Kandi Technologies Group, Inc.
Form 10-K
March 16, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2014**

or

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

For the transition period from ___________ to ___________

Commission file number **001-33997**

KANDI TECHNOLOGIES GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**90-0363723**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Jinhua City Industrial Zone
Jinhua, Zhejiang Province
People's Republic of China
Post Code 321016
(Address of principal executive offices) (Zip Code)

(86-579) 82239856
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Common Stock, Par Value $0.001 Per Share	**NASDAQ Global Select Market**
(Title of each class)	(Name of exchange on which registered)

Securities Registered Pursuant to Section 12(g) of the Act: **None.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [_] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes [_] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 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 subject 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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations 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 [X] No [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

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.

Large accelerated filer [_]	Accelerated filer [X]
Non-accelerated filer [_] (Do not check if a smaller reporting company)	Smaller reporting company [_]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes [_] No [X]

The aggregate market value of voting common stock held by non-affiliates of the registrant as of June 30, 2014, the last business day of the registrant's second fiscal quarter, was approximately $400,034,259.

The number of shares of common stock outstanding as of March 9, 2015 was 46,284,855.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

TABLE OF CONTENTS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this Annual Report) contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These include statements about our expectations, beliefs, intentions or strategies for the future, which we indicate by words or phrases such as anticipate, expect, intend, plan, will, we believe, ou believes, management believes and similar language. These forward-looking statements are based on our current expectations and are subject to certain risks, uncertainties and assumptions, including those set forth in the discussion under Item 1, Business , Item 1A, Risk Factors and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. Our actual results may differ materially from results anticipated in these forward-looking statements. We base our forward-looking statements on information currently available to us, and we assume no obligation to update them. In addition, our historical financial performance is not necessarily indicative of the results that may be expected in the future and we believe such comparisons cannot be relied upon as indicators of future performance.

Although we believe that the expectations reflected in the forward looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

PART I

Except as otherwise indicated by the context, references in this Annual Report to we, us, our, Kandi, or the Com are to the combined businesses of Kandi Technologies Group, Inc. and its subsidiaries.

Item 1. Business Introduction

Our Core Business

Before the year 2013, the Company had been mainly engaged in the design, production and distribution of the off-road vehicle products. Due to various market factors and the environment with positive government supports, starting from the year 2013, the Company gradually shifted its main focus towards the development on pure electric vehicles (which we refer to as "EVs" in this report). For the year ended December 31, 2014, the majority of the Company's revenue and profit were generated from EV parts and EV products.

The Market for Electric Vehicles

Business Environment and Policy

Research and development of major EV technology projects in China began in 2001. Driven by two central government five-year plans for scientific and technological research as well as by the Olympics, World Expo and the 1000 cars in 10 cities demonstration platform, the Chinese electric automobile sector was officially born, which brings a positive basis for EV business.

With the growing consumer demand for motor vehicles in China many cities are experiencing severe problems from environmental pollution. At the same time, with the lack of the efficient traffic planning, major Chinese cities are crippled by traffic congestion. Thus, major cities, such as Beijing, Shanghai, Guangzhou, Hangzhou, have begun to implement various policies restricting the purchase and usage of traditional cars. We expect that more cities will have no choices but to adopt similar policies in the future.

To improve the environment of the urban areas, the China Central Government, along with many municipalities, has been introducing numerous supporting policies that encouraged the usage and adoption of EVs, including subsidies, tax exemptions, special treatment of tag and license. Among these policies, the most significant development involved the availability of subsidies from central and local government for the sale of EVs. The process of receiving government subsidies is as follows: manufacturers receive central government subsidies through application and sell the EVs to local dealers at a discounted price, reflecting the deduction of the central government subsidy from the normal sale price. Local dealers then establish their retail price based upon the prevailing purchase price from the manufacturers, then deduct the local government subsidy from the retail price before selling the EVs to consumers. Through these steps, consumers receive both subsidies from the central and local governments when they purchase EVs.

Because the central and local government subsidies are disclosed to the public and all the subsidies are reviewed and verified by the respective governments, consumers know what subsidies they will receive along with the price they expect to pay for EVs. Therefore, even though dealers can sell vehicles at prices established at their discretion, programs are designed to assure that consumers receive the entire benefit from both subsidies. This allows for full disclosure for consumers in the costs associated with purchasing EVs, along with the added benefits of the respective subsidies.

Issues confronting the market

Although the basis for the EV industry in China has already been established, the development of Chinese EV industry is still ongoing due to five major obstacles towards extensive commercialization of EVs and the full development of the EV market in China, These obstacles include the comparatively higher cost of EVs, compared with traditional automobiles, the shorter driving range between battery charges, long charging times for standard EV batteries, the limited infrastructure of EV charging facilities, and EV battery attenuation and maintenance.

Our Solutions and Growth Strategy

To resolve these key market issues, given the economic and population growth in China, we believe there is an opportunity for a new business model. Kandi has been advocating, and through the Service Company, as defined below, implemented the “Micro Public Transportation” model, or MPT (the “EV-Share Program”), which provides a shared pure EV transportation platform that has not been previously afforded to urban residents. While it is less expensive than standard taxis. MPT is designed as a new business model for public transportation that maximizes the advantages of our existing EV products and technologies, and further stimulates the expansion of the EVs markets to urban communities. Since its inception, the “Micro Public Transportation” model has made impressive progress, and received great recognition and support from government officials, the end users, and our business partners throughout of China. In order to smoothly move the MPT concept forward, Kandi Electric Vehicles Group Co., Ltd., our 50/50 joint venture with Geely Automobile Holdings Ltd. (the “JV Company”) participated in the establishing of Zhejiang ZuoZhongYou Electric Vehicle Service Co., Ltd. (the “Service Company”), of which the JV Company has a 19% of ownership interest. As of the end of 2014, the EV-Share Program had been launched, through the Service Company, in nine cities including Hangzhou, Shanghai, Chengdu, Nanjing, Guangzhou, Wuhan, Changsha, Changzhou and Rugao.

Today, cities in China face four critical challenges in the traffic environment, including pollution, traffic congestion, insufficient parking space and growing scarcity of energy supplies, which are mainly the result of ever growing volume of gas-powered automobiles. One solution to solve these problems is to create cleaner and more affordable public transportation to urban residents. Currently, subway and bus transport are the most abundant public transportation options available. In this regard, the Company advocates the EV-Share Program to reduce the total number of private cars in use, which will improve environmental conditions, ease traffic congestion, alleviate parking availability, and reduce the reliance and use of fossil fuels.

Besides the zero-emission benefit, the EV-Share Program combines the advantages of city taxis, resident vehicular transport, rental cars and traditional mass transportation, along with the benefits of the availability of the vertical automatic charging/parking garage and the street-level service stations. It is a seamless transportation tool in all dimensions for urban public transportation, designed to greatly improve the efficiency of urban EV usage, while easing traffic congestion, allowing for greater parking resources. Additionally, it will likely to promote the fast adoption of the pure EVs among Chinese consumers as MPT enables consumers to rent pure EVs on a short-term hourly base or lease them on the long-term base, without concerns on the costs and issues associated with owning and maintaining EVs individually.

The EV-Share Program is supported by a network of charging/parking stations, which provides charging, maintenance and battery recycling facilities. The stations locate at airports, train stations, hotels, business centers, selected residential areas and other strategic locations close to city public transportation network . A centralized tracking system allows the service provider of EV-Share Program to keep a close watch at the status and precise location of each vehicle. In addition to the short-term rental and long term leasing options to consumers described above, the Service Company also offers long-term leasing options to large enterprises, government entities and residential communities so they can use pure EVs for extended periods of time (the “Long-term Leasing Program”). In 2014, we have greatly benefited from the success of various MPT initiatives in China, especially the short-term hourly rental and the Long-term Leasing Program.

Our Organizational Structure

The Company was incorporated under the laws of the State of Delaware on March 31, 2004. The Company changed its name from Stone Mountain Resources, Inc. to Kandi Technologies, Corp. on August 13, 2007. On December 21, 2012, the Company changed its name to Kandi Technologies Group, Inc.

Headquartered in the Jinhua city, Zhejiang Province, China, the Company’s primary business operations are the design, development, manufacturing and commercialization of electric vehicles, electric vehicle parts and off-road vehicles, which are distributed in China and global markets. The Company conducts its primary business operations through its wholly-owned subsidiary, Zhejiang Kandi Vehicles Co., Ltd. (“Kandi Vehicles”) and the partial and wholly-owned subsidiaries of Kandi Vehicles. As part of its strategic objective to become a leader in EV market in China, the Company focuses on fuel efficient, pure EV parts manufacturing with a particular emphasis on expanding its market share in China.

The Company's organizational chart is as follows:

* The box with dotted-line border represents the entity that has ceased operation and was dissolved in July 2014.

Operating Subsidiaries:

Pursuant to relevant agreements executed in January 2011, Kandi Vehicles is entitled to 100% of the economic benefits, voting rights and residual interests (100% profits and loss absorption rate) of Jinhua Kandi New Energy Vehicles Co., Ltd. (Kandi New Energy). Kandi New Energy currently holds vehicle production rights (license) on manufacturing Kandi brand electric utility vehicles (Special-purpose Vehicles) and the production rights (license) on manufacturing battery packs used in Kandi brand EVs.

Jinhua Three Parties New Energy Vehicles Service Co., Ltd. (Jinhua Service) was formed as a joint venture, by and among our wholly-owned subsidiary, Kandi Vehicles, the State Grid Power Corporation and Tianneng Power International. The Company, indirectly through Kandi Vehicles, had a 30% ownership interest in Jinhua Service. As of September 30, 2014, Jinhua Service ceased its operations and was dissolved.

In April 2012, pursuant to a share exchange agreement, the Company acquired 100% of Yongkang Scrou Electric Co, Ltd. (Yongkang Scrou), a manufacturer of parts for automobile and electric vehicle, including EV drive motors, EV controllers, air conditioners and other electrical products.

As a part of our EV business strategy, we believe we need more production resources to timely and efficiently satisfy the market demands. In March 2013, pursuant to a joint venture agreement (the JV Agreement) entered into between Kandi Vehicles and Shanghai Maple Guorun Automobile Co., Ltd. (Shanghai Guorun), a 99%-owned subsidiary of Geely Automobile Holdings Ltd. (Geely), the parties established Zhejiang Kandi Electric Vehicles Co., Ltd. (the JV Company) to develop, manufacture and sell EVs and related auto parts, and to invest in other companies with related or similar business. Each of Kandi Vehicles and Shanghai Guorun has a 50% ownership interest in the JV Company. In March 2014, the JV Company changed its name to Kandi Electric Vehicles Group Co., Ltd. At present, the JV Company is a holding company with products that are manufactured by its subsidiaries.

In March 2013, Kandi Vehicles formed Kandi Electric Vehicles (Changxing) Co., Ltd. (Kandi Changxing) in the Changxing (National) Economic and Technological Development Zone. Kandi Changxing is engaged in the production of EVs. In the fourth quarter of 2013, Kandi Vehicles entered into an ownership transfer agreement with JV Company pursuant to which Kandi Vehicles transferred 100% of its ownership in Kandi Changxing to the JV Company. The Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest in Kandi Changxing.

In April 2013, Kandi Electric Vehicles (Wanning) Co., Ltd. (Kandi Wanning) was formed in Wanning City of Hainan Province by Kandi Vehicles and Kandi New Energy. Kandi Vehicles has a 90% ownership in Kandi Wanning, and Kandi New Energy has the remaining 10% interest. However, by contract, Kandi Vehicles is, effectively, entitled to 100% of the economic benefits, voting rights and residual interests (100% profits and losses) of Kandi Wanning. Hainan Province is planned as an international tourism island by the Chinese government and there is a high possibility that all non-EV vehicles will be banned from use within the province. Therefore, the Company believes EV business has a great potential growth rate in Hainan province. To capture this opportunity, the Company signed an agreement with Wanning city government and invested a total of RMB 1 billion to develop a factory in Wanning with an annual production of 100,000 EVs. Currently, this project is expected to launch its trial production by 2015.

In July 2013, Zhejiang ZuoZhongYou Electric Vehicle Service Co., Ltd. (the “Service Company”) was formed. The Service Company is engaged in various pure EV leasing businesses including the EV-Share Program. The JV Company has a 19% ownership interest in the Service Company. The Company, indirectly through its 50% ownership interest in the JV Company, has a 9.5% economic interest in the Service Company.

In November 2013, Zhejiang Kandi Electric Vehicles Jinhua Co., Ltd. (Kandi Jinhua) was formed by the JV Company. The JV Company has 100% ownership interest in Kandi Jinhua, and the Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest in Kandi Jinhua. According to the terms of the JV Agreement, except the JV Company and its subsidiaries, Kandi Vehicle and its subsidiaries are not allowed to manufacture pure EVs. However, Kandi New Energy holds the production rights (license) on manufacturing of Special-purpose Vehicles. Therefore, it is necessary to establish Kandi Jinhua, which is in charge of the Special-purpose Vehicle business and entitles to use Kandi New Energy s Special-purpose Vehicle production rights (license).

In November 2013, Zhejiang JiHeKang Electric Vehicle Sales Co., Ltd. (JiHeKang) was formed by the JV Company and is engaged in car sales business. The JV Company has 100% ownership interest in JiHeKang, and the Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest in JiHeKang.

In December 2013, the JV Company entered into an ownership transfer agreement with Shanghai Guorun pursuant to which the JV Company acquired 100% ownership of Kandi Electric Vehicles (Shanghai) Co., Ltd. (Kandi Shanghai). As a result, Kandi Shanghai is a wholly-owned subsidiary of the JV Company, and the Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest in Kandi Shanghai.

In January 2014, Zhejiang Kandi Electric Vehicles Jiangsu Co., Ltd. (Kandi Jiangsu) was formed by the JV Company. The JV Company has 100% ownership interest in Kandi Jiangsu, and the Company, indirectly through its 50% ownership interest in the JV Company, has a 50% economic interest in Kandi Jiangsu.

Our Products

General

For the years ended December 31, 2014, 2013 and 2012, our products include EV parts, EV products, and off-road vehicles including ATVs, utility vehicles (UTVs), go-karts, and others. According to our market research on consumer demand trends, we have adjusted our production line strategically and continued to develop and manufacture new EV products in an effort to meet market demands and better serve our customers**.**

	Year Ended December 31,					
	2014		2013		2012	
	Unit	Sales	Unit	Sales	Unit	Sales
EV parts	102,236	$ 116,431,310	51,588	$ 1,724,031	93,881	$ 3,517,237
EV products	3,758	33,978,619	4,694	46,619,203	3,915	19,034,936
Off-Road Vehicles	25,746	19,819,078	55,516	46,192,811	50,252	41,961,497
Total	131,740	$ 170,229,006	111,798	$ 94,536,045	148,048	$ 64,513,670

EV Parts

During the year ended December 31, 2014, our revenues from the sale of EV parts were $116,431,310. We sold our EV parts mostly to the JV Company for manufacturing of the EV products. We started the EV parts business to the JV Company in the first quarter of 2014 and achieved significant growth during the year. Among the total EV parts sales to the JV Company for the year ended December 31, 2014, approximately 83% or the majority of the sales were related to the sales of battery packs. Due to various Chinese auto industry regulations, we hold the necessary production license to manufacture battery packs to be exclusively used in the EVs manufactured by the JV Company under the Kandi brand. Approximately 6% of the sales were related to the sales of EV controllers. Approximately 5% of the sales were related to the sales of air conditioning units. Approximately 4% of the sales were related to the sales of EV drive motors, and the remaining 2% were related to the sales of body parts and other auto parts.

EV Products

We continued to sell EV products during the year of 2014. Our revenues from the sale of EV products for the fiscal year of 2014 were $33,978,619, a decrease of $12,640,584 or 27.1% from $46,619,203 for the year ended December 31, 2013, representing a 19.9% of reduction in unit sales. The decrease in the sales volume was due to a JV Agreement signed in 2013 which required us to gradually transfer our EVs production and distribution business to the JV Company.

Off-Road Vehicles

During the year ended December 31, 2014, our revenues from the sale of the off-road vehicles declined by $26,373,733, or 57.1%, to $19,819,078 from $46,192,811 for the year ended December 31, 2013, The decrease was primarily due to the rearrangement of our product portfolio for more efficient use of resources to capture more sales opportunities in the fast-growing EV market in China.

The following table shows the breakdown of Kandi's revenues from its customers by geographic markets:

	Year Ended December 31					
	2014		2013		2012	
	Sales Revenue	Percentage	Sales Revenue	Percentage	Sales Revenue	Percentage
North America	$ 2,900,789	2%	$ 6,906,807	7%	$ 7,243,257	11%
Europe and other regions	5,729,035	3%	2,394,948	3%	1,639,990	3%
China	161,599,182	95%	85,234,290	90%	55,630,423	86%
Total	170,229,006	100%	94,536,045	100%	64,513,670	100%

Recent Development Activities

In November 2014, SMA7002BEV05, the first Mid-tier Luxury Pure Electric Vehicle developed by JV Company was approved by the Ministry of Industry and Information Technology of the People's Republic of China ("MIIT") according to No. 69 public announcement of MIIT. The SMA7002BEV05 model is among the latest vehicles on the lists of the approved vehicle products (MITT No. 266) and the recommended models for energy saving & new energy vehicle demonstration and promotion in China (MITT No. 63). As a result, purchasers of such EV will now be the ultimate beneficiaries to receive all levels of national and local subsidies and incentives. The approval of SMA7002BEV05 is an indication of our beginning to enter the field of the middle and high level pure vehicle products. We believe that our diversified products will meet the market's growing demands and secure our leading position in manufacturing pure electric vehicle products in China.

In December 2014, Kandi Vehicles signed a purchase contract with Zhejiang Tianneng Energy Technology Co, Ltd ("Tianneng Energy Technology") for a one-year supply of TNL-ITR18650-2200P lithium batteries starting in January 2015. Kandi Vehicle's purchase amount is committed to be no less than RMB 260 million or approximately $42.6 million in 2015. Management believes Tianneng Energy Technology's lithium battery is a great addition and will help Kandi to achieve a better performance for EVs.

As of the end of 2014, our EV-Share Program has been expanded to 9 cities including Hangzhou, Shanghai, Chengdu, Nanjing, Guangzhou, Wuhan, Changsha, Changzhou, and Rugao. This program is an innovative business model aimed at promoting and popularizing the use of EVs in China. Since its inception, the program has generated significant public interest, and received key recognitions and endorsements from consumers as well as the government agencies. It also includes a variety of the Long-term Leasing Program, ideal for those companies, government entities and residential communities. As of the end of 2014, there had been a total of 14,398 Kandi EVs delivered to our customers. Leveraging the success of the EV-Share Program, Kandi has built a solid foundation to be recognized as the one of the leaders in the pure EV market in China.

On January 14, 2015, we announced that the first 60 Kandi Brand EVs were delivered to launch an innovative EV business model, which we called "Mini Police Car" Program. The EVs are the first time used by Hangzhou Uptown Public Security Bureau to facilitate performance of community safety patrols, population permit patrols, fire safety inspections, as well as other police duties. The Mini Police Car offers the advantage for police to quick access into these congested areas and small alleyways to carry out its duties. Kandi equips these EVs with the necessary police equipment, firefighting apparatuses, emergency kits, and other related equipment. In addition to our successful EV sharing program catering to average Chinese consumers, we hope to explore more EV growth opportunities in the area of fleet sales and leasing to large business and government entities in China in the future.

From January 23 to 25, 2015, the 2014 Global New Energy Auto Conference was held in Tianjin China. More than 700 people attended this conference, including government officers, scholars, auto industry experts, ecommerce companies, electric vehicles users, industry investors, technical development personnel, media and others. During the conference, Mr. Hu Xiaoming, our Chairman and CEO, was granted the sole award for "Innovator of Annual Green Auto ".

10

On January 31 2015, Mr. Hu Xiaoming, our Chairman and CEO, visited Shenzhen Chuangming Battery Technology Co., LTD. (“Chuangming”), which engages in research and development, production and distribution in the field of Lithium ion battery. Both parties had a friendly detailed discussion on how to apply the high performance battery No. 18650 from Chuangming on Kandi’s EVs and align with the intention of cooperation. The visit for Mr. Hu is to seek the partner for high performance battery for Kandi’s EV products, and secure the supply of EV’s battery for future mass EVs production.

On February 15, 2015, the management of the JV Company made a decision to add the direct-selling operation to its business for the sale of pure EVs, in addition to the current fleet sale model. The JV Company has made good progress in selling EV products to the Service Company, which operates various leasing options including short-term rental and the Long-term Leasing Program. We believe the EV-Share Program will continue to be the main business growth driver for the JV Company. Meanwhile, in line with the growing direct market demand from end users, the JV Company will begin to explore direct selling option. A new pure EV product, JL7001BEV03, or *Cyclone,* developed by the JV Company will be mainly directly sold to the end users. Up to date, Cyclone has passed the required technical inspection and tests from various regulated agencies in China, including National Passenger Car Quality Supervision and Inspection Centre. The Company also filed the final application of the product public announcement with China’s MIIT and expect the application to be approved within the next two months. “Cyclone” is a five-door, four-seat vehicle equipped with a newly developed triple element lithium ion battery, with a comfortable seating area and reliable safety conditions. Cyclone utilizes a central control system that features both touch screen and conventional buttons, and it has also achieved multiple domestic automobile leading standards. The participated launch of Cyclone will further strengthen the leading position of the JV Company in the new energy automobile industry. As the JV Company gears up to sell EVs direct to end users this year, we believe that the JV Company will have great advantages in both fleet sales and direct sales markets.

Sales and Distribution

The Company has three main products: electric vehicle products, electric vehicle parts and off-road vehicles in year 2014. According to the JV Agreement with Geely, we will be gradually transferring the production of the EV products to the JV Company, and continue to share the 50% economic benefits share from the JV Company. Besides EVs, Kandi focuses on the design, production and distribution of EVs parts, which has demonstrated significant growth in 2014. Additionally, Kandi still continued to produce and sell the off-road vehicles, which is our traditional products.

Customers

As of December 31, 2014, our major customers, in the aggregate, accounted for 71% of our sales. Currently, the Company is developing new business partners and clients for our products to reduce our dependence on existing customers and focusing the new business development efforts on our pure EV business.

The Company's major customers, each of whom accounted for more than 10% of our consolidated revenue, were as follows:

Major Customers	Sales			Accounts Receivable and Amount Due from JV Company, Net (1)		
	Year Ended December, 31, 2014	Year Ended December, 31, 2013	Year Ended December, 31, 2012	December 31, 2014	December 31, 2013	December 31, 2012
Kandi Electric Vehicles (Changxing) Co., Ltd.	38%	-	-	17%	-	-
Kandi Electric Vehicles (Shanghai) Co., Ltd.	23%	-	-	16%	-	-
Shanghai Maple Auto Co., Ltd.	10%	23%	-	3%	47%	-

(1) The balance at December 31, 2014 didn t include the one-year entrusted loan of $24,376,371 that Kandi Vehicle lent to the JV Company.

Sources of Supply

All the raw materials are purchased from the suppliers. The major parts of our products are mainly manufactured by Kandi. Other components and parts that are needed are purchased from third-party suppliers. Kandi does not have, and does not anticipate having, any difficulty in obtaining required materials from its suppliers. In reaching this determination, we considered our current contracts and our current business relationships with our suppliers.

The Company's material suppliers, each of whom accounted for more than 10% of our total purchases, were as follows:

Major Suppliers	Purchases			Accounts Payable		
	Year Ended December, 31, 2014	Year Ended December, 31, 2013	Year Ended December, 31, 2012	December 31, 2014	December 31, 2013	December 31, 2012
Zhejiang New Energy Auto System Co., Ltd.	31%	33%	26%	12%	12%	-
Shandong Henyuan New Energy Tech Co., Ltd.	25%	-	-	32%	-	-
Zhongju (Tianjin) New Energy Investment Co., Ltd.	11%	-	-	29%	-	-

Competitors

Our EV business faces the competition from two parts, one is the competition with traditional vehicles and the other is the competition from other EVs manufacturers.

In terms of the competition with the traditional vehicle manufacturers, many competitors are larger and have greater financial resources. But the traditional automobile companies face many urban traffic challenges, including urban pollution, traffic congestion, insufficient parking space and energy crisis., which gives us great opportunities for EVs' development. The government grants great support and issues favorable policies to promote EVs development, which is a clear evidence for EVs growth. We believe electric vehicle industry in China has many years of great potential growth ahead.

Within electric vehicle market itself, the competitions are fierce as we have to compete with many domestic and global EV manufactures with greater brand recognition and financial resources. However, being one of the earliest companies to engage in the research, production and distribution of electric vehicles, we believe we have the advantage on the technology, innovation on the vehicle business operation and distribution channel. In particular, the innovative EV-Share Program, or MPT model we have been advocating, is different from our competitors' offering, and has been well received by the government and the end users. This business model, along with our continuous efforts on research and development as well as strategic alliance, shall help us to build competitive advantages over other EV manufacturers.

Intellectual Property and Licenses

Our success depends, at least in part, on our ability to protect our core technology and intellectual property. We rely on a combination of patents, patent applications, trademarks, copyright and trade secret protection laws in China and other jurisdictions, as well as confidentiality procedures and contractual provisions to protect our intellectual property and our brand. As of December 31, 2014, we had 26 issued patents, 2 issued software copyrights and 6 pending patent applications with Chinese patent authority related to electrical vehicle products, electrical vehicle parts and off-road vehicle products. Under the PRC Patent Law, an invention patent is valid for a term of 20 years and a utility or design patent is valid for a term of 10 years. Our patents are valid for 10 years. In addition, we are authorized to use the trademark of Kandi and we are the owner of the trademark of JASSCOL . We intend to continue to file additional patent applications with respect to our technology.

Employees

As of December 31, 2014, excluding the contractors, Kandi had a total of 516 full-time employees as compared to 430 full-time employees on December 31, 2013, of which 328 employees are production personnel, 14 employees are sales personnel, 44 employees are research and development personnel, and 130 employees are administrative personnel. None of our employees are covered by collective bargaining agreements. We consider our relationships with our employees to be good. We also employ consultants on an as needed basis.

Pure Electric Vehicles Subsidies

Currently, there are two subsidies from central and local governments for the pure EVs in China – one from each of the central and local governments. The ultimate beneficiary for these subsidies is the consumer and the actual prices that consumers pay reflect the deduction of both subsidies.

a) The central government provides a subsidy to manufacturers paid in advance quarterly upon application and approval and settled annually. After selling product to dealers, manufacturers can submit subsidy payment applications with invoices and other supporting documents at the end of each quarter to the requisite central government agencies through their regional offices. After the review and approval by the agencies, the central government makes advance subsidy payments to the manufacturers. At the end of the year, the final subsidy amounts are verified, reconciled according to the number of vehicles actually sold to consumers and settled on an annual basis.

b) Pursuant to the requirement of the central government, the local governments provide a subsidy to consumers who purchase EVs by a price reduction from the dealer. After the consumer purchases an EV at a reduced selling price from the dealer, the dealer submits a subsidy application to the local government, including a consumer authorization letter for subsidy application, consumer personal I.D., EV Vehicle License, EV purchase invoice and other required documents and requests reimbursement (to the dealer) for the local government subsidy.

Environmental and Safety Regulation

Emissions

Our products are all subject to international laws and emissions related regulations, including regulations and related standards established by China Environmental Protection Agency, the United States Environmental Protection Agency (EPA), the California Air Resources Board (CARB), Europe and Canada.

All Kandi's products comply with all applicable emissions standards and regulations in China Environmental Protection Agency, the United States and internationally, the California Air Resources Board (CARB), Europe and Canada. However, we are unable to predict the ultimate impact of standards and regulations adopted in the future or proposed regulations on Kandi and its business.

Use regulation

The sale and use of products must be subject to the "Traffic Law" and relevant laws & regulations in China. National, State, and federal laws and regulations have been promulgated, or are under consideration, that impact the use or manner of use of Kandi's products. Certain states and local authorities have adopted, or are considering the adoption of, legislation and local ordinances which restrict the use of ATVs and off-road vehicles to specified hours and locations. The federal government also has restricted the use of ATVs and off-road vehicles in some national parks and federal lands. In several instances, the restriction has been a complete ban on the recreational use of these vehicles. Kandi is unable to predict the outcome of such actions or the possible effect on its business. Kandi believes that its off-road vehicle business would be no more adversely affected than those of its competitors by the adoption of any such pending laws or regulations.

Product Safety and Regulation

Safety Regulation

The U.S. federal government and individual states have adopted, or are considering the adoption of, laws and regulations relating to the use and safety of Kandi's products. The federal government is the primary regulator of product safety. The Consumer Product Safety Commission (CPSC) has federal oversight over product safety issues related to ATVs and off-road vehicles. The National Highway Transportation Safety Administration (NHTSA) has federal oversight over product safety issues related to on-road motorcycles.

In August 2008, the Consumer Product Safety Improvement Act (the Act) was passed. The Act requires all manufacturers and distributors who import into or distribute ATVs within the United States to comply with the ANSI/SVIA safety standards, which were previously voluntary. The Act also requires the same manufacturers and distributors to have ATV action plans filed with the CPSC that are substantially similar to the voluntary action plans that were previously in effect. Kandi currently complies with the ANSI/SVIA standards.

Kandi's motorcycles are subject to federal vehicle safety standards administered by NHTSA. Kandi's motorcycles are also subject to various state vehicle safety standards. Kandi believes that its motorcycles comply with safety standards applicable to motorcycles.

Kandi's products are also subject to international safety standards in places where it sells its products outside the United States. Kandi believes that its motorcycles and EVs comply with applicable safety standards in the United States and internationally.

Principal Executive Offices

Our principal executive office is located in the Jinhua City Industrial Zone in Jinhua, Zhejiang Province, PRC, 321016 and our telephone number is (86-579) 82239856.

Item 1A. Risk Factors.

You should carefully consider the risks described below together with all of the other information included in this report before making an investment decision with regard to our securities. The statements contained in or incorporated into this Annual Report that are not historic facts are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by forward-looking statements. If any of the following risks actually occurs, our business, financial condition or results of operations could be harmed. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Relating to Our Business

Our future growth is dependent upon consumers   willingness to adopt EVs.

Our growth is highly dependent upon the adoption by consumers of, and we are subject to a risk of any reduced demand for, alternative fuel vehicles in general and EVs in particular. The market for alternative fuel vehicles (including EVs) is relatively new, rapidly evolving, characterized by rapidly changing technologies, price competition, additional competitors, evolving government regulation and industry standards, frequent new vehicle announcements and changing consumer demands and behaviors. If the market for EVs in China does not develop as we expect or develops more slowly than we expect, our business, prospects, financial condition and operating results will be harmed.

The unavailability, reduction or elimination of government and economic incentives could have a material adverse effect on our business, financial condition, operating results and prospects.

Chinese government has made significant efforts in actively advocating the development of new energy vehicles to reach production and sales targets of 0.5 million New Energy Vehicles (NEVs) by 2015 and 5 million NEVs by 2020. We received support from the local and central government of the PRC from time to time. Any reduction, elimination or discriminatory application of government subsidies and economic incentives because of policy changes, the reduced need for such subsidies and incentives due to the customer base of our EVs, fiscal tightening or other reasons may result in the diminished competitiveness of the alternative fuel vehicle industry generally or our EVs in particular. This could materially and adversely affect the growth of the alternative fuel automobile markets and our business, prospects, financial condition and operating results.

Our growth depends in part on the availability and amounts of government subsidies and economic incentives for alternative fuel vehicles generally and performance EVs specifically. For example, purchasers of three models of Kandi brand EVs are eligible to receive purchase tax exemption at the amount of 10% of the vehicle s total purchase price during the three-year period from September 1, 2014. Purchasers of Kandi's SMA7000BEV and SMA7001BEV models are the ultimate beneficiaries, on a per car basis, the national government subsidy of RMB 47,500.00 (Approximately $7,738.00) and the local government subsidy of RMB 47,500.00 (Approximately $7,738.00) from provincial government and municipal government combined at both Chengdu (Sichuan province) and Nanjing (Jiangsu province). Additionally, these two vehicle models also qualify for free license plates in Shanghai. The license plates in Shanghai are auctioned to the public at an average price between RMB70,000.00 to RMB80,000.00 ($11,410.00 to $13,040.00) per license plate. While we believe the latest tax exemption, along with a series of government incentives and subsidies, may have a very positive impact on the sales of Kandi Brand EVs in China going forward, we cannot assure you it is always the case. In the event such favored policy and treatment discontinue, our business outlook and financial conditions could be negatively impacted.

Developments in alternative technologies or improvements in the internal combustion engine may materially adversely affect the demand for our EVs.

Significant developments in alternative technologies, such as advanced diesel, ethanol, fuel cells or compressed natural gas, or improvements in the fuel economy of the internal combustion engine, may materially and adversely affect our business and prospects in ways we do not currently anticipate. Any failure by us to develop new or enhanced technologies or processes, or to react to changes in existing technologies, could materially delay our development and introduction of new and enhanced EVs, which could result in the loss of competitiveness of our vehicles, decreased revenue and a loss of market share to competitors.

If we are unable to keep up with advances in electric vehicle technology, we may suffer a decline in our competitive position.

We may be unable to keep up with changes in EV technology and, as a result, may suffer a decline in our competitive position. Any failure to keep up with advances in EV technology would result in a decline in our competitive position which would materially and adversely affect our business, prospects, operating results and financial condition. Our research and development efforts may not be sufficient to adapt to changes in EV technology. As technologies change, we plan to upgrade or adapt our vehicles and introduce new models in order to continue to provide vehicles with the latest technology, in particular battery cell technology. However, our vehicles may not compete effectively with alternative vehicles if we are not able to source and integrate the latest technology into our vehicles. For example, we do not manufacture battery cells, which makes us dependent upon other suppliers of battery cell technology for our battery packs.

Our business depends substantially on the continuing efforts of our executive officers, and our business may be severely disrupted if we lose their services.

Our future success depends substantially on the continued services of our executive officers, especially our CEO and Chairman of the Board of Directors, Mr. Hu Xiaoming. We do not maintain key man life insurance on any of our executive officers. If any of our executive officers are unable or unwilling to continue in their present positions, we may not be able to replace them readily, if at all. Therefore, our business may be severely disrupted, and we may incur additional expenses to recruit and retain new officers. In addition, if any of our executive officers joins a competitor or forms a competing company, we may lose some of our customers.

We may be subject to product liability claims, or recalls which could be expensive, damage our reputation and result in a diversion of management resources.

We may be subject to lawsuits resulting from injuries associated with the use of the vehicles that we sells or produces. We may incur losses relating to these claims or the defense of these claims. There is a risk that claims or liabilities will exceed our insurance coverage. In addition, we may be unable to retain adequate liability insurance in the future.

We may also be required to participate in recalls involving our vehicles, if any prove to be defective, or we may voluntarily initiate a recall or make payments related to such claims as a result of various industry or business practices or the need to maintain good customer relationships. Such a recall would result in a diversion of resources. While we do maintain product liability insurance, we cannot assure you that it will be sufficient to cover all product liability claims, that such claims will not exceed our insurance coverage limits or that such insurance will continue to be available on commercially reasonable terms, if at all. Any product liability claim brought against us could have a material adverse effect on our results of operations.

We retain certain personal information about our customers and may be subject to various privacy and consumer protection laws.

We and our operating companies use our vehicles electronic systems to log information about each vehicle s condition, performance and use in order to aid us in providing customer service, including vehicle diagnostics, repair and maintenance, as well as to help us collect data regarding our customers charge time, battery usage, mileage and efficiency habits and to improve our vehicles. We also collect information about our customers through our website, at our stores and facilities, and via telephone.

Our customers may object to the processing of this data, which may negatively impact our ability to provide effective customer service and develop new vehicles and products. Collection and use of our customers personal information in conducting our business may be subject to national and local laws and regulations in the PRC, and such laws and regulations may restrict our processing of such personal information and hinder our ability to attract new customers or market to existing customers. We may incur significant expenses to comply with privacy, consumer protection and security standards and protocols imposed by law, regulation, industry standards or contractual obligations. Although we take steps to protect the security of our customers personal information, we may be required to expend significant resources to comply with data breach requirements if third parties improperly obtain and use the personal information of our customers or we otherwise experience a data loss with respect to customers personal information. A major breach of our network security and systems could have serious negative consequences for our businesses and future prospects, including possible fines, penalties and damages, reduced customer demand for our vehicles, and harm to our reputation and brand.

Our business will be adversely affected if we are unable to protect our intellectual property rights from unauthorized use or infringement by third parties.

Any failure to adequately protect our proprietary rights could result in weakening or loss of such rights, which may allow our competitors to offer similar or identical products or use identical or confusingly similar branding, potentially resulting in the loss of some of our competitive advantage, a decrease in our revenue and an attribution of potentially lower quality products to us, which would adversely affect our business, prospects, financial condition and operating results. Our success depends, at least in part, on our ability to protect our core technology and intellectual property. To accomplish this, we rely on a combination of patents, patent applications, trade secrets, including know-how, employee and third party nondisclosure agreements, copyright protection, trademarks, intellectual property licenses and other contractual rights to establish and protect our proprietary rights in our technology. We have also received from third parties patent licenses related to manufacturing our vehicles.

The protection provided by the patent laws is and will be important to our future opportunities. However, such patents and agreements and various other measures we take to protect our intellectual property from use by others may not be effective for various reasons, including the following:

- our pending patent applications may not result in the issuance of patents;
- our patents, if issued, may not be broad enough to protect our commercial endeavors;
- the patents we have been granted may be challenged, invalidated or circumvented because of the pre-existence of similar patented or unpatented technology or for other reasons;
- the costs associated with obtaining and enforcing patents, confidentiality and invention agreements or other intellectual property rights may make aggressive enforcement impracticable; and
- current and future competitors may independently develop similar technology, duplicate our vehicles or design new vehicles in a way that circumvents our intellectual property.

Existing trademark and trade secret laws and confidentiality agreements afford only limited protection. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as do the laws of the United States, and policing the unauthorized use of our intellectual property is difficult.

We may need to defend ourselves against patent or trademark infringement claims, which may be time-consuming and would cause us to incur substantial costs.

Companies, organizations or individuals, including our competitors, may hold or obtain patents, trademarks or other proprietary rights that would prevent, limit or interfere with our ability to make, use, develop, sell or market our vehicles or components, which could make it more difficult for us to operate our business. From time to time, we may receive inquiries from holders of patents or trademarks regarding their proprietary rights. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights or otherwise assert their rights and seek licenses. In addition, if we are determined to have infringed upon a third party s intellectual property rights, we may be required to do one or more of the following:

- cease selling, incorporating or using vehicles or offering goods or services that incorporate or use the challenged intellectual property;
- pay substantial damages;
- obtain a license from the holder of the infringed intellectual property right, which license may not be available on reasonable terms or at all; or
- redesign our vehicles or other goods or services.

In the event of a successful claim of infringement against us and our failure or inability to obtain a license to the infringed technology or other intellectual property right, our business, prospects, operating results and financial condition could be materially adversely affected. In addition, any litigation or claims, whether or not valid, could result in substantial costs and diversion of resources and management attention.

We may also face claims that our use of technology licensed or otherwise obtained from a third party infringes the rights of others. In such cases, we may seek indemnification from our licensors/suppliers under our contracts with them. However, indemnification may be unavailable or insufficient to cover our costs and losses, depending on our use of the technology, whether we choose to retain control over conduct of the litigation, and other factors.

Our vehicles make use of lithium-ion battery cells, which could catch fire or vent smoke and flame. This may lead to additional concerns, about the batteries used in automotive applications.

The battery pack in our EV products makes use of lithium-ion cells. We also currently intend to make use of lithium-ion cells in battery packs on any future vehicles we may produce. On rare occasions, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion cells. Extremely rare incidents of laptop computers, cell phones and EV battery packs catching fire have focused consumer attention on the safety of these cells.

These events have raised concerns about the batteries used in automotive applications. To address these questions and concerns, a number of cell manufacturers are pursuing alternative lithium-ion battery cell chemistries to improve safety. We may have to recall our vehicles or participate in a recall of a vehicle that contains our battery packs, and redesign our battery packs, which would be time consuming and expensive. Also, negative public perceptions regarding the suitability of lithium-ion cells for automotive applications or any future incident involving lithium-ion cells such as a vehicle or other fire, even if such incident does not involve us, could seriously harm our business.

In addition, we store a significant number of lithium-ion cells at our manufacturing facility. Any mishandling of battery cells may cause disruption to the operation of our facilities. While we have implemented safety procedures related to the handling of the cells, there can be no assurance that a safety issue or fire related to the cells would not disrupt our operations. Such damage or injury would likely lead to adverse publicity and potentially a safety recall. Moreover, any failure of a competitor s EV, may cause indirect adverse publicity for us and our EVs. Such adverse publicity would negatively affect our brand and harm our business, prospects, financial condition and operating results.

Compliance with environmental regulations can be expensive, and noncompliance with these regulations may result in adverse publicity and potentially significant monetary damages and fines.

Our business operations generate noise, waste water, gaseous byproduct and other industrial waste. We are required to comply with all national and local regulations regarding protection of the environment. We are in compliance with current environmental protection requirements and have all necessary environmental permits to conduct our business. However, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. Additionally, if we fail to comply with present or future environmental regulations, we may be required to pay substantial fines, suspend production or cease operations. Any failure by us to control the use of, or to adequately restrict the unauthorized discharge of, hazardous substances could subject us to potentially significant monetary damages and fines or suspensions to our business operations. Certain laws, ordinances and regulations could limit our ability to develop, use, or sell our products.

The electric vehicle industry is highly competitive, and we are subject to risks relating to competition that may adversely affect our performance.

The electric vehicle industry is highly competitive, and our continued success depends upon our ability to compete effectively in markets that contain many competitors, some of which have significantly greater financial, marketing and other resources than we have. Competition may affect our pricing structures, potentially causing us to lower our prices, which may adversely impact our profits. New or existing competition that uses a business model that is different from our business model may put pressure on us to change our model so that we can remain competitive.

Our high concentration of sales to relatively few customers may result in significant impact our liquidity, business, results of operations and financial condition.

As of December 31, 2014 and 2013, our top five customers, in the aggregate, accounted for 84% and 67%, respectively, of our sales and accounts receivable. Due to the concentration of sales to relatively few customers, loss of one or more of these customers will have relatively high impact on our operational results.

Our business is subject to the risk of supplier concentrations.

We depend on a limited number of suppliers for the sourcing of major components and parts and principal raw materials. For the years ended December 31, 2014 and 2013, the top two suppliers accounted for 57% and 65% of our purchases, respectively. As a result of this concentration in our supply chain, our business and operations would be negatively affected if any of our key suppliers were to experience significant disruption affecting the price, quality, availability or timely delivery of their products. The partial or complete loss of these suppliers, or a significant adverse change in our relationship with any of these suppliers, could result in lost revenue, added costs and distribution delays that could harm our business and customer relationships. In addition, concentration in our supply chain can exacerbate our exposure to risks associated with the termination by key suppliers of our distribution agreements or any adverse change in the terms of such agreements, which could have a negative impact on our revenues and profitability.

Our facilities or operations could be damaged or adversely affected as a result of disasters or unpredictable events.

Our headquarters and facilities are located in several cities in China such as Jinhua, Yongkang and Wanning. If major disasters such as earthquakes, fires, floods, hurricanes, wars, terrorist attacks, computer viruses, pandemics or other events occur, or our information system or communications network breaks down or operates improperly, our headquarters and production facilities may be seriously damaged, or we may have to stop or delay production and shipment of our products. We may incur expenses relating to such damages, which could have a material adverse impact on our business, operating results and financial condition.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential shareholders could lose confidence in our financial reporting, which would harm our business and the trading price of our stock.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. As directed by Section 404 of the Sarbanes-Oxley Act of 2002, or SOX 404, the SEC adopted rules requiring public companies to include a report of management on our internal controls over financial reporting in their annual reports.

Despite of our recent efforts in improving our internal control procedures and remediating the material weakness, we cannot provide assurance that we will not fail to achieve and maintain an effective internal control environment on an ongoing basis, which may cause investors to lose confidence in our reported financial information and have a material adverse effect on the price of our common stock.

The audit report included in this Annual Report was prepared by auditors who are not inspected by the Public Company Accounting Oversight Board and, as a result, you are deprived of the benefits of such inspection

The independent registered public accounting firm that issues the audit reports included in our annual reports filed with the SEC, as auditors of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditors are located in the PRC, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, our auditors are not currently inspected by the PCAOB.

Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of the PCAOB to conduct inspections in China prevents the PCAOB from regularly evaluating our auditor's statements, audits and quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's quality control and audit procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

Risks Related to Doing Business in China

The economy of China had experienced unprecedented growth. This growth has slowed in the recent years, and if the growth of the economy continues to slow or if the economy contracts, our financial condition may be materially and adversely affected.

The rapid growth of the PRC economy had historically resulted in widespread growth opportunities in industries across China. This growth has slowed in the recent years. As a result of the global financial crisis and the inability of enterprises to gain comparable access to the same amounts of capital available in past years, there may be an adverse effect on the business climate and growth of private enterprise in the PRC. An economic slowdown could have an adverse effect on our sales and may increase our costs. Further, if economic growth continues to slow, and if, in conjunction, inflation is allowed to proceed unchecked, our costs would likely increase, and there can be no assurance that we would be able to increase our prices to an extent that would offset the increase in our expenses.

In addition, a tightening of the labor markets in our geographic region may result in fewer qualified applicants for job openings in our facilities. Further, higher wages, related labor costs and other increasing cost trends may negatively impact our results.

Changes in political and economic conditions may affect our business operations and profitability.

Since our business operations are primarily located in China, our business operations and financial position are subject, to a significant degree, to the economic, political and legal developments in China.

While the Chinese government has not halted its economic reform policy since 1978, any significant adverse changes in the social, political and economic conditions of China may fundamentally impact China's economic reform policies, and thus the Company's operations and profits may be adversely affected.

Uncertainties with respect to the Chinese legal system could have a material adverse effect on us and may restrict the level of legal protections to foreign investors.

China's legal system is based on statutory law. Unlike the common law system, statutory law is based primarily on written statutes. Previous court decisions may be cited as persuasive authority but do not have a binding effect. Since 1979, the PRC government has been promulgating and amending the laws and regulations regarding economic matters, such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, since these laws and regulations are relatively new, and the PRC legal system continues to rapidly evolve, the interpretation of many laws, regulations and rules is not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us.

In addition, any litigation in China may be protracted and may result in substantial costs and diversion of resources and management's attention. The legal system in China cannot provide investors with the same level of protection as in the U.S. The Company is governed by laws and regulations generally applicable to local enterprises in China. Many of these laws and regulations were recently introduced and remain experimental in nature and subject to changes and refinements. Interpretation, implementation and enforcement of the existing laws and regulations can be uncertain and unpredictable and therefore may restrict the legal protections available to foreign investors.

Changes in Currency Conversion Policies in China may have a material adverse effect on us.

Renminbi (RMB) is still not a freely exchangeable currency. Since 1998, the State Administration of Foreign Exchange of China has promulgated a series of circulars and rules in order to enhance verification of foreign exchange payments under a Chinese entity's current account items, and has imposed strict requirements on borrowing and repayments of foreign exchange debts from and to foreign creditors under the capital account items and on the creation of foreign security in favor of foreign creditors.

This may complicate foreign exchange payments to foreign creditors under the current account items and thus may affect the ability to borrow under international commercial loans, the creation of foreign security, and the borrowing of RMB under guarantees in foreign currencies. Moreover, the value of RMB may become subject to supply and demand, which could be largely impacted by international economic and political environments. Any fluctuations in the exchange rate of RMB could have an adverse effect on the operational and financial condition of the Company and its subsidiaries in China.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions based on United States or foreign laws against us, our management or the experts named in the prospectus.

We conduct substantially all of our operations in China and almost all of our assets are located in China. In addition, almost all of our senior executive officers reside in China. As a result, it may not be possible to effect service of process on our senior executive officers within the United States or elsewhere outside China, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, our PRC counsel has advised us that the PRC does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of court orders and final judgments.

Risks Relating to Ownership of Our Securities

Our stock price may be volatile, which may result in losses to our shareholders.

The stock markets have experienced significant price and trading volume fluctuations, and the market prices and trading volumes of companies listed on the NASDAQ Global Market and the NASDAQ Global Select Market have been volatile. Although our stock was listed on the NASDAQ Global Market and upgraded to the NASDAQ Global Select Market on January 2, 2014, the trading price of our common stock is likely to be volatile and could fluctuate significantly in response to many factors, including the following, some of which are beyond our control:

- variations in our operating results;
- changes in expectations of our future financial performance, including financial estimates by securities analysts and investors;
- changes in operating and stock price performance of other companies in our industry;
- additions or departures of key personnel; and
- future sales of our common stock.

Domestic and international stock markets often experience significant price and volume fluctuations. These fluctuations, as well as general economic and political conditions unrelated to our performance, may adversely affect the price of our common stock.

Mr. Hu, our CEO, President and Chairman of our Board of Directors is the beneficial owner of a substantial portion of our outstanding common stock, which may enable Mr. Hu to exert significant influence on corporate actions.

Excelvantage Group Limited controls approximately 25.9% of our outstanding shares of common stock as of March 9, 2015. Hu Xiaoming, the Company's Chief Executive Officer, President and Chairman of the Board of Directors, is the sole stockholder of Excelvantage Group Limited. Together with the shares held through Excelvantage Group Limited, Mr. Hu has 28.0% of our outstanding shares of common stock which could have a substantial impact on matters requiring the vote of our shareholders, including the election of our directors and most corporate actions. This control could delay, defer or prevent others from initiating a potential merger, takeover or other change in our control, even if these actions would benefit our other shareholders and the Company. This control could adversely affect the voting and other rights of our other shareholders and could depress the market price of our common stock.

We do not anticipate paying any cash dividends to our common shareholders.

We presently do not anticipate that we will pay dividends on any of our common stock in the foreseeable future. If payment of dividends does occur at some point in the future, it would be contingent upon our revenues and earnings, if any, capital requirements, and general financial condition. The payment of any common stock dividends will be within the discretion of our Board of Directors. We presently intend to retain all earnings to implement our business plan; accordingly, we do not anticipate the declaration of any dividends for common stock in the foreseeable future.

Fluctuation in the value of the RMB may have a material adverse effect on your investment.

The change in value of the RMB against the U.S. dollar, the Euro and other currencies is affected by changes in China's political and economic conditions, among other things. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band against certain foreign currencies. While the international reaction to the RMB revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the RMB against the U.S. dollar. As a portion of our costs and expenses is denominated in RMB, the revaluation in July 2005 and potential future revaluation has and could further increase our costs. In addition, any significant revaluation of the RMB may have a material adverse effect on our financial condition. For example, to the extent that we need to convert U.S. dollars we receive from financings into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert our RMB into U.S. dollars for the purpose of making payments for business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us.

The limitation of monetary liability against our directors, officers and employees under Delaware law and the existence of statutory indemnification rights of our directors, officers and employees may result in substantial expenditures by our Company and may discourage lawsuits against our directors, officers and employees.

Our articles of incorporation do not contain any specific provisions that limit the liability of our directors for monetary damages to our Company and shareholders; however, we are prepared to indemnify our directors and officers to the extent provided for by Delaware law. We may also have include contractual indemnification obligations in our employment agreements with our officers. The foregoing indemnification obligations could result in the Company incurring substantial expenditures to cover the cost of settlement or damage awards against its directors and officers, which we may be unable to recoup. These provisions and resultant costs may also discourage our Company from bringing a lawsuit against directors and officers for breaches of their fiduciary duties, and may similarly discourage the filing of derivative litigation by our shareholders against our directors and officers even though such actions, if successful, might otherwise benefit our Company and shareholders.

We may need additional capital, and the sale of additional shares or other equity securities could result in additional dilution to our shareholders.

In the future, we may require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities could result in dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. We cannot assure you that financing will be available, if at all, in amounts or on terms acceptable to us.

Our business is subject to changing regulations related to corporate governance and public disclosure that have increased both our costs and the risk of noncompliance.

Because our common stock is publicly traded, we are subject to certain rules and regulations of federal, state and financial market exchange entities charged with the protection of investors and the oversight of companies whose securities are publicly traded. These entities, including the Public Company Accounting Oversight Board, the SEC and NASDAQ, have issued requirements and regulations and continue to develop additional regulations and requirements in response to corporate scandals and laws enacted by Congress. Our efforts to comply with these regulations have resulted in, and are likely to continue resulting in, increased general and administrative expenses and diversion of management time and attention from revenue-generating activities to compliance activities. Because new and modified laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices.

Techniques employed by manipulative short sellers in Chinese small cap stocks may drive down the market price of our common stock.

Short selling is the practice of selling securities that the seller does not own but rather has, supposedly, borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is therefore in the short seller s best interests for the price of the stock to decline, many short sellers (sometime known as disclosed shorts) publish, or arrange for the publication of, negative opinions or reports regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a stock short. These short attacks have, in the past, led to selling of shares in the market, on occasion in large scale and broad base.

These short seller publications are not regulated by any governmental, self-regulatory organization or other official authority in the U.S., are not subject to the certification requirements imposed by the Securities and Exchange Commission in Regulation AC (Regulation Analyst Certification) and, accordingly, the opinions they express may be based on distortions of actual facts or, in some cases, fabrications of facts. In light of the limited risks involved in publishing such information, and the enormous profit that can be made from running just one successful short attack, unless the short sellers become subject to significant penalties, it is more likely than not that disclosed short sellers will continue to issue such reports.

While we intend to strongly defend our public filings against any such short seller attack, often times we are constrained, either by principles of freedom of speech, applicable state law (often called Anti-SLAPP statutes), or issues of commercial confidentiality, in the manner in which we can proceed against the relevant short seller. You should be aware that in light of the relative freedom to operate that such persons enjoy oftentimes blogging from outside the U.S. with little or no assets or identity requirements should we be targeted for such an attack, our stock will likely suffer from a temporary, or possibly long term, decline in market price should the rumors created not be dismissed by market participants.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Kandi has the following granted land use rights:

Location	Area (square meters)	Term and Expiration	Certificate No.
Zhejiang Jinhua Industrial Park	72,901	Nov 13, 2002 - Nov 13, 2052	10-15-0-203-1
Zhejiang Jinhua Industrial Park	39,491	Nov 13, 2002 - Nov 13, 2052	10-15-0-203-2
Zhejiang Jinhua Industrial Park	46,651	Dec 30, 2003 - Dec 30, 2053	10-15-0-16
Zhejiang Jinhua Industrial Park	37,515	Dec 30, 2003 - Dec 30, 2053	10-15-0-17
Zhejiang Jinhua Industrial Park	49,162	Dec 30, 2003 - Dec 30, 2053	10-15-0-18
Zhejiang Jinhua Industrial Park	19,309	Dec 07, 2009 - Dec 07, 2059	10-15-0-33
Zhejiang Qiaoxia Industrial Park	9,405	Apr 03, 2001 Apr 03, 2051	574-26-36

All land in the PRC is owned by the government and cannot be sold or transferred by or to any individual or private entity. Instead, the government grants or allocates landholders a land use right. There are four methods to acquire land use rights:

- grant of the right to use land;
- assignment of the right to use land;
- lease of the right to use land; and
- allocated land use rights.

In comparison with Western common law concepts, granted land use rights are similar to life estates and allocated land use rights are in some ways similar to leaseholds.

Granted land use rights are provided by the government in exchange for a grant fee and carry the rights to pledge, mortgage, lease, and transfer during the term of the grant. Land is granted for a fixed term, which is generally 70 years for residential use, 50 years for industrial use, and 40 years for commercial or other use. The term is renewable in theory. Granted land must be used for the specific purpose for which it was granted.

Allocated land use rights cannot be pledged, mortgaged, leased, or transferred. They are generally provided by the government for an indefinite period (usually to state-owned entities) and can be reclaimed by the government at any time. Allocated land use rights may be converted into granted land use rights upon the payment of a grant fee to the government.

Kandi has the following real estate properties:

Jinhua City, Zhejiang

The Company owns the following facilities located in Jinhua Industrial Park, Jinhua City, Zhejiang Province, China. The table below lists the primary facilities and the status of each facility:

Description	Area (square meters)	Status
Factories	93,979	Fully operational
Sales Center	3,130	Fully operational
Test Center	2,220	Fully operational
Staff quarters	8,090	Fully operational
Canteen	2,602	Fully operational

Yongkang City, Zhejiang

The Company owns the following facilities located in Yongkang City, Zhejiang Province, China. The table below lists the primary facilities and the status of each facility:

Description	Area (square meters)	Status
Office	1,301	Fully operational
Factories	4,457	Fully operational
Warehouse	341	Fully operational
Multi-purpose room	480	Fully operational

Wanning City, Hainan

The Company acquired the land use rights and began the construction to build EV production factories in Wanning City, Hainan Province, China in 2014. As of the date of this report, the construction is still in progress; thus this facility is not operational at this point. We expect the construction will be completed and the trial production will be launched by the end of 2015.

Description	Area (square meters)	Status
Factories	Approximately 60,000	In progress

Item 3. Legal Proceedings.

In July 2013, Judge Michael M. Pritchett of the Circuit Court of Ripley County of the State of Missouri (the Circuit Court) entered final orders and judgments in favor of the Company and Kandi Vehicles and against plaintiffs Griffin and Elder, respectively, pursuant to the jury verdicts rendered in the following two cases: Griffin v. SunL Group, et al., and Elder v. SunL Group, et al. On October 31, 2013, the plaintiffs appealed these decisions. On January 16, 2015, the Southern District of Missouri Court of Appeals affirmed the judgment from the Circuit Court and it is the final judgment.

The Company received a letter dated February 9, 2015 from the staff of the Enforcement Division (the Division) of the U. S. Securities and Exchange Commission (the "Commission") advising that the Division has concluded its investigation of the Company and, based on information received to date, does not intend to recommend to the Commission that any enforcement action be brought against the Company. This formally concludes the Commission s investigation that commenced in 2013. As previously disclosed, The Company received notice of a formal investigation and a subpoena dated November 21, 2013 in connection with the Commission's investigation.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

On January 2, 2014, our common stock began trading on the NASDAQ Global Select Market under the symbol KNDI . The following sets forth the high and low prices for our common stock for each quarter from January 1, 2013 to December 31, 2014 as reported by NASDAQ.

		HIGH		LOW
FISCAL 2014				
Fourth Quarter (through December 31, 2014)	$	18.17	$	10.3
Third Quarter (through September 30, 2014)	$	22.49	$	12.98
Second Quarter (through June 30, 2014)	$	17.69	$	10.68
First Quarter (through March 31, 2014)	$	22.4	$	10.9
FISCAL 2013				
Fourth Quarter (through December 31, 2013)	$	12.79	$	6.15
Third Quarter (through September 30, 2013)	$	9.20	$	4.12
Second Quarter (through June 30, 2013)	$	8.50	$	3.55
First Quarter (through March 31, 2013)	$	4.19	$	3.37

Holders of Common Stock

As of March 9, 2015, there were 11 shareholders of record of our common stock. This does not include all the beneficial holders who hold shares through their brokerage accounts.

Dividends

We have never paid cash dividends on our common stock. Our policy is to retain all earnings, if any, to provide funds for operation and expansion of our business. We do not anticipate paying cash dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant.

Sales of Unregistered Securities

None

26

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None

Securities Authorized for Issuance under Equity Compensation Plans

Please see the discussion in Item 12 titled Equity Compensation Plan Information below.

Stock Performance Graph

This performance graph shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or incorporated by reference into any filing of Kandi Technologies Group, Inc. under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

The following graph shows a comparison from December 31, 2009 through December 31, 2014, of the cumulative total return for our common stock, the NASDAQ Composite Index, and the S&P Automobile Manufacturers Index. Such returns are based on historical results and are not intended to suggest future performance. Data for the NASDAQ Composite Index and the S&P Automobile Manufacturers Index assumes an investment of $100 on December 31, 2009 and reinvestment of dividends. We have never paid cash dividends on our capital stock nor do we anticipate paying any such cash dividends in the foreseeable future.

Item 6. Selected Financial Data.

The following selected consolidated financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K.

	As of December 31,				
CONSOLIDATED BALANCE SHEETS DATA:	**2014**	**2013**	**2012**	**2011**	**2010**
Cash and cash equivalents	$ 26,379,460	$ 12,762,369	$ 12,135,096	$ 2,294,352	$ 7,754,166
Restricted cash	13,000,731	1,636	15,835,364	6,634,989	17,398,087
Working capital (deficit)	39,202,684	(6,631,680)	35,898,297	17,466,812	18,522,694
Total assets	323,073,352	204,306,730	160,284,990	112,273,750	109,614,715
Short-term bank loans	35,589,502	34,020,281	32,615,063	36,372,492	28,434,012
Total liabilities	111,488,513	115,780,611	85,762,922	56,424,875	65,140,577
Total shareholders' equity	211,584,839	88,526,119	74,522,068	55,848,875	44,474,138

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME DATA:	**Years Ended December 31,**				
	2014	**2013**	**2012**	**2011**	**2010**
REVENUES, NET	$ 170,229,006	$ 94,536,045	$ 64,513,670	$ 40,177,148	$ 42,880,300
COST OF GOODS SOLD	(146,825,073)	(72,793,517)	(51,620,280)	(30,964,173)	(33,257,851)
GROSS PROFIT	23,403,933	21,742,528	12,893,390	9,212,975	9,622,449
Research and development	(2,755,637)	(3,728,730)	(2,877,283)	(2,304,373)	(1,908,134)
Selling and marketing	(1,345,588)	(399,504)	(455,983)	(414,255)	(1,120,739)
General and administrative	(14,058,548)	(16,056,107)	(4,250,832)	(3,458,388)	(3,371,829)
INCOME FROM CONTINUING OPERATIONS	5,244,160	1,558,187	5,309,292	3,035,959	3,221,747
Interest income	1,701,121	1,516,477	2,658,104	2,200,678	769,942
Interest (expense)	(3,480,646)	(4,395,353)	(2,775,891)	(1,945,260)	(2,922,960)
Investment income (expense) in trading security	-	-	-	9,653	(1,771)
Change in fair value of financial instruments	6,531,308	(16,647,283)	1,986,063	5,401,929	(2,725,987)
Government grants	288,498	228,396	132,139	298,072	351,343
Share of (loss) in associated companies	(54,308)	(69,056)	(69,429)	(52,696)	-
Share of profit after tax of JV	4,490,266	(2,414,354)	-	-	-
Other income, net	(34,649)	676,257	332,936	717,495	761,960
INCOME (LOSS) BEFORE INCOME TAXES	14,685,750	(19,546,729)	7,573,214	9,665,830	(545,726)
INCOME TAX EXPENSE	(2,414,412)	(1,593,994)	(1,523,735)	(551,060)	(405,713)
NET (LOSS) INCOME	12,271,338	(21,140,723)	6,049,479	9,114,770	(951,439)
OTHER COMPREHENSIVE INCOME					
Foreign currency translation	(2,725,143)	2,112,902	424,623	1,816,639	1,323,814
COMPREHENSIVE INCOME	$ 9,546,195	$ (19,027,821)	$ 6,474,102	$ 10,931,409	$ 372,375
WEIGHTED AVERAGE SHARES OUTSTANDING BASIC	42,583,495	34,707,973	29,439,328	27,438,725	22,173,550
WEIGHTED AVERAGE SHARES OUTSTANDING DILUTED	42,715,818	34,707,973	29,677,325	28,735,748	22,173,550
NET INCOME PER SHARE, BASIC	$ 0.29	$ (0.61)	$ 0.21	$ 0.33	$ (0.04)
NET INCOME PER SHARE, DILUTED	$ 0.29	$ (0.61)	$ 0.20	$ 0.32	$ (0.04)

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Overview

Prior to 2013, we were primarily engaged in the design, manufacturing and sales of traditional off-road vehicle products. Due to fast-growing market demand for electric vehicles in China and Chinese government s ambitious plan to lower pollution by adopting five million alternative-energy vehicles by 2020, we gradually and successfully transformed our core business to the development of electric vehicle products (EV products) and electric vehicle parts (EV parts). During the year ended December 31, 2014, we had total net revenues of $170,229,006, an increase of $75,692,961, or 80.1%, over our net revenues for the year ended December 31, 2013. The majority of our revenues were generated by the sales of EV parts and EV products, which accounted for 88.4% of our total revenue in 2014.The significant revenue growth was mainly driven by the increased sales of EV parts during the year.

During the year 2014, we focused our efforts on the design, manufacturing and sales of EV parts and experienced significant sales growth from this business line. For the year ended December 31, 2014, we achieved net revenue of $116,431,310 from selling EV parts, mostly to our JV Company, an increase of $114,707,279, or 6653.4%, as compared to $1,724,031 for the year ended December 31, 2013. We were in the early stage of EV parts manufacturing in 2014, we haven t reached a scale production and the unit prices of related parts were relatively high, which resulted in less profitable gross margin for our EV parts manufacturing. We believe, as our production volumes pick up and raw materials and unit prices of parts continue to fall, our EV parts unit production cost will gradually decrease and our gross margin will gradually improve.

Pursuant to our Joint Venture agreement, we gradually transferred our EV production to the JV Company in 2014, which caused our sales volume of EV products to decrease in the year compared with year 2013. However, as we have a 50% ownership interest in the JV Company and accounted for our investments in the JV Company under the equity method of accounting, we received 50% of the JV Company s net profit for the year or $3,763,082 in the year ended December 31, 2014, compared to a loss of $1,510,378 in the year ended December 31, 2013. As the JV Company was established not too long ago and the business was still in the start-up phase, its earnings were not high but have great potential for growth. We believe our economic benefits from the JV Company will greatly increase in the future as its business continues to steadily grow.

We continued to produce off-road vehicles in 2014 and our revenues from this business line decreased by $26,373,733 from year-ago period, or 57.1%, to $19,819,078 for the year ended December 31, 2014. This decrease was mainly because we shifted our business strategy to put more resources and efforts on Chinese EV industry to meet the increasing market demand for alternative energy vehicles. We believe this realignment of business focus is in the best interest of the Company s long-term strategy for business growth.

In 2014, we recorded $23,403,933 of gross profit, an increase of 7.6% from 2013, primarily due to the increase of revenue. We recorded a net profit of $12,271,338 in 2014 compared to a net loss of $21,140,723 in 2013.Excluding the effects of stock award expenses, which were $8,455,422 and $9,658,320 for the years ended December 31, 2014 and 2013, respectively, and the change of the fair value of financial derivatives, which were a gain of $6,531,308 and a loss of $16,647,283 for the years ended December 31, 2014 and 2013, respectively, our net income (non-GAAP) was $14,195,452for the year ended December 31, 2014 as compared to net income (non-GAAP) of $5,164,880 for the year ended December 31, 2013, an increase of $9,030,572 or 174.8%. The increase in such net income was primarily attributable to the increase of revenue and gross profits during the year of 2014.

The vehicle manufacturing industry is highly competitive in China. Current and future factors impacting our industry include: (i) the exponential growth of electrical vehicle sales and dedicated platforms in the global market place, (ii) the consolidation of supply chains and costs of components, (iii) rapid technology developments (including 3D printing technology) and (iv) emerging strategic partnerships and joint ventures in the automotive industry generally.

Our business strategy includes our efforts to provide our customers with high-quality products, to expand our footprint in new and existing markets, and to advance our profile and demand for our EV products through the EV Sharing Project. To further this initiative, we are working with our business partners to build a network of public EV sharing stations to provide energy-efficient, convenient travel options for local citizens and tourists. We anticipate that our pure EV business in China, through the operations of the JV Company and with the support of new Chinese subsidy policies, will continue to develop and grow in the future.

Results of Operations

Comparison of Years Ended December 31, 2014, 2013 and 2012

The following table sets forth the amounts and the percentage relationship to revenues of certain items in our consolidated statements of income for the years ended December 31, 2014, 2013 and 2012:

	Year Ended December 31, 2014	% Of Revenue	Year Ended December 31, 2013	% Of Revenue	Year Ended December 31, 2012	% Of Revenue
REVENUES, NET	$ 170,229,006	100.0%	$ 94,536,045	100.0%	$ 64,513,670	100.0%
COST OF GOODS SOLD	(146,825,073)	-86.3%	(72,793,517)	-77.0%	(51,620,280)	-80.0%
GROSS PROFIT	23,403,933	13.7%	21,742,528	23.0%	12,893,390	20.0%
Research and Development	(2,755,637)	-1.6%	(3,728,730)	-3.9%	(2,877,283)	-4.5%
Selling and Marketing	(1,345,588)	-0.8%	(399,504)	-0.4%	(455,983)	-0.7%
General and Administration	(14,058,548)	-8.3%	(16,056,107)	-17.0%	(4,250,832)	-6.6%
INCOME FROM OPERATIONS	5,244,160	3.1%	1,558,187	1.6%	5,309,292	8.2%
Interest income	1,701,121	1.0%	1,516,477	1.6%	2,658,104	4.1%
Interest (expense)	(3,480,646)	-2.0%	(4,395,353)	-4.6%	(2,775,891)	-4.3%
Change in Fair Value of Financial Instruments	6,531,308	3.8%	(16,647,283)	-17.6%	1,986,063	3.1%
Government Grants	288,498	0.2%	228,396	0.2%	132,139	0.2%
Share of (loss) of associated company	(54,308)	0.0%	(69,056)	-0.1%	(69,429)	-0.1%
Share of Loss after tax of JV	4,490,266	2.6%	(2,414,354)	-2.6%	-	-
Other Income, Net	(34,649)	0.0%	676,257	0.7%	332,936	0.5%
INCOME (LOSS) BEFORE INCOME TAX	14,685,750	8.6%	(19,546,729)	-20.7%	7,573,214	11.7%
INCOME TAX (EXPENSE)	(2,414,412)	-1.4%	(1,593,994)	-1.7%	(1,523,735)	-2.4%
NET (LOSS) INCOME	$ 12,271,338	7.2%	$ (21,140,723)	-22.4%	$ 6,049,479	9.4%

Revenues

For the year ended December 31, 2014, we had net revenues of $170,229,006 compared to net revenues of $94,536,045 for the year ended December 31, 2013 and $64,513,670 for the year ended December 31, 2012, representing an increase of $75,692,961, or 80.1%, from 2013 and an increase of $105,715,336, or 163.9%, from

2012, respectively. Our products include EV parts, EV products, and off-road vehicles, including ATVs, utility vehicles (UTVs), go-karts, and others. For the year ended December 31, 2014, 2013 and 2012, 95%, 90% and 86%, respectively, of our revenues were derived from the sales of our products in the People s Republic of China (the PRC).

The following table summarizes our revenues as well as the number of units sold by product types for the years ended December 31, 2014, 2013 and 2012:

	Year Ended December 31,					
	2014		2013		2012	
	Unit	Sales	Unit	Sales	Unit	Sales
EV parts	102,236	$ 116,431,310	51,588	$ 1,724,031	93,881	$ 3,517,237
EV products	3,758	33,978,619	4,694	46,619,203	3,915	19,034,936
Off-Road Vehicles	25,746	19,819,078	55,516	46,192,811	50,252	41,961,497
Total	131,740	$ 170,229,006	111,798	$ 94,536,045	148,048	$ 64,513,670

EV Parts

During the year ended December 31, 2014, our revenues from the sale of EV parts were $116,431,310, representing an increase of $114,707,279 or 6,653.4% from $1,724,031 for the year ended December 31, 2013 and an increase of $112,914,073 or 3,210.3% from $3,517,237 for the year ended December 31, 2012, respectively

Our revenue for the year ended December 31, 2014 primarily consisted of the sales of battery packs, body parts, EV drive motors, EV controllers, air conditioning units and other auto parts to the JV Company for manufacturing of EV products. Of the total EV parts sold for the year ended December 31, 2014, approximately 83%, or the majority of the sales, were related to the sale of battery packs. Due to the Chinese auto industry regulation, we hold the necessary production license to manufacture the battery packs exclusively used in Kandi brand name's EVs manufactured by the JV Company. Besides the sale of battery packs, approximately 6% of the sales were related to the sales of EV controllers, approximately 5% of the sales were related to the sales of air conditioning units, approximately 4% of the sales were related to the sales of EV drive motors and approximately 2% of the sales were related to the sales of body parts and other auto parts.

We started the EV parts business to the JV Company in the first quarter of 2014. During the year ended December 31, 2014, our revenues from the sale of EV parts to the JV Company accounted the majority or approximately 68% of our total net revenue for the year. For the year ended December 31, 2014, the majority of EV parts sold to the JV Companies, or approximately 56% of the sales were to Kandi Changxing, approximately 34% of the sales were to Kandi Shanghai, and approximately 10% of the sales were to Kandi Jinhua. Theses EV parts were used in manufacturing pure EV products by the JV Company's subsidiaries, all of which were sold to Shanghai Maple Auto Co., Ltd.("Shanghai Maple"). Shanghai Maple is an unaffiliated company that was granted by the Chinese government vehicle production rights for EV sedans, which is equivalent to a license that qualifies it to sell the EV products to the end customers. Our increased sales of EV parts during the year were largely driven by the manufacturing of EV products by the JV Company to meet the EV demand of EV-Share Program. According to the JV Agreement, we are primarily responsible for supplying the JV Company with EV parts and the JV Company is primarily responsible for producing EV products and finished automobiles through sales channels to its end customers.

During the year ended December 31, 2014, of the total EV parts sales, our revenues from the sale of auto generators to other customers were $57,632, a decrease of $1,666,399, or 96.7% from $1,724,031 for the year ended December 31, 2013 and a decrease of $3,459,605 or 98.4% from $3,517,237 for the year ended December 31, 2012. This decrease in revenue was primarily due to the realignment of Yongkang Scrou s product offering to shift focus to the manufacturing of automobile motors, air-conditioning systems, controllers, and accelerator pedals for EVs.

EV Products

Our revenues from the sale of EV products for the fiscal year of 2014 were $33,978,619 including $33,421,638 from selling EV products and $556,981 from OEM-EV business line, representing a decrease of $12,640,584 or 27.1% from $46,619,203 for the year ended December 31, 2013 but an increase of $14,943,683 or 78.5% from $19,034,936 for the year ended December 31, 2012, respectively

We continued to sell certain EV products (completed automobiles) during the year of 2014. Our revenues from the sale of EV products for the year ended December 31, 2014 decreased by $13,197,565, or 28.3%, from $46,619,203 for the year ended December 31, 2013 to $33,421,638 for the year ended December 31, 2014, representing a 44.4% of reduction in unit sales but a 29.0% of increase in the average unit price. As compared to our sale of EV products for the year ended December 31, 2012, we increased our sales by $14,386,702, or 75.6%, representing a 33.4% of reduction in unit sales but a 163.6% of increase in the average unit price. The increase of the average unit price was largely due to the inclusion of the cost for battery packs in the unit selling price in 2014. In addition, during the year ended December 31, 2014, our revenues from OEM business were $556,981 or 0.3% of total revenue. We started our OEM business in the second quarter of 2014, and our sales for the year ended December 31, 2014 were primarily derived from assembling EV products for Kandi Jinhua, a wholly-owned subsidiary of the JV Company. Indirectly through our 50% ownership interest in the JV Company, we have a 50% economic interest in Kandi Jinhua.

Our EV products business accounted approximately 20.0% of our total revenue for the year ended December 31, 2014, reduced from 49.3% and 29.5% in the years ended December 31, 2013 and 2012, respectively. Of the total sales of EV products for the year ended December 31, 2014, approximately $25,593,023, or 75.3%, was sold to Shanghai Maple. The sales of EV products were mainly driven by the demand by EV-Share Program. In March 2013, Kandi Vehicles and Shanghai Maple Guorun Automobile Co., Ltd. (Shanghai Guorun), a 99%-owned subsidiary of Geely Automobile Holdings Ltd. (Geely) formed a joint venture (the JV Company) to develop, manufacture and sell EVs and related auto parts. Under the JV Agreement, our EV product manufacturing business will be gradually transferred to the JV Company. The decreased sales of EV products in 2014 as compared to that in 2013 was a result of this JV Agreement. In the future, under the JV Agreement, we will be mainly responsible for supplying the JV Company with EV parts and the JV Company will be responsible for manufacturing EV products and selling finished goods through channel to its end customers.

Off-Road Vehicles

During the year ended December 31, 2014, our revenues from the sale of off-road vehicles including selling go karts, all-terrain vehicles (ATVs), and others were $19,819,078, representing a decrease of $26,373,733 or 57.1% from $46,192,811 for the year ended December 31, 2013 and a decrease of $22,142,419 or 52.8% from $41,961,497 for the year ended December 31, 2012, respectively.

Our off road vehicles business line accounted for approximately 11.6% of our total net revenue for the fiscal year 2014, compared to 48.9% for the fiscal year 2013 and 65.0% for the fiscal year 2012, respectively. Of which go-kart business accounted for approximately 7.5% of our total net revenue for the year ended December 31, 2014, reduced from 35.1% and 47.7% for the years ended December 31, 2013 and 2012, respectively, and ATV business accounted for approximately 4.2% of our total net revenue for the year ended December 31, 2014, reduced from 11.0% and 9.9% for the years ended December 31, 2013 and 2012, respectively. The sales of three wheeled motorcycles, utility vehicles (UTVs) and refitted cars were insignificant in the fiscal year of 2014 as compared to the sales in the fiscal years 2013 and 2012. The decreased sales of these products were primarily due to the rearrangement of our product portfolio for more efficient use of our resources to capture more sales opportunities in the fast-growing EV market in China.

The following table shows the breakdown of our net revenues from customers by geographic markets:

	Year Ended December 31					
	2014		2013		2012	
	Sales Revenue	Percentage	Sales Revenue	Percentage	Sales Revenue	Percentage
North America	$ 2,900,789	2.0%	$ 6,906,807	7.0%	$ 7,243,257	11.0%
Europe and other regions	5,729,035	3.0%	2,394,948	3.0%	1,639,990	3.0%
China	161,599,182	95.0%	85,234,290	90.0%	55,630,423	86.0%
Total	$ 170,229,006	100.0%	$ 94,536,045	100.0%	$ 64,513,670	100.0%

Cost of Goods Sold

Cost of goods sold for the year ended December 31, 2014 was $146,825,073, representing an increase of $74,031,556, or 101.7%, from $72,793,517 for the year ended December 31, 2013 and an increase of $95,204,793, or 184.4%, from $51,620,280 for the year ended December 31, 2012. This increase was primarily due to the corresponding increased sales for the year ended December 31, 2014. However, the increase in cost of goods sold outpaced the growth of our revenues, which was largely due to relatively less profitable raw material purchases in our newly-added EV parts product line, and the sale of EV parts accounted for 68.4% of total revenue for the year ended December 31, 2014. As a result, cost of goods sold for our EV parts product line comprised the majority, or 72.5%, of the total cost of goods sold for the year ended December 31, 2014. The battery sales accounted for the majority of our EV parts sales and their corresponding cost of goods sold accounted for 61.6% of total cost of goods sold.

For the year ended December 31, 2014, excluding the battery business mentioned above, our cost of raw materials declined by 2.2% compared to the sales increase in the same period of time year over year.

Excluding the battery business mentioned above, total wages and salaries for the year ended December 31, 2014, increased by 1.8% compared to the sale increase in the same period of time year over year.

Excluding the battery business mentioned above, our other overhead costs for the year ended December 31, 2014 increased by 0.3% compared to the sales increase in the same period of time year over year.

For the year ended December 31, 2014, raw material costs comprised approximately 95.2% of total cost of goods sold, labor costs comprised approximately 1.5% of total cost of goods sold, and manufacturing overhead comprised approximately 3.3% of the total cost of goods sold. For the year ended December 31, 2013, raw material costs comprised approximately 90.1% of total cost of goods sold, labor costs comprised approximately 1.7% of total cost of goods sold, and manufacturing overhead comprised approximately 8.2% of the total cost of goods sold. For the year ended December 31, 2012, raw material costs comprised approximately 91.5% of total cost of goods sold, labor costs comprised approximately 2.5% of total cost of goods sold, and manufacturing overhead comprised approximately 6.0% of the total cost of goods sold.

Gross Profit

Gross profit for the year ended December 31, 2014 was $23,403,933 as compared to $21,742,528 for year ended December 31, 2013 and $12,893,390 for year ended December 31, 2012, representing an increase of $1,661,405 or 7.6% from 2013 and an increase of $10,510,543 or 81.5% from 2012, respectively. This increase was primarily attributable to the increase in our revenue driven by the sales of our newly-added business line of EV parts. However, our gross margin for the year ended December 31, 2014 decreased to 13.7% from 23.0% for the year ended December 31, 2013 and 20.0% for the year ended December 31, 2012. The decreased gross margin was mainly because the majority of our revenue growth during the year ended December 31, 2014 came from the relatively less profitable EV parts product lines, which accounted for 68.4% of total sales for the year and had a gross margin of 8.5% compared to the average gross margin of 13.7% for our company as a whole.

Research and Development

Research and development expenses, including materials, labor, equipment depreciation, design, testing, inspection, and other related expense, totaled $2,755,637 for the year ended December 31, 2014, compared to $3,728,730 for the year ended December 31, 2013 and $2,877,283 for the year ended December 31, 2012, representing a decrease of $973,093, or 26.1%, from 2013 and a decrease of $121,646, or 4.2%, from 2012, respectively. These decreases were primarily due to the shift of our business strategy to focus more of our efforts on the China EV auto market and our primary responsibility under the JV agreement, which is to supply the JV Company with EV parts rather than EV products.

For the year ended December 31, 2014, approximately 40% of our research and development expenses was spent on the research and development of five new EV product models and the projects to develop new auto air conditioning system, vehicle control system and EV intelligent control platform (centralized control platform) used in our EV products, while the remaining or 60% of our research and development expenses was spent on the projects to develop EV related and off road vehicle products that we initiated in the previous year. For the year ended December 31, 2013, the majority of our research and development expense was spent to develop off road vehicle products. We initiated research and development efforts to develop new EV products to meet market demands in the fourth quarter of 2013.

Sales and Marketing

Selling and distribution expenses were $1,345,588 for the year ended December 31, 2014, compared to $399,504 for the year ended December 31, 2013 and $455,983 for the year ended December 31, 2012, representing an increase of $946,084, or 236.8%, from 2013 and an increase of $889,605, or 195.1%, from 2012, respectively. These increases were primarily attributable to the warranty expenses of $832,439 for repair and maintenance charged during the year of 2014. In 2014, we contracted a qualified third party to provide repair and maintenance services for the 1,620 Kandi 7001 series EV sedans we have sold. Excluding this charge, our selling and distribution expenses increased $113,645, or 28.4%, as compared to last year. The increase was largely due to the increased expenses in the shipping and handling costs and other sales and marketing related costs, while decreased product liability insurance partially offset this increase.

General and Administrative

General and administrative expenses were $14,058,548 for the year ended December 31, 2014, compared to $16,056,107 for the year ended December 31, 2013 and $4,250,832 for the year ended December 31, 2012, representing a decrease of $1,997,559,or 12.4%, from 2013 and an increase of $9,807,716, or 230.7%, from 2012, respectively. For the year ended December 31, 2014, general and administrative expenses included $8,455,422 in expenses for common stock awards to employees and consultants for their services, compared to $9,658,320 and $85,558 for the years ended December 31, 2013 and 2012, respectively. Excluding stock award costs, our net general and administrative expenses for the year ended December 31, 2014 were $5,603,126, a decrease of $794,661, or 12.4%, compared to $6,397,787 for the year ended December 31, 2013. This decrease was primarily attributable to more costs related to the capital raise were expensed in 2013 than 2014. The costs related to issuance of the derivative instruments in the capital raises during 2014, or $578,757, were expensed upon issuance in 2014. Additionally, the general and administrative expenses in 2012 also included $19,053 of stock-based compensation costs for the options issued to our executives and managerial level employees, while for the years ended December 31, 2014 and 2013, we didn t have such expenses.

Interest Income (Expense), Net

Net interest expense was $1,779,525 for the year ended December 31, 2014, compared to $2,878,876 for the year ended December 31, 2013 and $117,787 for the year ended December 31, 2012, representing a decrease of $1,099,351, or 38.2%, from 2013 but an increase of $1,661,738, or 1,410.8%, from 2012. The decrease in net interest expense compared to last year was primarily attributable to an increase in interest income earned on loans made to third parties for the year ended December 31, 2014. We recorded interest income of $1,701,121 for the year ended December 31, 2014, which included$1,573,421 earned on loans made to third parties, $39,849 earned on an entrusted loan lent to the JV Company through Bank of Communications Hangzhou Zhongan Branch as the agent bank, and $87,851 earned on bank deposits. We recorded interest expense of $3,480,646 for the year ended December 31, 2014, which included bank loan interest of $2,217,955 and bond interest of $1,262,691.

Change in Fair Value of Financial Instruments

For the year ended December 31, 2014, the gain related to changes in the fair value of the derivative liability relating to the warrants issued to investors and placement agents was $6,531,308, compared to a loss of $16,647,283 for the year ended December 31, 2013 and a gain of $1,986,063 for the year ended December 31, 2012, an increase of $23,178,591from 2013 and an increase of $4,545,245 from 2012, respectively. The gain on the changes in the fair value of derivative liability was due to the decrease in the fair value price of the derivative which was primarily attributable to two factors. First, it was caused by the decrease in our stock price of the common stock underlying the warrants issued on September 4, 2014, which decreased from $17.13 on the issuance date to $14.01 on December 31, 2014. Secondly, it was due to the passage of remaining life of outstanding warrants (excluding the warrants issued in September 2014), a significant portion of which warrants expired in January 2015.

Government Grants

Government grants totaled $288,498 for the year ended December 31, 2014, representing an increase of $60,102, or 26.3%, from $228,396 in 2013 and an increase of $156,359, or 118.3%, from $132,139 in 2013. The increases were largely due to the subsidies we received from the Chinese government for promoting local business and innovation.

Share of Profit (Loss) of Associated Company

Investment losses were $54,308 for the year ended December 31, 2014, compared to a loss of $69,056 for the year ended December 31, 2013 and a loss of $69,429 for the year ended December 31, 2012, a decrease of $14,748, or 21.4%, from 2013 and a decrease of $15,121, or 21.8%, from 2012, respectively. For the years ended December 31, 2014 and 2013, these losses were attributable to our 30% equity ownership of Jinhua Service. In July 2014, Jinhua Service ceased its operations and was dissolved. As a result, we wrote off the remaining investment in this entity and associated liabilities due to this entity.

Share of Profit (Loss) after Tax of the JV Company

For the year ended December 31, 2014, the JV Company s net sales were $215,537,203, gross income was $41,889,144, and net income was $7,526,164. We accounted for our investments in the JV Company under the equity method of accounting as we have a 50% ownership interest in the JV Company. As a result, we recorded 50% of the JV Company s profit, or $3,763,082 for the year ended December 31, 2014. After eliminating intra-entity profits and losses, our share of the after tax profit of the JV Company was $4,490,266 for the year ended December 31, 2014, compared to a loss of $2,414,354 for the year ended December 31, 2013, representing an increase in income of $6,904,620.

During the year of 2014, the JV Company s revenues were primarily derived from the sales of EV products in the PRC with a total of 10,935 units sold during the year.

Other Income (Expense), Net

Net other expense was ($34,649) for the year ended December 31, 2014, compared to net other income of $676,257 for the year ended December 31, 2013 and net other income of $332,936 for the year ended December 31, 2012, a decrease in net other income of $710,906, or 105.1%, from 2013 and a decrease in net other income of $367,585, or 110.4% from 2012, respectively. This difference was primarily attributable to a write-off of $841,251 payable to Ever Lotts Investment Limited incurred in 2013. In addition, we received less rental income received during the year of 2014.

Income Taxes

In accordance with the relevant tax laws and regulations of the PRC, our applicable corporate income tax rate is 25%. However, Kandi Vehicle is a qualified as high technology company in China and is therefore entitled to pay a reduced income tax rate of 15%.

Each of our wholly-owned subsidiaries, Kandi New Energy, Yongkang Scrou and Kandi Wanning, has an applicable corporate income tax rate of 25%.

We have a 50% ownership interest in the JV Company, which has an applicable corporate income tax of 25%. Each of the JV Company s subsidiaries has an applicable corporate income tax rate of 25% as well.

We qualified as a high technology company in China, and were entitled to pay a reduced income tax rate of 15%. After combining with the research and development tax credit of 25% on certain qualified research and development expenses, our effective reduced income tax rate was 18.40% as compared to 16.68% in 2013. The combined tax benefit was 60.38% as compared to 50.1% in 2013. The actual effective income tax rate was reduced from 25% to 9.91% of the 2014 taxable corporate income as compared to 12.48% of the 2013 taxable corporate income.

Net Income (Loss)

We recorded net income of $12,271,338 for the year ended December 31, 2014, compared to net loss of ($21,140,723) for the year ended December 31, 2013 and a net income of $6,049,479 for the year ended December 31, 2012, an increase of $33,412,061, or 158.0%, from the year ended December 31, 2013 and an increase of $6,221,859, or 102.8%, from the year ended December 31, 2012, respectively. The net income was primarily attributable to increased revenue and gross profits, and the gain from the change in the fair value of warrant derivatives.

Excluding (i) the effects of stock award expenses, which were $8,455,422 and $9,658,320 for the years ended December 31, 2014 and 2013, respectively, and (ii) the change of the fair value of financial derivatives, which were a gain of $6,531,308 and a loss of ($16,647,283) for the years ended December 31, 2014 and 2013, respectively, our net income (non-GAAP) was $14,195,452for the year ended December 31, 2014 as compared to net income (non-GAAP) of $5,164,880 for the year ended December 31, 2013, an increase of $9,030,572 or 174.8%. The increase in such net income was primarily attributable to the increase of revenue and gross profits during the year of 2014.

We make reference to certain non-GAAP financial measures, i.e., the adjusted net income. Management believes that such adjusted financial result is useful for investors in evaluating our operating performance because it presents a meaningful measure of corporate performance. See the non-GAAP reconciliation table below. Any non-GAAP measures should not be considered as a substitute for, and should only be read in conjunction with, measures of financial performance prepared in accordance with GAAP.

The following table summarizes our non-GAAP net income from continuing operations for the years ended December 31, 2014, 2013and 2012:

	Year Ended December 31		
	2014	2013	2012
GAAP net income (loss)	$ 12,271,338	$ (21,140,723)	$ 6,049,479
Stock award expenses	8,455,422	9,658,320	85,558
Options expenses	-	-	19,053
Convertible note's interest expense	-	-	2
Amortization of discount on convertible notes	-	-	43
Change of the fair value of financial derivatives	(6,531,308)	16,647,283	(1,986,063)
Non-GAAP net income	$ 14,195,452	$ 5,164,880	$ 4,168,072

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

For the year ended December 31, 2014, cash used in operating activities was $7,453,756, as compared to cash provided by operating activities of $14,687,446 for the year ended December 31, 2013 and cash used in operating activities of $10,721,895 for the year ended December 31, 2012. The major operating activities that provided cash for the year ended December 31, 2014 were net income of $12,271,338, an increase in accounts payable of $23,095,825 and a decrease in accounts receivable of $15,445,962. The major operating activity that used cash for the year ended December 31, 2014 was an increase in receivables from the JV Company of $48,593,522.

Cash used in investing activities for the year ended December 31, 2014 was $50,108,255, as compared to cash used in investing activities of $59,844,162 and $4,751,858 for the years ended December 31, 2013 and 2012, respectively. Cash provided by investing activities for the year ended December 31, 2014 was primarily the result of the repayment of notes receivable of $29,354,592. Cash used in investing activities for the year ended December 31, 2014 was primarily the result of the purchases of construction in progress of $50,891,170 and the issuance of notes receivable of $24,705,489.

Cash provided by financing activities for the year ended December 31, 2014 was $72,775,040, as compared to cash provided by financing activities of $46,317,978 and $25,622,819 for the years ended December 31, 2013 and 2012, respectively. Cash provided by financing activities for the year ended December 31, 2014 was primarily the result of proceeds from short-term loans of $48,306,743, proceeds from notes payable of $18,718,944, proceeds from common stock and warrants issued of $78,358,991, and proceeds from warrant exercises of $21,101,039. Cash used in financing activities for the year ended December 31, 2014 was primarily the result of repayments of short-term loans of $46,517,604, repayments of notes payable of $29,602,112, repayment of bond payable of $13,011,917 and placement of restricted cash of $13,010,291.

As of December 31, 2014, we had unrestricted cash of $26,379,460. Our total current assets were $138,327,197, and our total current liabilities were $99,124,513, which resulted in a net working capital of $39,202,684.

Working Capital

We had a working capital surplus of $39,202,684 at December 31, 2014, which reflected an increase from a working capital deficit of ($6,631,680) as of December 31, 2013.

As of December 31, 2014, we had credit lines from commercial banks of $42,739,904, of which $35,589,502 was used as of December 31, 2014. We believe that our cash flows generated internally may not be sufficient to support the growth in operations and to repay short-term bank loans for the next twelve (12) months. However, we believe our access to existing financing sources, including the remaining net proceeds from our $71 million registered direct offering financing completed on September 4, 2014, and established relationships with PRC banks will enable us to meet our obligations and fund its ongoing operations.

We have historically financed our operations through short-term commercial bank loans from PRC banks. The term of these loans is typically for one year, and upon the payment of all outstanding principal and interest in a particular loan, the banks have typically rolled over the loan for an additional one-year term, with adjustments made to the interest rate to reflect prevailing market rates. We believe that this situation has not changed and that short-term bank loans will be available on normal trade terms if needed.

On March 24, 2014, we raised approximately $11.05 million from the sale to two institutional investors of an aggregate of 606,000 shares of our common stock at a price of $18.24 per share. As part of the transaction, we also issued to the investors warrants for the purchase of up to 90,900 shares of common stock at an exercise price of

$22.80 per share, which warrants expire in September 2015.

On September 4, 2014, we raised approximately $71.00 million before deducting fees to the placement agent and other offering expenses incurred us from the sale to six institutional investors of an aggregate of 4,127,908 shares of our common stock at a price of $17.20 per share. As part of the transaction terms, we also issued to the investors warrants for the purchase of up to 743,024 shares of common stock at an exercise price of $21.50 per share, which warrants expire in February 2016.

Capital Requirements and Capital Provided

Capital requirements and capital provided for the year ended December 31, 2014 were as follows:

		Year Ended 12/31/2014 (In thousands)
Capital requirements		
Purchase of plant and equipment	$	2,101
Purchases of land use rights		1,669
Purchase of construction in progress		50,891
Issuance of notes receivable		24,706
Disposal of associated company		96
Repayments of short-term bank loans		46,518
Repayments of notes payable		29,602
Repayments of bond		13,012
Increase in restricted cash		13,010
Internal cash used in operations		7,454
Increase in cash		13,617
Total capital requirements	$	202,676
Capital provided		
Repayments of notes receivable	$	29,355
Proceeds from short-term bank loan		48,307
Proceeds from notes payable		18,719
Common stock and warrants issued		78,359
Warrant exercise		21,101
Other financing activities		8,431
Total capital provided	$	204,272

The difference between capital provided and capital required is caused by the exchange rate changes over the past twelve months.

Contractual Obligations and Off-balance Sheet Arrangements

Contractual Obligations

The following table summarizes our contractual obligations:

Contractual Obligations	Payments Due by Period Total	Less than 1 year	1 3 years	3 5 years	More than 5 years
Construction-in-progress					
Obligations	$ 103,999,090	$ 103,999,090	$ -	$ -	$ -
Total	$ 103,999,090	$ 103,999,090	$ -	$ -	$ -

Short-term Loans:

Short-term loans are summarized as follows:

	December 31, 2014	December 31, 2013
Loans from Jinhua Bank		
Monthly interest only payments at 6.30% per annum, due October 10, 2014, guaranteed by Mr. Hu Xiaoming and Ms. Ling Yueping, and secured by the assets of the Company. The loan was fully repaid. Also see Note 13 and Note 14.	$ -	$ 1,635,590
Monthly interest only payments at 6.30% per annum, due December 2, 2014, guaranteed by Mr. Hu Xiaoming and Ms. Ling Yueping, and secured by the assets of the Company. The loan was fully repaid. Also see Note 13 and Note 14.	-	817,795
Monthly interest only payments at 6.30% per annum, due December 2, 2014, guaranteed by Zhejiang Kangli Metal Manufacturing Company, Mr. Hu Xiaoming, Ms. Ling Yueping, Mr. Lv Qingbo and Mr. Lv Qingjiang, and secured by the assets of the Company. The loan was fully repaid. Also see Note 13 and Note 14.	-	3,271,181
Loans from Yongkang Rural Cooperative Bank		
Monthly interest only payments at 1.026% per month, due March 31, 2014, guaranteed by Yongkang Sanli Metal Co., Ltd. The loan was fully repaid.	-	817,795
Loans from China Ever-bright Bank		
Monthly interest only payments at 6.94% per annum, due May 14, 2014, secured by the assets of the Company, guaranteed by Mr. Hu Xiaoming, Mr. Hu Wangyuan, Nanlong Group Co., Ltd. and Zhejiang Mengdeli Electric Co., Ltd. The loan was fully repaid. Also see Note 13 and Note 14.	-	12,757,606
Monthly interest only payments at 7.08% per annum, due May 11, 2015, secured by the assets of the Company, guaranteed by Mr. Hu Xiaoming, Mr. Hu Wangyuan, Nanlong Group Co., Ltd. and Zhejiang Mengdeli Electric Co., Ltd. Also see Note 13 and Note 14.	12,675,713	-
Loans from Shanghai Pudong Development Bank		
Monthly interest only payments at 6.60% per annum, due September 4, 2014, secured by the assets of the Company, guaranteed by Mr. HuXiaoming. The loan was fully repaid. Also see Note 13 and Note 14.	-	6,542,362

Loans from Bank of Shanghai				
Monthly interest only payments at 6.60% per annum, due December 27, 2014, guaranteed by Mr. Hu Xiaoming, Ms. Ling Yueping, Zhejiang Kangli Metal Manufacturing Company and Nanlong Group Co., Ltd. The loan was fully repaid.		-		4,906,771
Loans from China Ever-growing Bank				
Monthly interest only payments at 7.20% per annum, due April 22, 2014, guaranteed by Mr. Hu Xiaoming, Ms. Ling Yueping, Zhejiang Shuguang industrial Co., Ltd. and Zhejiang Mengdeli Electric Company. The loan was fully repaid.		-		3,271,181
Monthly interest only payments at 7.20% per annum, due April 22, 2015, guaranteed by Mr. Hu Xiaoming, Ms. Ling Yueping, and Zhejiang Shuguang industrial Co., Ltd.		3,250,183		-
Loans from Hangzhou Bank				
Monthly interest only payments at 6.00% per annum, due October 20, 2015, secured by the assets of the Company. Also see Note 13 and Note 14.		7,930,446		-
Monthly interest only payments at 6.00% per annum, due November 17, 2015, secured by the assets of the Company. Also see Note 13 and Note 14.		11,733,160		-
	$	35,589,502	$	34,020,281

40

Guarantees and pledged collateral for third party bank loans

As of December 31, 2014 and 2013, we provided guarantees for the following third parties:

(1) Guarantees for bank loans

Guarantee provided to:	December 31, 2014	December 31, 2013
Yongkang Angtai Trade Co., Ltd.	$ -	$ 817,795
Nanlong Group Co., Ltd.	9,750,548	9,813,543
Zhejiang Shuguang industrial Co., Ltd.	4,875,274	4,906,771
Zhejiang Kangli Metal Manufacturing Company.	4,875,274	4,906,771
Total	$ 19,501,096	$ 20,444,880

On January 6, 2013, we entered into a guarantee contract to serve as the guarantor for the bank loans borrowed from China Communication Bank Jinhua Branch in the amount of $817,795 by Yongkang Angtai Trade Co., Ltd. (YATCL) for the period from January 6, 2013 to January 6, 2014. YATCL is not related to our company. Under this guarantee contract, we agreed to perform all obligations of YATCL under the loan contracts if YATCL fails to perform its obligations as set forth therein.

On February 26, 2013, we entered into a guarantee contract to serve as the guarantor for the bank loan borrowed from PingAn Bank in the amount of $4,906,771 by Zhejiang Shuguang Industrial Co., Ltd. (ZSICL) for the period from February 26, 2013 to February 26, 2014. On March 4, 2014, we entered into a guarantee contract to serve as the guarantor for the bank loan borrowed from PingAn Bank in the amount of $4,875,274 by Zhejiang Shuguang industrial Co., Ltd. (ZSICL) for the period from March 4, 2014 to March 4, 2015. ZSICL is not related to our company. Under these guarantee contracts, we agreed to perform all obligations of ZSICL under the loan contracts if ZSICL fails to perform its obligations as set forth therein.

On March 15, 2013 and December 27, 2013, we entered into two guarantee contracts to serve as the guarantor for the bank loans borrowed from Shanghai Pudong Development Bank Jinhua Branch and Shanghai Bank Hangzhou branch in the amount of $3,250,183 and $6,500,366, respectively, by Nanlong Group Co., Ltd. (NGCL) for the period from March 15, 2013 to March 15, 2016, and December 27, 2013 to December 27, 2014, respectively. The guarantee contract to serve as the guarantor for the bank loan borrowed from Shanghai Bank Hangzhou branch was extended for four months to April 27, 2015 with the same terms after its original contract ended on December 27, 2014. NGCL is not related to our company. Under these guarantee contracts, we agreed to perform all obligations of NGCL under the loan contract if NGCL fails to perform its obligations as set forth therein.

On December 27, 2013, we entered into a guarantee contract to serve as the guarantor for the bank loan borrowed from Shanghai Bank Hangzhou branch in the amount of $ 4,875,274 by Zhejiang Kangli Metal Manufacturing Company (ZKMMC) for the period from December 27, 2013 to December 27, 2014. The guarantee contract was extended for six months to June 27, 2015 with the same terms after its original contract ended on December 27, 2014. ZKMMC is not related to our company. Under this guarantee contract, we agreed to perform all obligations of ZKMMC under the loan contract if ZKMMC fails to perform its obligations as set forth therein.

(2) Pledged collateral for a third party bank loans

As of December 31, 2014 and 2013, none of our land use rights or plant and equipment were pledged as collateral securing bank loans to third parties.

Critical Accounting Policies and Related Estimates That Could Have a Material Effect on Our Consolidated Financial Statements

This section should be read together with the Summary of Significant Accounting Policies in the attached consolidated financial statements included in this Annual Report.

Estimates affecting accounts receivable and inventories

The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect our reporting of assets and liabilities (and contingent assets and liabilities). These estimates are particularly significant where they affect the reported net realizable value of our accounts receivable and inventories.

Accounts receivable are recognized and carried at net realizable value. An allowance for doubtful accounts is recorded in the period when a loss is probable based on an assessment of specific factors, such as troubled collection, historical experience, accounts aging, ongoing business relations and other factors. Accounts are written off after exhaustive efforts at collection. If accounts receivable are to be provided for, or written off, they would be recognized in the consolidated statement of operations within operating expenses. We had an allowance for doubtful accounts of $0 for the years ended December 31, 2014 and 2013, in accordance with our management's judgment based on their best knowledge.

Inventory is stated at the lower of cost, determined on a weighted average basis, or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. Adjustments to reduce the cost of inventory to its net realizable value are made, if required, for estimated excess, obsolescence, or impaired balances. When inventories are sold, their carrying amount is charged to expense in the year in which the revenue is recognized. Write-downs for declines in net realizable value or for losses of inventories are recognized as an expense in the year the impairment or loss occurs. There was a $315,584 and $352,734 of decline in net realizable value of inventory for the year ended of December 31, 2014 and 2013 due to our provision for slow moving inventory.

Although we believe that there is little likelihood that actual results will differ materially from current estimates, if customer demand for our products decreases significantly in the near future, or if the financial condition of our customers deteriorates in the near future, we could realize significant write downs for slow-moving inventories or uncollectible accounts receivable.

Policy affecting recognition of revenue

Our revenue recognition policy plays a key role in our consolidated financial statements. Revenues represent the invoiced value of goods sold, recognized upon the shipment of goods to customers, and revenues are recognized when all of the following criteria are met:

1. Persuasive evidence of an arrangement exists;
2. Delivery has occurred or services have been rendered;
3. The seller's price to the buyer is fixed or determinable; and
4. Collectability is reasonably assured.

The revenue recognition policies for our EV products and legacy products including ATVs, go-karts and other products are the same: When the products are delivered, the associated risk of loss is deemed transferred, and at that time we recognize revenue.

Policy affecting options, warrants and convertible notes

Our stock option cost is recorded in accordance with ASC 718 and ASC 505. The fair value of stock options is estimated using the Black-Scholes-Merton model. Our expected volatility assumption is based on the historical volatility of our stock. The expected life assumption is primarily based on the expiration date of the option. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Stock option expense recognition is based on awards expected to vest. There were no estimated forfeitures. ASC standards require forfeitures to be estimated at the time of grant and revised in subsequent periods, if necessary, if actual forfeitures differ from those estimates.

Our warrant costs are recorded in liabilities and equities, respectively, in accordance with ASC 480, ASC 505 and ASC 815. The fair value of a warrant, which is classified as a liability, is estimated using the Black-Scholes-Merton model and the lattice valuation model. Our expected volatility assumption is based on the historical volatility of our common stock. The expected life assumption is primarily based on the expiration date of the warrant. The risk-free interest rate for the expected term of the warrant is based on the U.S. Treasury yield curve in effect at the time of measurement. The warrants, which are freestanding derivatives classified as liabilities on the balance sheet, are measured at fair value on each reporting date, with decreases in fair value recognized in earnings and increases in fair values recognized in expenses.

The fair value of equity-based warrants, which are not considered derivatives under ASC 815, is estimated using the Black-Scholes-Merton model. Our expected volatility assumption is based on the historical volatility of our common stock. The expected life assumption is primarily based on the expiration date of the warrant. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

In accordance with ASC 815, the conversion feature of the convertible notes is separated from the debt instrument and accounted for separately as a derivative instrument. On the date the convertible notes are issued, the conversion feature is recorded as a liability at its fair value, and future decreases in fair value are recognized in earnings while increases in fair values are recognized in expenses. We used the Black-Scholes-Merton option-pricing model to obtain the fair value of the conversion feature. We expected volatility assumption is based on the historical volatility of our common stock. The expected life assumption is primarily based on the expiration date of the conversion features. The risk-free interest rate for the expected term of the conversion features is based on the U.S. Treasury yield curve in effect at the time of measurement.

Warranty Liability

Most of our non-EV products (the Legacy Products) are exported out of China to foreign countries that have legal and regulatory requirements with which we are not familiar. Development of warranty policies for our Legacy Products in each of these countries would be virtually impossible and prohibitively expensive. Therefore, we provide price incentives and free parts to our customers and in exchange, our customers establish appropriate warranty policies and assume warranty responsibilities.

Consequently, warranty issues are taken into consideration during the price negotiation for our products. The free parts are delivered along with the products, and when products are sold, the related parts are recorded as cost of goods sold. Due to the reliable quality of our products, we have been able to maintain this warranty policy and we have not had any product liability attributed to the quality of our products.

For the EV products that we sell in China, there is a 3 year or 50,000 kilometer manufacturer warranty. This warranty affects the Company through our participation and investment in the JV Company, which manufactures the EVs.

Item 7A.Quantitative and Qualitative Disclosures About Market Risk.

Foreign Currency Exchange Rate Risk

While our reporting currency is the U.S. dollar, to date the majority of our revenues and costs are denominated in RMB and a significant portion of our assets and liabilities are denominated in RMB. As a result, we are exposed to foreign exchange risk as our revenues and results of operations may be affected by fluctuations in the exchange rate between the U.S. dollar and the RMB. If the RMB depreciates against the U.S. dollar, the value of our RMB revenues and assets as expressed in our U.S. dollar financial statements will decline. Since 2005, China reformed its exchange rate regime and the RMB is no longer pegged to the U.S. dollar. In 2010, the People s Bank of China decided to move further to reform the RMB exchange rate regime to enhance the flexibility of the RMB exchange rate. At the end of 2014, the RMB has already appreciated more than 10% since 2010. In the long term, the RMB may appreciate or depreciate more significantly in value against the U.S. dollar or other foreign currencies, depending on the market supply and demand with reference to a basket of currencies. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the effectiveness of these hedges may be limited and we may not be able to successfully hedge our exposure. Accordingly, we may incur economic losses in the future due to foreign exchange rate fluctuations, which could have a negative impact on our financial condition and results of operations.

Interest Rate Risk

We had cash and cash equivalents and restricted cash totaling $39.4 million and notes receivable of $9.1 million as of December 31, 2014. Cash and cash equivalents are held for working capital purposes. We do not enter into investments for trading or speculative purposes. As of December 31, 2014, we had $35.6 million of short-term bank loans outstanding, which are fixed rate instruments. Our exposure to interest rate risk primarily relates to the interest income generated from cash held in bank deposits and notes receivable, and interest expense generated from short-term bank loans. We believe that we do not have any material exposure to changes in the fair value as a result of changes in interest rates due to the short term nature of our cash equivalents. We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates.

Inflation Rate Risk

According to the National Bureau of Statistics of China, the change in the consumer price index in China was 2.0%, 2.6% and 2.6% in 2014, 2013, and 2012, respectively. China's inflation rate in 2014 was near a five-year low and was well below the government's target of 3.5%. China's National Statistics Bureau said the fall was largely due to falling oil prices. While this rate declined in 2014 compared to the past two years, there may be further increased inflation in the future, which could have an adverse effect on our business.

Item 8. Financial Statements and Supplementary Data.

KANDI TECHNOLOGIES GROUP, INC.

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2014 AND 2013

KANDI TECHNOLOGIES GROUP, INC.
AND SUBSIDIARIES

CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To: The Board of Directors and Stockholders of Kandi Technologies Group, Inc

We have audited the accompanying consolidated balance sheet of Kandi Technologies Group, Inc. and subsidiaries ("the Company") as of December 31, 2014 and 2013 and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014. We have also audited the internal control over financial reporting of the Company as of December 31, 2014, based on criteria established in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kandi Technologies Group, Inc. as of December 31, 2014 and 2013 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with US generally accepted accounting principles.

Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Hong Kong, China	/s/ AWC (CPA) Limited
March 16, 2015	Certified Public Accountants

KANDI TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 2014	December 31, 2013
CURRENT ASSETS		
Cash and cash equivalents	$ 26,379,460	$ 12,762,369
Restricted cash	13,000,731	1,636
Accounts receivable	15,736,805	31,370,862
Inventories (net of provision for slow moving inventory of $315,584 and $352,734 as of December 31, 2014 and 2013 respectively	15,403,840	9,187,714
Notes receivable	9,060,441	13,794,094
Other receivables	238,567	556,904
Prepayments and prepaid expenses	120,761	505,513
Due from employees	34,475	34,272
Advances to suppliers	6,901,505	8,867,074
Amount due from JV Company, net	51,450,612	2,917,592
Deferred tax	-	13,706
Total Current Assets	138,327,197	80,011,736
LONG-TERM ASSETS		
Plant and equipment, net	26,215,356	29,333,516
Land use rights, net	15,649,152	14,453,191
Construction in progress	58,510,051	16,356
Deferred taxes	-	81,076
Investment in associated company	-	96,838
Investment in JV Company	83,309,095	79,331,930
Goodwill	322,591	322,591
Intangible assets	577,401	659,496
Other long-term assets	162,509	-
Total Long-Term Assets	184,746,155	124,294,994
TOTAL ASSETS	$ 323,073,352	$ 204,306,730

See notes to consolidated financial statements

KANDI TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2014	December 31, 2013
CURRENT LIABILITIES		
Accounts payable	$ 45,772,481	$ 22,843,143
Other payables and accrued expenses	5,101,740	2,422,613
Short-term bank loans	35,589,502	34,020,281
Customer deposits	2,630,723	44,404
Notes payable	5,702,121	16,683,023
Income tax payable	1,835,685	1,362,828
Due to employees	15,787	10,297
Deferred taxes	230,864	-
Financial derivate - liability	2,245,610	9,256,827
Total Current Liabilities	99,124,513	86,643,416
LONG-TERM LIABILITIES		
Deferred tax	2,266,725	1,009,477
Bond payable	-	13,084,724
Financial derivatives - liability	10,097,275	15,042,994
Total Long-Term Liabilities	12,364,000	29,137,195
TOTAL LIABILITIES	111,488,513	115,780,611
STOCKHOLDERS' EQUITY		
Common stock, $0.001 par value; 100,000,000 shares authorized; 46,274,855 and 37,012,904 shares issued and outstanding at December 31, 2014 and 2013, respectively	46,275	37,013
Additional paid-in capital	190,258,037	76,754,774
Retained earnings (the restricted portion is $4,172,324 and $3,807,551 at December 31, 2014 and 2013, respectively)	16,390,424	4,119,086
Accumulated other comprehensive income	4,890,103	7,615,246
TOTAL STOCKHOLDERS' EQUITY	211,584,839	88,526,119
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 323,073,352	$ 204,306,730

See notes to consolidated financial statements

KANDI TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

	2014	2013	2012
REVENUES, NET	$ 170,229,006	$ 94,536,045	$ 64,513,670
COST OF GOODS SOLD	(146,825,073)	(72,793,517)	(51,620,280)
GROSS PROFIT	23,403,933	21,742,528	12,893,390
OPERATING EXPENSES:			
Research and development	(2,755,637)	(3,728,730	(2,877,283)
Selling and marketing	(1,345,588)	(399,504)	(455,983)
General and administrative	(14,058,548)	(16,056,107)	(4,250,832)
Total operating expenses			