviews matters related to the corporate compliance activities of the Company;
17. establishes procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
18. establishes policies for the hiring of employees and former employees of the independent auditor;
19. publishes the report of the Audit Committee required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement;
20. periodically reviews with the Company's in-house and independent counsel any legal matters that could have a significant impact on the Company's financial statements, the Company's compliance with applicable laws and regulations, and any material reports or inquiries received from regulators or governmental agencies;
21. obtains timely reports from management and the Company's senior internal auditing executive and counsel that the Company and its subsidiaries are in conformity with applicable legal requirements and the Company's code of ethics, including disclosures of insider and affiliated party transactions;
22. advises the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's code of conduct;
23. reviews and approves the Company's code of conduct, as it may be amended and updated from time to time, and ensures that management has implemented a compliance program to enforce such code (which shall include reporting of violations of such code to the Audit Committee);
24. reviews reported violations of the Company's code of conduct;

25. reviews and approves (a) any change or waiver in the Company's code of conduct for principal executives and senior financial officers and (b) any disclosures made regarding such change or waiver;

26. when appropriate, designates one or more of its members to perform certain of its duties on its behalf, subject to such reporting to or ratification by the Audit Committee as the Audit Committee shall direct; and

27. will engage in an annual self-assessment with the goal of continuing improvement, and will annually review and reassess the adequacy of its charter, and recommends any changes to the full Board.

The Audit Committee shall consult with management but may not delegate these responsibilities, except as specifically provided for above.

Adopted by the Board of Directors on Oct 11, 2014