UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2020**

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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	KNDI	NASDAQ Global Select Market

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 ☒

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 ☒

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "Emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of voting common stock held by non-affiliates of the registrant as of June 30, 2020, the last business day of the registrant's second fiscal quarter, was approximately $167,640,232.

The number of shares of common stock outstanding as of March 25, 2021 was 75,387,555.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

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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," "our company 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 “Company” are to the combined businesses of Kandi Technologies Group, Inc. and its subsidiaries.

Item 1. Business Introduction

Our Core Business

The Company was mainly engaged in the development, production and distribution of the electric vehicle (“EV”) products, EV parts and off-road vehicle products.

Our Organizational Structure

The Company’s organizational chart as of the date of this report is as follows:

Please refer to the discussion in NOTE 1 - ORGANIZATION AND PRINCIPAL ACTIVITIES of the Notes to the Consolidated Financial Statements under Item 8 of this Annual Report for a narrative of our organization structure and operating subsidiaries, including their dates of incorporation and history.

Industry Overview

Over the years, governments and the automobile manufacturing industry have reached a consensus on the importance of diversifying the automobile industry and utilizing various energy resources. China is one of the world's largest automobile markets. China has relatively scarce fuel reserves but rich natural resources of electric power. As a result, the Chinese government has been implementing industrial policies of supporting new energy vehicles. The diversified market with the coexistence of traditional fuel vehicles, plug-in hybrid vehicles and pure electric vehicles has been initially formed. We believe China is the most prospective market for pure electric vehicles. We also believe that in the global automobile industry, there is great development space for the Chinese electric vehicle and core parts industry in the future.

In December 2019, an outbreak of coronavirus disease 2019 ("COVID-19"), caused by severe acute respiratory syndrome coronavirus, was first found in Wuhan, China. The World Health Organization ("WHO") declared the outbreak to be a Public Health Emergency of International Concern on January 30, 2020 and recognized it as a pandemic on March 11, 2020. COVID-19 has had a significant impact on the global economy and many industries, including the automobile and parts industry. However, as the outbreak in China has been gradually managed under control, the automobile and parts industry has also resumed productions. Stimulated by the various preferential policies of the Chinese government to promote economic development, we believe the automobile and its parts industry will return onto the track for the next development.

As one of the pioneers in China's electric vehicle industry, Kandi has spent years in the innovation of the new energy vehicle technology research and development, production layout and market promotion mode, Kandi has successfully taken its position in China's electric vehicle industry, especially in the areas of the production and manufacturing of electric vehicles and core parts.

Competitive Landscape

In general, our EV business faces competition from two groups of competitors: traditional vehicle manufacturers and new market entrants.

In terms of competition with conventional fuel vehicle manufacturers, many of the conventional fuel vehicle manufacturers are much larger in terms of size, manufacturing capabilities, customer bases, financial, marketing and human resources than the electric vehicle manufacturers. However, the conventional fuel automobiles face many challenges, including but not limited to environmental pollution and energy scarcity, which in turn provide great opportunities for the rapid development of the EV industry in China.

On March 31, 2020, in order to promote automobile consumption, the executive meeting of the State Council decided to extend two preferential policies of new energy vehicle purchase subsidy and vehicle purchase tax exemption for another two years, which were originally due at the end 2020. The Chinese government has released various national policies to promote the high-quality development of the electric vehicle industry with goals to facilitate the transformation and upgrading of the automobile industry, to improve the comprehensive competitiveness of the electric vehicle industry, to support the electric vehicle and its core parts industry, to accelerate the resumption of production, and to promote the automobile consumption to cope with the impact of COVID-19 on the national economy.

Our Opportunities and Growth Strategy

Local governments in China are pushing for new electric vehicle adoption with strong policy support, due to worsening air pollution and concerns about petroleum resource dependence. As one of the beneficiaries of the new energy vehicle industry take-off, Kandi has become one of the front runners in China's electric vehicle industry, given its technology innovation with integrated solutions and operation experience.

Our business strategy includes efforts to provide customers with high-quality products, to expand our footprint in new and existing markets, and to advance our profile and the market demand through the further innovations in the Car- Share Program. We also provide EV products to end users through our distributors.

Today, cities in China face four critical challenges in the traffic environment, including pollution, traffic congestion, insufficient parking availability and growing scarcity of energy supplies, which are mainly the result of ever growing volume of gas-powered private cars. The best solution to these problems is to increase more affordable public transportation for urban residents. Subway and bus used to be the most popular public transportation options in China. They form the main artery of urban public transportation but such system is lack of capillary. In this regard, we introduced the Car-Share Program by using pure electric vehicles. Urban public transportation system can be improved with the online ride-sharing service ("ORSS") program.

In order to create an ecosphere of EV changing-battery-model, on October 22, 2020, the Company entered into a strategic agreement with Zhejiang State Grid Electric Vehicle Service Company. The two parties will cooperate extensively across the whole supply chain for electric vehicle-battery exchange. This in-depth collaboration will focus on the following areas: centralized constant temperature battery charging, distribution, maintenance, battery recycling, construction and operation of power exchange networks, power exchange services to meet energy demand, grid auxiliary services, flexible control of power load exchange, as well as other value-added services for power exchange stations. The two parties will first start their collaboration in the project of "300,000 government-accredited ride-sharing vehicles within 5 years" (the "Online Ride-Sharing Project") initiated by Kandi, and then expand into new areas of cooperation based on the progress in this collaboration. In October 22, 2020, the Company established Zhejiang Ruiheng Technology Company with Zhejiang Ruibo New Energy Vehicle Service Company Ltd. and Jiangsu Jinpeng Group Ltd. The Online Ride-Sharing Project will be undertaken by Zhejiang Ruiheng. One of the special points of the Online Ride-Sharing Project is that all the cars in this project will use the changing-battery-model. The changing-battery-model is able to solve problems such as high price of EVs, short recharging mileage, long recharging time, shortage of charging facilities, battery attenuation and potential pollution problems and so on. Furthermore this model allows the battery to be slowly recharged at a constant temperature, which prolongs the usage life of the battery and truly realize green energy efficiency. We believe that this upgrade to ORSS program from MPT ("Micro Public Transportation") advocated and practiced by Kandi will become the benchmark of urban car-share and play a significant role in the development of EV changing-battery-model ecosphere.

SC Autosports, LLC ("SC Autosports") is a Dallas-based sales company with nationwide sales channels in the U.S that is primarily engaged in the wholesale of off-road vehicle products, with a small percentage of its business derived from off-road vehicle parts wholesale and retail. It has a seasoned management team and a distribution force averaging over ten years of sales experience. To gain access to and promote electric vehicle products to the U.S. market, on July 1, 2018, we acquired 100% ownership of SC Autosports. During 2020, the Company received the required clearance from the United States Environmental Protection Agency (EPA) for its two electric vehicle (EV) models – the K23 and K27 – via Certificates of Conformity.

Our Products

General

For the years ended December 31, 2020 and 2019, our products consist of EV parts, EV products, and off-road vehicles including ATVs, utility vehicles ("UTVs"), go-karts, and electric scooters, electric self-balancing Scooters and associated parts. Based on our market research on consumer demand trends, we have adjusted our production line strategically and continue to develop and manufacture new products in an effort to meet market demand and better serve our customers.

The following table shows the breakdown of our net revenues:

	Year Ended December 31	
	2020	2019
	Sales Revenue	Sales Revenue
Primary geographical markets		
Overseas	$ 29,394,148	$ 24,623,424
China	47,526,365	111,117,912
Total	$ 76,920,513	$ 135,741,336
Major products		
EV parts	$ 40,645,696	$ 110,675,908
EV products	684,525	108,640
Off-road vehicles	29,824,323	22,743,142
Electric Scooters, Electric Self-Balancing Scooters and associated parts	5,765,969	2,213,646
Total	$ 76,920,513	$ 135,741,336
Timing of revenue recognition		
Products transferred at a point in time	$ 76,920,513	$ 135,741,336
Total	$ 76,920,513	$ 135,741,336

Sales and Distribution

In 2020, the Company's primary products were electric vehicle parts and off-road vehicles. During 2020, there was a higher sales concentration in off-road vehicles compared to 2019 although the distribution remained similar in both years. In 2020, Zhejiang Kandi Technologies launched new intelligent transportation products, including Electric Scooters and Electric Self-Balancing Scooters.

Customers

For the year ended December 31, 2020 and 2019, our major customers, in the aggregate, accounted for 38% and 78% of our sales. We are working on developing new business partners and clients for our products to reduce our dependence on existing customers and is focusing our new business development efforts on our EV business.

For the year ended December 31, 2020 and 2019, the Company's major customers, each of whom accounted for more than 10% of our consolidated revenue, were as follows:

	Sales		Trade Receivable	
Major Customers	**Year Ended December 31, 2020**	**Year Ended December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Customer A	24%	51%	15%	55%
Customer B	14%	15%	7%	5%
Fengsheng Vehicles Technologies Group Co., Ltd. and its subsidiaries	-	12%	33%	32%

Sources of Supply

All raw materials are purchased from suppliers. We have developed close relationships with several key suppliers particularly in the procurement of certain key parts. While we obtain components from multiple third-party sources in some cases, we do not have, and do not anticipate having, any difficulty in obtaining required materials from our suppliers. We believe that we have adequate supplies or sources of availability of the raw materials necessary to meet our manufacturing and supply requirements.

For the year ended December 31, 2020 and 2019, the Company's material suppliers, each of whom accounted for more than 10% of our total purchases, were as follows:

	Purchases		Accounts Payable	
Major Suppliers	**Year Ended December 31, 2020**	**Year Ended December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Zhejiang Kandi Supply Chain Management Co., Ltd.	49%	73%	9%	8%
Supplier D	22%	11%	5%	-

Intellectual Property and Licenses

Our success partially depends on our ability to protect our core technology and intellectual property. We rely on a combination of patents, patent applications, trademarks, copyrights 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. During 2020, Zhejiang Kandi Technologies (formerly known as Kandi Vehicles) received a total of 3 utility model patents. As of December 31, 2020, Zhejiang Kandi Technologies had a total of 85 valid patents and 2 software copyrights, including 1 invention patent, 45 utility model patents and 39 appearance design patents. During 2020, Kandi Smart Battery Swap received total 13 utility model patents and 6 appearance design patents. As of December 31, 2020, Kandi Smart Battery Swap had a total of 51 valid patents, including 43 utility model patents and 8 appearance design patents. During 2020, Kandi New Energy received 1 utility model patent. As of December 31, 2020, Kandi New Energy had a total of 6 valid patents, including 2 utility model patents and 4 appearance design patents. In 2020, Kandi Hainan received a total of 13 utility model patent. As of December 31, 2020, Kandi Hainan had a total of 19 valid patents. As of December 31, 2020, Yongkang Scrou had a total of 6 valid patents, including 2 utility model patents and 4 appearance design patents. Under Chinese 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. In addition, we are authorized to use the trademark “Kandi”. We intend to continue to file additional patent applications with respect to our technology.

Zhejiang Kandi Technologies was certified in intellectual property management systems in 2017 and is recognized as a national High and New Technology Enterprise by Zhejiang Provincial Science and Technology Bureau, Zhejiang Provincial Department of Finance, Zhejiang Provincial National Tax Bureau and Zhejiang Provincial Local Tax Bureau. The certification is renewed on December 2020. Kandi Smart Battery Swap was certified in intellectual property management systems in 2018 and is recognized as a national High and New Technology Enterprise by Zhejiang Provincial Science and Technology Bureau, Zhejiang Provincial Department of Finance, Zhejiang Provincial National Tax Bureau and Zhejiang Provincial Local Tax Bureau on November, 2018. Kandi Hainan was certified in intellectual property management systems in 2020 and is recognized as a national High and New Technology Enterprise on December 2020.The certification is valid for three years. The status of being a national High and New Technology Enterprise qualifies Zhejiang Kandi Technologies for a preferred 15% income tax rate, as opposed to a standard corporate income tax rate at 25%.

In 2020, Zhejiang Kandi Technologies was named as one of the “Top 10 Enterprises” of Jinhua Economic Development Zone.

Employees

As of December 31, 2020, excluding contractors and employees with the Affiliate Company, Kandi had a total of 638 full-time employees, as compared to 594 full-time employees on December 31, 2019, of which 368 employees are production personnel, 35 employees are sales personnel, 89 employees are research and development personnel, and 146 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.

Environmental and Safety Regulation

Emissions

Our products are all subject to international laws and emissions related standards and regulations, including regulations and related standards established by China Environmental Protection Agency, the United States Environmental Protection Agency, the California Air Resources Board, and European and Canadian legislative bodies.

According to the management’s knowledge, the Company’s products have been designed and developed according to the environmental regulations of the target market since the research and development period, and have passed the corresponding tests before the products are put into production and sales, and obtained the compulsory product certification of the corresponding countries and regions.

If the standards and rules we execute are modified, or interpreted differently, or the product certification certificate expires, we will evaluate the product and restart the corresponding product design improvement and product testing/certification procedures to continuously ensure the target market environment regulatory compliance. The Company cannot estimate the extent to which these changes, if any, will affect our operating costs in the future.

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 off-road vehicles and regulates the safety of electric vehicles for road vehicles.

In August 2008, the Consumer Product Safety Improvement Act (the "Product Safety Act") was passed. The Product Safety Act requires all manufacturers and distributors who import into or distribute ATVs within the United States to comply with the American National Standards Institute/Specialty Vehicle Institute of America ("ANSI/SVIA") safety standard, which previously had been voluntary. The Product Safety 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. Both Kandi and SC Autosports currently comply with the ANSI/SVIA standard.

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

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

The Company has received the required clearance from the United States Environmental Protection Agency (EPA) for its two electric vehicle (EV) models, the K23 and K27 via Certificates of Conformity. We are performing self-inspection comparing to the safety standards published by the United States Department of Transportation. We are also in the process of modifying features, upgrading the software and technology for the EVs to cater for our potential U.S. customers.

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.

Recent Development Activities

On November 12, 2020, we closed a registered direct offering of 9,404,392 units of our securities at a purchase price per unit of $6.38, generating aggregate gross proceeds of approximately $60,000,000, before deducting fees to the placement agent and other estimated offering expenses payable, approximately $3.1 million, by the Company. Each unit consisted of one share of our common stock, and 0.4 warrants to purchase a share of our common stock. The warrants have an exercise price of $8.18 per share and a term of 30 months, but are not exercisable for the first six months following issuance. The Company issued a total of 9,404,392 shares of common stock and warrants for the purchase of up to 3,761,757 shares of common stock to the investors in the placement. The net proceeds from this offering will be used for general working capital purposes.

On November 23, 2020, we closed a registered direct offering of 8,849,560 units of our securities at a purchase price per unit of $11.30. The offering generated aggregate gross proceeds of approximately $100 million, before deducting fees to the placement agent and other estimated offering expenses payable, approximately $5.0 million, by the Company. Each unit consisted of one share of our common stock, and 0.4 warrants to purchase a share of our common stock. The warrants have an exercise price of $14.50 per share, with a term of 30 months, and are exercisable upon issuance. The Company issued a total of 8,849,560 shares of common stock and warrants for the purchase of up to 3,539,825 shares of common stock to the investors in the offering. The net proceeds from this offering will be used for general working capital purposes, including research and development for EV sports car models and expenditures necessary to ensure that our EV models comply with all necessary requirements for the entry into the U.S. market.

On December 29, 2020, we announced that we entered into a strategic cooperation agreement with the Hangzhou Branch of the Agricultural Bank of China. Given China's effort to both encourage the battery swap model for electric vehicles and to support a compliant online ride-sharing market, a strategic partnership was established among Zhejiang Kandi Technologies, Zhejiang Ruiheng Technology Company ("Zhejiang Ruiheng"), China Battery Exchange (Zhejiang) Technology Co., Ltd. ("China Battery") and the Hangzhou Branch of the Agricultural Bank of China. The parties will promote the implementation of the program of "300,000 government-accredited ride-sharing vehicles within 5 years". A signing ceremony was held at the headquarters of Hangzhou Branch of the Agricultural Bank of China on December 25, 2020.

On January 27, 2021, we announced that Kandi Hainan signed a contract to sell 3,000 model K23 electric cars to an operating company in its ride-sharing alliance. The cars will be deployed in the rideshare market by operator Zhejiang Ruiheng. The sale is part of Kandi's rideshare development program of "300,000 government-accredited ride-sharing vehicles within 5 years."

On March 15, 2021, we announced that we exited our position in Fengsheng Automotive Technologies Group Co., Ltd (the "Affiliate Company" or "Fengsheng"). Zhejiang Kandi Technologies has completed the transfer under an Equity Transfer Agreement (the "Transfer Agreement") with Geely, pursuant to which Kandi's 22% equity interest in Fengsheng was transferred to Geely in exchange for RMB 308 million (approximately $47.3 million) in cash. Zhejiang Provincial Administration for Market Regulation recorded the update of the ownership of Fengsheng on March 9, 2021.On March 16, 2021, the Company received the first half of the equity transfer payment of RMB 154,000,000 (approximately $23.6 million).

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 and 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.

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

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 EV products, 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 we may suffer a resulting 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 the 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, 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 or 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 sell or produce. 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 (including the products SC Autosports sells in the U.S.) 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 investors 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 the results of our 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 the electronic systems of our vehicles 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 China, 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 the 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 or 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; or
- 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 protections. 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 could 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 have the potential to catch fire or vent smoke and flame. This may lead to additional concerns about batteries used in automotive applications.

The battery packs in our EV products make 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 batteries used in automotive applications. To address these questions and concerns, a number of battery 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, or 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 EV products. 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 the 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.

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

As of December 31, 2020 and 2019 our major customers (above 10% of the total revenue), in the aggregate, accounted for 38% and 78%, respectively, of our sales. Due to the concentration of sales to relatively few customers including the Affiliate Company, loss of one or more of these customers will have relatively high impact on our operational results. In the event that our relationship with the Affiliate Company and/or our partner in the Affiliate Company changes negatively, our operating results would be materially negatively affected.

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, 2020 and 2019, our top two suppliers accounted for 71% and 84% 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, epidemics or other unpredictable events.

Our headquarters and facilities are located in several cities in China such as Jinhua, Yongkang and Haikou. 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. For example, our business could be adversely affected by the effects of a widespread outbreak of contagious disease, including the outbreak of COVID-19. Any outbreak of contagious diseases, and other adverse public health developments, particularly in China, could have a material and adverse effect on our business operations. These could include disruptions or restrictions on our ability to travel or to distribute our products, as well as temporary closures of our facilities or the facilities of our suppliers, manufacturers or customers. Any disruption or delay of our operation and those of our suppliers, manufacturers or customers would adversely impact our sales and operating results. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of China and many other countries, resulting in an economic downturn that could affect demand for our products and we may incur expenses relating to such damages, which could have a material adverse impact on our business, operating results and financial condition.

Pandemic COVID-19 may adversely impact the transportation industry and our business.

Our ability to manufacture and/or sell our products may be impaired by damage or disruption to our manufacturing, warehousing or distribution capabilities, or to the capabilities of our suppliers, logistics service providers or independent distributors. This damage or disruption could result from factors that are hard to predict or are beyond our control, such as natural disasters, fire, terrorism, pandemics, strikes, cybersecurity breaches, government shutdowns, disruptions in logistics, supplier capacity constraints or other events.

The spread of COVID-19 around China and other parts of the world has caused significant volatility in the markets of China, U.S., and the rest of the world. The pandemic has resulted in quarantines, travel restrictions, and the temporary closure of stores and facilities in China and elsewhere. Although the Company's operations in China has fully resumed in early March 2020, our revenue was impacted by the COVID-19 pandemic in 2020. However, the extent to which the COVID-19 impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or minimize its harm, among others.

Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, may adversely affect our business or financial results. Disputes with significant suppliers, logistics service providers or independent distributors, including disputes regarding pricing or performance, may also adversely affect our ability to manufacture and/or sell our products, as well as our business or financial results. We are actively monitoring the recent coronavirus outbreak and its potential impact on our supply chain and operations. Due to current and potential future port closures and other restrictions resulting from the outbreak, global supply may become constrained, which may cause the negative impact on our sale of off-road vehicles to the U.S. While we do not expect that the virus will have a material adverse effect on our business or financial results at this time, we are unable to accurately predict the impact that the coronavirus will have due to various uncertainties, including the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and effectiveness of the actions that may be taken by governmental authorities.

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.

Although we continue to maintain and improve our internal control procedures, 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.

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 Chinese economy had historically resulted in widespread growth opportunities for 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 enterprises in China. 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 continues unchecked, our costs would be likely to 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.

The coronavirus outbreak has significantly slowed down China's extraordinary, nearly half-century-long run of growth. According to an article titled "China's Economy Shrinks, Ending a Nearly Half-Century of Growth" published on the New York Times on April 18, 2020, Chinese officials said that China's economy shrank 6.8 percent in the first three months of 2020 compared with a year ago. The data reflects China's drastic efforts to stamp out the coronavirus, which included shutting down most factories and offices in January and February as the outbreak sickened tens of thousands of people. Although China has managed a turnaround during the fourth quarter of 2020, we cannot predict how China's economy will develop amid the significant uncertainties caused by the COVID-19 pandemic.

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 Chinese government has been promulgating and amending 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 Chinese 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.

Fluctuations in exchange rates could adversely affect our business and the value of our securities.

The value of our common stock will be indirectly affected by the foreign exchange rate between U.S. dollars and RMB and between those currencies and other currencies in which our sales may be denominated. Because substantially all of our earnings and cash assets are denominated in RMB, fluctuations in the exchange rate between the U.S. dollar and the RMB will affect our balance sheet and our earnings per share in U.S. dollars. In addition, appreciation or depreciation in the value of the RMB relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

Investors may experience difficulties in effecting service of legal process, enforcing judgements or bringing original actions based on United States or foreign laws against us or our management.

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 Chinese counsel has advised us that China 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.

Changes to the government's subsidy support policies and further delays in subsidy payments may have negative impacts on our operations.

On March 31, 2020, in order to promote automobile consumption, the executive meeting of the State Council decided to extend two preferential policies of new energy vehicle purchase subsidy and vehicle purchase tax exemption for another two years, which were originally due at the end 2020. However, there is no assurance that such favorable policies will be further extended when they become due in two years. Any unfavorable changes of the policies, 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.

Risks Associated With the Export of Kandi Electric Vehicles to the United States

Our intellectual property rights may be harmed by competitors preemptively filing legitimate and illegitimate patents, which could create significant barriers for our business by preventing us from adequately protecting our intellectual property.

Multinational automobile companies usually obtain patent portfolios consisting of basic patents and peripheral patents on improvements and related technologies, thereby creating patent barriers in the industry. At the same time, certain multinational automobile companies also maliciously apply for patents, in order to obtain an unlawful competitive advantage or to directly receive invalid rights and use patents as weapons in litigation. New energy vehicles are emerging products in worldwide markets in recent years, while relevant and related patents in the industry are still in force. Kandi may be seriously adversely affected by intellectual property rights barriers through participation in the competitive international automobile market. Therefore, Kandi faces risks of patent barriers and intellectual property litigation in the future.

Failures in our overseas business and export trade processes may present a risk of significant losses to our business.

Our automobile product export and overseas operations sections involve import and export currency exchange, insurance, ocean transportation, customs clearance and various other logistical procedures. A loss of trust in any part of the chain can lead to the failure of transactions, which in turn causes huge losses to our enterprise. In the future, the Company will expand its overseas market. An insufficient assessment of the capital strength and commercial credit of its partners, or any fraud in risk prevention and risk control systems may cause economic losses for the Company due to its business partners' breach of contract or even fraud. In short, the export of Kandi electric vehicles to the United States may have risks in the overseas operation and export trade process.

The developed countries that import our products have strict environmental laws and regulations which may cause us to expend significant sums to comply with such laws and regulations.

The United States and other developed countries have strong awareness of environmental protection and product safety regulations. The penalties for violating environmental laws in such countries are extremely high. Developed countries have mature and highly saturated automobile markets. Costs associated with maintaining controls over atmospheric emissions, harmful toxic substances, and products safety are getting higher in an accelerated manner. The process for a company to obtain the applicable certifications is time-consuming, complicated and expensive. Kandi will also face the adverse impact of compliance with policy and regulatory standards in the United States. Thus, Kandi may face the risk of not being able to sustain its business in accordance with US and state environmental protection and product safety policies and regulations.

Our short-term financial performance may suffer due to our investment in expanding our presence and sales in the United States.

Chinese auto products have market competition disadvantages in terms of technology content, product structure, product quality and brand influence. It is difficult to reverse the sentiment of "low quality and low price" that have followed Chinese automobiles for a long time, resulting in weakened bargaining power for Chinese auto companies and generally low gross profit margins. Kandi is expanding into the US market and rely on overseas distributors to establish a marketing network and after-sales service guarantee system. All actions require the Company to invest a certain amount of resources. Additionally electric vehicle sales may face a slow growth period. In a certain period of time, the growth of operating income lags behind the increase in sales inputs. At the same time, the Company cannot predict the direct economic loss caused by an unsatisfactory market expansion caused by the adverse factors of market competition. Cash flows for Kandi and SC Autosports may be significantly adversely affected by large investments and small revenues in the short term. Therefore, there may be a risk that the short-term financial performance indicators will fall due to factors such as the expansion of resources in overseas markets.

Risks Relating to Ownership of Our Securities

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

The stock markets have experienced significant price and trading volume fluctuations. Although our stock has been trading on the NASDAQ Global Select Market since January 2, 2014, the trading price of our common stock may 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; or
- general sentiment on China-based companies' securities.

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, 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 17.01% of our outstanding shares of common stock as of December 31, 2020. 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 controls 18.94% 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 other corporate actions. This control could delay, defer or prevent others from initiating a potential merger, takeover or other change in 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 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. We presently intend to retain all earnings in order to implement our business plan; accordingly, we do not anticipate the declaration of any dividends for common stock in the foreseeable future.

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 certificate of incorporation does not contain any specific provisions that limit the liability of our directors for monetary damages to the Company or shareholders; however, we are prepared to indemnify our directors and officers to the extent provided for by Delaware law. We may also have included 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 the 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 the Company and shareholders.

We may require 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 investments or acquisitions that 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 investors 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 may increase 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 (sometimes 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.

Short seller publications are not regulated by any governmental, self-regulatory organization or other official authority in the U.S. and 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 had the following granted land use rights as of December 31, 2020:

Location	Area (square meters)	Term and Expiration	Certificate No.
Zhejiang Jinhua Industrial Park*	72,901	Nov 13, 2002 - Nov 13, 2052	10-75013
Zhejiang Jinhua Industrial Park*	39,491	Nov 13, 2002 - Nov 13, 2052	10-75014
Zhejiang Jinhua Industrial Park*	46,651	Dec 30, 2003 - Dec 30, 2053	110-12504
Zhejiang Jinhua Industrial Park*	37,515	Dec 30, 2003 - Dec 30, 2053	110-12850
Zhejiang Jinhua Industrial Park*	49,162	Dec 30, 2003 - Dec 30, 2053	110-11343
Zhejiang Jinhua Industrial Park*	19,309	Dec 07, 2009 - Dec 07, 2059	110-05918
Jinhua New Energy Vehicle Town	58,587	Oct 22, 2020- Oct 22, 2070	33201931343
Zhejiang Qiaoxia Industrial Park	5,864	Apr 03, 2001 - Apr 03, 2051	574-26-36
Zhejiang Qiaoxia Industrial Park	3,851	Jan 21, 2018 - Jan 20, 2068	3310-1414461

* On March 10, 2020, Zhejiang Kandi Technologies and Jinhua Economic and Technological Development Zone (or the "local government") entered into a real estate repurchase agreement (the "Repurchase Agreement"), pursuant to which the Company sold its land use rights over the 265,029 square meters land areas in Zhejiang Jinhua Industrial Park and the real properties on such land (the transaction, the "Land Repurchase"). Pursuant to the Repurchase Agreement, the local government agreed to pay Zhejiang Kandi Technologies an aggregate of approximately RMB525 million (approximately $80 million), payable in three installments. On May 22, 2020, the Company received the first payment of RMB 244 million (approximately $37 million) under the Repurchase Agreement. On July 9, 2020, the Company received the second payment of RMB 119 million (approximately $18 million) under the Repurchase Agreement. The final payment of RMB 162 million ($25 million) will be received when the Company vacates the land, factory buildings, and other real estate and moves to the new facility. During June 2020, land use right in the net carrying value of $2.3 million was returned to the government as the Company began to perform its obligations under the Repurchase Agreement, and the gain on such disposal of approximately about RMB 98 million or USD 14 million was recognized. The Company is currently in the process of moving out of the old location and we expect to complete the relocation process around March 31, 2021. We will then go through the clearance and delivery procedures with the government. The remaining compensation income of relocation will be confirmed after the procedures are completed. As of December 31, 2020, the land certificate has been cancelled and corresponding land use right has been reclassed to other long term assets.

As of December 31, 2020, the net book value of Zhejiang Jinhua Industrial Park's land use rights pledged as collateral for the Company's bank loans were $0. Pursuant to the Repurchase Agreement, part of the first installment paid by the local government will be directly paid to the banks to remove the liens imposed in connection with these bank loans.

All land in China 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 "land use rights." 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; or
- allocated land use rights.

In comparison with the 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 Chinese 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 as of December 31, 2020:

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

As of December 31, 2020, the net book value of Zhejiang Jinhua Industrial Park's property, plant and equipment pledged as collateral for the Company's bank loans were $0. As a result of the Land Repurchase discussed above, the Company has sold its land use rights in Jinhua Industrial Park and the real properties on such land to the local government. Pursuant to the Repurchase Agreement, the Company will need to deliver a vacated land to the local government before November 30, 2020, which was postponed to March 2021 after negotiation with the local government. The Company is currently in the process of moving out of the old location and we expect to complete the relocation process around March 31, 2021. In addition, part of the local government's first payment were used to pay off the bank loans and consequently, to remove the liens on these properties.

As of December 31, 2020, the property ownership certificate has been cancelled and the corresponding properties have been reclassed to other long term assets.

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

Haikou City, Hainan

In December 2015, the Company signed an investment contract with Haikou State High Technology Industry Development Zone to build up the EV production facility in Haikou City to an annual production of 100,000 EV products. The Hainan facility's main project including manufacturing plant and office, main manufacturing equipment and facilities has been completed and the project completion acceptance is being processed.

Description	Area (square meters)	Status
Factories	145,000*	Completed

* Estimate number based on the planning map provided by Haikou State High Technology Industry Development Zone as the land certificate is in the process of application.

Item 3. Legal Proceedings.

From time to time, the Company is involved in legal matters arising in the ordinary course of business. Except as set forth in Note 26 - COMMITMENTS AND CONTINGENCIES under Item 8 Notes to Consolidated Financial Statements, our management is currently not aware of any legal matters or pending litigation that would have a significant effect on the Company's results of operation of financial statements. For the detailed discussion of our legal proceedings, please refer to Note 26 - COMMITMENTS AND CONTINGENCIES under Item 8 Notes to Consolidated Financial Statements, which is incorporated by reference herein.

Other than the above described legal proceedings, the Company is not aware of any other legal matters in which any director, officer, or any owner of record or beneficial owner of more than five percent of any class of voting securities of the Company, or any affiliate of any such director, officer, affiliate of the Company, or security holder, is a party adverse to the Company or has a material adverse interest to the Company. No provision has been made in the consolidated financial statements for the above contingencies.

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".

Holders of Common Stock

As of March 25, 2021, there were 33 shareholders of record of our common stock. This does not include all 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 the 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, 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 may deem relevant.

Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On May 14, 2019, the board of directors had authorized the repurchase of up to $20 million worth of the Company's common stock in open market transactions or in privately negotiated transactions. As previously disclosed, the Company had repurchased a total of 487,155 common shares at an average stock price of $5.09 per share under the repurchase plan. There was no repurchase during the fourth quarter of 2019 and such repurchase plan expired on December 31, 2019. On December 16, 2020, the board of directors of the Company approved to retire 487,155 shares of its common stock held in treasury, and the retirement was completed as of December 31, 2020.

Securities Authorized for Issuance under Equity Compensation Plans

	Equity Compensation Plan Information		
Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))**
	(a)	**(b)**	**(c)**
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Equity compensation plans approved by security holders	900,000	9.72	13,268,131
Totals	900,000	9.72	13,268,731

ITEM 6. SELECTED FINANCIAL DATA

As a “smaller reporting company” as defined in Item 10 of Regulation S-K, we are not required to provide the information required by this item.

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

Overview

We are one of the leading manufacturers of EV products (through Kandi Hainan and the Affiliate Company), EV parts and off-road vehicles in China. For the year ended December 31, 2020, we recognized total revenue of $76,920,513 as compared to $135,741,336 for the same period of 2019, a decrease of $58,820,823 or 43.3%. For the year ended December 31, 2020, we recorded $13,487,933 of gross profit, a decrease of 47.0% from the same period of 2019. Gross margin for the year ended December 31, 2020, was 17.5%, compared to 18.7% for the same period of 2019. We recorded a net loss of $10,394,164 for the year ended December 31, 2020, compared to a net loss of $7,188,727 in the same period of 2019, an increase in loss of $3,205,437 or 44.6%.

The spread of COVID-19 around China and other parts of the world has caused significant volatility in the markets of China, U.S., and the rest of the world. The pandemic has resulted in quarantines, travel restrictions, and the temporary closure of stores and facilities in China and elsewhere. Although the Company’s operations in China has fully resumed in early March 2020, the COVID-19 has affected the Company’s business performance in 2020. Though it becomes more stable in China, there are new cases reported continuously at present. The extent to which the COVID-19 may impact operations of the Company, with majority of operations based in China, is alleviated though it remains uncertain due to the fact that the COVID-19 is not completely over. The extent to which the COVID-19 impacts our operations will depend on its future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or minimize its harm, among others.

Despite the challenges posed by COVID-19 around the world, overall, we were still productive during the year ended December 31, 2020 since our production resumed in March 2020. Most importantly, after a lengthy process of preparation, the “300,000 government-accredited pure EV within 5 years rideshare” program - of which Kandi was a co-founder - has begun its trial with the plan of gradual delivery of 1,000 EVs to the city of Haikou in Hainan province and 2,500 EVs to the city of Shaoxing in Zhejiang province. All the EVs delivered for the program include our battery swap feature. We believe that this program can drive the production and sales of our EV parts and battery swap equipment, and we can thus restore growth in our pure EV business.

The COVID-19 outbreak has seriously impacted the EV market in 2020, leading us to explore how to augment our business. As we looked at other market opportunities that leverage our expertise, the management of the Company found potential in a number of ancillary products aimed at intelligent transportation. For example, Electric Scooters and Electric Self-Balancing Vehicles have distinct potential, with tens of millions of units sold each year around the world. The Company is pursuing these opportunities by expanding production of intelligent transportation products that exploit our advantages in the Yongkang Scrou’s power electric motor and Kandi Smart Battery Swap’s power battery pack. Our products aimed at this market combine our motors and battery packs into a dynamic power train system. The products went into production in the second quarter of 2020. As this business is developing quickly and progressing, the Company transferred all of its equity interest in Yongkang Scrou to Jinhua An Kao (changed name to Kandi Smart Battery Swap), and the work of separate listing Kandi Smart Battery Swap on domestic A-share has been started.

The Company has received the required clearance from the United States Environmental Protection Agency (EPA) for its two electric vehicle (EV) models, the K23 and K27 via Certificates of Conformity. We are performing self-inspection comparing to the safety standards published by the United States Department of Transportation. We are also in the process of modifying features, upgrading the software and technology for the EVs to cater for our potential U.S. consumers.

Results of Operations

Comparison of Years Ended December 31, 2020 and 2019

The following table sets forth the amounts and percentage to revenue of certain items in our condensed consolidated statements of operations and comprehensive income (loss) for the years ended December 31, 2020 and 2019:

	Years Ended					
	December 31, 2020	**% of Revenue**	**December 31, 2019**	**% of Revenue**	**Change in Amount**	**Change in %**
REVENUES FROM UNRELATED PARTIES, NET	76,176,609	99.0%	119,879,895	88.3%	(43,703,286)	(36.5%)
REVENUES FROM THE AFFILIATE COMPANY AND RELATED PARTIES, NET	743,904	1.0%	15,861,441	11.7%	(15,117,537)	(95.3%)
REVENUES, NET	**76,920,513**	100.0%	**135,741,336**	100.0%	(58,820,823)	(43.3%)
COST OF GOODS SOLD	(63,432,580)	(82.5%)	(110,310,427)	(81.3%)	46,877,847	(42.5%)
GROSS PROFIT	**13,487,933**	17.5%	**25,430,909**	18.7%	(11,942,976)	(47.0%)
OPERATING EXPENSES:						
Research and development	(7,246,312)	(9.4%)	(6,207,747)	(4.6%)	(1,038,565)	16.7%
Selling and marketing	(6,619,355)	(8.6%)	(4,070,001)	(3.0%)	(2,549,354)	62.6%
General and administrative	(13,042,103)	(17.0%)	(14,243,625)	(10.5%)	1,201,522	(8.4%)
Gain on disposal of long-lived assets	14,174,233	18.4%	-	0.0%	14,174,233	-
TOTAL OPERATING EXPENSES	(12,733,537)	(16.6%)	(24,521,373)	(18.1%)	11,787,836	(48.1%)
INCOME FROM OPERATIONS	**754,396**	1.0%	**909,536**	0.7%	(155,140)	(17.1%)
OTHER INCOME (EXPENSE):						
Interest income	2,190,678	2.8%	791,888	0.6%	1,398,790	176.6%
Interest expense	(3,750,233)	(4.9%)	(4,822,734)	(3.6%)	1,072,501	(22.2%)
Change in fair value of contingent consideration	(565,000)	(0.7%)	(1,107,427)	(0.8%)	542,427	(49.0%)
Government grants	1,130,262	1.5%	792,628	0.6%	337,634	42.6%
Gain from equity dilution in the Affiliate Company	-	0.0%	4,263,764	3.1%	(4,263,764)	(100.0%)
Gain from sale of equity in the Affiliate Company	-	0.0%	20,438,986	15.1%	(20,438,986)	(100.0%)
Share of loss after tax of the Affiliate Company	(17,252,662)	(22.4%)	(30,716,938)	(22.6%)	13,464,276	(43.8%)
Other income, net	2,051,226	2.7%	1,569,311	1.2%	481,915	30.7%
TOTAL OTHER EXPENSE, NET	(16,195,729)	(21.1%)	(8,790,522)	(6.5%)	(7,405,207)	84.2%
LOSS BEFORE INCOME TAXES	(15,441,333)	(20.1%)	(7,880,986)	(5.8%)	(7,560,347)	95.9%
INCOME TAX BENEFIT	5,047,169	6.6%	692,259	0.5%	4,354,910	629.1%
NET LOSS	**(10,394,164)**	(13.5%)	**(7,188,727)**	(5.3%)	(3,205,437)	44.6%

Revenues

For the year ended December 31, 2020, we had net revenues of $76,920,513 compared to net revenues of $135,741,336 for the year ended December 31, 2019, representing a decrease of $58,820,823, or 43.3%, from 2019. Compared to 2019, the decrease in revenue was primarily due to the decrease in sales of EV parts. Due to the outbreak of COVID-19 in China, the production of EV parts was interrupted during the first quarter of 2020, and the overall demand of EV parts from customers was significantly affected during 2020. The lower demand was driven by the impact from uncertainty of economy and interruption of the whole demand and supply chain due to COVID-19.

The following table summarizes our revenues by product types for the years ended December 31, 2020 and 2019:

	Year Ended December 31,	
	2020	2019
	Sales	Sales
EV parts	$ 40,645,696	$ 110,675,908
EV products	684,525	108,640
Off-road vehicles	29,824,323	22,743,142
Electric Scooters, Electric Self-Balancing Scooters and associated parts	5,765,969	2,213,646
Total	$ 76,920,513	$ 135,741,336

EV Parts

During the year ended December 31, 2020, our revenue from the sale of EV parts was $40,645,696, representing a decrease of $70,030,212 or 63.3% from $110,675,908 for the year ended December 31, 2019. Due to the outbreak of COVID-19 in China, the production of EV parts was interrupted during the first quarter of 2020, and the overall demand of EV parts from customers was significantly affected during 2020. The lower demand was driven by the impact from uncertainty of economy and interruption of the whole demand and supply chain due to COVID-19.

Our revenue for the year ended December 31, 2020 primarily consisted of revenue from the sales of battery packs, body parts, EV controllers, air conditioning units and other auto parts for use in the manufacturing of EV products. These sales accounted for 52.8% of total sales.

During the years ended December 31, 2020 and 2019, our revenues from the sale of EV parts to the Affiliate Company accounted approximately 0% and 11.7% of our total net revenue for the year, respectively.

EV Products

During the year ended December 31, 2020, our revenue from the sale of EV Products was $684,525, representing an increase of $575,885 or 530.1% from $108,640 for the year ended December 31, 2019. The increase was largely due to the fact that we started to deliver EV Products to Zhejiang Ruiheng for the Online Ride-Hailing Project in the fourth quarter of 2020.

Off-Road Vehicles

During the year ended December 31, 2020, our revenues from the sale of off-road vehicles including go-karts, all-terrain vehicles (“ATVs”), and others, were $29,824,323, representing an increase of $7,081,181 or 31.1% from $22,743,142 for the year ended December 31, 2019. The increase in revenue of off-road vehicles was largely due to the increased sales from SC Autosports because of increased demand due to the power sports’ unique form of “socially distant” recreation.

Our off-road vehicles business line accounted for approximately 38.8% of our total net revenue for the year ended December 31, 2020.

Electric Scooters, Electric Self-Balancing Scooters and associated parts

During the year ended December 31, 2020, our revenue from the sale of Electric Scooters and Electric Self-Balancing Scooters was $5,765,969, representing an increase of $3,552,323 or 160.5% from $2,213,646 for the year ended December 31, 2019. The increase was mainly due to the company began to expand production of intelligent transportation products and develop market since the end of 2019.

The following table shows the breakdown of our net revenues:

	Year Ended December 31	
	2020	2019
	Sales Revenue	Sales Revenue
Primary geographical markets		
Overseas	$ 29,394,148	$ 24,623,424
China	47,526,365	111,117,912
Total	$ 76,920,513	$ 135,741,336
Major products		
EV parts	$ 40,645,696	$ 110,675,908
EV products	684,525	108,640.00
Off-road vehicles	29,824,323	22,743,142
Electric Scooters, Electric Self-Balancing Scooters and associated parts	5,765,969	2,213,646.00
Total	$ 76,920,513	$ 135,741,336
Timing of revenue recognition		
Products transferred at a point in time	$ 76,920,513	$ 135,741,336
Total	$ 76,920,513	$ 135,741,336

Cost of Goods Sold

Cost of goods sold for the year ended December 31, 2020 was $63,432,580, representing a decrease of $46,877,847, or 42.5%, from $110,310,427 for the year ended December 31, 2019. The decrease of cost of goods sold compare to 2019 was primarily due to the corresponding decrease in sales. Please refer to the Gross Profit section below for product margin analysis.

Gross Profit

Our margins by product for the past two years are as set forth below:

	Year Ended December 31							
	2020				2019			
	Sales	Cost	Gross Profit	Margin %	Sales	Cost	Gross Profit	Margin %
EV parts	$ 40,645,696	35,330,464	5,315,232	13.1%	$ 110,675,908	91,421,805	19,254,103	17.4%
EV products	684,525	557,203	127,322	18.6%	108,640	86,909.00	21,731	20.0%
Off-road vehicles	29,824,323	22,357,413	7,466,910	25.0%	22,743,142	16,979,661	5,763,481	25.3%
Electric Scooters, Electric Self-Balancing Scooters and associated parts	5,765,969	5,187,500	578,469	10.0%	2,213,646	1,822,052.00	391,594	17.7%
Total	$ 76,920,513	63,432,580	13,487,933	17.5%	$ 135,741,336	110,310,427	25,430,909	18.7%

Gross profit for the year ended December 31, 2020 was $13,487,933, as compared to $ 25,430,909 for the year ended December 31, 2019, representing a decrease of $11,942,976 or 47.0% from 2019. The decreases were primarily attributable to the decreased sales in 2020 as compared to that in 2019. Our gross margin for the year ended December 31, 2020, was 17.5%, compared to 18.7% for the year ended December 31, 2019. The decrease in our gross margin as compared to 2019 was mainly due to the high-margin battery processing business in 2019.

Research and Development

Research and development expenses, including materials, labor, equipment depreciation, design, testing, inspection, and other related expenses totaled $7,246,312 for the year ended December 31, 2020, compared to $6,207,747 for the year ended December 31, 2019, representing an increase of $1,038,565, or 16.7%, from 2019. This increase was primarily due to the Company's R & D expenditure in 2020 for a new EV model.

Sales and Marketing

Selling and distribution expenses were $6,619,355 for the year ended December 31, 2020, compared to $4,070,001 for the year ended December 31, 2019, representing an increase of $2,549,354, or 62.6% from 2019. This increase compared to 2019 was primarily attributable to the increasing expenses related to SC Autosports's increasing sales and the expense in connection with the expansion the U.S. electric vehicle market.

General and Administrative Expenses

General and administrative expenses were $13,042,103 for the year ended December 31, 2020, compared to $14,243,625 for the year ended December 31, 2019, representing a decrease of $1,201,522 or 8.4% from 2019. For the year ended December 31, 2020, general and administrative expenses included $902,666 as expenses for common stock awards and stock options to employees and Board members, compared to $1,360,258 for the years ended December 31 2019. Excluding stock compensation expenses, our net general and administrative expenses for the year ended December 31, 2020 were $12,139,437, a decrease of $743,930, or 5.8%, compared to $12,883,367 for the year ended December 31, 2019. The decrease compared to 2019 was largely due to the implementation of cost cutting strategy and tighter budget control by the management.

Gain on disposal of long-lived assets

Gain on disposal of long-lived assets was $14,174,233 for the year ended December 31, 2020, which was related to the real estate repurchase agreement of our Jinhua Facility's relocation. In June 2020, 73,333 square meters of land use right was transferred to the local government, and the related gain was recognized.

Interest Income

Interest income was $2,190,678 for the year ended December 31, 2020, compared to $791,888 for the year ended December 31, 2019, representing an increase of $1,398,790, or 176.6%, from 2019. The increase as compared to 2019 was primarily attributable to increased interest earned on the loan to a third party.

Interest Expense

Interest expense was $3,750,233 for the year ended December 31, 2020, compared to $4,822,734 for the year ended December 31, 2019, representing a decrease of $1,072,501, or 22.2% from 2019. The decrease compared to 2019 was primarily due to the decreased short-term and long-term debt of the Company.

Change in fair value of contingent consideration

For the year ended December 31, 2020, the loss related to changes in the fair value of contingent consideration was $565,000, representing a decrease of $542,427 or 49.0% compared to the loss related to changes in the fair value of contingent consideration of $1,107,427 for the year ended December 31, 2019, which was mainly due to the adjustment of the fair value of the contingent consideration liability associated with remaining shares of restrictive common stock. (Please refer to NOTE 21 – CONTINGENT CONSIDERATION LIABILITY). The fair value of the contingent consideration liability was estimated at each reporting date by using the Monte Carlo simulation method, which took into account all possible scenarios.

Government Grants

Government grants totaled $1,130,262 for the year ended December 31, 2020, compared to $792,628 for the year ended December 31, 2019, representing an increase of $337,634, or 42.6% from 2019. The increase from 2019 was primarily due to the subsidies SC Autosports received under the Paycheck Protection Program ("PPP") based on the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act that was signed into law on March 27, 2020 due to COVID-19 pandemic. As of December 31, 2020, the Company received $244,116 under the SBA PPP loan program and the entire amount has qualified for forgiveness.

Gain from equity dilution in the Affiliate Company

Gain from equity dilution was $0 for the year ended December 31, 2020, compared to $4,263,764 for the same period of last year, which was primarily due to gain from the conversion of the loan into equity in the Affiliate Company in March 2019. Pursuant to the Equity Transfer Agreement, the Affiliate Company converted a loan of RMB 314 million (approximately $44.3 million) from Geely Group to equity in order to increase its cash flow (for details please refer to Note 25 - EQUITY METHOD INVESTMENT IN THE AFFILIATE COMPANY).

Gain from sale of equity in the Affiliate Company

Gain from sale of equity was $0 for the year ended December 31, 2020, compared to $20,438,986 for the same period of last year which was due to the Affiliate Equity Transfer. In March 2019, Zhejiang Kandi Technologies agreed to sell 21.47% of its equity interests in the Affiliate Company to Geely for a total consideration of RMB 516 million (approximately $72.3 million). Therefore, in the third quarter of 2019, the equity transfer was completed and the Company recognized the gain from equity sale.

Share of Loss after Tax of the Affiliate Company

For the year ended December 31, 2020, our share of loss after tax of the Affiliate Company was $17,252,662 compared to loss of $30,716,938 for year ended December 31,2019 representing a decrease loss of $13,464,276 from 2019, which was largely attributable to the fact that our equity interests of the Affiliate Company has been decreased after the equity dilution and equity transfer in 2019.

Other Income, Net

Net other income was $2,051,226 for the year ended December 31, 2020, compared to net other income of $1,569,311 for the year ended December 31, 2019, representing an increase of $481,915 from 2019. The increase from 2019 was primarily due to the discount and cancellation of accounts payable after negotiation with supplier.

Income Taxes

In accordance with the relevant Chinese tax laws and regulations, our applicable corporate income tax rate is 25%. However, Zhejiang Kandi Technologies, Kandi Smart Battery Swap and Kandi Hainan are qualified as high technology companies in China and are therefore entitled to a reduced corporate income tax rate of 15%.

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

Our actual effective income tax rate for 2020 was a tax benefit of 32.69% on a reported loss before taxes of approximately $15.4 million, compared to a tax benefit of 8.78% on a reported loss before taxes of approximately $7.9 million for 2019.

Net Loss

We recorded net loss of $10,394,164 for the year ended December 31, 2020, compared to net loss of $7,188,727 for the year ended December 31, 2019, an increase of net loss of $3,205,437 or 44.6% from the year ended December 31, 2019. The increase in net loss compared to 2019 was primarily attributable to gain from equity dilution in the Affiliate Company and gain from sale of equity in the Affiliate Company in year 2019, despite of the gain on disposal of long-lived assets and decrease in share of loss after tax of the Affiliate Company during the current year.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

	Years Ended	
	December 31, 2020	December 31, 2019
Net cash used in operating activities	$ (50,883,252)	$ (29,886,272)
Net cash provided by investing activities	$ 51,151,450	$ 31,252,624
Net cash provided by (used in) financing activities	$ 126,446,358	$ (6,980,649)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	$ 126,714,556	$ (5,614,297)
Effect of exchange rate changes	$ (706,556)	$ (226,139)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	$ 16,512,635	$ 22,353,071
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	$ 142,520,635	$ 16,512,635

For the year ended December 31, 2020, cash used in operating activities was $50,883,252, as compared to cash used in operating activities was $29,886,272 for the year ended December 31, 2019. Our operating cash inflows include cash received primarily from sales of our EV parts and off-road vehicles. These cash inflows are offset largely by cash paid primarily to our suppliers for production materials and parts used in our manufacturing process, operation expenses, employee compensation, and interest expenses of our financings. The major operating activities that provided cash for the year ended December 31, 2020 were a decrease of accounts receivable of $19,247,519. The major operating activity that used cash for year ended December 31, 2020 was an increase of advances to supplier and prepayments and prepaid expenses of $36,330,634 and a decrease of accounts payable of $30,993,717.

For the year ended December 31, 2020, cash provided by investing activities was $51,151,450, as compared to cash provided by investing activities of $31,252,624 for the year ended December 31, 2019. The major investing activities that provided cash for the year ended December 31, 2020 were an increase of proceeds from disposal of long-lived assets of $52,579,492 an increase of cash received from equity sale in the Affiliate Company of $42,897,929. The major investing activities that used cash for the year ended December 31, 2020 were $26,097,991 used for loan to third party.

For the year ended December 31, 2020, cash provided by financing activities was $126,446,358, as compared to cash used in financing activities of $6,980,649 for the year ended December 31, 2019. The major financing activities that provided cash for the year ended December 31, 2020 were fund raising through issuing common stock and warrants of $151,923,247. The major financing activities that used cash for year ended December 31, 2020 were repayments of short-term bank loans of $50,873,903.

Working Capital

We had working capital of $223,318,151 as of December 31, 2020, which reflects an increase of $159,619,454 from a working capital of $63,698,697 as of December 31, 2019.

After two years of negotiations, on March 10, 2020, a real estate repurchase agreement (the “Repurchase Agreement”) was entered into by and between Zhejiang Kandi Technologies and Jinhua Economic and Technological Development Zone pursuant to which the local government shall purchase the land use right over the land of 66 acres (400 mu, 265,029 square meters) that is owned by Zhejiang Kandi Technologies for RMB 525 million ($80 million). Payments to Zhejiang Kandi Technologies shall be made in three installments as the Company disclosed in a Current Report on Form 8-K filed with the SEC on March 9, 2020. In addition, if Zhejiang Kandi Technologies achieves certain milestones that contribute to local economic development, the Company will be eligible for tax rebates that could total up to RMB 500 million ($77 million) over the next eight years. On May 22, 2020, the Company received the first payment of RMB 244 million (approximately $37 million) under the Repurchase Agreement. On July 9, 2020, the Company received the second payment of RMB 119 million (approximately $18 million) under the Repurchase Agreement.

On November 12, 2020, the Company closed a registered direct offering of 9,404,392 units of its securities at a purchase price per unit of $6.38, generating aggregate gross proceeds to the Company of approximately $60,000,000, before deducting fees to the placement agent and other estimated offering expenses payable, approximately $3.1 million, by the Company. Each unit consisted of one share of our common stock, and 0.4 warrants to purchase a share of our common stock. The warrants have an exercise price of $8.18 per share and a term of 30 months, but are not exercisable for the first six months following issuance. The Company issued a total of 9,404,392 shares of common stock and warrants for the purchase of up to 3,761,757 shares of common stock to the investors in the placement. The net proceeds from this offering will be used for general working capital purposes.

On November 23, 2020, the Company closed a registered direct offering of 8,849,560 units of its securities at a purchase price per unit of $11.30. The offering generated aggregate gross proceeds to the Company of approximately $100 million, before deducting fees to the placement agent and other estimated offering expenses payable, approximately $5.0 million, by the Company. Each unit consisted of one share of our common stock, and 0.4 warrants to purchase a share of our common stock. The warrants have an exercise price of $14.50 per share, a term of 30 months, are exercisable upon issuance. The Company issued a total of 8,849,560 shares of common stock and warrants for the purchase of up to 3,539,825 shares of common stock to the investors in the offering. The net proceeds from this offering will be used for general working capital purposes including research and development for EV sports car models and expenditures necessary to ensure that our EV models comply with all necessary requirements for the entry into the U.S. market.

Contractual Obligations and Off-balance Sheet Arrangements

Short-term and long-term Loans:

For the discussion of guarantees for bank loans, please refer to Note 18 - Short-term and long-term Loans under Item 8 Notes to Consolidated Financial Statements.

Guarantees and pledged collateral for third party bank loans

For the discussion of guarantees for bank loans, please refer to Note 26 - COMMITMENTS AND CONTINGENCIES under Item 8 Notes to Consolidated Financial Statements.

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 for periods in which the Company determines a loss is probable, based on its assessment of specific factors, such as troubled collections, historical experience, accounts aging, ongoing business relations and other factors. Accounts are written off after exhaustive collection efforts. If accounts receivable are to be provided for, or written off, they are recognized in the consolidated statement of operations within the operating expenses line item. If accounts receivable previously written off is recovered in a later period or when facts subsequently become available to indicate that the amount provided as an allowance for doubtful accounts was incorrect, an adjustment is made to restate allowance for doubtful accounts.

As of December 31, 2020 and December 31, 2019, credit terms with the Company's customers were typically 180 to 360 days after delivery. As of December 31, 2020 and 2019, the Company had a $110,269 and $254,665 allowance for doubtful accounts, as per the Company management's judgment based on their best knowledge. The Company conducts quarterly assessments of the state of the Company's outstanding receivables and reserves any allowance for doubtful accounts if it becomes necessary

Inventories are stated at the lower of cost or net realizable value (market value). The cost of raw materials is determined on the basis of weighted average. The cost of finished goods is determined on the basis of weighted average and comprises direct materials, direct labor and an appropriate proportion of overhead. Net realizable value is based on estimated selling prices less selling expenses and any further costs expected to be incurred for completion. Adjustments to reduce the cost of inventory to net realizable value are made, if required, for estimated excess, obsolescence, or impaired balances.

Although we believe that there is little likelihood that actual results will differ materially from our 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.

The Company adopted ASC Topic 606 Revenue from Contracts with Customers with a date of the initial application of January 1, 2018 using the modified retrospective method. As a result, the Company has changed its accounting policy for revenue recognition. The impact of the adoption of ASC Topic 606 on the Company's consolidated financial statements is not material.

The Company recognizes revenue when goods or services are transferred to customers in an amount that reflects the consideration which it expects to receive in exchange for those goods or services. In determining when and how revenue is recognized from contracts with customers, the Company performs the following five-step analysis: (i) identification of contract with customer; (ii) determination of performance obligations; (iii) measurement of the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company generates revenue through EV parts and off-road vehicles. The revenue is recognized at a point in time once the Company has determined that the customer has obtained control over the product. Control is typically deemed to have been transferred to the customer when the performance obligation is fulfilled, usually at the time of delivery, at the net sales price (transaction price). Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities. Shipping and handling costs for product shipments occur prior to the customer obtaining control of the goods are accounted for as fulfillment costs rather than separate performance obligations and recorded as sales and marketing expenses.

Estimate affecting impairment of long-lived assets

The Company periodically evaluates the carrying value of long-lived assets to be held and used, including intangible assets subject to amortization, when events and circumstances warrant such a review, pursuant to the guidelines established in Statement of Financial Accounting Standards ("SFAS") No. 144 (now known as "ASC 360"). The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for disposal costs.

The Company recognized no impairment loss for years ended December 31, 2020 and 2019.

Estimate affecting contingent consideration liability

The Company recorded contingent consideration liability of the estimated fair value of the contingent consideration the Company currently expects to pay to the KSBS Shareholders and SC Autosports' former members upon the achievement of certain milestones. The fair value of the contingent consideration liability associated with remaining shares of restrictive common stock was estimated by using the Monte Carlo simulation method, which took into account all possible scenarios. This fair value measurement is classified as Level 3 within the fair value hierarchy prescribed by ASC Topic 820, Fair Value Measurement and Disclosures. In accordance with ASC Topic 805, Business Combinations, the Company will re-measure this liability each reporting period and record changes in the fair value through a separate line item within the Company's consolidated statements of income.

As of December 31, 2020 and December 31, 2019, the Company's contingent consideration liability was $3,743,000 and $5,197,000, respectively.

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.

The stock-based option expenses for the years ended December 31, 2020 and 2019 were $0. There were no forfeitures estimated during the reporting period.

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 Binomial Tree 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. Our 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. The 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.

U.S. Corporate Income Tax

Based on Financial Accounting Standards Board ("FASB") staff Q&A Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income (GILTI), the FASB staff noted that the Company must make an accounting policy election to either (1) recognize taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the "period cost method") or (2) factor such amount into the Company's measure of its deferred taxes (the "deferred method"). The Company elected to treat GILTI as a current-period expense when incurred.

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

This item is not applicable to us.

Item 8. Financial Statements and Supplementary Data.

KANDI TECHNOLOGIES GROUP, INC.

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2020 AND 2019

KANDI TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES

CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Kandi Technologies Group, Inc

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Kandi Technologies Group, Inc (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive loss, consolidated statements of changes in stockholders’ equity and cash flows for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2020, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013 and our report dated March 30, 2021, expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

	Impairment assessment on long-lived assets
Description of the matter	As described in Note 14 to the consolidated financial statements, the Company’s consolidated property plant and equipment balance was $65.4 million as of December 31, 2020, which is allocated to the Company’s asset groups. A long-lived asset (asset group) should be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company’s subsidiary, Kandi Electric Vehicles (Hainan) Co., Ltd., failed to achieve the sales plan in year 2020, such event raised a potential impairment indicator. The Company performed a test of recoverability by engaging a valuation specialist to measure the undiscounted cash flow of long-lived asset (asset group) that was allocated to Kandi Electric Vehicles (Hainan) Co., Ltd. Per this analysis the carrying amount of a long-lived asset (asset group) is deemed to be recoverable.
How We Addressed the Matter in Our Audit	We evaluated the design and tested the operating effectiveness of internal controls over the impairment assessment on long-lived assets, including internal controls over management’s review of the valuation models and significant assumptions for future cash flow generated by the long-lived assets on assets group basis. Our substantive audit procedures related to impairment assessment on long-lived assets included, among others, evaluating the methodology and significant assumptions and underlying data, and performing procedures to corroborate the assumptions such as revenue projections based on historical data and future pipeline evidence. Furthermore, we also involved our internal valuation specialists to evaluate the methodologies and assumptions used by the Company.

/s/ Marcum Bernstein & Pinchuk LLP
Marcum Bernstein & Pinchuk LLP
New York, New York
March 30, 2021

We have served as the Company’s auditor since 2019.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Shareholders and Board of Directors of
Kandi Technologies Group, Inc

Opinion on Internal Control over Financial Reporting

We have audited Kandi Technologies Group, Inc's (the "Company") internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets as of December 31, 2019 and consolidated statements of operations and comprehensive loss, consolidated statements of changes in stockholders' equity and cash flows and the related notes for each of the two years in the period ended December 31, 2020 of the Company, and our report dated March 30, 2021 expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible 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 Annual Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

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 the 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 degree of compliance with the policies or procedures may deteriorate.

/s/ Marcum Bernstein & Pinchuk LLP
Marcum Bernstein & Pinchuk LLP
New York, New York
March 30, 2021

KANDI TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2020	December 31, 2019
Current assets		
Cash and cash equivalents	$ 142,078,190	$ 5,490,557
Restricted cash	442,445	11,022,078
Accounts receivable (net of allowance for doubtful accounts of $ 110,269 and $254,665 as of December 31, 2020 and December 31, 2019, respectively)	38,547,137	61,181,849
Inventories	19,697,383	27,736,566
Notes receivable	31,404,630	42,487,225
Other receivables	1,875,245	5,023,327
Prepayments and prepaid expense	13,708,149	10,615,063
Advances to suppliers	36,733,182	685,008
Amount due from the Affiliate Company	21,742,226	31,330,763
Amount due from related party	886,989	-
TOTAL CURRENT ASSETS	307,115,576	195,572,436
NON-CURRENT ASSETS		
Property, plant and equipment, net	65,402,680	74,407,858
Intangible assets, net	3,232,753	3,654,772
Land use rights, net	3,257,760	11,272,815
Construction in progress	16,317,662	71,247
Deferred taxes assets	8,964,946	726,182
Long term investment	45,958	-
Investment in the Affiliate Company	28,892,638	47,228,614
Goodwill	29,712,383	28,270,400
Other long term assets	32,307,484	10,014,072
TOTAL NON-CURRENT ASSETS	188,134,264	175,645,960
TOTAL ASSETS	$ 495,249,840	$ 371,218,396
CURRENT LIABILITIES		
Accounts payable	$ 34,257,935	$ 72,093,940
Other payables and accrued expenses	7,218,395	6,078,041
Short-term loans	-	25,980,364
Notes payable	92,445	10,765,344
Income tax payable	1,313,754	1,796,601
Advance receipts	38,229,242	-
Long term loans - current portion	-	13,779,641
Amount due to related party	500,000	-
Other current liabilities	2,185,654	1,379,808
TOTAL CURRENT LIABILITIES	83,797,425	131,873,739
NON-CURRENT LIABILITIES		
Long term loans	-	14,353,792
Deferred taxes liability	3,483,171	1,362,786
Contingent consideration liability	3,743,000	5,197,000
Other long-term liabilities	459,580	574,152
TOTAL NON-CURRENT LIABILITIES	7,685,751	21,487,730
TOTAL LIABILITIES	91,483,176	153,361,469
STOCKHOLDER'S EQUITY		
Common stock, $0.001 par value; 100,000,000 shares authorized; 77,298,499 and 56,263,102 shares issued and 75,377,555 and 52,839,441 outstanding at December 31,2020 and December 31,2019, respectively	75,377	52,839
Less: Treasury stock (nil and 487,155 shares with average price of $ 5.09 at December 31,2020 and December 31,2019, respectively)	-	(2,477,965)
Additional paid-in capital	439,549,338	259,691,370
Accumulated deficit (the restricted portion is $4,422,033 and $4,422,033 at December 31,2020 and December 31,2019, respectively)	(27,079,900)	(16,685,736)
Accumulated other comprehensive loss	(8,778,151)	(22,723,581)
TOTAL STOCKHOLDERS' EQUITY	403,766,664	217,856,927
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 495,249,840	$ 371,218,396

See notes to consolidated financial statements.

KANDI TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Years Ended	
	December 31, 2020	December 31, 2019
REVENUES FROM UNRELATED PARTIES, NET	$ 76,176,609	$ 119,879,895
REVENUES FROM THE AFFILIATE COMPANY AND RELATED PARTIES, NET	743,904	15,861,441
REVENUES, NET	**76,920,513**	**135,741,336**
COST OF GOODS SOLD	(63,432,580)	(110,310,427)
GROSS PROFIT	**13,487,933**	**25,430,909**
OPERATING EXPENSES:		
Research and development	(7,246,312)	(6,207,747)
Selling and marketing	(6,619,355)	(4,070,001)
General and administrative	(13,042,103)	(14,243,625)
Gain on disposal of long-lived assets	14,174,233	-
TOTAL OPERATING EXPENSES	(12,733,537)	(24,521,373)
INCOME FROM OPERATIONS	**754,396**	**909,536**
OTHER INCOME (EXPENSE):		
Interest income	2,190,678	791,888
Interest expense	(3,750,233)	(4,822,734)
Change in fair value of contingent consideration	(565,000)	(1,107,427)
Government grants	1,130,262	792,628
Gain from equity dilution in the Affiliate Company	-	4,263,764
Gain from sale of equity in the Affiliate Company	-	20,438,986
Share of loss after tax of the Affiliate Company	(17,252,662)	(30,716,938)
Other income, net	2,051,226	1,569,311
TOTAL OTHER EXPENSE, NET	(16,195,729)	(8,790,522)
LOSS BEFORE INCOME TAXES	(15,441,333)	(7,880,986)
INCOME TAX BENEFIT	5,047,169	692,259
NET LOSS	**(10,394,164)**	**(7,188,727)**
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation adjustment	13,945,430	(2,802,323)
COMPREHENSIVE INCOME (LOSS)	$ 3,551,266	$ (9,991,050)
WEIGHTED AVERAGE SHARES OUTSTANDING BASIC AND DILUTED	55,960,010	52,337,308
NET LOSS PER SHARE, BASIC AND DILUTED	$ (0.19)	$ (0.14)

See notes to consolidated financial statements.

KANDI TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Number of Outstanding Shares	Common Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
BALANCE AT DECEMBER 31, 2018	51,484,444	$ 51,484	$ -	$254,989,657	$ (9,497,009)	$ (19,921,258)	$225,622,874
Stock issuance and award	1,354,997	1,355	-	4,716,328	-	-	4,717,683
Stock buyback	-	-	(2,477,965)	-	-	-	(2,477,965)
Commission in stock buyback	-	-	-	(14,615)	-	-	(14,615)
Net loss	-	-	-	-	(7,188,727)	-	(7,188,727)
Foreign currency translation	-	-	-	-	-	(2,802,323)	(2,802,323)
BALANCE AT DECEMBER 31, 2019	52,839,441	$ 52,839	$(2,477,965)	$259,691,370	$ (16,685,736)	$ (22,723,581)	$217,856,927
Stock issuance and award	1,771,317	1,771	-	4,058,052	-	-	4,059,823
Cancellation of the Treasury Stock	(487,155)	(487)	2,477,965	(2,477,478)	-	-	-
Registered Direct Offering	18,253,952	18,254	-	151,904,993	-	-	151,923,247
Stock option exercise	3,000,000	3,000	-	29,157,000	-	-	29,160,000
Net loss	-	-	-	-	(10,394,164)	-	(10,394,164)
Foreign currency translation	-	-	-	-		13,945,430	13,945,430
Reduction in the Affiliate Company's equity (net off tax effect of $491,400)	-	-	-	(2,784,599)	-	-	(2,784,599)
BALANCE AT DECEMBER 31, 2020	75,377,555	$ 75,377	$ -	$439,549,338	$ (27,079,900)	$ (8,778,151)	$403,766,664

See notes to consolidated financial statements.

KANDI TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Years Ended	
	December 31, 2020	December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (10,394,164)	$ (7,188,727)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	8,222,984	8,202,869
Impairments	-	398,790
(Reversal) provision of allowance for doubtful accounts	(152,809)	137,387
Deferred taxes	(5,349,722)	(1,066,536)
Share of loss after tax of the Affiliate Company	17,252,662	30,716,938
Gain from equity dilution in the Affiliate Company	-	(4,263,764)
Gain from equity sale in the Affiliate Company	-	(20,438,986)
Gain on disposal of long-live assets	(14,174,233)	-
Change in fair value of contingent consideration	565,000	1,107,427
Stock based compensation expense	902,666	1,360,258
Changes in operating assets and liabilities:		
Accounts receivable	19,247,519	(40,123,966)
Notes receivable	-	246,120
Notes receivable from the Affiliate Company and related party	-	434,329
Inventories	9,246,455	(6,458,104)
Other receivables and other assets	2,008,612	(8,208,931)
Advances to supplier and prepayments and prepaid expenses	(36,330,634)	4,379,925
Amount due from the Affiliate Company	4,237,103	8,803,542
Due from related party	(339,118)	-
Increase (Decrease) In:		
Accounts payable	(30,993,717)	10,440,338
Other payables and accrued liabilities	(173,806)	5,998,106
Notes payable	(13,912,842)	(12,743,628)
Income tax payable	(745,208)	(1,619,659)
Net cash used in operating activities	$ (50,883,252)	$ (29,886,272)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment, net	(7,483,743)	(526,336)
Purchases of land use rights and other intangible assets	(3,281,115)	-
Payment for construction in progress	(7,419,644)	(71,862)
Proceeds from disposal of long-lived assets	52,579,492	-
Loan to third party	(26,097,991)	-
Cash received from sales of equity in the Affiliate Company	42,897,929	31,850,822
Long Term Investment	(43,478)	-
Net cash provided by investing activities	$ 51,151,450	$ 31,252,624
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term loans	24,642,399	34,746,352
Repayments of short-term loans	(50,873,903)	(38,944,869)
Repayments of long-term loans	(28,799,501)	(289,553)
Proceeds from long-term loans	394,116	-
Fund raising through issuing common stock and warrants	151,923,247	-
Stock buyback with commission	-	(2,492,579)
Option exercise, stock awards & other financing	29,160,000	-
Net cash provided by (used in) financing activities	$ 126,446,358	$ (6,980,649)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	$ 126,714,556	$ (5,614,297)
Effect of exchange rate changes	$ (706,556)	$ (226,139)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	$ 16,512,635	$ 22,353,071
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	$ 142,520,635	$ 16,512,635
-CASH AND CASH EQUIVALENTS AT END OF PERIOD	142,078,190	5,490,557
-RESTRICTED CASH AT END OF PERIOD	442,445	11,022,078
SUPPLEMENTARY CASH FLOW INFORMATION		
Income taxes paid	$ 1,046,127	1,994,526
Interest paid	$ 653,507	1,738,656
SUPPLEMENTAL NON-CASH DISCLOSURES:		
Decrease in investment in the Affiliate Company due to change in its equity	$ 3,099,193	-
Notes receivable from unrelated parties for equity transfer payment	$ -	42,853,834
Purchase of construction in progress in accounts payable and other payable	7,945,414	-
Common stock issued from settlement of payables to KSBS Shareholders and former members of SC Autosports	$ 3,166,427	3,357,425

See notes to consolidated financial statements.

NOTE 1 - ORGANIZATION AND PRINCIPAL ACTIVITIES

Kandi Technologies Group, Inc. (“Kandi Technologies”) was incorporated under the laws of the State of Delaware on March 31, 2004. As used herein, the terms “Company” or “Kandi” refer to Kandi Technologies and its operating subsidiaries, as described below.

Headquartered in Jinhua City, Zhejiang Province, People’s Republic of China (“China” or “PRC”), the Company is one of China’s leading producers and manufacturers of electric vehicle (“EV”) products (through the Affiliate Company, formerly defined as the JV Company), EV parts, and off-road vehicles for sale in the Chinese and the global markets. The Company conducts its primary business operations through its wholly-owned subsidiaries, Zhejiang Kandi Vehicles Co., Ltd. (“Kandi Vehicles”), Kandi Vehicles’ wholly and partially-owned subsidiaries, and SC Autosports LLC (“SC Autosports”, d/b/a Kandi America). In March 2021, Zhejiang Kandi Vehicles Co., Ltd. changed its name to Zhejiang Kandi Technologies Group Co., Ltd. (“Zhejiang Kandi Technologies”).

The Company’s organizational chart as of the date of this report is as follows:

Operating Subsidiaries

Pursuant to certain VIE (as defined below in this report) agreements that were executed in January 2011, Zhejiang Kandi Technologies is entitled to 100% of the economic benefits, voting rights and residual interests (100% of profits and losses) of Jinhua Kandi New Energy Vehicles Co., Ltd. ("Kandi New Energy"). Kandi New Energy currently holds battery pack production licensing rights, and supplies battery packs to the Affiliate Company (as such term is defined below).

In April 2012, pursuant to an agreement with the shareholders of YongkangScrou Electric Co, Ltd. ("YongkangScrou"), the Company acquired 100% of YongkangScrou, a manufacturer of automobile and EV parts. YongkangScrou currently manufactures and sells EV drive motors, EV controllers, air conditioners and other electric products to the Affiliate Company. In September 2020, Zhejiang Kandi Technologies transferred all of its equity interest in Yongkang Scrou Electric Co, Ltd. ("Yongkang Scrou") to its wholly owned subsidiary, Kandi Smart Battery Swap.

In March 2013, pursuant to a joint venture agreement (the "JV Agreement") entered into by Zhejiang Kandi Technologies and Shanghai Maple Guorun Automobile Co., Ltd. ("Shanghai Guorun"), a 99%-owned subsidiary of Geely Automobile Holdings Ltd., the parties established Fengsheng Automotive Technology Group Co., Ltd. (the "Affiliate Company", formerly known as Zhejiang Kandi Electric Vehicles Co., Ltd. and defined as the "JV Company") to develop, manufacture and sell EV products and related auto parts. In March 2014, the Affiliate Company changed its name to Kandi Electric Vehicles Group Co., Ltd. On March 21, 2019, Zhejiang Kandi Technologies signed an Equity Transfer Agreement (the "Transfer Agreement") with Geely Technologies Group Co., Ltd. ("Geely") to transfer certain equity interests in the Kandi Electric Vehicles Group Co., Ltd. (the "Affiliate Company", formerly defined as the "JV Company") to Geely. Pursuant to the Transfer Agreement, the Affiliate Company converted a loan of RMB 314 million (approximately $45.1 million) from Geely last year to equity in order to increase its cash flow. As a result, the registered capital of the Affiliate Company became RMB 2.40 billion (approximately $344.5 million), of which Zhejiang Kandi Technologies then owned 43.47% and Geely owned 56.53%, respectively, upon the conversion of the loan into equity in the Affiliate Company. After that, Zhejiang Kandi Technologies further agreed to sell 21.47% of its equity interests in the Affiliate Company to Geely for a total amount of RMB 516 million (approximately $74.1 million). As of September 29, 2019, Zhejiang Kandi Technologies has received payments in cash totaling RMB 220 million (approximately $31.6 million) and certain commercial acceptance notes of RMB 296 million (approximately $42.5 million). As a result of the completion of the equity transfer on September 29, 2019, Zhejiang Kandi Technologies now owns 22% and Geely and its affiliates own 78% of the equity interests of the Affiliate Company. As now the Company only owns 22% of the Affiliate Company, it was redefined as the Affiliate Company. In October 2019, the Affiliate Company was renamed Fengsheng Vehicles Technologies Group Co., Ltd. On February 18, 2021, Zhejiang Kandi Technologies signed an Equity Transfer Agreement with Geely to transfer the remaining 22% equity interests of the Affiliate Company to Geely for a total consideration of RMB 308,000,000 (approximately $47.2 million). The first half of the equity transfer payment will be paid within 5 business days from the date of completing the industrial and commercial modification procedures, and the rest will be paid within 6 months from the date of completing such procedures. On March 16, 2021, the Company received the first half of the equity transfer payment of RMB 154,000,000 (approximately $23.6 million). If the transfer of the remaining 22% equity interests of the Affiliate Company took place on January 1, 2019, the net income for year ended December 31, 2020 and 2019 would have been approximately $6.9 million and $41.7 million, respectively, whereas the total assets would have been approximately $513.4 million and $371,2 million as of December 31, 2020 and 2019, respectively

In April 2013, Zhejiang Kandi Technologies and Kandi New Energy formed Kandi Electric Vehicles (Wanning) Co., Ltd., which was renamed Kandi Electric Vehicles (Hainan) Co., Ltd. ("Kandi Hainan"), when it was relocated from Wanning City to Haikou City in January 2016. Zhejiang Kandi Technologies has a 90% ownership interest in Kandi Hainan, and Kandi New Energy has the remaining 10% ownership interest. Zhejiang Kandi Technologies is, effectively, entitled to 100% of the economic benefits, voting rights and residual interests (100% of the profits and losses) of Kandi Hainan as Zhejiang Kandi Technologies is entitled to 100% of the economic benefits, voting rights and residual interests of Kandi New Energy.

In December 2017, Zhejiang Kandi Technologies and the sole shareholder of Jinhua An Kao Power Technology Co., Ltd. ("Jinhua An Kao") entered into a Share Transfer Agreement and a Supplementary Agreement, pursuant to which Zhejiang Kandi Technologies acquired Jinhua An Kao. The two agreements were signed on December 12, 2017 and the closing took place on January 3, 2018. Zhejiang Kandi Technologies acquired 100% of the equity interests of Jinhua An Kao for a purchase price of approximately RMB 25.93 million (approximately $4 million) in cash. In addition, pursuant to the Supplementary Agreement, the Company issued a total of 2,959,837 shares of restrictive stock, or 6.2% of the Company's total outstanding shares of the common stock to the shareholder of Jinhua An Kao, and may be required to pay future consideration of an additional 2,959,837 shares of common stock, which are being held in escrow, to be released upon the achievement of certain net income-based milestones in the next three years. As of the date of this report, 739,959 shares have been released from the escrow for Jinhua An Kao's achieving of the year 2018 net profit target. 986,810 shares have been released for its achieving of the year 2019 net profit target. The Supplementary Agreement sets forth the terms and conditions of the issuance of these shares, including a provision that gives the Company the voting rights of the make good shares until conditions for vesting such shares are satisfied. In June 2020, Jinhua An Kao Power Technology Co., Ltd. changed its name to Zhejiang Kandi Smart Battery Swap Technology Co., Ltd ("Kandi Smart Battery Swap"). As the outbreak of COVID-19 in 2020 affected Kandi Smart Battery Swap's operation and business, on July 7, 2020, the Company and the KSBS Shareholders made the following supplements to Condition III of the original Supplementary Agreement: The KSBC Shareholders have the right to receive an aggregate of 20.83% of the total equity consideration (i.e., 5,919,674 total shares), provided that Kandi Smart Battery Swap realizes a net profit of RMB50,000,000 or more for the period from January 1, 2020 to June 30, 2021 (as opposed to be the originally stated "December 31, 2020"), and such profit is audited or reviewed and Kandi Smart Battery Swap gets annual or quarterly financial report issued under US GAAP.

On May 31, 2018, the Company entered into a Membership Interests Transfer Agreement (the "Transfer Agreement") with the two members of SC Autosports LLC ("SC Autosports") (formerly known as: Sportsman Country, LLC) pursuant to which the Company acquired 100% of the ownership of SC Autosports. SC Autosports is a Dallas-based sales company primarily engaged in the wholesale of off-road vehicle products, with a small percentage of business in wholesale and retail of off-road vehicle parts. According to the terms of the Transfer Agreement, the Company transferred $10.0 million worth of restricted shares to acquire 100% of the membership interests of SC Autosports, of which the Company was required to issue $1.0 million of corresponding restricted shares within 30 days of the signing date of the Transfer Agreement, and the remaining $9.0 million of corresponding restricted shares to be released from escrow based on SC Autosports' pre-tax profit performance over the course of the following three years. The transaction closed in July 2018. As of the date of this report, 343,938 shares have been released from the escrow for SC Autosports' achieving of the year 2018 net profit target. 515,907 shares have been released for its achieving of the year 2019 net profit target. For the year ended December 31, 2020, SC Autosports partially meet its third year pre-tax profit target. As the gap between third year's pretax profit and pre-tax profit target is less than 20%, the former members of SC Autosports will receive 515,907 shares of Kandi's restrictive common stock or 30% of the total equity consideration in the purchase price.

On March 4, 2019, in order to build a logistics network composed of suppliers, manufacturers, warehouses, distribution centers and channel providers, meeting the needs of improving production and operation efficiency, the Company participated in the formation of Zhejiang Kandi Supply Chain Management Co., Ltd. ("Supply Chain Company"). Zhejiang Kandi Technologies has a 10% ownership interest in Supply Chain Company, the remaining 90% is owned by unrelated other parties. As of the date of this report, Kandi Vehicle has not made any capital contribution to Supply Chain Company since the contribution is not yet due as the relevant per PRC regulations, and is not involved in its operations.

In September 2020, to better monetize its dozens of patents in the field of battery swap systems and attract strategic investors to participate across the whole sector value chain, including battery swapping services and used battery recycling, the Company formed China Battery Exchange Technology Co., Ltd. ("China Battery Exchange"). Zhejiang Kandi Technologies has 100% ownership interest in China Battery Exchange.

In September 2020, intending to operate a ridesharing service across China, Zhejiang Ruiheng Technology Co., Ltd ("Ruiheng") was established by Zhejiang Ruibo New Energy Vehicle Service Company Ltd. ("Ruibo"), Jiangsu Jinpeng Group Ltd. ("Jinpeng") and Zhejiang Kandi Technologies. Ruibo, Jinpeng and Zhejiang Kandi Technologies each owns 80%, 10%, and 10% of Ruiheng, respectively.

During January 2021, SC Autosports established a wholly owned subsidiary, Kandi America Investment, LLC (“Kandi America Investment”) in Dallas.

The Company’s original primary business operations consist of designing, developing, manufacturing and commercializing EV products (through Kandi Electric Vehicles (Hainan) Co., Ltd. and the Affiliate Company), EV parts and off-road vehicles. The COVID-19 outbreak has seriously impacted the EV market in 2020. As a result, the Company plans to manufacture and sell a number of ancillary products aimed at the dynamic power train system of intelligent transportation. For example, the dynamic power train system of Electric Scooters and Electric Self-Balancing Vehicles. The Company is pursuing these opportunities by expanding production of intelligent transportation products that exploit its advantages in the Yongkang Scrou’s power electric motor and Kandi Smart Battery Swap’s power battery pack.

NOTE 2 - LIQUIDITY

The Company had working capital of $ 223,318,151 as of December 31, 2020, an increase of $ 159,619,454 from the working capital of $ 63,698,697 as of December 31, 2019. As of December 31, 2020 and 2019, the Company’s cash and cash equivalents were $ 142,078,190 and $5,490,557, respectively. The Company’s restricted cash was $ 442,445 and $11,022,078, respectively.

After two years of negotiations, on March 10, 2020, a real estate repurchase agreement (the “Repurchase Agreement”) was entered into by and between Zhejiang Kandi Technologies and Jinhua Economic and Technological Development Zone pursuant to which the local government shall purchase the land use right over the land of 66 acres (400 mu, 265,029 square meters) that is owned by Zhejiang Kandi Technologies for RMB 525 million ($80 million). Payments to Zhejiang Kandi Technologies shall be made in three installments as the Company disclosed in a Current Report on Form 8-K filed with the SEC on March 9, 2020. In addition, if Zhejiang Kandi Technologies achieves certain milestones that contribute to local economic development, the Company will be eligible for tax rebates that could total up to RMB 500 million ($77 million) over the next eight years. On May 22, 2020, the Company received the first payment of RMB 244 million (approximately $37 million) under the Repurchase Agreement. On July 9, 2020, the Company received the second payment of RMB 119 million (approximately $18 million) under the Repurchase Agreement. The final payment of RMB 162 million ($25 million) will be received when the Company vacates the land, factory buildings, and other real estate and moves to the new facility. Zhejiang Kandi Technologies intends to use a portion of the proceeds from the land repurchase (approximately RMB 130 million, or $20 million) to fund the land use acquisition and factory construction in the New Energy Automotive Zone, and use the rest portion to fund growth initiatives and for general corporate purposes.

On February 18, 2021, Zhejiang Kandi Technologies signed an Equity Transfer Agreement with Geely to transfer all of its remaining 22% equity interests in the Affiliate Company to Geely for a total consideration of RMB 308 million (approximately $47.2 million).The first half of the equity transfer payment will be payed within 5 business days from the date of completing the industrial and commercial modification procedures, and the rest will be paid within 6 months from the date of completing such procedures. On March 16, 2021, the Company received the first half of the equity transfer payment of RMB 154,000,000 (approximately $23.6 million).

Although the Company expects that most of its outstanding trade receivables from customers will be collected in the next twelve months, there are uncertainties with respect to the timing in collecting these receivables, especially the receivables due from the Affiliate Company, because most of them are indirectly impacted by the progress of the receipt of government subsidies.

The Company’s primary need for liquidity stems from its need to fund working capital requirements of the Company’s businesses, its capital expenditures and its general operations, including debt repayment. The Company has historically financed its operations through short-term commercial bank loans from Chinese banks, as well as its ongoing operating activities by using funds from operations, external credit or financing arrangements. Although the Company has paid off all the short-term bank loans as of September 30, 2020, it still retains the credit line, which can be used at any time when the Company has special needs.

NOTE 3 - BASIS OF PRESENTATION

The Company's financial statements and notes are the representations of the Company's management. Accounting policies adopted by the Company conform to generally accepted accounting principles in the United States and have been consistently applied in the Company's presentation of its financial statements.

NOTE 4 - PRINCIPLES OF CONSOLIDATION

The Company's consolidated financial statements reflect the accounts of the Company and its ownership interests in the following subsidiaries:

(1) Continental Development Limited ("Continental"), a wholly-owned subsidiary of the Company, incorporated under the laws of Hong Kong;

(2) Zhejiang Kandi Technologies, a wholly-owned subsidiary of Continental, incorporated under the laws of the PRC;

(3) Kandi New Energy Vehicle Co. Ltd. ("Kandi New Energy"), a 50%-owned subsidiary of Zhejiang Kandi Technologies (Mr. Hu Xiaoming owns the other 50%), incorporated under the laws of the PRC. Pursuant to agreements executed in January 2011, Mr. Hu Xiaoming contracted with Zhejiang Kandi Technologies for the operation and management of Kandi New Energy and put his shares of Kandi New Energy into escrow. As a result, Zhejiang Kandi Technologies is entitled to 100% of the economic benefits, voting rights and residual interests of Kandi New Energy;

(4) Kandi Electric Vehicles (Hainan) Co., Ltd. ("Kandi Hainan"), a subsidiary, 10% owned by Kandi New Energy and 90% owned by Zhejiang Kandi Technologies, incorporated under the laws of the PRC;

(5) Zhejiang Kandi Smart Battery Swap Technology Co., Ltd ("Kandi Smart Battery Swap"), a wholly-owned subsidiary of Zhejiang Kandi Technologies, incorporated under the laws of the PRC;

(6) Yongkang Scrou Electric Co, Ltd. ("Yongkang Scrou"), a wholly-owned subsidiary of Kandi Smart Battery Swap, incorporated under the laws of the PRC; and

(7) SC Autosports (d/b/a Kandi America), a wholly-owned subsidiary of the Company formed under the laws of the State of Texas.

(8) China Battery Exchange Technology Co., Ltd. ("China Battery Exchange") and its subsidiaries, a wholly-owned subsidiary of Zhejiang Kandi Technologies, incorporated under the laws of the PRC.

Equity Method Investees

The Company's consolidated net loss also includes the Company's proportionate share of the net income or loss of its equity method investees as follows:

The Affiliate Company, a 22% owned subsidiary of Zhejiang Kandi Technologies and its subsidiaries

All intra-entity profits and losses with regard to the Company's equity method investees have been eliminated.

NOTE 5 - USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and related disclosures of contingent assets and liabilities at the balance sheet date, and the reported revenues and expenses during the reported period in the consolidated financial statements and accompanying notes. Significant accounting estimates reflected in the Company's consolidated financial statements primarily include, but are not limited to, allowances for doubtful accounts, lower of cost and net realizable value of inventory, assessment for impairment of long-lived assets and intangible assets, valuation of deferred tax assets, change in fair value of contingent consideration, determination of share-based compensation expenses as well as fair value of stock warrants.

Management bases the estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from these estimates.

NOTE 6 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Economic and Political Risks

The Company's operations are conducted in China. As a result, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in China, and by the general state of the Chinese economy. In addition, the Company's earnings are subject to movements in foreign currency exchange rates when transactions are denominated in Renminbi ("RMB"), which is the Company's functional currency. Accordingly, the Company's operating results are affected by changes in the exchange rate between the U.S. dollar and the RMB.

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

(b) Fair Value of Financial Instruments

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

These tiers include:

Level 1—defined as observable inputs such as quoted prices in active markets;

Level 2—defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and

Level 3—defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company's financial instruments primarily consist of cash and cash equivalents, restricted cash, accounts receivable, notes receivable, other receivables, accounts payable, other payables and accrued liabilities, short-term bank loans, notes payable, and warrants.

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, notes receivable, other receivables, accounts payable, other payables and accrued liabilities, and notes payable approximate fair value because of the short-term nature of these items. The estimated fair values of short-term bank loans were not materially different from their carrying value as presented due to the brief maturities and because the interest rates on these borrowings approximate those that would have been available for loans of similar remaining maturities and risk profiles. As the carrying amounts are reasonable estimates of fair value, these financial instruments are classified within Level 1 of the fair value hierarchy. The Company identified notes payable as Level 2 instruments due to the fact that the inputs to valuation are primarily based upon readily observable pricing information. The balance of notes payable, which were measured and disclosed at fair value, was $92,445 and $10,765,344 at December 31, 2020 and December 31, 2019, respectively.

Contingent consideration related to the acquisitions of Kandi Smart Battery Swap and SC Autosports, which is accounted for as liabilities, are measured at each reporting date for their fair value using Level 3 inputs. The fair value of contingent consideration was $3,703,000 and $5,197,000 at December 31, 2020 and December 31, 2019, respectively. Also see Note 21.

(c) Cash and Cash Equivalents

The Company considers highly-liquid investments purchased with original maturities of three months or less to be cash equivalents.

(d) Restricted cash

Restricted cash primarily represents bank deposits for letter of credit and bank acceptance bill.

As of December 31, 2020 and December 31, 2019, the Company's restricted cash was $ 442,445 and $11,022,078, respectively.

(e) Inventories

Inventories are stated at the lower of cost or net realizable value (market value). The cost of raw materials is determined on the basis of weighted average. The cost of finished goods is determined on the basis of weighted average and comprises direct materials, direct labor and an appropriate proportion of overhead.

Net realizable value is based on estimated selling prices less selling expenses and any further costs expected to be incurred for completion. Adjustments to reduce the cost of inventory to net realizable value are made, if required, for estimated excess, obsolescence, or impaired balances.

(f) Accounts Receivable and Due from the Affiliate Company and Related Parties

Accounts receivable are recognized and carried at net realizable value. An allowance for doubtful accounts is recorded for periods in which the Company determines a loss is probable, based on its assessment of specific factors, such as troubled collections, historical experience, accounts aging, ongoing business relations and other factors. Accounts are written off after exhaustive collection efforts. If accounts receivable are to be provided for, or written off, they are recognized in the consolidated statement of operations within the operating expenses line item. If accounts receivable previously written off is recovered in a later period or when facts subsequently become available to indicate that the amount provided as an allowance for doubtful accounts was incorrect, an adjustment is made to restate allowance for doubtful accounts.

Net amount due from the Affiliate Company represent net trade receivable from the Affiliate Company, loan lending to the Affiliate Company as well as interest related to such loan. As of December 31, 2020 and 2019, the Company's net amount due from the Affiliate Company includes $19.8 million net trade receivable and $2.2 million loan interest, $29.3 million net trade receivable and $ 2.1 million loan interest, respectively.

As of December 31, 2020 and December 31, 2019, amount due from related party was $ 886,989 and $0, respectively. As of December 31, 2020 and December 31, 2019, amount due to related party was $500,000 and $0, respectively.

As of December 31, 2020 and December 31, 2019, credit terms with the Company's customers were typically 180 to 360 days after delivery. As of December 31, 2020 and 2019, the Company had a $110,269 and $254,665 allowance for doubtful accounts, as per the Company management's judgment based on their best knowledge. The Company conducts quarterly assessments of the state of the Company's outstanding receivables and reserves any allowance for doubtful accounts if it becomes necessary.

(g) Notes Receivable

Notes receivable represent short-term loans to third parties with maximum terms of six months. Interest income is recognized according to each agreement between a borrower and the Company on an accrual basis. For notes receivable with banks, the interest rates are determined by banks. For notes receivable with other parties, the interest rates are based on agreements between the parties. If notes receivable are paid back, that transaction will be recognized in the relevant year. If notes receivable are not paid back, or are written off, that transaction will be recognized in the relevant year if default is probable, reasonably assured, and the loss can be reasonably estimated. The Company will recognize income if the written-off loan is recovered at a future date. In case of any foreclosure proceedings or legal actions, the Company provides an accrual for the related foreclosure and litigation expenses. The Company also receives notes receivable from the Affiliate Company and other parties to settle accounts receivable. If the Company decides to discount notes receivable for the purpose of receiving immediate cash, the current discount rate is approximately in the range of 3.50% to 4.50% annually. As of December 31, 2020 and 2019, the Company had notes receivable from unrelated parties of $ 31,404,630 and $42,487,225, respectively, which notes receivable typically mature within six months.

(h) Property, Plants and Equipment, net

Property, Plants and equipment are carried at cost less accumulated depreciation. Depreciation is calculated over the asset's estimated useful life, using the straight-line method. Leasehold improvements are amortized over the life of the asset or the term of the lease, whichever is shorter. Estimated useful lives are as follows:

Buildings	30 years
Machinery and equipment	10 years
Office equipment	5 years
Motor vehicles	5 years
Molds	5 years

The costs and related accumulated depreciation of assets sold or otherwise retired are eliminated from the Company's accounts and any gain or loss is included in the statements of income. The cost of maintenance and repairs is charged to expenses as incurred, whereas significant renewals and betterments are capitalized.

(i) Land Use Rights, net

Land in China is owned by the government and land ownership rights cannot be sold to an individual or to a private company. However, the Chinese government grants the user a "land use right" to use the land. The land use rights granted to the Company are amortized using the straight-line method over a term of fifty years.

The Company elected the practical expedient that permits the Company to carry forward the accounting treatment for land use rights in existing agreements as of the effective date of ASC 842.

Upon the adoption of ASC 842 on January 1, 2019, the new land use rights agreements signed beyond the effective date are identified as operating lease right-of-use assets, whereas the existing agreements as of the effective date are separately disclosed as "Land use rights" in the Company's consolidated balance sheets.

(j) Accounting for the Impairment of Long-Lived Assets

The Company periodically evaluates the carrying value of long-lived assets to be held and used, including intangible assets subject to amortization, when events and circumstances warrant such a review, pursuant to the guidelines established in Statement of Financial Accounting Standards ("SFAS") No. 144 (now known as "ASC 360"). The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for disposal costs.

The Company recognized no impairment loss for years ended December 31, 2020 and 2019.

(k) Revenue Recognition

The Company adopted ASC Topic 606 Revenue from Contracts with Customers with a date of the initial application of January 1, 2018 using the modified retrospective method. As a result, the Company has changed its accounting policy for revenue recognition. The impact of the adoption of ASC Topic 606 on the Company's consolidated financial statements is not material.

The Company recognizes revenue when goods or services are transferred to customers in an amount that reflects the consideration which it expects to receive in exchange for those goods or services. In determining when and how revenue is recognized from contracts with customers, the Company performs the following five-step analysis: (i) identification of contract with customer; (ii) determination of performance obligations; (iii) measurement of the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company generates revenue through EV parts and off-road vehicles. The revenue is recognized at a point in time once the Company has determined that the customer has obtained control over the product. Control is typically deemed to have been transferred to the customer when the performance obligation is fulfilled, usually at the time of delivery, at the net sales price (transaction price). Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities. Shipping and handling costs for product shipments occur prior to the customer obtaining control of the goods are accounted for as fulfillment costs rather than separate performance obligations and recorded as sales and marketing expenses.

See Note 27 "Segment Reporting" for disaggregation of revenue by reporting segments. The Company believes this disaggregation best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

(l) Research and Development

Expenditures relating to the development of new products and processes, including improvements to existing products as well as research and development and consulting work performed by third parties, are expensed as incurred. Research and development expenses were $7,246,312 and $6,207,747 for the years ended December 31, 2020 and 2019, respectively.

(m) Government Grants

Government grants are recognized when there is reasonable assurance that: (1) the recipient will comply with the relevant conditions and (2) the grant will be received. After initial recognition, government grants are recognized in profit or loss on a systematic basis that mirrors the manner in which the Company recognizes the underlying costs for which the grant is intended to compensate. If some, or all, of a government grant becomes repayable (e.g. due to non-fulfillment of the grant conditions), then the repayment is accounted for prospectively as a change in accounting estimate. The effect of the change in estimate is recognized in the period in which management concludes that it is no longer reasonably assured that all of the grant conditions will be met. A corresponding financial liability is recognized for the amount of the repayment.

For the years ended December 31, 2020 and 2019, $ 1,130,262 and $792,628, respectively, were received by the Company's subsidiaries from the Chinese government.

(n) Income Taxes

The Company accounts for income tax using an asset and liability approach, which allows for the recognition of deferred tax benefits in future years. Under the asset and liability approach, deferred income taxes are recognized for differences between the financial reporting and tax bases of assets and liabilities at enacted tax rates in effect for the years in which the differences are expected to reverse. The accounting for deferred tax calculation represents the Company management's best estimate of the most likely future tax consequences of events that have been recognized in our financial statements or tax returns and related future anticipation. A valuation allowance is recorded to reduce the deferred tax assets to an amount that is more likely than not to be realized after considering all available evidence, both positive and negative.

(o) Foreign Currency Translation

The accompanying consolidated financial statements are presented in United States dollars. The functional currency of the Company is the Renminbi (RMB). Capital accounts of the consolidated financial statements are translated into United States dollars from RMB at their historical exchange rates when the capital transactions occurred.

Assets and liabilities are translated at the exchange rates as of balance sheet date. Income and expenditures are translated at the average exchange rate of the reporting period, which rates are obtained from the website: http://www.oanda.com

	December 31, 2020	**December 31, 2019**
Period end RMB : USD exchange rate	6.5277	6.9668
Average RMB : USD exchange rate	6.9001	6.9072

(p) Comprehensive Income (Loss)

Comprehensive income (loss) is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, all items that are required to be recognized under current accounting standards as components of comprehensive income (loss) are required to be reported in a financial statement that is presented with the same prominence as other financial statements. Comprehensive income (loss) includes net income (loss) and the foreign currency translation changes.

(q) Segments

In accordance with ASC 280-10, Segment Reporting, the Company's chief operating decision maker ("CODM"), identified as the Company's Chief Executive Officer, relies upon the consolidated results of operations as a whole when making decisions about allocating resources and assessing the performance of the Company. As a result of the assessment made by CODM, the Company has only one reportable segment. The Company does not distinguish between markets or segments for the purpose of internal reporting. As the Company's long-lived assets are substantially located in the PRC, no geographical segments are presented.

(r) Stock Option Expenses

The Company's stock option expenses are recorded in accordance with ASC 718 and ASC 505.

The fair value of stock options is estimated using the Black-Scholes-Merton model. The Company's expected volatility assumption is based on the historical volatility of the Company's common 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.

The recognition of stock option expenses is based on awards expected to vest. 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.

The stock-based option expenses for the years ended December 31, 2020 and 2019 were $ 0 and $0, respectively. There were no forfeitures estimated during the reporting period.

(s) Goodwill

The Company allocates goodwill from business combinations to reporting units based on the expectation that the reporting unit is to benefit from the business combination. The Company evaluates its reporting units on an annual basis and, if necessary, reassigns goodwill using a relative fair value allocation approach. Goodwill is tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit.

Application of the goodwill impairment test requires judgments, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and the determination of the fair value of each reporting unit. The Company first assesses qualitative factors to determine whether it is more likely than not that goodwill is impaired. If the more likely than not threshold is met, the Company performs a quantitative impairment test.

As of December 31, 2020 and 2019, the Company performed goodwill impairment testing at the reporting unit level and determined that no impairment was necessary.

(t) Intangible Assets

Intangible assets consist of patent, trade names and customer relations associated with the purchase price from the allocation of Yongkang Scrou and Kandi Smart Battery Swap. Such assets are being amortized over their estimated useful lives. Intangible assets were amortized as of December 31, 2020. The amortization expenses for intangible assets were $ 625,629 and $ 625,070 for the years ended December 31, 2020 and 2019, respectively.

(u) Accounting for Sale of Common Stock and Warrants

In connection of the issuance of common stocks, the Company may issue options or warrants to purchase common stock. Warrants classified as equity are initially recorded at fair value and subsequent changes in fair value are not recognized as long as the warrants continue to be classified as equity.

(v) Consolidation of variable interest entities

In accordance with accounting standards regarding consolidation of variable interest entities, or VIEs, VIEs are generally entities that lack sufficient equity to finance their activities without additional financial support from other parties or whose equity holders lack adequate decision making ability. All VIEs with which the Company is involved must be evaluated to determine the primary beneficiary of the risks and rewards of the VIE. The primary beneficiary is required to consolidate the VIE for financial reporting purposes.

The Company has concluded, based on the contractual arrangements, that Kandi New Energy is a VIE and that the Company’s wholly-owned subsidiary, Zhejiang Kandi Technologies, absorbs a majority of the risk of loss from the activities of this company, thereby enabling the Company, through Zhejiang Kandi Technologies, to receive a majority of its expected residual returns.

Additionally, because Kandi New Energy is under common control with other entities, the consolidated financial statements have been prepared as if the transactions had occurred retroactively as to the beginning of the reporting period of these consolidated financial statements.

Control and common control are defined under the accounting standards as “an individual, enterprise, or immediate family members who hold more than 50 percent of the voting ownership interest of each entity.” Because the owners collectively own 100% of Kandi New Energy, and have agreed to vote their interests in concert since the establishment of each of these three companies as memorialized in the Voting Rights Proxy Agreement, the Company believes that the owners collectively have control and common control of Kandi New Energy. Accordingly, the Company believes that Kandi New Energy was constructively held under common control by Zhejiang Kandi Technologies as of the time the contractual agreements were entered into, establishing Zhejiang Kandi Technologies as their primary beneficiary. Zhejiang Kandi Technologies, in turn, is owned by Continental, which is owned by the Company.

(w) Reclassification

The Company has reclassified certain comparative amounts in the consolidated balance sheets as of December 31, 2019 to conform to the current year’s presentation. The principal reclassifications are related to the construction in progress and deferred taxes assets being reclassified from the other long term assets which is categorized separately on the balance sheets. The reclassification did not have an impact on the reported total assets, liabilities, stockholders’ equity and net income.

Certain reclassifications have been made to the consolidated statements of cash flows for year ended December 31, 2019 to conform to the presentation of condensed consolidated financial statement for year ended December 31, 2020. The Company reclassified the following 1) grouping due from employees into other receivables and other assets; 2) grouping customer deposits and deferred income into other payables and accrued liabilities.

NOTE 7 - NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In February 2018, the FASB released ASU 2018-2, “Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” This standard update addresses a specific consequence of the Tax Cuts and Jobs Act (the “Tax Act”) and allows a reclassification from accumulated other comprehensive income to retained earnings for the stranded tax effects resulting from the Tax Act. Consequently, the update eliminates the stranded tax effects that were created as a result of the historical U.S. federal corporate income tax rate to the newly enacted U.S. federal corporate income tax rate. The Company is required to adopt this standard in the first quarter of fiscal year 2020, with early adoption permitted. The amendments in this update should be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The Company adopted this ASU in the first quarter of 2020 and the new standard did not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13 Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement, which eliminates, adds, and modifies certain disclosure requirements for fair value measurements under ASC 820. This ASU is to be applied on a prospective basis for certain modified or new disclosure requirements, and all other amendments in the standard are to be applied on a retrospective basis. The new standard is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted. The Company adopted this ASU in the first quarter of 2020 and the new standard did not have a material impact on the consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued Accounting Standards Update No. 2016-13,”Financial Instruments - Credit Losses (Topic 326)” (“ASU 2016-13”). ASU 2016-13 revises the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. Originally, ASU 2016-13 was effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. In November 2019, FASB issued ASU 2019-10, “Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842).” This ASU defers the effective date of ASU 2016-13 for public companies that are considered smaller reporting companies as defined by the SEC to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is planning to adopt this standard in the first quarter of fiscal 2023.The Company is currently evaluating the potential effects of adopting the provisions of ASU No. 2016-13 on its consolidated financial statements, particularly its recognition of allowances for accounts receivable.

In December 18, 2019, the FASB issued ASU 2019-12, income Taxes — Simplifying the Accounting for Income Taxes serves to simplify the accounting for income taxes by removing certain following Codification exceptions, including exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment. This guidance will be effective after December 15, 2020, with early adoption permitted. The Company will adopt the new standard effective January 1, 2021 and does not expect the adoption of this guidance to have a material impact on the consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01, Investments—Equity Securities, Investments—Equity Method and Joint Ventures, and Derivatives and Hedging, which clarifies the interaction of the accounting for equity securities under Topic 321, the accounting for equity method investments in Topic 323, and the accounting for certain forward contracts and purchased options in Topic 815. This guidance will be effective in the first quarter of 2021 on a prospective basis, with early adoption permitted. The Company will adopt the new standard effective January 1, 2021 and does not expect the adoption of this guidance to have a material impact on the consolidated financial statements.

NOTE 8 - CONCENTRATIONS

(a) Customers

For the years ended December 31, 2020 and 2019, the Company's major customers, who accounted for more than 10% of the Company's consolidated revenue, were as follows:

	Sales		**Trade Receivable**	
Major Customers	**Year Ended December 31, 2020**	**Year Ended December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Customer A	24%	51%	15%	55%
Customer B	14%	15%	7%	5%
Fengsheng Vehicles Technologies Group Co., Ltd. and its subsidiaries	-	12%	33%	32%

(b) Suppliers

For the years ended December 31, 2020 and 2019, the Company's material suppliers, each of whom accounted for more than 10% of the Company's total purchases, were as follows:

	Purchases		**Accounts Payable**	
Major Suppliers	**Year Ended December 31, 2020**	**Year Ended December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Zhejiang Kandi Supply Chain Management Co., Ltd.	49%	73%	9%	8%
Supplier D	22%	11%	5%	-

NOTE 9 - LOSS PER SHARE

The Company calculates earnings per share in accordance with ASC 260, Earnings Per Share, which requires a dual presentation of basic and diluted earnings per share. Basic earnings per share are computed using the weighted average number of shares outstanding during the reporting period. Diluted earnings per share represents basic earnings per share adjusted to include the potentially dilutive effect of outstanding stock options and warrants (using treasury stock method). Due to the average market price of the common stock during the period below the exercise price of the options, approximately 900,000 options and 8,131,332 warrants were excluded from the calculation of diluted net loss per share, for the year ended December 31, 2020.

NOTE 10 - ACCOUNTS RECEIVABLE, NET

Accounts receivable are summarized as follows:

	December 31, 2020	December 31, 2019
Accounts receivable	$ 38,657,406	$ 61,436,514
Less: allowance for doubtful accounts	(110,269)	(254,665)
Accounts receivable, net	$ 38,547,137	$ 61,181,849

NOTE 11 - INVENTORIES

Inventories are summarized as follows:

	December 31, 2020	December 31, 2019
Raw material	$ 7,512,259	$ 12,127,957
Work-in-progress	5,488,532	4,545,736
Finished goods	6,696,592	11,062,873
Inventories	$ 19,697,383	$ 27,736,566

NOTE 12 - NOTES RECEIVABLE

As of December 31, 2020, there was $ 31,404,630 notes receivable from unrelated parties with a 6% annual interest rate, among which $ 6.1 million was due on January 15, 2021, $6.9 million was due on January 27, 2021, $9.2 million was due on April 20, 2021 and $9.2 million was due on June 25, 2021. As the date of this report, $13,021,431 notes receivable has been collected. As of December 31, 2019, there was $ 42,487,225 notes receivable from unrelated parties, which was commercial acceptance notes from payments for equity transfer of the Affiliate Company (refer to Note 25-summarized information of equity method investment in the Affiliate Company).

NOTE 13 - ADVANCES TO SUPPLIERS

Advances to suppliers are summarized as follows:

	December 31, 2020	December 31, 2019
Advance payment for inventory purchase①	$ 13,107,630	$ 52,714
Advance payment for R & D②	19,365,947	-
Others	4,259,605	632,294
Total	$ 36,733,182	$ 685,008

① This amount represents the advance payment in order to lock up the purchase price of the inventory.

② This amount presents the advance payment to a third party for designing a new EV model, as well as related research and development and consulting works. The Company entered into a research and development contract with a third party on December 1, 2020 with total contract amount of $38.3 million, and advance payment of $ 23.0 million as per the contract. $ 3.4 million of expense was incurred during the year ended December 31, 2020.

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

Property, plants and equipment as of December 31, 2020 and 2019 consisted of the following:

	December 31, 2020	December 31, 2019
At cost:		
Buildings	$ 18,924,734	$ 30,447,480
Machinery and equipment	67,893,378	62,973,794
Office equipment	1,138,870	1,048,651
Motor vehicles and other transport equipment	587,785	413,046
Molds and others	12,752,789	25,836,241
	101,297,556	120,719,212
Less : Accumulated depreciation	(35,894,876)	(46,311,354)
Property, plant and equipment, net	$ 65,402,680	$ 74,407,858

The Company's Jinhua facility is currently in the process of moving out of the old location and we expect to complete the relocation process around March 31, 2021. As of December 31, 2020, the property ownership certificate of Jinhua facility's old location has been cancelled and the corresponding properties have been reclassed to other long term assets.

As of December 31, 2020 and 2019, the net book value of property, plant and equipment pledged as collateral for the Company's bank loans were $ 0 and $6,484,497, respectively. Also see Note 18.

Depreciation expenses for the years ended December 31, 2020 and 2019 were $ 6,976,651 and $ 7,549,836, respectively.

NOTE 15 - INTANGIBLE ASSETS

Intangible assets include acquired other intangibles of trade name, customer relations and patent recorded at estimated fair values in accordance with purchase accounting guidelines for acquisitions.

The following table provides the gross carrying value and accumulated amortization for each major class of our intangible assets, other than goodwill:

	Remaining useful life	December 31, 2020	December 31, 2019
Gross carrying amount:			
Trade name	1 years	$ 492,235	$ 492,235
Customer relations	1 years	304,086	304,086
Patent	4.5-6.17 years	4,871,547	4,564,506
		5,667,868	5,360,827
Less : Accumulated amortization			
Trade name		$ (439,798)	$ (389,053)
Customer relations		(271,691)	(240,342)
Patent		(1,723,626)	(1,076,660)
		(2,435,115)	(1,706,055)
Intangible assets, net		$ 3,232,753	$ 3,654,772

The aggregate amortization expenses for those intangible assets that continue to be amortized is reflected in amortization of intangible assets in the Consolidated Statements of Income and Comprehensive Income and were $ 625,629 and $625,070 for the year ended December 31, 2020 and 2019, respectively.

Amortization expenses for the next five years and thereafter are as follows:

Years ending December 31,	
2021	$ 625,629
2022	546,271
2023	543,534
2024	543,534
2025	481,255
Thereafter	492,530
Total	$ 3,232,753

NOTE 16 - LAND USE RIGHTS

The Company's land use rights consist of the following:

	December 31, 2020	December 31, 2019
Cost of land use rights	$ 4,024,889	$ 14,731,847
Less: Accumulated amortization	(767,129)	(3,459,032)
Land use rights, net	$ 3,257,760	$ 11,272,815

During June 2020, land use right in the net carrying value of $ 2.3 million was returned to the government as the Company began to perform its obligations under the Repurchase Agreement. Gain on disposal of long-lived assets of $14,174,23 was recognized accordingly. In addition to the land returned to the government, as of December 31, 2020, the rest land certificate of Jinhua facility's old location has been cancelled and the corresponding land use right have been reclassed to other long term assets.

The land use right of gross value of $ 3.5 million, which was acquired in October 2020 from the government as the new site of Jinhua Facility's relocation as per the Repurchase Agreement, was identified as operating lease right-of-use assets.

As of December 31, 2020 and 2019, the net book value of the land use rights pledged as collateral for the Company's bank loans were $ 0 and $4,937,138 respectively. Also see Note 18.

The amortization expense for the years ended December 31, 2020 and 2019 were $ 201,061 and $327,250, respectively.

Amortization expense for the next five years and thereafter is as follows:

Years ending December 31,	
2021	86,584
2022	86,584
2023	86,584
2024	86,584
2025	86,584
Thereafter	2,824,840
Total	$ 3,257,760

NOTE 17 - OTHER LONG TERM ASSETS

Other long term assets as of December 31, 2020 and 2019 consisted of the following:

	December 31, 2020	December 31, 2019
Long term deferred assets	$ 3,706,560	$ 4,819,152
Prepayments for land use right (i)	4,319,305	4,131,530
Land and properties with certificates cancelled (ii)	13,728,557	-
Other receivables- Long term	153,193	768,442
Prepayments for new product molds	6,663,909	-
Operating lease right-of-use assets (iii)	3,496,993	10,743
Others	238,967	284,205
Total other long term asset	$ 32,307,484	$ 10,014,072

(i) As of December 31, 2020 and 2019, the Company's other long term asset included net value of prepayments for land use right of Hainan facility of $4,319,305 and 4,131,530, respectively. As of December 31, 2020, the land us right of Hainan was not recognized since the land certificate is still in process. The amortization expense for the year ended December 31, 2020 and 2019 were $85,277 and $ 92,288, respectively.

(ii) As of December 31, 2020, the Company's other long term asset included net value of land of Jinhua facility's old location with certificates cancelled of $6,095,310. The amortization expense for the year ended December 31, 2020 were $ 93,184. As of December 31, 2020, the Company's other long term asset included net value of properties of Jinhua facility's old location with certificates cancelled of $7,633,247. The depreciation expense for the year ended December 31, 2020 were $224,778.

(iii) As of December 31, 2020, the Company's operating lease right-of-use assets in other long term asset included net value of newly acquired land use right of Jinhua facility of $3,450,958. The amortization expense for the year ended December 31, 2020 were $ 16,406.

NOTE 18 - SHORT-TERM AND LONG-TERM BANK LOANS

Short-term loans are summarized as follows:

	2020	2019
Bank A		
Interest rate 5.66% per annum, paid off on May 22, 2020, secured by the assets of Kandi Vehicle, also guaranteed by company's subsidiaries. Also see Note 14 and Note 16.	-	7,004,650
Interest rate 5.66% per annum, paid off on May 22, 2020,secured by the assets of Kandi Vehicle, also guaranteed by company's subsidiaries. Also see Note 14 and Note 16.	-	4,621,921
Bank B		
Interest rate 5.22% per annum, paid off on April 22, 2020, secured by the assets of Kandi Vehicle. Also see Note 14 and Note 16.	-	5,741,517
Interest rate 5.22% per annum, paid off on April 24, 2020, secured by the assets of Kandi Vehicle. Also see Note 14 and Note 16.	-	4,306,138
Interest rate 5.22% per annum, paid off on April 26, 2020, secured by the assets of Kandi Vehicle. Also see Note 14 and Note 16.	-	4,306,138
	$ -	$ 25,980,364

Long-term loan is summarized as follows:

		December 31, 2020	December 31, 2019
Long term bank loans:			
Bank C			
Interest rate 7% per annum, paid off on December 11, 2020, guaranteed by the Company's subsidiaries.	$	-	28,133,433
Long term loans - current portion		-	13,779,641
Long term loans - noncurrent portion		-	14,353,792
Total long term loans - current and noncurrent portion	$	-	28,133,433

The interest expense of the short-term and long-term bank loans for the years ended December 31, 2020 and 2019 were $ 2,763,524 and $4,311,640, respectively.

As of December 31, 2020, the aggregate amount of short-term loans that was guaranteed by various third parties was $ 0.

NOTE 19 - TAXES

(a) Corporation Income Tax

Pursuant to the tax laws and regulations of the PRC, the Company's applicable corporate income tax ("CIT") rate is 25%. However, Zhejiang Kandi Technologies, Jinhua Ankao and Kandi Hainan qualify as High and New Technology Enterprise ("HNTE") companies in the PRC, and are entitled to pay a reduced income tax rate of 15% for the years presented. A HNTE Certificate is valid for three years. An entity may re-apply for an HNTE certificate when the prior certificate expires. Historically, Zhejiang Kandi Technologies has successfully re-applied for such certificates when the its prior certificates expired. Jinhua Ankao has been qualified as HNTE since 2018. Kandi Hainan has been qualified as HNTE since 2020. Therefore no records for renewal are available. The applicable CIT rate of each of the Company's other subsidiaries, Kandi New Energy and Yongkang Scrou is 25%.

The Company's tax provision or benefit from income taxes for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter the Company updates its estimate of the annual effective tax rate, and if its estimated tax rate changes, the management makes a cumulative adjustment. For 2020, the Company's effective tax rate is favorably affected by a super-deduction for qualified research and development costs and adversely affected by non-deductible expenses such as stock rewards for non-US employees, and part of entertainment expenses. The Company records valuation allowances against the deferred tax assets associated with losses and other timing differences for which we may not realize a related tax benefit. After combining research and development tax credits of 25% on certain qualified research and development expenses, the Company's effective tax rate for December 31, 2020 and 2019 was a tax benefit of 32.69% on a reported loss before taxes of approximately $15.4 million, a tax benefit of 8.78% on a reported loss before taxes of approximately $7.9 million, respectively. The effective tax rates for each of the periods mentioned above are disclosed in the summary table of income tax expenses for December 31, 2020 and 2019.

Under ASC 740 guidance relating to uncertain tax positions, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. As of December 31, 2020, the Company did not have any liability for unrecognized tax benefits. The Company files income tax returns with the U.S. Internal Revenue Services ("IRS") and those states where the Company has operations. The Company is subject to U.S. federal or state income tax examinations by the IRS and relevant state tax authorities for years after 2006. During the periods open to examination, the Company has net operating loss carry forwards ("NOLs") for U.S. federal and state tax purposes that have attributes from closed periods. Since these NOLs may be utilized in future periods, they remain subject to examination. The Company also files certain tax returns in the PRC. As of December 31, 2020, the Company was not aware of any pending income tax examinations by U.S. or PRC tax authorities. The Company records interest and penalties on uncertain tax provisions as income tax expense. As of December 31, 2020, the Company has no accrued interest or penalties related to uncertain tax positions.

Income tax expenses for the year ended December 31, 2020 and 2019 are summarized as follows:

	For Year Ended December 31, 2020	2019
Current:		
Provision for CIT	$ 302,553	$ 374,277
Deferred:		
Provision for CIT	(5,349,722)	(1,066,536)
Income tax expense (benefit)	$ (5,047,169)	$ (692,259)

The reconciliation of taxes at the PRC statutory rate (25% in 2020 and 2019) to our provision for income taxes for the years ended December 31, 2020 and 2019 was as follows:

	For Year Ended December 31, 2020	2019
Expected taxation at PRC statutory tax rate	$ (3,860,333)	$ (1,970,247)
Recognition of outside basis difference in equity investment of the Affiliate Company	(4,347,061)	-
Effect of differing tax rates in different jurisdictions	93,806	363,199
Effect of PRC preferential tax rates	1,145,631	162,218
Non-taxable income	(7,889)	(86,537)
Non-deductible expenses	615,659	1,703,235
Research and development super-deduction	(458,723)	(350,449)
(Over) Under-accrued EIT for previous years	(24,583)	(1,792,560)
Addition to valuation allowance	1,629,952	1,301,225
Other	166,372	(22,343)
Income tax (benefit) expense	$ (5,047,169)	$ (692,259)

The tax effects of temporary differences that give rise to the Company's net deferred tax assets and liabilities as of December 31, 2020 and December 31, 2019 are summarized as follows:

	December 31, 2020	December 31, 2019
Deferred tax assets:		
Accruals and reserves	$ 1,160,830	$ 672,983
Depreciation	-	53,199
Outside basis difference of investment in the Affiliate Company	7,821,994	-
Loss carried forward	3,415,400	2,401,125
Total deferred tax assets	12,398,224	3,127,307
Deferred tax liabilities:		
Expense	(588,889)	(680,906)
Intangible	(473,024)	(519,006)
Revenue	(2,421,259)	(162,874)
Total deferred tax liability	(3,483,172)	(1,362,786)
Net deferred tax assets (liabilities)	$ 8,915,052	$ 1,764,521
less: valuation allowance	(3,433,277)	(2,401,125)
Net deferred tax assets(liabilities),net of valuation allowance	$ 5,481,775	$ (636,604)

The aggregate NOLs in 2020 was $21.5 million deriving from entities in the PRC, Hong Kong and U.S. The aggregate NOLs in 2019 was $ 9.6 million deriving from entities in the PRC and Hong Kong. The NOLs will start to expire from 2026 if they are not used. The cumulative net operating loss in the PRC can be carried forward for five years in general, and ten years for entities qualify HNTE treatment, to offset future net profits for income tax purposes. The company has $0.8 million cumulative net operating loss in U.S. to carry forward as of December 31, 2020 with indefinite carryforward period. The cumulative net operating loss in Hong Kong of $0.1 million can be carried forward without an expiration date as well.

Operating loss carry forward for tax purpose resulted in a deferred tax asset of $ 3.4 million with a valuation allowance of $ 2.8 million at December 31, 2020. Tax benefit of operating loss is evaluated on an ongoing basis including a review of historical and projected future operating results, the eligible carry forward period, and available tax planning strategies.

We recognized a deferred tax asset for the Affiliate Company's outside basis difference due to the accumulated losses as of December 31, 2020 between book and tax purpose. This is due to the sale of the Affiliate Company in March 2021 indicates that it becomes apparent the temporary difference will reverse in the foreseeable future.

Income (loss) before income taxes from PRC and non-PRC sources for the year ended December 31,2020 and 2019 are summarized as follows:

	For Year Ended December 31,	
	2020	**2019**
Income(loss) before income taxes consists of:		
PRC	$ (12,734,584)	$ (5,413,025)
Non-PRC	(2,706,749)	(2,467,961)
Total	$ (15,441,333)	$ (7,880,986)

Net change in the valuation allowance of deferred tax assets are summarized as follows:

Balance at December 31,2019	$ 2,401,126
Additions-change to tax expense	1,629,952
Prior year true up	180,321
Exchange rate difference	253,404
Increase/Decrease due to change of tax rate of Kandi Hainan	(1,031,526)
Balance at December 31,2020	$ 3,433,277

(b) Tax Holiday Effect

For the year ended December 31, 2020 and 2019, the PRC CIT rate was 25%. Certain subsidiaries of the Company are entitled to tax exemptions (tax holidays) for the year ended December 31, 2020 and 2019.

The combined effects of income tax expense exemptions and reductions available to the Company for the year ended December 31, 2020 and 2019 are as follows:

	Year Ended December 31,	
	2020	**2019**
Tax benefit (holiday) credit	$ 690,905	$ 1,532,748
Basic net income per share effect	$ 0.000	$ 0.000

(c) CARES Act

On March 27, 2020, the "Coronavirus Aid, Relief and Economic Security (CARES) Act" was signed into law. The CARES Act authorized the Small Business Administration ("SBA") to temporarily guarantee loans under a loan program called the PPP. On May 4th, 2020, SC Autosports obtained the PPP loan in the amount of $244,166 with an interest rate of 1.0% and a two-year term to maturity. The entire principal amount of the borrower's PPP loan, including any accrued interest, is eligible to be reduced by the loan forgiveness amount under the PPP so long as employee and compensation levels of the business are maintained and 60% of the loan proceeds are used for payroll expenses, with the remaining 40% of the loan proceeds used for other qualifying expenses. As of December 31, 2020, the Company received $244,116 under the SBA PPP loan program and the entire amount has qualified for forgiveness.

The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The Company does not anticipate significant income tax impact on its financial and continue to examine the impacts this CARES Act may have on its business.

NOTE 20 - LEASES

The Company has renewed its corporate office leases for SC Autosports, with a term of 15 months from January 31, 2020 to April 30, 2021. The monthly lease payment is $11,000 from February 2020 to April 2020 and $12,000 from May 2020 to April 2021. The Company recorded operating lease assets and operating lease liabilities at January 31, 2020, with a remaining lease term of 15 months and discount rate of 4.25%.

During October 2020, land use right of gross value of $ 3.5 million was acquired from the government as the new site of Jinhua Facility's relocation as per the Repurchase Agreement. This lease was wholly prepaid as of December 31, 2020. See NOTE 17 for more details.

As of December 31, 2020, the Company's operating lease right-of-use assets (grouped in other long term assets on the balance sheet) was $3,496,993 and lease liability (grouped in other current liability on the balance sheet) was $ 47,578. For the year ended December 31, 2020, the Company's operating lease expense was $156,406.

Supplemental information related to operating leases was as follows:

	Year ended December 31, 2020
Cash payments for operating leases	$ 156,406

Maturities of lease liabilities as of December 31, 2020 were as follow:

Maturity of Lease Liabilities:	**Lease payable**
Year ended December 31, 2021	47,578
Total	$ 47,578

NOTE 21 - CONTINGENT CONSIDERATION LIABILITY

On January 3, 2018, the Company completed the acquisition of 100% of the equity of Jinhua An Kao, currently known as Kandi Smart Battery Swap Co., Ltd. ("Kandi Smart Battery Swap"). The Company paid approximately RMB 25.93 million (approximately $4 million) at the closing of the transaction using cash on hand and issued a total of 2,959,837 shares of restrictive stock or 6.2% of the Company's total outstanding shares of the common stock immediately prior to the closing of the acquisition valued at approximately $20.7 million to the former shareholders of Kandi Smart Battery Swap and his designees (the "KSBS Shareholders"), and may be required to pay future consideration of up to an additional 2,959,837 shares of common stock, which are being held in escrow and to be released contingent upon the achievement of certain net income-based milestones in the next three years. Any escrowed shares that are not released from escrow to the KSBS Shareholders as a result of the failure to achieve the milestones will be forfeited and returned to the Company for cancellation. While the escrowed shares are held in escrow, the Company will retain all voting rights with respect to such shares. For the year ended December 31, 2018, Kandi Smart Battery Swap achieved its first year net profit target. Accordingly, the KSBS Shareholders received 739,959 shares of Kandi's restrictive common stock or 12.5% of the total equity consideration (i.e., 5,919,674 total shares) as part of the purchase price. For the year ended December 31, 2019, Kandi Smart Battery Swap achieved its second year net profit target. Accordingly, the KSBS Shareholders received 986,810 shares of Kandi's restrictive common stock or 16.67% of the total equity consideration (i.e., 5,919,674 total shares) as part of the purchase price. All the escrowed shares have been included in the Company's registration statement on Form S-3 declared effective by the SEC on April 5, 2019.

As the outbreak of COVID-19 in 2020 affected Kandi Smart Battery Swap's operation and business, on July 7, 2020, the Company and the KSBS Shareholders made the following supplements to Condition III of the original Supplementary Agreement: The KSBC Shareholders have the right to receive an aggregate of 20.83% of the total equity consideration (i.e., 5,919,674 total shares), provided that Kandi Smart Battery Swap realizes a net profit of RMB50,000,000 or more for the period from January 1, 2020 to June 30, 2021 (as opposed to be the originally stated "December 31, 2020"), and such profit is audited or reviewed and Kandi Smart Battery Swap gets annual or quarterly financial report issued under US GAAP.

On July 1, 2018, the Company completed the acquisition of 100% of the equity of SC Autosports (d/b/a Kandi America). The Company issued a total of 171,969 shares of restrictive stock or approximately 0.3% of the Company's total outstanding shares of the common stock immediately prior to the closing of the acquisition valued at approximately $0.8 million at the closing of transaction to the former members of SC Autosports within 30 days from the signing date of the Transfer Agreement, and may be required to pay future consideration of up to an additional 1,547,721 shares of common stock of the Company, which are being held in escrow and to be released contingent upon the achievement of certain pre-tax profit based milestones in the next three years. Any escrowed shares that are not released from escrow to the SC Autosports former members due to the failure to achieve the milestones will be forfeited and returned to the Company for cancellation. While the escrowed shares are held in escrow, the Company will retain all voting rights with respect to the shares. For the year ended December 31, 2018, SC Autosports achieved its first year pre-tax profit target. Accordingly, the former members of SC Autosports received 343,938 shares of Kandi's restrictive common stock or 20% of the total equity consideration in the purchase price. For the year ended December 31, 2019, SC Autosports achieved its second year pre-tax profit target. Accordingly, the former members of SC Autosports received 515,907 shares of Kandi's restrictive common stock or 30% of the total equity consideration in the purchase price. For the year ended December 31, 2020, SC Autosports partially achieved its third year pre-tax profit target. As the gap between third year's pretax profit and pre-tax profit target is less than 20%, the former members of SC Autosports will receive 515,907 shares of Kandi's restrictive common stock or 30% of the total equity consideration in the purchase price. All the escrowed shares have been included in the Company's registration statement on Form S-3 declared effective by the SEC on April 5, 2019.

The Company recorded contingent consideration liability of the estimated fair value of the contingent consideration the Company currently expects to pay to the KSBS Shareholders and SC Autosports' former members upon the achievement of certain milestones. The fair value of the contingent consideration liability associated with remaining shares of restrictive common stock was estimated by using the Monte Carlo simulation method, which took into account all possible scenarios. This fair value measurement is classified as Level 3 within the fair value hierarchy prescribed by ASC Topic 820, Fair Value Measurement and Disclosures. In accordance with ASC Topic 805, Business Combinations, the Company will re-measure this liability each reporting period and record changes in the fair value through a separate line item within the Company's consolidated statements of income.

As of December 31, 2020 and December 31, 2019, the Company's contingent consideration liability was $ 3,743,000 and $5,197,000, respectively.

Details of the contingent consideration liability as of December 31, 2020 and December 31, 2019 were as follow:

	December 31, 2020	December 31, 2019
Contingent consideration liability to KSBS Shareholders	$ 3,743,000	2,505,000
Contingent consideration liability to former members of SC Autosports	-	2,692,000
Total contingent consideration liability	$ 3,743,000	$ 5,197,000

NOTE 22 - COMMON SHARES

On November 12, 2020, Kandi entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain purchasers (the "Buyers") pursuant to which the Company sold to the Buyers, in a registered direct offering, an aggregate of 9,404,392 units (the "Units"), each consisting of one share (the "Shares") of our common stock, par value $0.001 per share ("Common Stock") and 0.4 warrant to purchase a share of our Common Stock (the "Warrants"), at a purchase price of $6.38 per share, for aggregate gross proceeds to the Company of $ 60,000,021, before deducting fees to the placement agent and other estimated offering expenses payable, approximately $3.1 million, by the Company. At the closing, the Company issued Units consisting of an aggregate of 9,404,392 shares of our Common Stock and Warrants initially exercisable into an aggregate of up to 3,761,757 shares of our Common Stock. The Warrants have a term of 30 months and are exercisable by the holders at any time after six months of the date of issuance at an exercise price of $8.18 per share.

On November 24, 2020, Kandi entered into a Securities Purchase Agreement (the “Purchase Agreement”) with certain purchasers (the “Buyers”) pursuant to which the Company sold to the Buyers, in a registered direct offering, an aggregate of 8,849,560 units (the “Units”), each consisting of one share (the “Shares”) of our common stock, par value $0.001 per share (“Common Stock”) and a warrant to purchase 0.4 share of our Common Stock (the “Warrants”), at a purchase price of $11.30 per share, for aggregate gross proceeds to the Company of $ 100,000,028, before deducting fees to the placement agent and other estimated offering expenses payable, approximately $5.0 million, by the Company. At the closing, the Company issued Units consisting of an aggregate of 8,849,560 shares of our Common Stock and Warrants initially exercisable into an aggregate of up to 3,539,825 shares of our Common Stock. The Warrants have a term of 30 months and are exercisable by the holders at any time after the date of issuance at an exercise price of $14.50 per share.

Retirement of Treasury Shares

On December 16, 2020, the Board of Directors of the Company approved to retire 487,155 shares of its common stock held in treasury, and the retirement was completed as of December 31, 2020. The shares were returned to the status of authorized but unissued shares. As a result, the treasury stock balance decreased by approximately $1.2 billion. As a part of the retirement, the Company reduced its Common Stock and Additional Paid-in Capital by $24,77,965.

NOTE 23 - STOCK OPTIONS

On May 29, 2015, the Compensation Committee of the Board of Directors of the Company approved the grant of stock options to purchase 4,900,000 shares of the Company’s common stock, at an exercise price of $9.72 per share, to the Company’s directors, officers and senior employees. The stock options will vest ratably over three years and expire on the tenth anniversary of the grant date. The Company valued the stock options at $39,990,540 and had amortized the stock compensation expense using the straight-line method over the service period from May 29, 2015, through May 29, 2018. The value of the stock options was estimated using the Black Scholes Model with an expected volatility of 90%, an expected life of 10 years, a risk-free interest rate of 2.23% and an expected dividend yield of 0.00%. All expenses had been amortized as of May 29, 2018.

The following is a summary of the stock option activities of the Company:

	Number of Shares	Weighted Average Exercise Price
Outstanding as of December 31, 2018	3,900,000	$ 9.72
Granted	-	-
Exercised	-	-
Cancelled	-	-
Forfeited	3,900,000	9.72
Outstanding as of December 31, 2019	3,900,000	$ 9.72
Granted	-	-
Exercised	3,000,000	9.72
Cancelled	-	-
Forfeited	-	-
Outstanding as of December 31, 2020	900,000	$ 9.72

The fair value of each of the 4,900,000 options issued to the employees and directors on May 29, 2015 is $ 8.1613 per share.

NOTE 24 - STOCK AWARD

In connection with the appointment of Mr. Henry Yu as a member of the Board of Directors (the “Board”), the Board authorized the Company to compensate Mr. Henry Yu with 5,000 shares of Company’s restricted common stock every six months as compensation, beginning in July 2011.

As compensation for Mr. Jerry Lewin’s services as a member of the Board, the Board authorized the Company to compensate Mr. Jerry Lewin with 5,000 shares of Company’s restricted common stock every six months, beginning in August 2011.

As compensation for Ms. Kewa Luo’s services as the Company’s investor relation officer, the Board authorized the Company to compensate Ms. Kewa Luo with 5,000 shares of the Company’s common stock every six months, beginning in September 2013.

In November 2016, the Company entered into a three-year employment agreement with Mr. Mei Bing, to hire him as the Company’s Chief Financial Officer. Under the agreement, Mr. Mei Bing was entitled to receive an aggregate 10,000 shares of common stock each year, vested in four equal quarterly installments of 2,500 shares. On January 29, 2019, Mr. Mei resigned from his position as the Company’s CFO.

On January 29, 2019, the Board appointed Ms. Zhu Xiaoying as interim Chief Financial Officer. Ms. Zhu was entitled to receive 10,000 shares of the common stock annually under the Company’s 2008 Omnibus Long-Term Incentive Plan (the “2008 Plan”) as a year-end equity bonus. Effective May 15, 2020, Ms. Zhu resigned from her position as interim Chief Financial Officer of the Company.

On May 15, 2020, the Board appointed Mr. Jehn Ming Lim as the Chief Financial Officer. Mr. Lim was entitled to receive 6,000 shares of the common stock annually, which shall be issuable evenly on each six-month anniversary hereof.

The fair value of stock awards with service condition is determined based on the closing price of the common stock on the date the shares are granted. The compensation costs for awards of common stock are recognized over the requisite service period.

On December 30, 2013, the Board approved a proposal (as submitted by the Compensation Committee) of an award (the “Board’s Pre-Approved Award Grant Sub-Plan under the 2008 Plan”) for certain executives and other key employees. The fair value of each award granted under the 2008 Plan is determined based on the closing price of the Company’s stock on the date of grant of such award. On September 26, 2016, the Board approved to terminate the previous Board’s Pre-Approved Award Grant Sub-Plan under the 2008 Plan and adopted a new plan to grant the total number of shares of common stock of the stock award for selected executives and key employees 250,000 shares of common stock for each fiscal year. On April 18, 2018, the Company granted 238,600 shares of common stock to certain management members and employees as compensation for their past services under the 2008 Plan. On April 30, 2019, the Company granted 238,600 shares of common stock to certain management members and employees as compensation for their past services under the 2008 Plan. On May 9, 2020, the Company granted 238,600 shares of common stock to certain management members and employees as compensation for their past services under the 2008 Plan.

For the year ended December 31, 2020 and 2019, the Company recognized $ 902,666 and $1,360,258 of employee stock award expenses for stock compensation and annual incentive award under the 2008 Plan paid to Board members, management and consultants under General and Administrative Expenses, respectively.

NOTE 25 - SUMMARIZED INFORMATION OF EQUITY METHOD INVESTMENT IN THE AFFILIATE COMPANY

The Company’s consolidated statement of operations includes the Company’s proportionate share of the net income or loss of the Company’s equity method investee. When the Company records its proportionate share of net income (loss) in such investee, it increases other income (expense) in the Company’s consolidated statements of operations and increase (decrease) the Company’s carrying value in that investment.

On March 21, 2019, Zhejiang Kandi Technologies signed an Equity Transfer Agreement with Geely Technologies Group Co. , Ltd. ("Geely") to transfer certain equity interests in the Affiliate Company to Geely. Pursuant to the Transfer Agreement, the Affiliate Company converted a loan of RMB 314 million (approximately $48.1 million) from Geely in the year of 2019 to equity in order to increase its cash flow. As a result, the registered capital of the Affiliate Company became RMB 2.40 billion (approximately $367.6 million), of which Zhejiang Kandi Technologies owned 43.47% and Geely owned 56.53%, respectively, upon the conversion of the loan into equity in the Affiliate Company. Zhejiang Kandi Technologies further sold 21.47% of its equity interests in the Affiliate Company to Geely for a total consideration of RMB 516 million (approximately $79.0 million). Zhejiang Kandi Technologies owns 22% of the equity interests of the Affiliate Company as a result of the transfer. As of September 29, 2019, the Company had received payments in cash totaling RMB 220 million (approximately $33.7 million) and certain commercial acceptance notes of RMB 296 million (approximately $45.3 million) from Geely, of which RMB 140 million (approximately $21.4 million) matured on January 20, 2020 and the remaining RMB 156 million (approximately $23.9 million) matured on March 29, 2020. As of September 30, 2019, the equity transfer had been completed. Therefore, in the third quarter of 2019, the Company recognized the gain from equity sale of $20,574,217. As of December 31, 2020, all the equity transfer payment has been collected.

On February 18, 2021, Zhejiang Kandi Technologies signed an Equity Transfer Agreement with Geely to transfer all of its remaining 22% equity interests in the Affiliate Company to Geely for a total consideration of RMB 308 million (approximately $47.2 million).The first half of the equity transfer payment will be payed within 5 business days from the date of completing the industrial and commercial modification procedures, and the rest will be paid within 6 months from the date of completing such procedures. On March 16, 2021, the Company received the first half of the equity transfer payment of RMB 154,000,000 (approximately $23.6 million).

The Company accounted for its investments in the Affiliate Company under the equity method of accounting. The Company recorded 22% of the Affiliate Company's loss for the year ended December 31, 2020.

The consolidated results of operations and financial position of the Affiliate Company are summarized below:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Condensed income statement information:		
Net sales	$ 94,831,334	$ 124,280,561
Gross loss	(10,518,130)	(2,609,764)
Gross margin	-11.1%	-2.1%
Net loss	(76,402,392)	(85,972,257)

	December 31, 2020	December 31, 2019
Condensed balance sheet information:		
Current assets	$ 586,040,953	$ 640,688,401
Noncurrent assets	272,818,292	64,589,516
Total assets	$ 858,859,245	$ 705,277,917
Current liabilities	707,054,287	490,625,640
Noncurrent liabilities	8,635,356	-
Equity	143,169,602	214,652,277
Total liabilities and equity	$ 858,859,245	$ 705,277,917

The Company's equity method investments in the Affiliate Company for the years ended December 31, 2020 and 2019 are as follows:

	Year Ended December 31,	
	2020	2019
Investment in the Affiliate Company, beginning of the period,	$ 47,228,614	$ 128,929,893
Investment decreased		(72,309,417)
Gain from equity dilution	-	4,263,764
Gain from equity sale	-	20,438,986
Reduction in the equity of the Affiliate Company*	(3,275,999)	-
Company's share in net (loss) income of Affiliate based on 22% ownership for year ended December 31, 2020 and 50% ownership for three months ended March 31, 2019, 43.47% ownership for six months ended September 30, 2019, 22% ownership for three months ended December 31, 2019	(16,812,341)	(30,864,754)
Non-controlling interest	(445,977)	-
Intercompany transaction elimination	-	(5,649)
Prior year unrealized profit realized	5,656	153,465
Subtotal	(17,252,662)	(30,716,938)
Exchange difference	2,192,685	(3,377,674)
Investment in Affiliate Company, end of the period	$ 28,892,638	$ 47,228,614
- Non-controlling interest carrying amount	2,611,821	-

* The Affiliate Company converted RMB 1.2 billion of the debt due from Zhejiang ZuoZhongYou Automobile Service Co., Ltd ("ZuoZhongYou") into 85% of its equity interest. ZuoZhongYou is under common control with the Affiliate Company by Geely.

On August 28, 2020, there was about RMB 97.2 million of difference between the carrying value of the debt of RMB 1.2 billion and the carrying value of ZuoZhongYou's net asset at the transaction date.

Hence, there is a decrease of RMB 21.4 million (approximately $3.3 million, which is 22% of the RMB 97.2 million) of "Investment in the Affiliate Company" on the Company's book, with a corresponding decrease to the additional paid in capital.

The gain from equity dilution for three months ended March 31, 2019 resulted from the Affiliate Company issuing shares to the major shareholder of the Affiliate Company, Greely, in exchange for extinguishment of a loan from Greely, resulting in dilution of equity ownership of the Company from 50% to 43.47%. This dilutive transaction was treated as if the Company sold a proportional share of its investment in the Affiliate Company.

Sales to the Company's customers, the Affiliate Company and its subsidiaries, for the year ended December 31, 2020, were $1,321 or 0% of the Company's total revenue, a decrease of 100% from $ 15,861,441 of the year ended December 31, 2019. Sales to the Affiliate Company and its subsidiaries were primarily of battery packs, body parts, EV drive motors, EV controllers, air conditioning units and other auto parts.

As of December 31, 2020 and 2019, the net amount due from the Affiliate Company and its subsidiaries, was $ 21,742,226 and $31,330,763, respectively. As of December 31, 2020 and 2019 the net amount due from the Affiliate Company and its subsidiaries included $2,194,903 and $2,056,564 interest receivable related to the loan lent to the Affiliate Company that was paid off.

NOTE 26 - COMMITMENTS AND CONTINGENCIES

Guarantees and pledged collateral for bank loans to other parties:

(1) Guarantees for bank loans

On March 15, 2013, the Company entered into a guarantee contract to serve as the guarantor of Nanlong Group Co., Ltd. ("NGCL") for NGCL's $3,063,866 (RMB 20 million) loan from Shanghai Pudong Development Bank Jinhua Branch, with a related loan period from March 15, 2013 to March 15, 2016. NGCL is not related to the Company. Under this guarantee contract, the Company agreed to assume joint liability as the loan guarantor. In April 2017, Shanghai Pudong Development Bank filed a lawsuit against NGCL, the Company and ten other parties in Zhejiang Province People's Court in Yongkang City, alleging NGCL defaulted on a bank loan borrowed from Shanghai Pudong Development Bank for a principal amount of approximately $2.9 million and demanded that the guarantor bear the liability for compensation. On May 27, 2017, a judicial mediation took place in Yongkang City and parties reached a settlement in mediation, in which the plaintiff agreed NGCL would repay the loan principal and interest in installments until December 2021. If there were an event of default that NGCL could not repay the loan, the Company may be obligated to bear the liability of defaulted amount. The Company expects the likelihood of incurring losses in connection with this matter to be remote.

(2) Pledged collateral for bank loans to other parties.

As of December 31, 2020 and December 31, 2019, none of the Company's land use rights or plants and equipment were pledged as collateral securing bank loans to other parties.

Litigation

Beginning in March 2017, putative shareholder class actions were filed against Kandi Technologies Group, Inc. ("Kandi") and certain of its current and former directors and officers in the United States District Court for the Central District of California and the United States District Court for the Southern District of New York. The complaints generally alleged violations of the federal securities laws based Kandi's disclosure in March 2017 that its financial statements for the years 2014, 2015 and the first three quarters of 2016 would need to be restated, and seek damages on behalf of putative classes of shareholders who purchased or acquired Kandi's securities prior to March 13, 2017. Kandi moved to dismiss the remaining cases, all of which were pending in the New York federal court, and that motion was granted by an order entered on September 30, 2019, and the time to appeal has run. In June 2020, a similar but separate putative securities class action was filed against Kandi and certain of its current and former directors and officers in California federal court. In September 2020, this action was transferred to the New York federal court and Kandi moved to dismiss in March 2021.

Beginning in May 2017, purported shareholder derivative actions based on the same underlying events described above were filed against certain current and former directors of Kandi in the United States District Court for the Southern District of New York. The New York federal court confirmed the voluntary dismissal of these actions in April 2019.

In October 2017, a shareholder filed a books and records action against the Company in the Delaware Court of Chancery pursuant to 8 Del. C. Section 220 seeking the production of certain documents generally relating to the same underlying items described above as well as attorney's fees (the "Section 220 Litigation"). On September 28, 2018, the parties, through their respective counsel, agreed to dismiss the Section 220 Litigation with prejudice and with each party bearing its own attorney's fees, costs, and expenses, thereby concluding the action. In February 2019, this same shareholder commenced a derivative action against certain current and former directors of Kandi in the Delaware Court of Chancery. A motion to dismiss this derivative action was filed in May 2019 and that motion was denied on April 27, 2020.

Separately, in connection with allegations of misconduct identified in pre-suit demands made by putative shareholders of Kandi, Kandi formed a Special Litigation Committee ("SLC") and retained a Delaware law firm as independent counsel to the SLC to aid in the SLC's investigation of, and to ultimately report on, the allegations of misconduct set forth in the pre-suit demands. The SLC recommended to Kandi's board of directors in June 2020 that the SLC be dissolved in light of the ongoing derivative action pending in the Delaware Court of Chancery, and this recommendation was adopted by the board in August 2020.

In December 2020, a putative securities class action was filed against Kandi and certain of its current officers in the United States District Court for the Eastern District of New York. The complaint generally alleges violations of the federal securities laws based on claims made in a report issued by Hindenburg Research in November 2020, and seeks damages on behalf of a putative class of shareholders who purchased or acquired Kandi's securities prior to March 15, 2019. This action remains pending.

While the Company believes that the claims in these litigations are without merit and will defend itself vigorously, the Company is unable to estimate the possible loss, if any, associated with these litigations. The ultimate outcome of any litigation is uncertain and the outcome of these matters, whether favorable or unfavorable, could have a negative impact on the Company's financial condition or results of operations due to defense costs, diversion of management resources and other factors. Defending litigation can be costly, and adverse results in the litigations could result in substantial monetary judgments. No assurance can be made that litigation will not have a material adverse effect on the Company's future financial position.

NOTE 27 - SEGMENT REPORTING

The Company has one operating segment. The Company's revenue and long-lived assets are primarily derived from and located in China and US. The Company does not have manufacturing operations outside of China.

The following table sets forth disaggregation of revenue:

	Year Ended December 31	
	2020	2019
	Sales Revenue	Sales Revenue
Primary geographical markets		
Overseas	$ 29,394,148	$ 24,623,424
China	47,526,365	111,117,912
Total	$ 76,920,513	$ 135,741,336
Major products		
EV parts	$ 40,645,696	$ 110,675,908
EV products	684,525	108,640.00
Off-road vehicles	29,824,323	22,743,142
Electric Scooters, Electric Self-Balancing Scooters and associated parts	5,765,969	2,213,646.00
Total	$ 76,920,513	$ 135,741,336
Timing of revenue recognition		
Products transferred at a point in time	$ 76,920,513	$ 135,741,336
Total	$ 76,920,513	$ 135,741,336

NOTE 28 - SUBSEQUENT EVENT

On February 18, 2021, Zhejiang Kandi Technologies signed an Equity Transfer Agreement with Geely to transfer all of its remaining 22% equity interests in the Affiliate Company to Geely for a total consideration of RMB 308 million (approximately $47.2 million).The first half of the equity transfer payment will be payed within 5 business days from the date of completing the industrial and commercial modification procedures, and the rest will be paid within 6 months from the date of completing such procedures. On March 16, 2021, the Company received the first half of the equity transfer payment of RMB 154,000,000 (approximately $23.6 million).

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

The Company is required to disclose in reports that are filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is: (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

The Company has evaluated, under the participation of the Company's Chief Executive Officer and the Interim Chief Financial Officer, the effectiveness of disclosure controls and procedures as of December 31, 2020. Based on our evaluation, we concluded that the Company's disclosure controls were effective as of December 31, 2020. In designing and evaluating the disclosure controls and procedures, the Company's management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and the Company's management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") as defined in Rules 13a-15(f) and 15d-15(f) under Exchange Act. The Company's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

The Company's ICFR includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) 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 consolidated financial statements.

All internal control systems, no matter how well designed, have inherent limitations, so that no evaluation of controls can provide absolute assurance that all control issues are detected. 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. Therefore, any current evaluation of controls cannot and should not be projected to future periods.

Management conducted an assessment of the effectiveness of our system of ICFR as of December 31, 2020, the last day of our fiscal year of 2020. This assessment was based on criteria established in Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013 (the "2013 COSO Framework") and included an evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. Based on management's evaluation under the 2013 COSO Framework, management concluded that the Company's internal controls over financial reporting were effective as of December 31, 2020 based on those criteria.

We reviewed the results of management's assessment with the Audit Committee of our Board of Directors.

Our independent registered public accounting firm, Marcum Bernstein & Pinchuk LLP, has audited the effectiveness of our ICFR as of December 31, 2020 as stated in their report which is attached to the auditors' report included under item 8 of this report.

(c) Changes in Internal Control Over Financial Reporting

There was no change to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth certain information regarding our executive officers and members of the Company's board of directors (the "Board of Directors") as of March 9, 2021:

Name	Age	Position	Served From
Hu Xiaoming	64	Chairman of the Board, President and Chief Executive Officer	June 2007
Lim Jehn Ming	38	Chief Financial Officer	May 2020
Chen Liming (1), (2), (3)	84	Director (Independent)	May 2012
Lin Yi (2), (3)	68	Director (Independent)	May 2017
Jerry Lewin (1)	66	Director (Independent)	November 2010
Henry Yu (1),(2),(3)	67	Director (Independent)	July 2011
Sun Chenming	56	Director	December 2019
Wang Lin	32	Director	December 2019

(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Nominating and Corporate Governance Committee

Business Experience of Directors and Executive Officers

Biographical Information

Hu Xiaoming was appointed as our Chief Executive Officer, President and Chairman of the Board in June 2007. Prior to joining the Company, from October 2003 to April 2005, Mr. Hu served as the Project Manager (Chief Scientist) in the WX Pure Electric Vehicle Development Important Project of Electro-vehicle in the State 863 Plan. From October 1984 to March 2003, Mr. Hu served as: (i) Factory Director of the Yongkang Instrument Factory, (ii) Factory Director of the Yongkang Mini Car Factory, (iii) Chairman and General Manager of the Yongkang Vehicle Company, (iv) General Manager of the Wan Xiang Electric Vehicle Developing Center and (v) the General Manager of the Wan Xiang Battery Company. Mr. Hu personally owned four invention patents and seven utility model patents, which he transferred to the Company in fiscal year 2012.

Mr. Jehn Ming Lim has extensive experience in providing financial accounting and advisory services to public and private companies and has been engaging in this profession for more than 15 years. He was the Chief Financial Officer of Takung Art Co., Ltd. (NYSE American: TKAT) from February 2019 to May 2020. Prior to that, he had been the managing director of Albeck Financial Services, a financial consulting firm from January 2013 to February 2019, mainly responsible for overseeing SEC reporting, GAAP technical consultation, financial statement audit preparation, due diligence and internal controls compliance services. He also has extensive experience in auditing private and public companies in his stints as audit manager and senior auditor of two regional accounting firms in the United States, i.e., Kabani & Company, Inc. from October 2008 through December 2012 and Stonefield Josephson, Inc. from September 2006 through October 2008, respectively and as an auditor at Ernst & Young in the United States from September 2004 through to July 2006. Mr. Lim graduated with High Honors from the University of California, Santa Barbara, with a Bachelor of Arts degree in Business Economics.

Sun Chenming, was appointed as a director of the Company in December 2019. Mr. Sun is an international certified management accountant. He currently serves as the deputy general manager of Kandi Technologies Group Co., Ltd. ("Zhejiang Kandi Technologies"). Mr. Sun joined the Zhejiang Kandi Technologies in October 2007, since when he has been serving Zhejiang Kandi Technologies as the general manager of the enterprise management department and the general manager of Kandi automobile business department. Mr. Sun has been responsible for the financial internal control audit business of the Company since 2013. Mr. Sun graduated from HeFei University of Technology in July 1987 and then worked in Zhejiang Sifang Group Company from August 1987 to October 2007, serving as its manager of quality management department, general quality engineer, and manager of enterprise management department, etc. He has a theoretical foundation and rich practical experiences in the establishment, operation and monitoring of the enterprise management system and financial internal control management system of public companies. Mr. Sun has a solid understanding and hands-on experience for the regulations of U.S. public companies with respect to the internal control of financial reporting and the internal control evaluation system standard of COSO financial system which is commonly used by public companies.

Wang Lin was appointed as a director of the Company in December 2019. Ms. Wang has been serving as Chief Financial Officer Assistant of the Company since June 2015. Before joining the Company, Ms. Wang served as Fund Accountant of State Street Technology (Zhejiang) Co., Ltd. from December 2014 to June 2015. At the Company, Ms. Wang is responsible for the preparation of consolidated financial statements in accordance with the U.S. GAAP standards, and the preparation of SEC reports, including the Annual Reports on Form 10-K and the Quarterly Reports on Form 10-Q. Ms. Wang has knowledge of the basic U.S. GAAP standards and SEC regulations. She is also familiar with the culture and business process of the Company. Mastering good communication and coordination skills, Ms. Wang also has financial management experience of U.S. listed companies. Ms. Wang received her Bachelor degree in Finance from Zhejiang Gongshang University in 2011 and received her Master degree in Accounting from Hofstra University in 2014.

Lin Yi was appointed as a director of Kandi on May 4, 2017. He has extensive experience in automotive engineering and multi-body system dynamics research. Throughout his career, he has been awarded numerous high-ranking national science and technology rewards. He served several key senior roles in academic and industrial organizations and was given Special Government Allowances from the State Council in 1992. Additionally, he was named an “Expert of China’s Machinery Industry” in 1995 and elected to the “Outstanding Young Science Talents in China’s Automobile Industry” in 1998. From 2007 to 2015, he served as a deputy chief engineer at Beijing Automotive Group Co., Ltd., as an executive director of Beijing Automotive New Energy Vehicle Co., Ltd., and as the executive vice president of Beijing Automotive Research Institute. Prior to that, he was a part-time professor at Beijing University of Technology, Beijing University of Aeronautics and Astronautics, Institute of Electrical Engineering at China Academy of Sciences, Shanghai Jiaotong University, and Hunan University. He was appointed as the dean of Automotive Engineering at Jilin University of Technology in 1996 and remained in that position until 2000.

Jerry Lewin was appointed as a director of the Company in November 2010. Jerry Lewin became Senior Vice President of Field Profitability Globally of Hyatt Hotels Corporation in January of 2015. In his new responsibilities he and his team are to move the company forward with new initiatives to be the best operator in the Hospitality Industry. Prior to this promotion, he served as Senior Vice President of Field Operations for Hyatt Hotels Corporation and is responsible for managing the hotels in North American continent. Mr. Lewin has been with Hyatt since 1987. In his past capacity as Senior Vice President of Operation Lewin supervised a number of areas, including finance, sales and marketing, public relations, customer service, engineering, and human resources. Lewin serves as a member of the Hyatt Hotels Corporation’s Managing Committee and sits on the board of directors of the New York City Hotel Association. Since July 2009, Mr. Lewin has served as a director of several companies in the past. Lewin currently serves as the President of the New York Law Enforcement Foundation and as the President of the NY State Troopers PBA Signal 30 Fund. Mr. Lewin has served in various management capacities for several hotel companies in San Francisco, Oakland, Los Angeles, San Diego and Las Vegas. Mr. Lewin received his Bachelor of Science degree from Cornell University and completed the Executive Development Program at J.L. Kellogg Graduate School of Management at Northwestern University.

Henry Yu was appointed as a director of the Company on July 1, 2011. In October of 2015, Henry joined Asian Investors Consortium as an Executive Director. Asian Investors Consortium of Asia invests in projects in Greater China and in Asia Pacific. Henry is also a Senior Advisor to ChinaPlus Capital Ltd of Shanghai, a company that focuses on bridging US/China business. Yu, a seasoned banker of about 34 years, has had an excellent banking career covering domestic banking and global business. He was Managing Director of the Global Financial Institutions of Fifth Third Bank from 2012-September of 2015. Previous affiliation included Bank of America in HK, Comerica Bank, National City Bank, SunTrust Bank, Standard Chartered Bank China, and East West Bank. Henry is a well-rounded banker having been involved in Investment Banking, Commercial and International Multinational Lending, Treasury Management, Credit Administration, Compliance, Foreign bank relationship management, Trade Finance, and Global Supply Chain. From 2003 through 2007, Yu held Series 7 and 62 Certification from the Financial Industry Regulatory Authority. Henry Yu is also an avid volunteer promoting U.S./China and U.S./Emerging Markets business relationships and transactions. Through Henry’s 25 plus years of coverage on Emerging Markets, Asia, and in particular Greater China, he is a frequent speaker and lecturer on Asian/U.S./China business to universities in Georgia (Emory University, Georgia Tech, Georgia State University, Kennesaw State University, Georgia Perimeter College), and universities in China, namely Sichuan University, Suzhou Institute, Jiliang University, and Jinan University. Henry chairs the Advisory Board of the National Association of Chinese-Americans, and is a member of the Global Commerce Council of the Metro Atlanta Chamber. A believer in education and mentorship, Henry sits on the Asian Studies Board of Kennesaw State University, a member of Georgia State University’s China Task Force, and Trustee of Georgia Perimeter College’s Foundation Board. Henry is also President of the Hong Kong Association of Atlanta, and works closely with the NYC Office of the HK Economic & Trade Office in NYC. Henry received his BA degree in Economics in 1978 from the University of Michigan and MBA in Finance from the University of Detroit in 1980.

Chen Liming was appointed as a director of the Company on May 1, 2012. Mr. Chen serves as an advisor to AA Wind & Solar Energy Development Group, LLC. Prior to his current position, from February 2009 to October 2010, Mr. Chen participated in a joint venture with Mr. Qiu Youmin, the former designer of Geely Automobile Co., Ltd., and assisted in the development of super mini three seat pure electric vehicles. From June 2008 to July 2009, he participated in the development of Lithium Iron Phosphate Battery with Shanghai Yuankai Group. Mr. Chen served as a Professor of Electrical Engineering at Zhejiang University from 1983 to 1997. In addition, Mr. Chen served as a visiting scholar in the Electrical Engineering Department at Columbia University in New York City from 1981 to 1983 and as a professor in Electrical Engineering at Zhejiang University from 1960 to 1981. Mr. Chen received his bachelor degree from Southeast University in Jiangsu, China in 1960.

Family Relationships

No family relationships existed among any of our directors or executive officers.

Audit Committee Financial Expert

Our Audit Committee currently consists of Henry Yu (Chairman), Jerry Lewin and Chen Liming, each of whom is independent under NASDAQ listing standards. Our Board of Directors determined that each of Mr. Yu and Mr. Lewin qualifies as an "audit committee financial expert," as defined by Item 407 of Regulation S-K and NASDAQ Rule 5605(a)(2). In reaching this determination, the Board of Directors made a qualitative assessment of Mr. Yu's and Mr. Lewin's level of knowledge and experience based on a number of factors, including formal education and business experience.

Code of Ethics

We have adopted a "Code of Ethics" as defined by regulations promulgated under the Securities Act of 1933, as amended, and the Exchange Act that applies to all of our directors and employees, including our principal executive officer, principal financial officer and principal accounting officer. A current copy of our "Code of Business Conduct and Ethics" is included as exhibit 14.1 to our annual report on Form 10-K filed on March 16, 2015. A copy of our "Code of Business Conduct and Ethics" will be provided to you without charge upon written request to Hu Xiaoming, Chief Executive Officer, Kandi Technologies Group, Inc., Jinhua City Industrial Zone, Jinhua, Zhejiang Province, People's Republic of China, 321016. You may also access these filings at our web site under the investor relations link at *http://en.kandivehicle.com*

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires that the Company's directors and executive officers and persons who beneficially own more than ten percent (10%) of a registered class of its equity securities, file with the SEC reports of ownership and changes in ownership of its common stock and other equity securities. Executive officers, directors, and beneficial owners of greater than ten percent (10%) of a registered class of the Company's equity securities are required by SEC regulation to furnish the Company with copies of all Section 16(a) reports that they file. Based solely upon a review of the copies of such reports furnished to us or written representations that no other reports were required, the Company believes that, during fiscal year 2020, all filing requirements applicable to its executive officers, directors, and greater than ten percent (10%) beneficial owners were met, except for the following: (i) Henry Yu did not timely file Form 4s after acquiring 5,000 shares and 5,000 shares on March 9, 2020 and August 12, 2020, respectively. However, the Form 4s corresponding to these transactions were subsequently filed on April 27, 2020 and November 23, 2020, respectively. (ii) Jerry Lewin did not timely file a Form 4 after being issued 5,000 shares on August 12, 2020. The Form 4 corresponding to this transaction was subsequently filed on November 30, 2020. (iii) Sun Chenming did not timely file a Form 4 after his disposal of 13,000 shares on November 18, 2020. The Form 4 corresponding to such disposal was subsequently filed on December 9, 2020. As of the date of this report, all of the filings mentioned above have been made.

Item 11. Executive Compensation

Summary Compensation Table

The following table summarizes the compensation earned during the years ended December 31, 2020 and 2019, by the individuals who served as our Chief Executive Officer and Chief Financial Officer during any part of fiscal year 2020 or any other executive officer with total compensation in excess of $100,000 during fiscal year 2020. The individuals listed in the table below are referred to as the "named executive officers".

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(4)	Option Awards ($)(4)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Hu Xiaoming (1)	2020	$ 52,173	-	168,000	-	-	-	-	$220,173
CEO, President and	2019	$ 52,120	-	264,000	-	-	-	-	$316,120
Chairman of the Board									
Lim Jehn Ming(2)	2020	75,000	7,605	9,270	-	-	-	-	$ 91,875
CFO									
Zhu Xiaoying(3)	2020	27,174	-	33,600	-	-	-	-	$ 60,774
Former CFO	2019	$ 72,388	-	52,800	-	-	-	-	$125,188

(1) Mr. Hu was appointed as CEO and President of the Company on June 29, 2007.
(2) Mr. Lim was appointed as the Company's CFO, effective May 15, 2020.
(3) Ms. Zhu was appointed as the Company's interim CFO, effective January 29, 2019 and resigned from that position on May 15, 2020. Ms. Zhu's compensation disclosed above reflects the compensation she received during her employment with the Company as interim CFO.
(4) The amounts in this column reflect the aggregate grant date fair value under FASB ASC Topic 718 of awards made during the respective year.

Salary and Incentive Compensation

In fiscal 2020, the primary components of our executive compensation programs were base salary and equity compensation.

Salary

We use base salary to fairly and competitively compensate our executives, including the named executive officers, for the jobs we ask them to perform. We view base salary as the most stable component of our executive compensation program, as this amount is not at risk. We believe that the base salaries of our executives should be targeted at or above the median of base salaries for executives in similar positions with similar responsibilities at comparable companies, consistent with our compensation philosophy. At the end of the year, each executive's performance is evaluated by our Compensation Committee, which takes into account the individual's performance, responsibilities of the position, adherence to our core values, experience, and external market conditions and practices.

Incentive Compensation

We believe it is a customary and competitive practice to include an equity-based element of compensation to the overall compensation package for our named executive officers. We believe that a significant portion of the compensation paid to our named executive officers should be performance -based and therefore at risk. Awards made are granted under the Kandi Technologies Group, Inc. Omnibus Long-Term Incentive Plan (the "Plan").

At our 2008 annual shareholders meeting, our stockholders approved the adoption of the Plan. As of December 31, 2020, 2,600,000 options have been granted under the Plan to the Company's employees and directors, of which 2,593,332 have been exercised, and 6,668 have been forfeited.

Pursuant to Pre-Approved Award Grant Sub-Plan approved by the Board of Directors December 30, 2013 and modified on July 25, 2014, if the Non-GAAP net income in one year increases by 10% compared with the previous year, the total of 335,000 shares of the common stock from the Plan (as disclosed in details in the next paragraph below) to be granted to certain employees (management of the Company is authorized to determine list of employees and stock amount rewarded based on position adjustment of employees, performance and tenure of each employee in that year) will be granted for that year; if the Non-GAAP net income in one year is less than the Non-GAAP net income in the previous year, then no stock will be granted in that year; if the Non-GAAP net income in one year is 10% less than or 10% more than the Non-GAAP net income in the previous year, then the stock grant amount will decrease or increase according to the Non-GAAP net income decrease or increase percentage, but the total amount rewarded may not be over 200%.

On May 20, 2015, the shareholders of the Company approved an increase of 9,000,000 shares under the Plan at its annual meeting. The fair value of each award granted under the Plan is determined based upon the closing price of the Company's stock on the date of the grant. To the extent that the performance goal is not met and so no shares become due, no compensation cost is recognized and any recognized compensation cost during the applicable year is reversed. The number of shares of common stock granted under the Plan with respect to fiscal 2014 was 670,000 shares based on the Non-GAAP Net Income of 2014. Compensation expense is recognized in General and Administrative Expenses. On April 23, 2015 and June 7, 2015, the Company granted 550,000 shares and 120,000 shares, respectively, to the senior management and key employee as year 2014 performance awards. On April 13, 2016, the Company granted 670,000 shares to the senior management and key employee as year 2015 performance awards. In February 2017, the Board of Directors authorized the Company to grant 246,900 shares to a list of management members as compensation for their past services pursuant to Section 11 of the Company's 2008 plan. On September 26, 2016, the Board approved the termination of the previous Board's Pre-Approved Award Grant Sub-Plan under the 2008 Plan and adopted a new plan to reduce the total number of shares of common stock of the stock award for select executives and key employees from 335,000 shares of common stock to 250,000 shares of common stock for each fiscal year and the other terms were as same as before. There was no grant under the Board's Pre-Approved Award Grant Sub-Plan in the years of 2017, 2018, 2019 and 2020.

On May 29, 2015, the Compensation Committee of the Board of Directors of the Company approved the grant of stock options to purchase 4,900,000 shares of common stock at an exercise price of $9.72 per share to the Company's senior executives. The stock options will vest ratably over three years and expire on the tenth anniversary of the grant date. As of December 31, 2020, 3,000,000 shares have been exercised, and 1,000,000 shares have been forfeited. The granted stock option to the directors and officers are as below:

Name	**stock options**
Hu Xiaoming	900,000

Outstanding Equity Awards at 2020 Fiscal Year End

The following table sets forth information regarding all unexercised, outstanding equity awards held, as of December 31, 2020, by those individuals who served as our named executive officers during any part of fiscal year 2020.

Name	Number of Securities underlying Unexercised Exercisable	Number of Securities underlying Unexercised Options(#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($) (1)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Hu Xiaoming	900,000	-	-	$ 9.72	5/28/2025	-	-	-	-

(1) The grant date fair value of each share of common stock option is $9.72, calculated in accordance with FASB Topic 718.

Employment Agreements

Zhejiang Kandi Technologies has a three-year-term employment agreement with Mr. Hu, expiring June 9, 2020. The agreement provides an annual salary for Mr. Hu with bonuses to be decided at the discretion of our Board at the year end.

On May 15, 2020, the Company and Mr. Lim entered into a three-year-term employment agreement, pursuant to which Mr. Lim shall receive an annual salary in the amount of $120,000. He will also receive 6,000 shares of the common stock under the Company's 2008 Omnibus Long-Term Incentive Plan, which shall be issuable evenly on each six-month anniversary hereof or as otherwise determined by the Board of Directors.

The form of the Mr. Hu's agreement was previously filed and incorporated herein by reference from Exhibit 10.2 to the Company's Annual Report on Form 10-K filed on March 16, 2015. Mr. Lim's employment agreement was previously attached as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 21, 2020 and is incorporated herein by reference.

Potential Payments Upon Termination or Change of Control

Under Chinese law, we may only terminate employment agreements without cause and without penalty by providing notice of non-renewal one month prior to the date on which the employment agreement is scheduled to expire. If we fail to provide this notice or if we wish to terminate an employment agreement in the absence of cause, as defined in the agreement, then we are obligated to pay the employee one month's salary for each year we have employed the employee. We are, however, permitted to terminate an employee for cause without penalty pursuant to the employee's employment agreement. If the named executive officer is not terminated for cause, the Company will pay the remaining portion of the executive officer's salary.

Director Compensation (excluding Named Executive Officers)

The following table sets forth certain information regarding the compensation earned by or awarded during the 2020 fiscal year to each of our non-executive directors:

Name	Fees Earned or Paid in Cash ($)(2)	Stock Awards ($) (1)(2)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Lin Yi	$ 15,942	-	-	-	-	-	$ 15,942
Henry Yu	$ 44,000	18,100	-	-	-	-	$ 62,100
Jerry Lewin	$ 44,000	26,500	-	-	-	-	$ 70,500
Chen Liming	$ 15,942	-	-	-	-	-	$ 15,942
Wang Lin	$ 37,101	6,720	-	-	-	-	$ 43,821
Sun Chenming	$ 28,985	16,800	-	-	-	-	$ 45,785

(1) The amounts in these columns represent the aggregate grant date fair value of stock awards granted to our non-named executive officer directors during the fiscal year ended December 31, 2019, in accordance with ASC Topic 718. In connection with his appointment to the Board of Directors in July 2011, the Board of Directors authorized the Company to issue to Mr. Yu 5,000 shares of Company's restricted common stock every six months, par value $0.001. The closing stock price at the grant date is $2.65 per share. Similarly, in August 2011, the Board of Directors authorized the Company to issue to Mr. Lewin 5,000 shares of Company's restricted common stock every six months, par value $0.001. The closing stock price at the grant date is $1.81 per share. As of December 31, 2019, 80,000 shares of restricted common stock had been issued to Mr. Lewin and Mr. Yu, respectively.

(2) In setting director compensation, we consider the significant amount of time that directors spend fulfilling their duties to the Company, as well as the skill level required to serve as a director and manage the affairs of the Company. Certain directors receive a monthly fee as follows: (i) Lin Yi receives a monthly fee of RMB5,000 (approximately $740) starting May 2017; (ii) Jerry Lewin receives a monthly fee of $2,000; (iii) Henry Yu receives a monthly fee of $2,000; and (iv) Chen Liming receives a monthly fee of RMB 5,000 (approximately $740) starting 2014. During the fiscal year of 2020, Lin Yi and Chen Liming each received a one-time cash bonus of RMB50,000 (approximately $7,246). Henry Yu and Jerry Lewin each received a one-time cash bonus of $20,000.

The aggregate number of stock options and restricted shares outstanding, as of December 31, 2020, for each of the non-named executive officer directors were as follows:

Name	Options	Restricted stock
Henry Yu	0	90,000(1)
Chen Liming	0	0
Lin Yi	0	0
Jerry Lewin	0	90,000
Zhu Feng	0	0
Wang Lin	0	0
Sun Chenming	0	0

(1) Besides the 90,000 shares of restricted common stock, Mr. Yu owns additional 34,146 shares of the Company's common stock that he purchased from the open market.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information known to us, as of March 25, 2021, relating to the beneficial ownership of shares of common stock by each person who is known by us to be the beneficial owner of more than five percent (5%) of the outstanding shares of common stock; each director; each executive officer; and all executive officers and directors as a group. We believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock shown as being owned by them. The applicable percentages of ownership are based on an aggregate of 75,387,555 shares of our Common Stock outstanding on March 25, 2021. Unless indicated otherwise, the mailing address of each beneficial owner is Jinhua City Industrial Zone, Jinhua City, Zhejiang Province, China 321016.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Named Executive Officers and Directors			
Common Stock	Hu Xiaoming	14,276,481(1)	18.94%
Common Stock	Jehn Ming Lim	1,500	*
Common Stock	Henry Yu	118,500	*
Common Stock	Jerry Lewin	95,000	*
Common Stock	Chen Liming	-	-
Common Stock	Lin Yi	-	-
Common Stock	Sun chenming	-	-
Common Stock	Wang Lin	5,000	*
All officers and directors		14,496,481	19.23%
Other 5% Stockholders:			
Common Stock	Excelvantage Group Limited(3)	12,821,404(2)	17.01%

* Less than 1%

(1) Includes (i) 1,455,077 shares owned directly by Mr. Hu, (ii) 12,821,404 shares owned by Excelvantage Group Limited. As reflected in footnote 2, Mr. Hu may be deemed to be the beneficial owner of these shares.

(2) On March 29, 2010, Hu Xiaoming, our Chief Executive Officer, President and Chairman of the Board of Directors, became the sole stockholder of Excelvantage Group Limited. Through his position as the sole stockholder in Excelvantage Group Limited, Mr. Hu has the power to dispose of or direct the disposition of the shares of the ordinary shares in Excelvantage Limited Group. As a result, Mr. Hu may, under the rules of the Securities and Exchange Commission, be deemed to be the beneficial owner of the shares of common stock.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Transactions with Related Parties

For the discussion of Transactions with Related Parties, please refer to NOTE 25 – SUMMARIZED INFORMATION OF EQUITY METHOD INVESTMENT IN THE AFFILIATE COMPANY.

Procedures For Approval of Related Party Transactions

According to the Company policy on Related-Party Transactions (the “Policy”), a “Related Transaction” is “any transaction, includes, but not limited to, any financial transaction, arrangement, relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships, since the beginning of the Company’s last fiscal year, or any currently proposed transaction, and the amount involved exceeds $120,000, and in which any related party had or will have a direct or indirect material interest”. The Policy’s definition of a “Related Party” is in line with the definition set forth in the instructions to Item 404(a) of Regulation S-K promulgated by the SEC.

Under the Policy, The Company's proposed material related transaction with related persons shall be submitted to the Board for consideration and discussion after an independent director presents his/her approval opinion beforehand. The Audit Committee shall conduct an audit on the related-party transaction and prepare a written opinion, and can engage independent financial advisers to issue a report as a basis for its judgment, then submit it to the Board. The Policy states that the Board meeting can be held as long as non-affiliated directors making up a majority of the Board attend, and any resolution made by the Board must be approved by a majority of non-affiliated directors.

Director Independence

Messrs. Henry Yu, Chen Liming, Lin Yi and Jerry Lewin are all non-employee directors, all of whom our Board has determined to be independent pursuant to NASDAQ rules. All of the members of our Audit Committee, Nominating/Corporate Governance Committee and Compensation Committee are independent pursuant to NASDAQ rules.

Item 14. Principal Accounting Fees and Services.

The following table represents the aggregate fees from our current principal accounting firm, Marcum Bernstein & Pinchuk LLP and former principal accounting firm, BDO China Shu Lun Pan Certified Public Accountants LLP for the years ended December 31, 2020 and 2019, respectively.

		2020		2019
Audit Fees	$	460,000	$	518,593
Audit Related Fees	$	13,800	$	12,300
Tax Fees	$	-	$	74,400
All other fees	$	100,715	$	-
TOTAL FEES	$	574,515	$	605,293

Audit Fees —This category includes the audit of our annual financial statements and services that are normally provided by the independent auditors in connection with engagements for those fiscal years.

Audit-Related Fees — This category consists of assurance and related services by the independent auditors that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under "Audit Fees".

Tax Fees — This category consists of professional services rendered by the Company's independent registered public accounting firm for tax compliance and tax advice. The services for the fees disclosed under this category include tax return preparation and technical tax advice.

All Other Fees — This category consists of fees for other miscellaneous items.

Pre-Approval Policies and Procedures

All of the services rendered to us by our independent registered public accountants were pre-approved by the Audit Committee.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

Exhibit Number	Description
2.1	Share Exchange Agreement, dated June 29, 2007, by and among Stone Mountain Resources, Inc., Continental Development Limited and Excelvantage Group Limited. [Incorporated by reference from Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 6, 2007]
3.1	Certificate of Incorporation. [Incorporated by reference from Exhibit 3.1 to Form SB-2 filed by the Company on April 1, 2005]
3.2	Certificate For Renewal and Revival of Charter dated May 27, 2007. [Incorporated by reference from Exhibit 3.1 to the Company's Registration Statement on Form S-3 dated June 20, 2014]
3.3	Certificate of Amendment of Certificate of Incorporation. [Incorporated by reference from Exhibit 4.2 to the Company's Form S-3, dated November 19, 2009; File No. 333-163222]
3.4	Certificate of Amendment of Certificate of Incorporation. [Incorporated by reference from Exhibit 3.1 to the Company's Form 8-K, dated December 21, 2012]
3.5	Bylaws. [Incorporated by reference from Exhibit 3.2 to Form SB-2 filed by the Company on April 1, 2005]
4.1	Form of the Investor Warrant in connection with the Registered Direct offering closed on November 12, 2020 [Incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 10, 2020]
4.2	Form of the Placement Agent Warrant in connection with the Registered Direct offering closed on November 12, 2020 [Incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K filed on November 10, 2020]
4.3	Form of the Investor Warrant in connection with the Registered Direct offering closed on November 23, 2020 [Incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 20, 2020]
4.4	Form of the Placement Agent Warrant in connection with the Registered Direct offering closed on November 23, 2020 [Incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K filed on November 20, 2020]
10.1	Form of the Director Agreement. [Incorporated by reference from Exhibit 10.1 to the Company's Annual Report on Form 10-K filed on March 16, 2015]
10.2	Form of the Employment Contract by and between Zhejiang Kandi Technologies Group Co., Ltd. and the executive officer. [Incorporated by reference from Exhibit 10.2 to the Company's Annual Report on Form 10-K filed on March 16, 2015]
10.3	Kandi Technologies, Corp. 2008 Omnibus Long-Term Incentive Plan [Incorporated by reference from Appendix A to the Company's Definitive Schedule 14A filed on November 24, 2008]
10.4	Voting Agreement, dated January 21, 2010, by and between the Company and Excelvantage Group Limited. [Incorporated by reference from Exhibit 10.6 to the Company's Current Report on Form 8-K filed on January 21, 2010]
10.5	The Agreement of Establishment Kandi New Energy Vehicles Co., Ltd., dated May 18, 2010, by and between Zhejiang Kandi Technologies Group Co., Ltd. and Mr. Hu Xiaoming, and its supplement, dated January 31, 2011. [Incorporated by reference from Exhibit 10.13 to the Company's Annual Report on Form 10-K filed on March 31, 2011]

10.6	The Share Escrow and Trust Agreement, dated May 18, 2010, by and between Zhejiang Kandi Technologies Group Co., Ltd. and Mr. Hu Xiaoming. [Incorporated by reference from Exhibit 10.14 to the Company's Annual Report on Form 10-K filed on March 31, 2011]
10.7	The Contractor Agreement, dated May 18, 2010, by and between Zhejiang Kandi Technologies Group Co., Ltd. and Mr. Hu Xiaoming. [Incorporated by reference from Exhibit 10.15 to the Company's Annual Report on Form 10-K filed on March 31, 2011]
10.8	Loan Agreement, dated January 31, 2011, by and between Zhejiang Kandi Technologies Group Co., Ltd. and Mr. Hu Xiaoming. [Incorporated by reference from Exhibit 10.1 to the Company's Form 10-Q filed on May 16, 2011]
10.9	Joint Venture Agreement of Establishment of Zhejiang Kandi Electric Vehicles Co., Ltd., by and between Zhejiang Kandi Technologies Group Co., Ltd. and Shanghai Maple Guorun Automobile Co., Ltd., dated March 22, 2013. [Incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 14, 2013]
10.10	Zhejiang Wanxiang Ener1 Power System Co., Ltd. Sales Contract, between JinhuaKandi New Energy Vehicles Co., Ltd. and Zhejiang Wanxiang Ener1 Power System Co., Ltd., dated October 23, 2013. [Incorporated by reference from Exhibit 10.26 to the Company's Annual Report on Form 10-K filed on March 17, 2014]
10.11	Form of Non-Qualified Stock Option Agreement pursuant to the 2008 Omnibus Long-Term Incentive Plan of Kandi Technologies Group, Inc. [Incorporated by reference from Exhibit 10.15 to the Company's Annual Report on Form 10-K filed on March 14, 2016]
10.12	English Translation of the Share Transfer Agreement by and between Zhejiang Kandi Technologies Group Co., Ltd. and Mr. Wang Xinhuo dated December 12, 2017 [Incorporated by reference from Exhibit 10.18 to the Company's Annual Report on Form 10-K filed on March 16, 2018]
10.13	English Translation of the Supplementary Agreement by and between Zhejiang Kandi Technologies Group Co., Ltd. and Mr. Wang Xinhuo dated December 12, 2017 [Incorporated by reference from Exhibit 10.19 to the Company's Annual Report on Form 10-K filed on March 16, 2018]
10.14	Membership Interest Transfer Agreement of Sportsman Country, LLC by and between David Shan, Johnny Tai and Kandi Technologies Group, Inc. dated May 31, 2017 (Bilingual) [Incorporated by reference from Exhibit 10.15 to the Company's Annual Report on Form 10-K filed on March 15, 2019]
10.15	Equity Transfer Agreement by and between Zhejiang Kandi Technologies Group Co., Ltd. and Geely Technology Group Co., Ltd., dated March 21, 2019 [Incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 10, 2019]
10.16	English translation of the land repurchase agreement for the Jinhua premise, dated as of March 10, 2020, by and between Zhejiang Kandi Technologies Group Co., Ltd. and Administrative Committee of Jinhua Economic and Technological Development Zone.* [Incorporated by reference from Exhibit 10.16 to the Company's Annual Report on Form 10-K filed on April 28, 2020]
10.17	Employment Agreement by and between the Company and Jehn Ming Lim dated as of May 15, 2020 [Incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 21, 2020]
10.18	Form of Securities Purchase Agreement in connection with the Registered Direct offering closed on November 12, 2020 [Incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 10, 2020]

10.19	Placement Agent Agreement in connection with the Registered Direct offering closed on November 12, 2020 [Incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed on November 10, 2020]
10.20	Form of Securities Purchase Agreement in connection with the Registered Direct offering closed on November 23, 2020 [Incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 20, 2020]
10.21	Placement Agent Agreement in connection with the Registered Direct offering closed on November 23, 2020 [Incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed on November 20, 2020]
10.22	Equity Transfer Agreement by and between Zhejiang Kandi Technologies Group Co., Ltd. and Geely Technology Group Co., Ltd., dated February 18, 2021. †
14.1	Code of Business Conduct and Ethics. [Incorporated by reference from Exhibit 14.1 to the Company's Annual Report on Form 10-K filed on March 16, 2015]
21.1	List of Subsidiaries of the Company [Incorporated by reference from Exhibit 21.1 to the Company's Annual Report on Form 10-K filed on March 15, 2019]
23.1	Consent of Marcum Bernstein & Pinchuk LLP †
31.1	Certification of CEO pursuant to Rule 13a-14 under the Securities Exchange Act of 1934. †
31.2	Certification of CFO pursuant to Rule 13a-14 under the Securities Exchange Act of 1934. †
32.1	Certifications of CEO and CFO pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

† Exhibits filed herewith.
* Certain portion of the exhibit has been omitted in accordance with the provisions of Item 601(b)(2)(ii) of Regulation S-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KANDI TECHNOLOGIES GROUP, INC.

March 30, 2021

By: /s/ Hu Xiaoming
Hu Xiaoming
President and Chief Executive Officer

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Hu Xiaoming Hu Xiaoming	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 30, 2021
/s/ Jehn Ming Lim Jehn Ming Lim	Chief Financial Officer (Principal Financial Officer and Accounting Officer)	March 30, 2021
/s/ Chen Liming Chen Liming	Director	March 30, 2021
/s/ Lin Yi Lin Yi	Director	March 30, 2021
/s/ Jerry Lewin Jerry Lewin	Director	March 30, 2021
/s/ Henry Yu Henry Yu	Director	March 30, 2021
/s/ Wang Lin Wang Lin	Director	March 30, 2021
/s/ Sun Chenming Sun Chenming	Director	March 30, 2021