

CHINA BAK BATTERY, INC.

Compensation Committee Charter

Article I. Purpose

The Compensation Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of China BAK Battery, Inc. (the “**Company**”) has been appointed by the Board to assist the Board by assuming primary responsibility for evaluating issues relating to executive compensation. The Committee is also charged with making regular reports to the Board and delivering any reports that may from time to time be required by the rules of the Nasdaq Stock Market, Inc. (“**NASDAQ**”) or the Securities and Exchange Commission (the “**SEC**”) to be included in the Company’s annual proxy statement or annual report on Form 10-K.

Article II. Membership

The Committee shall consist of two or more members of the Board. Prior to their election and annually thereafter, the members of the Committee shall each have been affirmatively determined by the Board to satisfy the same standards of “independence” as apply to the members of the Company’s Audit Committee. In addition, each member of the Committee shall qualify both (i) as a “non-employee director” in the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and (ii) as an “outside director” in the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.

Each member of the Committee shall first be nominated by the Nominating and Corporate Governance Committee of the Board and then be elected by the full Board, with interested members of the Board recusing themselves as appropriate, and shall serve until the expiration of such member’s term or until such member’s earlier resignation, retirement or removal. The members of the Committee may be removed at any time, with or without cause, by majority vote of the Board.

The Board shall elect a Chairperson of the Committee. The Chairperson of the Committee shall chair all regular and special sessions of the Committee, be responsible for scheduling regular and special meetings of the Committee and set the agendas for Committee meetings. This Chairperson shall serve until the expiration of his or her term or until his or her earlier resignation, retirement or removal from the Committee or the Board. If the Chairperson is absent from a particular meeting, another member of the Committee shall serve as chairperson for purposes of that meeting.

The Committee may delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee.

Article III. Meetings

The Committee shall meet at least twice a year. Additional meetings may occur as the Committee or its Chairperson deem advisable.

A majority of Committee members shall constitute a quorum for the conduct of business of the Committee. A majority of the members present at any meeting at which a quorum is present may act on behalf of the Committee, unless the act of a greater number is required by law, the Company's Certificate of Incorporation or the Company's Bylaws. The Committee may meet by telephone or videoconference and may take action by unanimous written consent to the fullest extent permitted by the Delaware General Corporation Law.

The Committee will cause to be kept adequate minutes of all its proceedings and will report its actions to the next meeting of the Board. Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous written consent.

Article IV. Authority

The Company shall provide the Committee with the necessary financial resources and the Committee shall have the authority necessary to discharge its duties and responsibilities, including the authority to retain outside counsel or other experts or consultants, as it deems appropriate in its sole discretion. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company. The Committee will take all necessary steps to preserve the privileged nature of those communications.

Article V. Responsibilities and Duties

The Committee shall have the following responsibilities and duties:

1. To evaluate and/or develop the compensation policies applicable to the executive officers of the Company, which shall include guidance regarding the specific relationship of corporate performance to executive compensation;
2. To assist the Board in developing and evaluating potential candidates for executive positions, including the Chief Executive Officer, and to oversee the development of executive succession plans;
3. To review and recommend on an annual basis the corporate goals and objectives with respect to compensation for the Chief Executive Officer;
4. To assess the ongoing competitiveness of the total executive compensation package;
5. To evaluate at least once a year the Chief Executive Officer's performance in light of the corporate goals and objectives with respect to compensation for the Chief Executive Officer;
6. To recommend the Chief Executive Officer's annual compensation, including salary, bonus, incentive and equity compensation, which such recommendation shall be subject to approval by the full Board, with interested members of the Board recusing themselves as appropriate;
7. To recommend the annual compensation of other officers of the Company who are Board members, including salary, bonus, incentive and equity compensation,

which such recommendation shall be subject to approval by the full Board, with interested members of the Board recusing themselves as appropriate;

8. To provide oversight of the Chief Executive Officer's recommendations concerning the performance and compensation of the Company's other executive officers and to make final determinations with respect to the compensation of the Company's other executive officers;
9. To periodically review the compensation paid to non-employee directors (including Board and committee chairpersons) in the form of annual retainers and meeting fees, if any, and to make recommendations to the Board regarding any adjustments;
10. To review the Company's incentive compensation plans, including cash and/or stock-based plans, and recommend changes in such plans to the Board as needed;
11. To assist the full Board with respect to the administration of the Company's incentive compensation plans;
12. To review and approve any employment agreements, retirement agreements, severance arrangements, change-in-control arrangements or special or supplemental employee benefits and any material amendments to the foregoing, applicable to executive officers, including the Chief Executive Officer;
13. To maintain regular contact with management of the Company;
14. To prepare and publish any required Compensation Committee report on executive compensation to be included in the Company's annual proxy statement if required by the rules and regulations of the SEC;
15. To evaluate its own performance, and review the adequacy of this charter, at least annually, delivering a report setting forth the results of such evaluation and review, and any recommended changes, to the Board for its approval; and
16. To perform such other responsibilities and duties as compensation committees of companies similarly situated with the Company would perform.

Approved on [April 3, 2006]