U. S. Securities and Exchange Commission
Washington, D. C. 20549

FORM 10-Q/A
(Amendment No. 1)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2010

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No. 1-33726

ADVANCED BATTERY TECHNOLOGIES, INC.
(Name of Registrant in its Charter)

Delaware	22-2497491
(State or Other Jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. No.)

15 West 39th Street, Suite 14A, New York, NY 10018
(Address of Principal Executive Offices)

Issuer's Telephone Number: 212-391-2752

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 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 subjected to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files.) Yes ____ No _____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check One)

Large accelerated filer ____ Accelerated filer X Non-accelerated filer ____ Small reporting company ____

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

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date:

November 15, 2010
Common Voting Stock: 68,902,639

Amendment No. 1

This amendment is being filed in order to:

- add a section titled “Variable Interest Entity” to Note 2 to the Financial Statements,
- revise the disclosure regarding shares issued to non-employee consultants in the fifth paragraph of Note 14, “Stock-Based Compensation.”
- revise Note 22, “Segment Information” to include segment information for the three and nine months ended September 30, 2009,
- revise Note 23, “Restatement” to replace the balance sheet information as of September 30, 2009 with balance sheet information as of December 31, 2009, and
- quantify the effect on battery sales of our acquisition of Wuxi ZQ in the fifth paragraph of Management’s Discussion and Analysis.

No other changes have been made to the disclosure in the original filing, nor has any of the information in the original filing been updated.

ADVANCED BATTERY TECHNOLOGIES, INC.
QUARTERLY REPORT ON FORM 10Q
FOR THE FISCAL QUARTER ENDED SEPTEMBER 30, 2010

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ADVANCED BATTERY TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

ASSETS

		September 30, 2010		December 31, 2009 (Restated)
Current assets:				
Cash and cash equivalents	$	74,278,291	$	52,923,358
Accounts receivable, net		19,609,668		22,406,927
Inventories, net		7,957,039		3,680,098
Loan receivable		1,600,000		1,600,000
Other receivables		342,586		107,751
Advance to suppliers,net		5,921,007		7,940,129
Total Current Assets		109,708,591		88,658,263
Property, plant and equipment, net		55,836,516		47,248,600
Other assets:				
Investment in unconsolidated entity		789,362		785,057
Investment advance		1,497,571		1,457,034
Deposit for long-term assets		2,130,952		2,860,882
Intangible assets, net		13,924,332		14,317,502
Goodwill		2,541,094		2,472,311
Other assets		44,361		26,705
Total other assets		20,927,672		21,919,491
Total Assets	$	186,472,778	$	157,826,354

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:				
Short-term loan	$	-		2,916,071
Accounts payable		931,385		670,254
Advance from Customers		168,311		228,871
Accrued expenses and other payables		1,166,173		1,389,130
Total Current Liabilities		2,265,868		5,204,326
Long term liabilities:				
Deferred tax liability		3,025,847		3,025,847
Warrant liability		11,952,230		17,221,335
Total Liabilities		17,243,946		25,451,508
Commitments and contingencies				
Stockholders' Equity				
Preferred stock, $0.001 face value, 5,000,000 shares authorized;				

2 shares issued and 2 shares outstanding as of September 30, 2010 and December 31, 2009		-		-
Common stock, $0.001 par value, 150,000,000 shares authorized; 69,097,220 shares issued and 68,902,639 shares outstanding as of September 30, 2010 and 68,778,112 shares issued and 68,583,531 shares outstanding as of December 31, 2009		69,097		68,778
Additional paid-in-capital		71,246,548		70,023,310
Accumulated other comprehensive income		9,964,555		5,496,334
Retained earnings		88,448,122		57,285,914
Less: Cost of treasury stock (194,581 shares as of September 30,2010 and December 31, 2009)		(499,490)		(499,490)
Total Stockholders' Equity		169,228,832		132,374,846
Total Liabilities and Stockholders' Equity	$	186,472,778	$	157,826,354

The accompanying notes are an integral part of these condensed consolidated financial statements

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ADVANCED BATTERY TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
(UNAUDITED)

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2010	2009 (Restated)	2010	2009 (Restated)
Revenues	$ 25,930,885	$ 17,714,278	$ 68,315,260	42,171,598
Cost of Goods Sold	12,170,059	10,087,228	33,899,515	23,197,017
Gross Profit	13,760,826	7,627,050	34,415,745	18,974,580
Operating Expenses				
Research & Development expenses	194,420	118,764	194,420	307,236
Selling, general and administrative	1,546,734	2,264,173	6,155,513	5,636,527
Operating income	12,019,672	5,244,112	28,065,812	13,030,817
Other Income (Expenses)				
Interest income	110,276	76,841	297,612	247,387
Interest (expense)	(7,659)	(120,417)	(47,452)	(326,636)
Equity gain (loss) from unconsolidated entity	2,429	5,190	4,305	(62,470)
Forgiveness of debt	-	336,849	-	336,849
Other income (expenses)	33,412	(160)	33,412	13,548
Gain on bargain purchase	-	-	-	8,645,276
Change in fair value of warrants	(128,176)	269,943	5,269,104	(4,241,549)
Total other income (expenses)	10,281	568,246	5,556,980	4,612,405
Income before Income Taxes	12,029,953	5,812,358	33,622,793	17,643,222
Provision for Income Taxes				
Income tax-Current	902,558	726,337	2,460,585	2,010,030
Income tax-Deferred	-	0	-	3,025,847
Net income	$ 11,127,394	$ 5,086,021	$ 31,162,207	12,607,345
Other Comprehensive Income				
Foreign currency translation adjustment	3,237,432	(28,402)	4,468,221	(57,938)
Comprehensive Income	$ 14,364,825	$ 5,057,619	$ 35,630,429	12,549,407
Earnings per share				
Basic	$ 0.18	$ 0.10	$ 0.51	$ 0.25
Diluted	$ 0.16	$ 0.08	$ 0.45	$ 0.22

Weighted average number of common shares outstanding				
Basic	62,587,469	52,970,305	61,558,821	49,676,366
Diluted	69,723,408	61,342,040	68,694,759	57,974,862

The accompanying notes are an integral part of these condensed consolidated financial statements

ADVANCED BATTERY TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months ended September 30, 2010	2009 (Restated)
Cash Flows From Operating Activities:		
Net income	$ 31,162,207	$ 12,607,345
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Gain on bargain purchase	-	(8,645,276)
Deferred income tax	-	3,025,847
Depreciation and amortization	3,024,982	1,763,076
Amortization of deferred consulting expenses	87,281	108,468
Amortization of stock based compensation expense	1,136,276	1,346,769
Equity loss (gain) of unconsolidated entity	(4,305)	62,470
Provision for doubtful accounts and inventory valuation allowance	638,000	982,866
Forgiveness of debt	-	(336,849)
Gain on disposal of fixed asset	(146)	-
Change in fair value of warrants	(5,269,104)	4,241,549
Changes in operating assets and liabilities:		
Accounts receivable	2,805,618	(6,880,935)
Inventories	(4,092,945)	(2,712,891)
Other receivable & prepayments	2,509,083	(4,299,473)
Accounts payable, accrued expenses and other payables	(103,861)	(6,376,234)
Advances from Customer	(65,649)	(872,575)
Net cash provided by (used in) operating activities	31,827,437	(5,985,843)
Cash Flows From Investing Activities:		
Deposit for long-term assets	(1,061,467)	(1,360,130)
Purchase of property, plant and equipment	(8,129,996)	710,261
Cash acquried from business combination	-	837,564
Acquistion of Construction in process	-	(9,003,299)
Net cash used in investing activities	(9,186,321)	(8,815,605)
Cash Flows From Financing Activities		
Repayment of bank loan	(2,937,943)	-
Purchase of treasury stock	-	(203,788)
Proceeds from equity financing, net	-	16,091,868
Repayment of officer loan	-	(13,143)
Net cash provided by (used in) financing activities	(2,937,943)	15,874,937
Effect of exchange rate changes on cash and cash equivalents	1,651,761	20,013

Increase in cash and cash equivalents		21,354,934		1,093,502
Cash and Cash Equivalents - Beginning of period		52,923,358		32,746,155
Cash and Cash Equivalents - End of period	$	74,278,291	$	33,839,657
SUPPLEMENTAL CASH FLOW INFORMATION:				
During the year, cash was paid for the following:				
Interest expense	$	47,452	$	277,895
Income taxes	$	2,416,310	$	1,083,556
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Common stock issued for stock-based compensation	$	1,132,795	$	1,119,650
Common stock issued for acquisition of Wuxi ZQ	$	-	$	9,870,000
Options issued to executives for service	$	-	$	777,660

The accompanying notes are an integral part of these condensed consolidated financial statements

ADVANCED BATTERY TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (RESTATED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10–Q and Article 10 of Regulation S–X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2010 are not necessarily indicative of the results that may be expected for the full year. The condensed consolidated balance sheet information as of December 31, 2009 was derived from the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009. The information included in this Form 10-Q should be read in conjunction with Management's Discussion and Analysis and the financial statements and notes thereto included in the Company's 2009 Form 10-K.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of Advanced Battery Technologies, Inc. (the "Company" or "ABAT") and its wholly-owned subsidiaries, Cashtech Inc., Wuxi Angell Autocycle Co., Ltd. ("Wuxi ZQ") and Harbin Zhongqiang Power-Tech Co., Ltd. ("Harbin ZQPT"). In addition, the consolidated financial statements include the accounts of Heilongjiang Zhongqiang Power-Tech Co., Ltd. ("Heilongjiang ZQPT"), which is a variable interest entity with respect to Harbin ZQPT. All significant inter-company balances and transactions have been eliminated in consolidation.

Use of estimates

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, the management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Significant estimates required to be made by the management include, but are not limited to, the recoverability of long-lived assets and the valuation of accounts receivable and inventories. Actual results could differ from those estimates.

Variable Interest Entity

The accounts of Heilongjiang ZQPT have been consolidated with the accounts of the Company because Heilongjiang ZQPT is a variable interest entity with respect to Harbin ZQPT, which is a wholly-owned subsidiary of the Company. Harbin ZQPT is party to five agreements dated September 8, 2004 with the owners of the registered equity of Heilongjiang ZQPT and with Heilongjiang ZQPT. The agreements transfer to Harbin ZQPT all of the benefits and all of the risk arising from the operations of Heilongjiang ZQPT, as well as complete managerial authority over the operations of Heilongjiang ZQPT. Harbin ZQPT is the guarantor of all of the obligations of Heilongjiang ZQPT. Since 2004 all of the funds used by Heilongjiang ZQPT to expand and operate its business have been provided by Harbin ZQPT. By reason of the relationship described in these agreements, Heilongjiang ZQPT is a variable interest entity with respect to Harbin ZQPT because the following characteristics identified in ASC 810-10-15-14 are present:

- The holders of the equity investment in Heilongjiang ZQPT lack the direct or indirect ability to make decisions about the entity's activities that have a significant effect on the success of Heilongjiang ZQPT, having assigned their voting rights and all managerial authority to Harbin ZQPT. (ASC 810-10-15-14(b)(1)).

- The holders of the equity investment in Heilongjiang ZQPT lack the obligation to absorb the expected losses of Heilongjiang ZQPT, having assigned to Harbin ZQPT all revenue and responsibility for all payables. (ASC 810-10-15-14(b)(2)).

- The holders of the equity investment in Heilongjiang ZQPT lack the right to receive the expected residual returns of Heilongjiang ZQPT, having granted to Harbin ZQPT all revenue as well as an option to purchase the equity interests at a fixed price. (ASC 810-10-15-14(b)(3)).

Because the relationship between Heilongjiang ZQPT and Harbin ZQPT is entirely contractual, the Company's interest in Heilongjiang ZQPT depends on the enforceability of those agreements under the laws of the PRC. We are not aware of any judicial decision as to the enforceability of similar agreements under PRC law.

ADVANCED BATTERY TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (RESTATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value of financial instruments

The Company adopted the provisions of Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures." ASC 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other then quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The carrying amounts reported in the balance sheets for cash, accounts receivable, loan receivables, other receivables, advance to suppliers, short-term loan, accounts payable, advance from customers, accrued expenses and other payables, approximate their fair market value due to the short-term nature of these instruments. The Company uses Level 3 method to measure fair value of its warrant liability. See Note 17 for disclosure of the inputs and valuation techniques used to measure the fair value of the warrant liability. During the three and nine months ended September 30, 2010 the Company's warrant liability accounts changed as followed:

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
Opening balance	$ 11,824,055	$ 17,221,335
(Income) Loss included in earnings	$ 128,176 *	$ (5,269,104)*
Closing balance	$ 11,952,230	$ 11,952,230

* Reported on Consolidated Statements of Income and Other Comprehensive Income: Other Income (Expenses): Change in Fair Value of Warrants.

The Company did not identify any other assets or liabilities that are required to be re-measured at fair value at a recurring basis in accordance with ASC 820.

ADVANCED BATTERY TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (RESTATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk of losses

The Company is exposed to potential risks of losses that may result from business interruptions, injury to others (including employees) and damage to property. These losses may be uninsured, especially due to the fact that the Company's operations are in China, where business insurance is not readily available. The Company would recognize the potential losses and make the related accruals if: (i) information is available and indicates that such loss is probable and (ii) the amount of the loss can be reasonably estimated. As of September 30, 2010 and 2009, the Company is not aware of any potential losses that need to be accrued on the financial statements.

Accounts receivable

Accounts receivables are stated at net realizable value. Any allowance for doubtful accounts is established based on the management's assessment of the recoverability of accounts and other receivables. Management regularly reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the collectability of accounts receivable and the adequacy of the allowance. The allowance for accounts receivable is $1,148,706 and $570,182 as of September 30, 2010 and December 31, 2009 respectively.

Goodwill

Goodwill and other intangible assets are accounted for in accordance with the provisions of ASC 350, "Intangibles - Goodwill and Other." Under ASC 350, goodwill and intangible assets that are deemed to have indefinite useful lives are not amortized. Rather, they are assessed for impairment. We perform impairment testing on the intangible assets whenever events or changes indicate that the fair value of these intangible might be impacted. We perform the goodwill impairment assessment on the last day of the each fiscal year. To test goodwill for impairment, we first assign the recorded goodwill to one of our two reporting units, the battery operations and the electric vehicle operations, by comparing the estimated fair value of the reporting unit as a whole with the fair values of the unit's identifiable net assets. We measure the fair value of the reporting unit by comparing a multiple of the unit's earnings with multiples of comparable entities that have observable market values. We apply the following two-step process to each reporting unit:

Step 1: We estimate the fair value of the reporting unit (UFV) in the manner described above and compare it with the unit's book value (UBV), which equals the recorded amounts of assets and allocated goodwill less liabilities. When UFV is greater than UBV, there is no impairment, and the test is complete. When UFV is less than UBV, then we go to Step 2.

Step 2: We estimate the implied fair value (GFV) of the reporting unit's goodwill by repeating the process performed at acquisition. This requires subtracting estimated current fair values of the unit's identifiable net assets from the unit's estimated fair value (UFV), and comparing the difference with the carrying amount of the goodwill (GBV). When GFV is greater than GBV, goodwill is not impaired. When GFV is less than GBV, we record an impairment write-off equal to the difference.

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ADVANCED BATTERY TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (RESTATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of long-lived assets

Finite-lived intangible assets are amortized over their respective useful lives and, along with other long-lived assets, are evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying amounts may not be recoverable in accordance with ASC 360, “Property, Plant and Equipment.”

In evaluating long-lived assets for recoverability, including finite-lived intangibles and property and equipment, the Company uses its best estimate of future cash flows expected to result from the use of the asset and eventual disposition in accordance with ASC 360. To the extent that estimated future undiscounted net cash flows attributable to the asset are less than the carrying amount, an impairment loss is recognized in an amount equal to the difference between the carrying value of such asset and its fair value. Assets to be disposed whether through sale or abandonment, are reported at the lower of carrying value or fair value less costs to sell.

Revenue recognition

The Company recognizes revenue recognition in accordance with Staff Accounting Bulletin (“SAB”) 104. Sales revenue is recognized when title and risks have passed, which is generally at the date of shipment and when collectability is reasonably assured.

The Company sells its products to customers who have passed the Company’s credit check. Sales agreements are signed with each customer. The purchase price of products is fixed in the agreement. The Company makes custom products based on sales agreements, so no returns are allowed. The Company provides warranty on the product for one year from the date of shipment only in the event of defects. Historically, the Company has not experienced significant defects, and replacements for defects have been minimal. For the three and nine months ended September 30, 2010 and 2009, no sales returns and allowances have been recorded. Should returns increase in the future it would be necessary to adjust estimates, in which case recognition of revenues could be delayed. Payments received before all of the relevant criteria for revenue recognition are recorded as advance from customers.

Product warranty

The Company provides product warranties to its customers that all equipment manufactured by it will be free from defects in materials and workmanship under normal use for a period of one year from the date of shipment. The Company's costs and expenses in connection with such warranties has been minimal and, as of September 30 2010, no product warranty reserve was considered necessary.

ADVANCED BATTERY TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (RESTATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based compensation

The Company adopted the provisions of ASC 718, “Compensation - Stock Compensation,” which establishes the accounting for employee stock-based awards. Under the provisions of ASC 718, stock-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite employee service period (i.e. the vesting period of the grant). The fair value of shares granted is deemed to be the closing traded price of our common stock on the date of grant. The fair value of options granted is determined by utilizing the Black Scholes Option Pricing Model.

Generally shares issued to executives and employees will be vested over a certain service period. These shares will be amortized over the vesting period in accordance with ASC 718. The average vesting period for the shares issued to date has been 3.11 years, based on the terms of the employment agreements under which the stock was awarded. The stock-based compensation was $379,703 and $316,835 for the three months, and $1,136,276 and $1,346,769 for the nine months, ended September 30, 2010 and 2009, respectively.

The Company measures compensation expense for its non-employee stock-based compensation under ASC 718. The fair value of the stock issued is used to measure the fair value of services received as the Company believes such approach is a more reliable method of measuring the fair value of the services. Fair value is measured based on the value of the Company’s common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty’s performance is complete. The fair value of the equity instrument is calculated and then reconciled as compensation expense over the requisite performance period. This amount is marked to market until all shares are vested by the non-employees.

Income tax

The Company utilizes ASC 740, “Income Taxes,” which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

ADVANCED BATTERY TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (RESTATED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

The functional currency of Harbin ZQPT, HLJ ZQPT and Wuxi ZQ is the Chinese Renminbi (“RMB”). For financial reporting purposes, RMB has been translated into United States dollars ("USD") as the reporting currency. Assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Income statement accounts are translated at the average rate of exchange prevailing for the period. Capital accounts are translated at their historical exchange rates when the capital transaction occurred. Translation adjustments arising from the use of different exchange rates from period to period are included as a component of stockholders' equity as "Accumulated other comprehensive income." Gains and losses resulting from foreign currency translation are included in accumulated other comprehensive income.

Recently issued accounting standards

We do not believe that any recently issued, but not yet effective, accounting standards, if currently adopted, will have a material effect on our consolidated financial position, results of operations, or cash flows.

3. INVENTORIES

	As of September 30, 2010	As of December 31, 2009
Raw Materials	$ 3,393,821	$ 1,408,230
Work-in-process	567,580	514,905
Finished goods	4,044,327	1,804,334
	8,005,728	3,727,469
Less allowance	(48,690)	(47,372)
	$ 7,957,039	$ 3,680,098

4. LOAN RECEIVABLE

The Company loaned to a non-related company, Harbin Jinhuida Investment Consulting Limited, the amount of $1,600,000 for one year term from October 30, 2008 to October 29, 2009 at a fixed interest rate of 10% per annum. On October 30, 2009 and again on October 30, 2010, the Company renewed the loan contract for one year periods at the same fixed interest rate of 10% per annum. The Company accrued interest income of $120,000 for the nine months ended September 30, 2010.

5. OTHER RECEIVABLES

Other receivables generally consist of advances to employees, interest receivable and tax refund receivable.

ADVANCED BATTERY TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (RESTATED)

6. ADVANCES TO SUPPLIERS

The Company makes advances to certain suppliers for raw materials purchases. The net advances to suppliers were $5,921,007 and $7,940,129 as of September 30, 2010 and December 31, 2009, respectively. The allowance for these advances was $370,802 and $275,379 as of September 30, 2010 and December 31, 2009, respectively.

7. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following:

		As of September 30, 2010		As of December 31, 2009
Building and improvements	$	38,400,871	$	35,578,159
Machinery and equipment		11,636,828		11,327,396
Motor Vehicles		683,351		285,999
		50,721,050		47,191,555
less: Accumulated Depreciation		(7,353,758)		(4,854,438)
Construction in Progress		12,469,223		4,911,483
Total property, plant and equipment, net	$	55,836,516	$	47,248,600

Depreciation expense for the three months ended September 30, 2010 and 2009 was $616,602 and $712,142, respectively. Depreciation expense for the nine months ended September 30, 2010 and 2009 was $2,406,795 and $1,394,130, respectively.

Construction in progress represents direct costs of construction and design fees incurred for the Company's new plant and equipment. Capitalization of these costs ceases and the construction in progress is transferred to plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided until it is completed and ready for its intended use.

8. INVESTMENT IN UNCONSOLIDATED ENTITY

In the fourth quarter of 2008, the Company entered into an equity investment agreement ("Agreement") with Beyond E-Tech, Inc (BET) to acquire 49% of the issued and outstanding capital stock of BET and accounts for its investment in BET under the equity method. Net gain (loss) on this investment using the equity method was $4,305 and ($62,470) for the nine months ended September 30, 2010 and 2009, respectively.

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9. INVESTMENT IN ADVANCE

On September 8, 2009, the Company's board approved the execution of a letter of intent to acquire a battery company in Shenzhen. The Company has made a deposit in amount of RMB 10 million (approximately $1.49 million) as of September 30, 2010, and expects to complete the acquisition by the end of 2010.

10. DEPOSIT FOR LONG-TERM ASSETS

The Company entered into various agreements to purchase equipment and machinery in an effort to expand its production in 2010. As of September 30, 2010, the Company made total deposits in the amount of $2,130,952. The Company expects to pay the remaining contract amount of approximately $0.48 million by the end of 2010. The deposit will be reclassified to the respective accounts under fixed assets upon delivery and transfer of legal titles and the assets being placed in service.

11. INTANGIBLE ASSETS

Intangible assets consist of land use rights, patents and marketing network resources. All land in the People's Republic of China is government owned and cannot be sold to any individual or company. However, the government grants the user a "land use right" (the Right) to use the land and the power line underneath. The Company leases two pieces of land from the PRC Government for a period from August 2003 to September 2043, on which the office and production facilities of Heilongjiang ZQPT are situated. In addition, the Company also leases two pieces of land from the PRC Government for a period from July 2003 to July 2053 and from September 2002 to June 2057 respectively, on which the office and production facilities of Wuxi ZQ are situated. The Company leases the power lines from the local government for a period from July 2003 to July 2013.

Rights to use land and power and patent rights are stated at fair market value less accumulated amortization. The Company amortizes the patents over a 3-10 year period. The Company evaluates finite-lived intangible assets for impairment, at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows. Recoverability of intangible assets, other long-lived assets, and goodwill is measured by comparing their net book value to the related projected undiscounted cash flows from these assets, considering a number of factors including past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss. As of September 30, 2010 and December 31, 2009, no impairment of intangible assets has been recorded.

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11. INTANGIBLE ASSETS (Continued)

Net intangible assets at September 30, 2010 were as follows:

	Initial Book Value	Accumulated Amortization	Net Book Value	Amortization Period (Years)
Rights to use land and power	$ 13,260,937	$ 621,390	$ 12,639,547	48.6
Patents	1,249,838	486,889	762,950	9.0
Marketing network resource	1,000,038	478,202	521,835	3.0
Total	$ 15,510,812	$ 1,586,481	$ 13,924,332	

Net intangible assets at December 31, 2009 were as follows:

	Initial Book Value	Accumulated Amortization	Net Book Value	Amortization Period (Years)
Rights to use land and power	$ 13,065,389	$ 381,539	$ 12,683,850	48.6
Patents	1,224,986	369,040	855,946	9.0
Marketing network resource	1,000,038	222,330	777,708	3.0
Total	$ 15,290,412	$ 972,909	$ 14,317,503	

Amortization expense was $224,281 and $196,797 for the three months ended September 30, 2010 and 2009, respectively. Amortization expense was $618,187 and $368,946 for the nine months ended September 30, 2010 and 2009, respectively.

Based upon current assumptions, the Company expects that its intangible assets will be amortized according to the following schedule:

Balance at December 31, 2010	$ 193,448
2011	735,861
2012	541,307
2013	379,497
2014	413,303
2015	959,307
Thereafter	10,701,608
	$ 13,924,332

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12. GOODWILL

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired as result of the company acquiring the remaining 30% interest in Heilongjiang ZQPT in 2006. The Company applied step accounting by determining the implied fair value of goodwill by allocating the price paid to acquire the 30% minority interest to all of its assets and liabilities. As of September 30, 2010, no impairment of goodwill was recorded.

13. SHORT TERM BANK LOANS

In connection with the Company's acquisition of Wuxi ZQ in May 2009, it entered into two loans agreements in the aggregate amount of RMB 50,000,000 (approximately $7.3 million) with Huaxia Bank. Wuxi ZQ paid down one loan of RMB 30,000,000 (approximately $4.4 million) during the year ended December 31, 2009 and another loan of RMB 20,000,000 (approximately $2.9 million) during the nine months ended September 30, 2010.

14. STOCK-BASED COMPENSATION

(1) 2004 Equity Incentive Plan

The Company adopted the 2004 Equity Incentive Plan (the "2004 Plan") on August 24, 2004. The purpose of the Plan is to promote the success and enhance the value of the Company by linking the personal interests of the participants of the Plan (the "Participants") to those of the Company's stockholders, and by providing the Participants with an incentive for outstanding performance. The Company has reserved 5,000,000 shares of common stock for the options and awards under the Plan.

Subject to the terms and provisions of the Plan, the Board of Directors, at any time and from time to time, may grant shares of stock to eligible persons in such amounts and upon such terms and conditions as the Board of Directors shall determine.

The Committee appointed by the Board of Directors to administer the Plan shall have the authority to determine all matters relating to the options to be granted under the Plan including selection of the individuals to be granted awards or stock options, the number of stock, the date, the termination of the stock options or awards, the stock option term, vesting schedules and all other terms and conditions thereof.

The Company has issued all 5,000,000 shares provided in the Plan in the form of grants of restricted common stock. As of September 30, 2010, 2,370,000 of those shares had vested and no shares have been cancelled. A summary of the status of the Company's unearned stock compensation under the 2004 Equity Incentive Plan as of September 30, 2010, and changes for the nine months ended September 30, 2010, is presented below:

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14. STOCK-BASED COMPENSATION (Continued)

Unearned stock compensation as of January 1, 2010	$1,837,934
Unearned stock compensation granted	-
Compensation expenses recorded on the statement of income with a credit to additional paid-in capital	(199,320)
Unearned stock compensation as of September 30, 2010	$1,638,614

In addition, the compensation cost recorded to additional paid-in capital in relation to shares issued to non-employee consultants under the 2004 Plan in prior years and current period was $352,898. The Company's contracts with these consultants have terms ranging from 60 months to 120 months. All shares granted were fully vested and nonforfeitable at the date on which the Company entered into the consulting contract with each non-employee. However, following ASC 505-50-30-11 and 505-50-30-12, the Company has determined that the disincentives for nonperformance are not sufficiently large to establish a performance commitment, and that, accordingly, the measurement date for the shares is the date on which performance is complete, which is the date of grant. The Company has continued to account for the shares as a prepaid expense, amortized over the terms of the contracts. The compensation expense relating to shares issued to non-employee consultants for the three months ended September 30, 2010 and 2009 was $29,094 and $29,094, respectively. The compensation expense relating to shares issued to non-employee consultants for the nine months ended September 30, 2010 and 2009 was $87,281 and $108,468, respectively.

(2) 2006 Equity Incentive Plan

The Company adopted the 2006 Equity Incentive Plan (the "2006 Plan") on April 24, 2006. The 2006 Plan became effective on April 18, 2006. The number of shares available for grant under the 2006 Plan shall not exceed 8,000,000 shares and shares of stock and options may be granted to the eligible persons at the discretion of the Company's Board of Directors or the Committee administering the plan. Incentive stock options ("ISO"), nonqualified stock options ("NQSO"), or a combination thereof may be granted but ISOs can only be granted to the Company's employees. The Committee can also grant shares of restricted stock or performance shares (a performance share is equivalent in value to a share of stock) to eligible persons from time to time.

The exercise price for each ISO awarded under the 2006 Plan shall be equal to 100% of the fair market value of a share on the date the option is granted and be 110% of the fair market value if the eligible person owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of its parent or subsidiary corporations. The exercise price of a NQSO shall be determined by the Committee in its sole discretion.

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14. STOCK-BASED COMPENSATION (Continued)

No option shall be exercisable later than the tenth anniversary date of its grant and each option shall expire at such time as the Committee determines at the time of grant. The eligible person who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of its parent or subsidiary corporations shall exercise his/her option before the fifth anniversary date of its grant.

Options shall vest at such items and under such terms and conditions as determined by the Committee; provided, however, unless a different vesting period is provided by the Committee at or before the grant of an option, the options will vest on the first anniversary of the grant.

Options granted under the 2006 Plan shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each participant.

The Company has issued 7,109,000 of the shares provided in the Plan in the form of grants of restricted common stock. As of September 30, 2010, 249,000 of those shares had vested and no shares have been cancelled. A summary of the status of the Company's unearned stock compensation under the 2006 Equity Incentive Plan as of September 30, 2010 is presented below:

Unearned stock compensation as of January 1, 2010	$3,991,119
Unearned stock compensation granted	1,132,795
Compensation expenses recorded on the statement of operations with a credit to additional paid-in capital	(936,956)
Unearned stock compensation as of September 30, 2010	$4,186,958

The following table shows the amortization of the unearned stock compensation:

As of September 30,	
2011	$ 1,871,831
2012	899,463
2013	899,463
2014	516,200
	$ 4,186,958

(3) Recent Stock Option Activity

During the year ended December 31, 2009, there were 340,000 options granted for services. On January 1, 2009, the Company issued options to two senior executives to purchase a total of 340,000 shares of common stock at an exercise price of $2.66 with a vesting period of one year. The fair value of each option was estimated to be $2.29 as of the December 31, 2009 grant date, using a Black-Scholes option-pricing model with the following assumptions:

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14. STOCK-BASED COMPENSATION (Continued)

Expected life	5.0 years
Expected volatility	89.13%
Risk free interest rate	2.46%
Dividend yield	0%

The risk-free interest rate is based on the U.S. Treasury zero-coupon rate. Expected volatility is estimated based on the Company's historical stock price using the expected life of the grant. Due to a lack of employee exercise behavior in the past, the expected life is based upon the maximum exercise period.

The following table summarizes the stock option activities of the Company:

	Outstanding	Exercise Price	Life in Years	Value (1)
Outstanding, January 1, 2010	340,000	$ 2.66	4.00	$ 571,200
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding, September 30, 2010	340,000	$ 2.66	3.25	$ 744,482

(1) "Value" represents the intrinsic value of outstanding options as of the date noted.

15. INCOME TAXES

The following table sets forth the components of the Company's income before income tax expense and the components of income tax expense.

	For the Nine Months Ended September 30, 2010	For the Nine Months Ended September 30, 2009
China Pre-tax Income	$ 31,767,498	$ 15,219,873
Domestic Pre-Tax Income	1,855,294	2,423,349
Total Pre-Tax Income	$ 33,622,793	$ 17,643,222
China Income Tax Expense	$ 2,460,585	$ 2,010,030
Domestic Income Tax Expense	-	-
Total Current Income Tax Expense	$ 2,460,585	$ 2,010,030

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15. INCOME TAXES (Continued)

Under the Income Tax Laws of the PRC, the Company is generally subject to tax at a statutory rate of 25% and was, until January 2008, subject to tax at a statutory rate of 33% (30% state income taxes plus 3% local income taxes) on its taxable income. However, HLJ ZQPT is located in a specially designated technology zone which allows foreign-invested enterprises a five-year income tax holiday. HLJ ZQPT enjoyed a two-year tax exemption through December 31, 2007, and enjoys an additional 50% income tax reduction from January 1, 2008 to December 31, 2010.

On March 16, 2007, National People's Congress passed a new corporate income tax law, which was effective on January 1, 2008. This new corporate income tax unifies the corporate income tax rate to 25%, and includes cost deductions and tax incentive policies for both domestic and foreign-invested enterprises in China. According to the new corporate income tax law, the applicable corporate income tax rate of the HLJ ZQPT decreased to 12.5% from 2008 to 2010.

A reconciliation of tax at United States federal statutory rate to provision for income tax recorded in the financial statements is as follows:

	For the Nine Months Ended September 30, 2010	2009 (Restated)
U.S. statutory income tax rate	35.0%	35.0%
Foreign income not recognized in the U.S	(35.0%)	(35.0%)
China Statutory income tax rates	25.0%	25.0%
China income tax exemption	(12.5%)	(12.5%)
Other items (a)	(5.0%)	(1.1%)
Effective consolidated current income tax rate	7.5%	11.4%

(a) The (5.0%) represents $2,697,803 of corporate expenses incurred by the Company's US office (excluding $5,269,104 other income due to change in fair value of warrants) that are not subject to PRC income tax for the nine months ended September 30, 2010. The (1.1%) represents $664,878 of corporate expenses incurred by the Company's US office (excluding $4,241,549 other expense due to change in fair value of warrants) that are not subject to PRC income tax for nine months ended September 30, 2009.

The estimated tax savings as a result of our tax holidays for the nine months ended September 30, 2010 and 2009 amounted to $2,456,998 and $2,181,377, respectively. The net effect on earnings per share had the income tax been applied would decrease basic earnings per share for the nine months ended September 30, 2010 and 2009 from $0.51 to $0.47 and from $0.33 to $0.29, respectively.

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15. INCOME TAXES (Continued)

The Company was incorporated in the United States. It incurred a net operating loss for U.S. income tax purposes for the three and nine months ended September 30, 2010 and 2009. The net operating loss carry forwards, including amortization of share-based compensation, for United States income tax purposes amounted to $2,697,803 and $2,936,410 for the nine months ended September 30, 2010 and 2009, respectively, which may be available to reduce future years' taxable income. These carry forwards will expire, if not utilized, beginning in 2027 through 2029. For United States income tax purposes, the valuation allowances for the nine months ended September 30, 2010 and 2009 were $944,231 and $1,198,150, respectively.

In addition, there are net operating loss carry-forwards from Wuxi ZQ. Management believes that the realization of the benefits arising from these losses appear to be uncertain due to Wuxi ZQ's limited operating history. Accordingly, the Company has provided a 100% valuation allowance at September 30, 2010 for the temporary difference related to loss carry-forwards. Management reviews this valuation allowance periodically and makes adjustments. For PRC income tax purposes, the valuation allowances were $10,249 and $3,074,202 as of September 30, 2010 and December 31, 2009, respectively.

The following table sets forth the components of deferred income taxes as of September 30, 2010 and December 31, 2009:

	September 30, 2010	December 31, 2009 (Restated)
Gain on bargain purchase of Wuxi ZQ	$ 3,025,847	$ 3,025,847
Wuxi ZQ net operating loss carryforward	10,249	3,074,202
	3,036,096	6,100,049
Valuation allowance	10,249	3,074,202
Deferred tax liability	$ 3,025,847	$ 3,025,847

16. EARNINGS PER SHARE

Earnings per share is determined by dividing net income for the periods by the weighted average number of both basic and diluted shares of common stock and common stock equivalents outstanding pursuant to ASC 260, "Earnings Per Share." The following are the calculations for earnings per share for the three and nine months ended September 30, 2010 and 2009:

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16. EARNINGS PER SHARE

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Basic earning per share		(Restated)		(Restated)
Net Income	$11,127,394	$5,086,020	$31,162,208	$12,607,345
Weighted average number of common shares outstanding-Basic	62,587,469	52,970,305	61,558,821	49,676,366
Earnings per share-Basic	$0.18	$0.10	$0.51	0.25
Diluted earnings per share				
Net Income	$11,127,394	$5,086,020	$31,162,208	$12,607,345
Weighted average number of common shares outstanding-Basic	62,587,469	52,970,305	61,558,821	49,676,366
Effect of conversion of preferred stock	528	131,926	528	58,688
Effect of exercise of options and warrants	88,078	602,309	88,078	602,309
Effect of diluted securities-unvested shares	7,047,333	7,637,500	7,047,333	7,637,500
Weighted average number of common shares outstanding-Diluted	69,723,408	61,342,040	68,694,759	57,974,862
Earnings per share-Diluted	$0.16	$0.08	$0.45	$0.22

As of September 30, 2010 and 2009, the Company had unvested stock awards of 7,047,333 and 7,637,500, respectively, under the 2004 and 2006 equity plans. All unvested stock awards were included in the diluted earnings per share calculation as they are dilutive. At September 30, 2010 and 2009, the Company had outstanding warrants of 6,825,113 and 9,175,725, respectively. Warrants were excluded in the diluted earnings per share calculation as the stock market price is below warrants' exercise price for the nine months ended September 30, 2010, but were included in the diluted earnings per share calculation for the nine months ended September 30, 2009. 340,000 outstanding options issued in 2009, with an exercise price below the market price during the nine months ended September 30, 2010, were included in the diluted earnings per share calculation as they are dilutive. Additionally, for the nine months ended September 30, 2010, 2 shares of preferred stock were diluted and included in the diluted earnings per share calculation. Dilution is computed by applying the treasury stock method.

17. EQUITY PLACEMENTS

1) Issuance of Preferred Stock

As of September 30, 2010, there were 2 shares of the preferred stock outstanding. The shares have a liquidation preference of $1,000 each and are each convertible into 264 shares of common stock.

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17. EQUITY PLACEMENTS (Continued)

2) Issuance of Common Stock

In January 2010, according to a two-year employment contract, the company issued 3,000 shares to one employee for first year employment.

During the quarter ended March 31, 2010 the Company granted a total of 15,608 shares of common stock with an aggregate market value of $60,000 to two of its independent directors pursuant to their respective Service Agreements. These shares were issued in May 2010.

On September 21, 2010, the Company issued 300,500 shares to 84 employees for one-year service as incentive stock compensation according to its 2006 equity plan.

3) Stock Warrants

Following is a summary of the status of warrants activities as of September 30, 2010:

	Warrants Outstanding	Weighted Average Exercise Price	Average Remaining Life in years	Aggregate Intrinsic Value
Outstanding, January 1, 2010	6,825,113	$ 5.16	4.50	$ -
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding, September 30, 2010	6,825,113	$ 5.16	3.75	$ -

The Company has determined that both the Investor Warrants and the Placement Agent Warrants do not meet the conditions for equity classification pursuant to ASC 815 “Derivatives and Hedging” and ASC 815-40 “Contracts in Entity’s Own Equity.” Both instruments contain a covenant that, in the event of a “fundamental transaction,” if the securities to be issued upon exercise of the warrants will not be listed on a national securities exchange, the warrant holder has the option to force the Company to purchase the warrants at present value. The warrants define a “fundamental transaction” to include:

i. any merger, sale of assets, tender or exchange offer, reclassification of the common stock or compulsory share exchange, if

ii. the transaction is either an all-cash transaction, a “going private” transaction, or a transaction in which the Company’s common stock will be exchanged for securities that are not traded on a national securities exchange.

Under those circumstances, the warrant holder could require the Company to redeem the warrant by paying an amount of cash equal to the value of the warrant on the date preceding the fundamental transaction, determined in accordance with the Black-Scholes option pricing model. Under those circumstances, the Company would be forced to settle the warrants in cash, the warrants do not meet the conditions for equity classification set forth in FASB ASC 815-40-15, and therefore have been classified as warrant liability.

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17. EQUITY PLACEMENTS (Continued)

The fair value of outstanding warrants was $11,952,230 and $17,221,335 as of September 30, 2010 and December 31, 2009, respectively. The fair value of the warrants was calculated using the Black-Scholes options pricing model using the following assumptions:

	As of September 30, 2010	As of December 31, 2009
Volatility	81.5%	90.9%
Risk free interest rate	0.96%	2.69%
Expected term	2.91 - 4.25 years	3.66 - 5.00 years

The change in fair value of warrants was recorded as other loss or income for the three and nine months ended September 30, 2010.

18. CONCENTRATION OF RISKS

The Company maintains certain bank accounts in the PRC which are not protected by FDIC insurance or other insurance. Cash balances held in PRC bank accounts were $72,809,282 and $43,868,543 as of September 30, 2010 and December 31, 2009, respectively. As of September 30, 2010 and December 31, 2009, the Company held $1,469,008 and $9,054,816 of cash balances within the United States of which $840,335 and $8,222,219 was in excess of FDIC insurance limits, respectively.

Four (4) major customers accounted for approximately 24.3% of the net revenue for the nine months ended September 30, 2010, with the customers individually accounting for 8.3%, 5.8%, 5.3% and 4.9%, respectively. At September 30, 2010, the total receivable balance due from these customers was $3,621,420, representing 19.4% of total accounts receivable. Four (4) major customers accounted for 44.8% of the net revenue for the nine months ended September 30, 2009, with the customers individually accounting for 21.4%, 10.0%, 6.8% and 6.6%, respectively. At September 30, 2009, the total receivable balance due from these customers was $5,504,761, representing 24.0% of total accounts receivable.

Four (4) major vendors provided approximately 40.4% of the Company's purchases of raw materials for the nine months ended September 30, 2010, with the vendors individually accounting for 16.0%, 9.4%, 7.6% and 7.4%, respectively. The Company's accounts payable to these vendors was $0 as of September 30, 2010. Four (4) vendors provided around 60.0% of the Company's purchase of raw materials for the nine months ended September 30, 2009, with the vendors individually accounting for 31.4%, 10.3%, 9.7% and 8.4%, respectively. The Company's accounts payable to these vendors was $558,741 as of September 30, 2009, representing 20.8% of total accounts payable.

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19. LITIGATION

On September 30, 2009, the Company was named as a defendant in an action filed in the United States District Court for the Southern District of New York. The action, brought by the Company's former Chief Technological Officer, Mr. Sui-yang Huang, alleges that based on his employment contract, he should have been paid certain additional stock-based benefits by November 30, 2008; in an Amended Complaint filed in November 2009, Mr. Huang also purported to state ancillary quasi-contract and tort claims related to his contract claim and his eventual dismissal from the Company. Mr. Huang's Amended Complaint demanded between approximately $1.25 and $5 million in compensatory damages, plus an unspecified amount of punitive and other damages. The Company believes that all of Mr. Huang's alleged claims are without merit. The Company filed a motion to dismiss the Amended Complaint, both on forum non conveniens grounds and for failure to state a claim for relief. On May 26, 2010, the Court granted the Company's motion to dismiss on forum non conveniens grounds. The dismissal is subject to the following conditions: (a) Mr. Huang is able, if he so chooses, to bring a similar action against the Company in a court near his residence in China, (b) the Chinese forum accepts jurisdiction over the dispute, and (c) the Company agrees to (1) consent to a Chinese court's jurisdiction for these civil actions, (2) toll any applicable statute of limitations for 120 days after the Court's dismissal on forum non conveniens grounds, (3) make available in the courts of China any evidence or witnesses in its possession, custody, or control in the United States that a Chinese court hearing these cases may deem relevant, and (4) pay any final, post-appeal judgment awarded against it by a Chinese court. Huang did not file a notice of appeal of the Court's order dismissing the action.

In September 2008, Susquehanna Financial Group, LLLP ("SFG") commenced an action against the Company in the Court of Common Pleas of Montgomery County, Pennsylvania. SFG alleges that it was a party to two contracts with the Company, pursuant to which SFG alleges that it was entitled to serve as financial advisor with respect to any offering of securities by the Company completed prior to March 2009. SFG alleges that the Company failed to afford SFG the opportunity to serve as its financial advisor in connection with the private placement by the Company in August 2008. SFG alleges that it is entitled to damages in the amount of $1,359,872 and a warrant to purchase 81,882 share of the Company's common stock exercisable at $8.00 per share. The Company has answered the complaint and denied that SFG was entitled to serve as financial advisor in connection with the August 2008 private placement by reason of the fact that SFG had terminated its agreements with the Company and had waived any continuing rights under the contracts, and had acted in bad faith in connection with the services it undertook to perform for the Company. The Parties are currently in the midst of the discovery process, which should be completed by the end of the year. Once discovery is complete, the Court will issue a schedule for the trial date.

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20. COMMITMENTS AND CONTINGENCIES

The Company's operations in the PRC are subject to specific considerations and significant risks not typically associated with companies in the North America and Western Europe. These include risks associated with, among others, the political, economic and legal environments and foreign currency exchange. The Company's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

The Company's sales, purchases and expenses transactions are denominated in RMB and all of the Company's assets and liabilities are also denominated in RMB. The RMB is not freely convertible into foreign currencies under the current law. In China, foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China, the central bank of China. Remittances in currencies other than RMB may require certain supporting documentation in order to affect the remittance.

The Company entered into various agreements to purchase equipment and machinery in an effort to expand its production in 2010. As of September 30, 2010, the Company made a total down payment of $2,130,952 on those long-term assets. Additionally, the Company entered into several contracts and already made payment of $12,469,223 for ongoing construction projects. The Company still has the commitment to pay the remaining contract amount of $6.46 million in 2010.

The Company entered into a lease agreement with Pantheon Realty, Inc. to lease its prior administrative office. Under the agreement, the Company is obligated to pay $4,000 monthly from June 1, 2009 to May 31, 2011. The Company entered into another lease agreement with 15 W 39th St. NY LLC to lease its administrative office in New York City from June 1, 2009 to May 31, 2012. Under the agreement, the Company is obligated to pay $8,000, $8,200 and $8,405 monthly for the first, second and third year, respectively.

21. RELATED PARTY TRANSACTIONS

In July 2009, the Company signed a lease agreement with the Chairman of the Company, Mr Zhiguo Fu, to lease a house owned by Mr. Fu for the purpose of accommodating the frequent travel lodging needs for the Company's employees in China traveling to the U.S. The monthly rent is $4,000 and the lease will expire in three years.

22. SEGMENT INFORMATION

The Company follows the provisions of ASC 280, "Segment Reporting," which establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance. The Company's chief operating decision maker has been identified as the Chief Executive Officer.

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22. SEGMENT INFORMATION (Continued)

The Company has two operating segments, which are batteries and electric vehicles segments.

The batteries segment develops, manufactures, and markets rechargeable Polymer Lithium-Ion (PLI) products. The batteries segment includes the operation of Heilongjiang ZQPT.

The electric vehicles segment develops and manufactures various types of electric vehicles through the operation of Wuxi ZQ. Wuxi ZQ owns three types of products listed in the E-Bike directory, with more than 20 different specifications, including electric bicycles, electric scooters, and various electric sports utility vehicles. Wuxi ZQ products are exported to the countries and regions in Europe, the United States and Asia.

The measurement of segment income is determined as earnings before income taxes. The measurement of segment assets is based on the total assets of the segment, including intercompany advances among the PRC entities. Segment income and segment assets are reported to the Company's chief operating decision maker ("CODM") using the same accounting policies as those used in the preparation of these consolidated financial statements. Historically, there have been sale transactions between the two operating segments in addition to intersegment advances.

For the Nine Months Ended September 30, 2010	Batteries	Electric Vehicles	Non-operating entities	Inter-segment Elimination	Consolidated Total
Net Sales	42,568,188	35,608,015	-	(9,860,943)	68,315,260
Interest Income (expense)	131,345	(18,601)	137,414	-	250,159
Depreciation and Amortization	1,072,989	1,204,956	112,385	634,652	3,024,982
Segment assets	122,685,681	55,962,607	149,936,542	(142,112,052)	186,472,778
Segment net income (loss) before tax	19,670,331	12,255,813	(2,838,936)	4,535,584	33,622,793

For the Three Months Ended September 30, 2010	Batteries	Electric Vehicles	Non-operating entities	Inter-segment Elimination	Consolidated Total
Net Sales	15,164,327	13,904,062	-	(3,137,504)	25,930,885
Interest Income (expense)	39,415	21,192	42,009	-	102,616
Depreciation and Amortization	222,044	365,961	14,019	212,705	814,729
Segment assets	122,685,681	55,962,607	149,936,542	(142,112,052)	186,472,778
Segment net income (loss) before tax	7,228,060	5,283,830	(896,294)	414,356	12,029,953

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22. SEGMENT INFORMATION (Continued)

Reconciliation of segment incomes to consolidated incomes	For the Nine Months Ended September 30, 2010	For the Three Months Ended September 30, 2010
Total segment income (Operating entities)	31,926,144	12,511,890
Total segment income (Non-operating entities)(1)	(2,838,936)	(896,294)
Elimination of intersegment profits	(733,519)	542,532
Chang in fair value of warrants	5,269,104	(128,176)
Consolidated income before income taxes	33,622,793	12,029,953

Reconciliation of segment assets to consolidated assets	As of September 30, 2010
Total segment net assets (Operating entities)	178,648,288
Total segment net assets (Non-operating entities)(2)	149,936,542
Elimination of intersegment receivables	(151,245,407)
Increased asset value not allocated to segments	9,133,355
Consolidated assets	186,472,778

For the Nine Months Ended September 30, 2009	Batteries	Electric Vehicle	Non-operating entities	Inter-segment Elimination	Consolidated Total
Net Sales					