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January 10, 2011

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Income per share - basic	$0.08	$0.09
Income per share - diluted	$0.07	$0.07
Outstanding shares-basic	47,055,374	47,055,374
Outstanding shares-diluted	54,692,874	54,692,874

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements: No Assurances Intended

In addition to historical information, this Quarterly Report contains forward-looking statements, which are generally identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans to," "estimates," "projects," or similar expressions. These forward-looking statements represent Management's belief as to the future of Advanced Battery Technologies. Whether those beliefs become reality will depend on many factors that are not under Management's control. Many risks and uncertainties exist that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section of our Annual Report on Form 10-K for the year ended December 31, 2009 entitled "Risk Factors." Readers are cautioned not to place undue reliance on these forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements.

Results of Operations

The Development of our Business

Near the end of 2004, ZQ Power-Tech obtained the financing needed to complete additional factory facilities at ZQ Power-Tech's campus in Heilongjiang. Since 2004, the number of employees at our facilities has increased from 300 to 835 as of March 31 2010. The increase has occurred because we more than doubled our battery production capacity and we acquired an electric vehicle manufacturer in May 2009.

In 2008 our battery production capacity was $45 million per year with two buildings ("A" and "B") in full production. As our revenues in 2008 reached $45 million and continue to grow, the need to outfit buildings "C" and "D" so as to double our production capacity became apparent. Toward that end, during 2008 we completed an equity placement to obtain the capital necessary for the expansion. In July 2009, the two new production lines, "C" and "D", became operational with automated equipment. In August 2009, we decided to upgrade the capacity of "A" and "B" with further investment in automated equipment. We expect to invest approximately $6.5 million in this upgrade of "A" and "B", which will increase our annual battery production capacity to over $100 million when the upgrade is completed in the second quarter of 2010.

On May 4, 2009, Cashtech Investment Limited, a wholly-owned subsidiary of the Company, acquired ownership of 100% of the registered capital of Wuxi Angell Autocycle Co., Ltd. in exchange for three million shares of the Company's common stock. Immediately after the completion of acquisition, Wuxi Angell Autocycle Co. Ltd. was renamed as Wuxi Zhongqiang Autocycle Co., Ltd. ("Wuxi ZQ"). In June and October 2009, in order to support the future growth of our newly acquired electric vehicle business and to facilitate an expansion of our battery production, we completed additional equity placements, obtaining net proceeds of approximately $16,091,868 in June and $18,017,350 in October and $6,679,499 in December.

Three Months Ended March 31, 2010 Compared to Three Months Ended March 31, 2009

The following tables present certain consolidated statement of operations information. Financial information is presented for the three months ended March 31, 2010 and 2009 respectively.

	For the Three Months Ended March 31,			
			Change	
	2010	2009 (Restated)	Amount	%
Revenues	$ 19,549,017	$ 10,685,738	$ 8,863,279	82.9%
Cost of Goods Sold	9,933,316	5,651,189	4,282,127	75.8%
Gross Profit	9,615,701	5,034,549	4,581,152	91.0%
Operation Expenses	2,615,949	896,319	1,719,630	191.9%
Operation Income	6,999,752	4,138,230	2,861,522	69.1%
Net Income	$ 7,524,573	$ 4,064,983	$ 3,459,590	85.1%

Revenues

We had total revenues of $19,549,017 for the three months ended March 31 2010, an increase of $8,863,279 or 82.9%, compared to $10,685,738 for the three months ended March 31 2009. The increase in revenues was primarily due to the contribution of sales from the electric vehicle business, which the Company acquired on May 4, 2009. Sales of electric vehicles for the three months ended March 31 2010 totaled $9,069,650. At the same time, the acquisition of Wuxi ZQ resulted in flat year-to-year results in battery sales, since Wuxi Angell had been a major customer of our battery business. Sales of batteries to Wuxi ZQ are included in our 2009 financial results and excluded from our 2010 financial results, since we acquired ownership of Wuxi ZQ in May 2009. During the quarter ended March 31, 2009 we recorded $204,800 in revenue attributable to sales to Wuxi ZQ.

The growth in our battery business has been accompanied by a reorientation in the relative importance of different battery sizes. When we first entered the battery business in 2003 and during the following years, the bulk of our sales were small capacity batteries, primarily those used in consumer electronic devices. Our growth, however, has been propelled by customers for our medium capacity batteries (used for electric scooters, electric bicycles, power tools, miners' lamps, searchlights, etc.) and large capacity batteries (used for electric sanitation vehicles, stationary applications, and other large scale battery applications). In the three months ended March 31, 2010, the contribution of batteries in these categories as well as the contribution of electric vehicles to our total revenues was:

Three months ended March 31, 2010	Amount (US$)	% (of total revenue)
Small Capacity Battery	1,197,702	6.13%
Medium Capacity Battery	4,867,256	24.90%
Large Capacity Battery	2,477,978	12.68%
Miner's Lamp	1,936,430	9.91%
Electric Vehicle	9,069,650	46.39%
Total	19,549,017	100.00%

The increase in the portion of our revenue attributable to medium and large capacity batteries and electric vehicles has been beneficial to our overall business. The margins that we are able to achieve in selling larger capacity batteries are significantly greater than the margins we achieve in selling smaller capacity batteries, due primarily to the relative amount of competition in the different markets.

At April 30, 2010 we had a backlog of around $65.0 million for delivery throughout the next 12 months, including a battery backlog of approximately $51.4 million. Therefore we expect to expand on the level of operations that we achieved during 2009.

Gross Profit.

Our cost of goods sold consists of the cost of raw materials, labor costs and production overhead. In the three months ended March 31 2010, our revenue increased by 82.9% and our cost of goods sold increased by 75.8%, from $5,651,189 to $9,933,316, compared to the same period in 2009. This disparity in growth between revenue and cost of goods sold is mainly attributable to the higher gross margin of medium capacity battery sales in 2010 than in 2009. During the three months ended March 31 2010, the medium capacity batteries' gross margin was 52.0%, higher than the 42.8% margin achieved in the same period of 2009. The overall result was an increase in our gross margin from 47.1% in the three months ended March 31 2009 to 49.2% in the same period of 2010.

Our expectation is that the operations of ZQ Power Tech will be stable, but we will generate more profit from Wuxi ZQ in 2010. The transfer of ownership and management in 2009 led to inefficiencies in the operations of that company. In addition, since the acquisition, our management has been working aggressively to reduce unnecessary expenses at Wuxi ZQ.

Operating expenses

The Company's operating expenses increased by 191.9%, from $896,319 in the three months ended March 31 2009 to $2,615,949 in the same period of 2010. The increase was primarily attributable to the expansion of our operations. The primary reasons for the year-to-year increase in operating expenses were:

- $0.66 million in selling and administration expenses incurred by Wuxi ZQ in the first quarter of 2010.
- An increase of $0.54 million in selling and administration expenses incurred by ZQ Power Tech.
- Higher administration expenses related to our US office, including legal fees and rental expense.
- An increase of $0.10 million amortization expense attributable to noncash stock compensation
- And an increase of $0.21 million additional depreciation and amortization expense recorded for increase of fair value under purchase accounting of Wuxi ZQ acquisition.

Included in our general and administrative expense during the three months ended March 31, 2010 was $415,591 attributable to amortization of the market value of stock that we granted to employees or consultants. This non-cash expense resulted from our use of stock during our early years to incentivize key individuals. The market value of the stock at the time it was issued is being amortized over the term of the employee's or consultant's services, thus:

In the case of employees, the period of amortization is based on a vesting schedule included in the employees' contracts. The average vesting period for the employees is 9.8 years.

In the case of consultants, the period of amortization is based on the term of the consulting contracts, although amortization will be accelerated if the consulting relationship ceases. Again, to date, the consultants who received stock have remained involved in the Company's affairs, so there has been no acceleration of amortization.

At March 31, 2010 there remained $5,500,160 in unamortized stock compensation on the Company's books. The amortization of this sum will contribute to our future operating expenses as described above.

During the three months ended March 31 2010 we recorded $1,271,973 in "other income (expenses)." The primary components of this charge were:

$67,539 in net interest income,

an investment loss of $1,439 related to our investment in Beyond E-Tech, Inc., and

an income of $1,205,874 related to the change in the fair value of our outstanding common stock purchase warrants.

In the three months ended March 31 2010, we realized $67,539 in net interest expenses. We earned $107,198 in interest income due to our cash deposited in banks and $40,000 interest income that we earned by lending $1.6 million to a non-related company, Harbin Jinhuida Investment Consulting Limited, at an interest rate of 10% per annum. This was partially offset by $39,660 in interest expense on Wuxi ZQ's short term bank loan.

Furthermore, for the three months ended March 31 2010, we recognized a $1,439 investment loss from our 49% equity investment in Beyond E-Tech, Inc., a Texas corporation recently organized to engage in distributing cellular telephones in the United States. The acquisition has been recorded as an "investment in unconsolidated entity" on our balance sheet, and our participation in that business will be accounted for through the equity method.

In 2008 and 2009, the Company issued warrants in conjunction with the issuance of common shares or convertible preferred stock. The warrants permit the investors to buy additional common shares at the prices specified in the warrant agreements. Because the Company may be required to repurchase the warrants at their fair value in certain circumstances, the fair value of the warrants has been recorded as a liability on our balance sheet. At the end of each quarter, we re-calculate the fair value of the warrants by Black-Scholes model, and record any increase or decrease in that fair value as other income or other expense. During the three months ended March 31 2010 and 2009, the change in the fair value of warrants was $1,205,873 and $464,686 respectively , which were recognized as other income. If in future quarters the warrants increase in value (e.g. by reason of an increase in the market price of our common stock), we will record an other expense equal to the amount of the increase.

The Company's revenue less expenses produced pre-tax income of $8,271,725 for the three months ended March 31, 2010, representing an increase of $3,604,260 from the same period of 2009. In the three months ended March 31 2010, our domestic (U.S.) pre-tax income was $ 275,763 (including $1,205,873 other income due to change in fair value of warrants); foreign (China) pre-tax income was $8,202,264. The income tax accrued as a result of our operations was $747,152. As a result of Chinese tax laws that reward foreign investment in China, currently and through 2010 ZQ Power-Tech is entitled to a 50% tax abatement, which results in an effective corporate tax rate of approximately 12.5%. After taxes of $747,152 recorded in the three months ended March 31 2010, our net income was $7,524,573, representing 85.1% increase over the same period of 2009.

Liquidity and Capital Resources

The growth of our Company has been funded by capital contributions - initially those of our founders and in recent years capital raised by the sale of equity to private investors. As a result, at March 31, 2010 we had no debt, having satisfied the bank loans that Wuxi ZQ carried when we acquired it.

At March 31, 2010 the Company had a working capital balance of $90,552,390, an improvement from our working capital balance of $83,453,937 at December 31, 2009. The increase was approximately equal to our net income for the quarter. We had $56,102,065 cash, an increase of $3,178,707 from our cash balance of $52,923,358 at December 31, 2009. The primary reason for the improvement in working capital and cash was the strong positive operating cash flows partially offset by further investment in our facilities and repayment of one bank loan.

At March 31, 2010 we had two long term liabilities:

a deferred tax liability of $3,468,262 attributable to the gain we realized when we acquired Wuxi ZQ in May 2009 for a price less than the fair value of its net assets; and

a "warrant liability" of $16,015,461 attributable to the warrants that we issued in our three equity financing transactions in 2008 and 2009. Pursuant to provisions of ASC 815 (previously: EITF 07-05) that became effective for 2009 and subsequent years, the present value of the outstanding warrants is considered a liability.

ZQ Power-Tech and Wuxi ZQ have sufficient liquidity to fund their near-term operations and to fund the working capital demands of future expansion. If we determine that additional funds are needed for other attractive growth opportunities or for the full implementation of our long term expansion plans for Wuxi ZQ, we have available over $49 million in property, plant and equipment that ZQ Power-Tech and Wuxi ZQ own free of liens, for potential collateral loans. On April 30, 2010 our backlog of firm orders was approximately $65.0 million. Based on that backlog of orders, we believe that secured financing will be available on favorable terms if needed.

Given the financial resources available to the Company, management believes that it has sufficient capital and liquidity to sustain operations for the foreseeable future.

Impact of Accounting Pronouncements

There were no recent accounting pronouncements that have had a material effect on the Company's financial position or results of operations.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition or results of operations.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Our operating subsidiaries, ZQ Power-Tech and Wuxi ZQ, carry on business exclusively in Chinese Renminbi. Therefore the Company does not have any derivative instruments or other financial instruments that are market risk sensitive.

ITEM 4 CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

The term "disclosure controls and procedures" (defined in SEC Rule 13a-15(e)) refers to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported, within time periods specified in the rules and forms of the Securities and Exchange Commission. "Disclosure controls and procedures" include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this quarterly report (the "Evaluation Date"). Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, such controls and procedures were effective.

(b) Changes in internal controls.

The term “internal control over financial reporting” (defined in SEC Rule 13a-15(f)) refers to the process of a company that is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company’s management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated any changes in the Company’s internal control over financial reporting that occurred during the period covered by this report, and they have concluded that there was no change to the Company’s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

During the quarter ended March 31, 2010, there was no material change in the status of any of the legal proceedings described in the Annual Report on Form 10-K for the year ended December 31, 2009.

Item 1A. Risk Factors.

There have been no material changes from the risk factors included in the Annual Report on Form 10-K for the year ended December 31, 2009.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(a) Unregistered Sale of Equity Securities

In January 2010 the Company granted 3,000 shares of common stock to an employee. The shares were granted in consideration of services, and were valued at the market value on the date of grant. The issuance of the shares was exempt from registration pursuant to Section 4(2) of the Securities Act, as the issuance did not involve a public offering of securities.

In February and March 2010 the Company gramted a total of 15,608 shares of common stock to two of the members of its board of directors. The shares were granted in consideration of services, and were valued at the market value on the date of grant. The issuance of the shares was exempt from registration pursuant to Section 4(2) of the Securities Act, as the issuance did not involve a public offering of securities.

(c) Repurchase of Equity Securities

The Company did not repurchase any shares of its common stock during the 1st quarter of 2010.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities ExchaAnge Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ADVANCED BATTERY TECHNOLOGIES, INC.

Date: May 10, 2010

By: /s/ Zhiguo Fu
Name: Zhiguo Fu
Title: Chief Executive Officer

Date: May 10, 2010

By: /s/ Guohua Wan
Name: Guohua Wan
Title: Chief Financial Officer