

Form 8-K for KANDI TECHNOLOGIES CORP

19-Nov-2007

Results of Operations and Financial Condition, Financial Statements and E

Item 2.02. Results of Operations and Financial Condition.

On November 19, 2007, Kandi Technologies, Corp. issued a press release announcing its unaudited results of operations for the third quarter of 2007, ended September 30, 2007. A copy of the press release is attached hereto as Exhibit 99.1.

The information contained in this Current Report on Form 8-K, including Exhibit 99.1, is furnished pursuant to Item 2.02 and shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities of that Section, nor shall it be incorporated by reference into a filing under the Securities Act of 1933, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

99.1 Press Release of Kandi Technologies, Corp., dated November 19, 2007.

Kandi Reports Significant Growth in Third Quarter Sales and Net Income on Continuing Strength of Beach Vehicle Sales

Monday November 19, 4:30 pm ET

Revenues Grow More Than 470% to Approximately \$8.85 Million as Net Income Rises More Than 580% to \$871,498 or \$0.04 per Share; Company Maintains Outlook for 150% Increase in Full Year Sales and Sees Growth in Net Income to More Than \$5 Million

JINHUA, ZHEJIANG PROVINCE, CHINA--(MARKET WIRE)--Nov 19, 2007 -- Kandi Technologies, Corp. (the "Company") (Other OTC:[KNDI.PK - News](#)), an emerging US traded PRC-based leader in small vehicle production, including ATVs, golf carts and approximately 15% of the world Go-Kart market, today announced that, led once again by strong sales of the Go-Kart beach vehicles developed and introduced by the Company, revenue in its third quarter ended September 30, 2007, grew more than 470% to \$8,854,668 compared with \$1,552,217 in the same period last year.

The company also achieved an approximately 587% increase in net income, from \$126,908 in last year's third quarter to \$871,498 in the third quarter of 2007. EPS in the 2007 third quarter reached \$ 0.04 compared with \$ 0.01 in the third quarter last year. As of November 15, 2007, the Company had 19,961,000 shares outstanding.

Through the first nine months of 2008, the Company said sales rose approximately 311% to \$26,022,205, compared with \$6,338,562 in the same period in 2007, while nine month net income grew nearly ten-fold from \$37,165 in 2006 to \$3,727,193, or \$0.25 per share, in the current year's first nine months.

The Company reported that gross profit in the third quarter grew approximately 246% to \$1,465,063 compared to the same period last year, while through the first nine months this year the increase in gross profit was approximately 496% to \$5,355,224. Contributing to these figures, was a decline in the cost of goods through the first nine months of the year to approximately 79% of revenues compared to approximately 86% in the same period last year. However, in the third quarter, the cost of goods sold rose somewhat to 83% of sales primarily due to higher raw material costs, while selling and marketing expense as well as R&D costs declined as a percentage of sales. Additionally, general and administrative expenses in the period rose in absolute terms, but with management's continuing focus on cost reduction, declined substantially as a percentage of total sales.

As previously reported, sales in the third quarter of 2007 were expected to be somewhat lower than sales in the second quarter of the year, as the Company took advantage in the second quarter of an anticipated third quarter reduction in the export tax rebate by sharply increasing shipments in June.

Mr. Hu Xiaoming, president and CEO of Kandi, commented, "We're very pleased with the continuing positive reception for our ATV and Go-Kart vehicles which will continue to be the key contributors to our growth over the near and intermediate term. In this regard, we will continue to launch additional new models and lines to maintain and expand our position in the world market and, in time, expect our greatest growth will come from our domestic market. Specifically, in 2007, we expect to produce 50,000+ vehicles of all types which we intend to further expand in 2008 while maintaining our focus on gross margins, which we see reaching more than 20% by year end 2007."

Mr. Xiaoming added, "Of perhaps the greatest significance to the future of the Company is the continuing effort we are making to launch before year end our super mini and, farther in the future, our mini sub-compact auto sales, which we expect in five years will be the largest contributors to our growth. In October, we reported a successful first showing of our KD-08 mini sub-compact for the domestic market, which drew across the board wide praise and, over the next few weeks, we expect to see the first exports of our exciting super-mini to the North American market."

Full Year Outlook

As previously announced, the company said it expects full year revenues, excluding possible car sales this year, to reach approximately \$39 million, which would be more than a 150% increase over the approximately \$14.5 million in revenues achieved in 2006. Full year net income also is expected to grow substantially, to in excess of \$5 million, as compared with reported net income in 2006 of \$1.1 million.

About the Company

Kandi Technologies, Inc. (formerly Stone Mountain Resources, Inc.) is a PRC (China)-based vehicle machinery producer, concentrating on three areas of small vehicle production: Go-Karts, Special Purpose Vehicles and Casual Purpose Vehicles. At present, it is among the leading producers of Go-Karts in the world, with an estimated 15% share of market and a goal of doubling this share, in large part by becoming the leading producer of this increasingly popular recreational product in China. Focusing on the country's rapid economic development, the Company also sees an increasing need for transportation vehicles for specific purposes, in particular mini-size pesticide spraying vehicles and mini-service vehicles. The Company produces a wide and growing range of All Terrain Vehicles (ATVs) which it believes represent the highest quality vehicles of this type in China, aimed at the export market as well as the rapidly growing market in the PRC. The Company also is focused on the development of fashionable, energy saving mini-cars. It has produced mini-cars that have completed the trial stage and is now preparing to start mass production. It expects to begin to export these cars to the American market, followed by sales in China when the domestic market is more mature. Kandi is a US full reporting company whose shares are traded under the symbol KNDI.

The Company's products can be viewed at <http://www.kandivehicle.com>.

Information Regarding Forward-Looking Statement

Except for historical information contained herein, the statements in this Press Release are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties, which may cause our actual results in future periods to differ materially from forecasted results. These risks and uncertainties include, among other things, product demand, market competition, and risks inherent in our operations. These and other risks are described in our filings with the Securities and Exchange Commission.

KANDI TECHNOLOGIES, CORP.
(FORMERLY STONE MOUNTAIN RESOURCES, INC.)
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2007	December 31, 2006	
ASSETS	-----		-----
	(Unaudited)		
CURRENT ASSETS			
Cash and cash equivalents	\$ 663,308	\$ 1,034,017	
Restricted cash	8,666,535	9,092,423	
Accounts receivable	12,598,385	7,572,565	
Deposit for acquisition	9,740,470	-	

Inventories	3,378,476	5,463,179
Notes receivables	1,181,535	430,811
Other receivables	1,603,678	2,988,016
Prepayment and deposits	738,388	332,556
Advance to suppliers	46,884	184,221
Due from employees	-	31,901
Deferred tax assets	4,684	99
	-----	-----
Total Current Assets	38,622,343	27,129,788
	-----	-----
NON CURRENT ASSETS		
Plant and equipment, net	9,346,741	9,224,935
Land use rights, net	389,321	395,926
Construction in progress	1,064,855	307,158
Deferred tax assets	3,502	2,784
	-----	-----
Total Non Current Assets	10,804,419	9,930,803
	-----	-----
TOTAL ASSETS	\$ 49,426,762	\$ 37,060,591
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	\$ 7,586,970	\$ 6,626,826
Other payables and accrued expenses	298,639	310,406
Short-term bank loans	16,021,654	9,163,737
Current portion of long-term bank loan	1,920,934	1,920,934
Customer deposits	1,107,022	601,168
Notes payable	10,854,656	10,779,563
Deferred taxes	8,167	-
Due to related parties	3,680	-
	-----	-----
Total Current Liabilities	37,801,722	29,402,634
	-----	-----
NON CURRENT LIABILITIES		
Deferred tax liabilities	2,546	3,277
	-----	-----
Total Non Current Liabilities	2,546	3,277
	-----	-----
TOTAL LIABILITIES	37,804,268	29,405,911
	-----	-----
CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common stock, \$0.001 par value, 100,000,000 shares authorized; 19,961,000 and 12,000,000 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	19,961	12,000
Additional paid-in capital	7,138,105	7,154,193
Retained earnings	3,823,217	96,024
Accumulated other comprehensive income	641,211	392,463
	-----	-----
Total Shareholders' Equity	11,622,494	7,654,680
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 49,426,762	\$ 37,060,591
	=====	=====

See accompanying notes to the condensed consolidated financial statements

KANDI TECHNOLOGIES, CORP.
(FORMERLY STONE MOUNTAIN RESOURCES, INC.)
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
REVENUES, NET OF SALES TAX	\$ 8,854,668	\$ 1,552,217	\$ 26,022,205	\$ 6,338,562
COST OF GOODS SOLD	7,389,605	1,129,089	20,666,981	5,440,601
GROSS PROFIT	1,465,063	423,128	5,355,224	897,961
Selling and marketing	292,074	54,140	657,342	139,480
General and administrative	248,992	65,501	614,615	285,757
Research and development	16,122	37,777	68,925	87,538
Total operating expenses	557,188	157,418	1,340,882	512,775
INCOME FROM OPERATIONS	907,875	265,710	4,014,342	385,186
INTEREST EXPENSE, NET	(272,818)	(174,741)	(723,171)	(450,734)
GOVERNMENT GRANTS	3,049	30,968	15,233	97,194
FORFEITURE OF CUSTOMER DEPOSIT	233,584	-	500,304	-
OTHER INCOME (EXPENSES), NET	20	4,971	(77,404)	5,519
INCOME BEFORE INCOME TAXES	871,710	126,908	3,729,304	37,165
INCOME TAXES	(212)	-	(2,111)	-
NET INCOME	871,498	126,908	3,727,193	37,165
OTHER COMPREHENSIVE INCOME				
Foreign currency translation gain	45,188	292,272	248,748	340,532
Income tax expense related to other				

comprehensive income	(14,912)	(96,450)	(82,087)	(112,376)
OTHER COMPREHENSIVE INCOME, NET OF TAX	\$ 30,276	\$ 195,822	\$ 166,661	\$ 228,156
COMPREHENSIVE INCOME	\$ 901,774	\$ 322,730	\$ 3,893,854	\$ 265,321
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING, BASIC AND DILUTED	19,961,000	12,000,000	14,741,150	12,000,000
NET INCOME PER COMMON SHARE, BASIC AND DILUTED	\$ 0.04	\$ 0.01	\$ 0.25	\$ 0.00

KANDI TECHNOLOGIES, CORP.
(FORMERLY STONE MOUNTAIN RESOURCES, INC.)
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007
(UNAUDITED)

	Common Stock		Additional
	Shares	Par Value	Paid-in Capital
BALANCE AT JANUARY 1, 2007	12,000,000	\$ 12,000	\$ 7,154,193
Foreign currency translation	-	-	-
Recapitalization	7,961,000	7,961	(16,088)
Net income	-	-	-
BALANCE AT SEPTEMBER 30, 2007	19,961,000	\$ 19,961	\$ 7,138,105

	Retained Earnings	Accumulated Other Comprehensive Income	Total
BALANCE AT JANUARY 1, 2007	\$ 96,024	\$ 392,463	\$ 7,654,680
Foreign currency translation	-	248,748	248,748
Recapitalization	-	-	(8,127)
Net income	3,727,193	-	3,727,193
BALANCE AT SEPTEMBER 30, 2007	\$ 3,823,217	\$ 641,211	\$ 11,622,494

See accompanying notes to the condensed consolidated financial statements

KANDI TECHNOLOGIES, CORP.
(FORMERLY STONE MOUNTAIN RESOURCES, INC.)
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 3,727,193	\$ 37,165
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	987,296	725,613
Deferred taxes	2,133	-
Forfeiture of customer deposit	(500,304)	-
Changes in operating assets and liabilities, net of effects of acquisition:		
(Increase) Decrease in:		
Accounts receivable	(5,025,820)	(2,119,004)
Inventories	2,084,702	180,420
Other receivables	1,384,338	693,923
Due to employee	139,695	(13,542)
Prepayments for goods and prepaid expenses	(405,831)	(1,004,419)
Increase (Decrease) in:		
Accounts payable	960,146	624,376
Other payables and accrued liabilities	(19,672)	3,581
Tax payable	(2,953)	-
Customer deposits	1,006,158	280,497
Net cash provided by (used in) operating activities	4,337,081	(591,390)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted cash	425,887	1,982,603
Purchases of plant and equipment	(1,102,497)	(367,076)
Purchases of construction in progress	(757,697)	(1,405,602)
Deposit for acquisition	(9,740,470)	-
Issuance of notes receivable	(6,318,385)	(616,844)
Repayment of notes receivable	5,567,660	576,781
Payment for acquisition, net for cash acquired	-	(69,391)
Reverse merger with SMOU, net of cash acquired	373	-
Net cash (used in) provided by investing activities	(11,925,129)	100,471
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short term bank loans	18,493,438	8,307,307
Repayment of short term bank loans	(11,635,522)	(5,218,755)
Proceeds from notes payable	23,284,106	101,155
Repayment of notes payable	(23,209,013)	(3,899,978)
Repayment of advances to related parties	35,582	830,933
Net cash provided by financing activities	6,968,591	120,662
NET DECREASE IN CASH AND CASH EQUIVALENTS	(619,457)	(370,257)
Effect of exchange rate changes on cash and cash equivalents at beginning of period	248,748	340,532
	1,034,017	876,989

CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 663,308	\$ 847,264
	=====	
SUPPLEMENTARY CASH FLOW INFORMATION		
Income taxes paid	\$ 3,011	\$ -
	=====	=====
Interest paid	\$ 682,093	\$ 440,453
	=====	=====

See accompanying notes to the condensed consolidated financial statements.

Contact:

Contacts:

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Source: Kandi Technologies, Corp.

Form 10QSB for KANDI TECHNOLOGIES CORP

19-Nov-2007

Quarterly Report

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

This 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 Exchange Act of 1934, as amended, which are based on management's exercise of business judgment as well as assumptions made by and information currently available to, management. When used in this document, the words "may", "will", "anticipate", "believe", "estimate", "expect", "intend" and words of similar import, are intended to identify any forward-looking statements. You should not place undue reliance on these forward-looking statements. These statements reflect our current view of future events and are subject to certain risks and uncertainties as described in this Report on Form 10-QSB as well as other periodic reports, filed with the Securities and Exchange Commission, and as noted below. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements. We undertake no obligation, and do not intend, to update, revise or otherwise publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize.

Overview

Stone Mountain Resources, Inc. was originally incorporated on March 31, 2004. As a result of the share exchange transaction that was completed on June 29, 2007, Stone Mountain issued 12,000,000 shares of Stone Mountain's common stock (the "Stone Mountain Shares") to Excelvantage, the sole Continental Shareholder, in exchange for 100% of the common stock of Continental. Continental conducts its business operations through its wholly owned subsidiary, Zhejiang Kandi Vehicles Co. Ltd. ("Kandi"), a PRC company. As a result of the Closing, Continental became a wholly owned subsidiary of Stone Mountain. From and after the Closing Date, the business of the Company is that of Continental's wholly owned subsidiary, Kandi.

The transaction was accounted for as a reverse merger. In accordance with the Accounting and Financial Reporting Interpretations and Guidance provided by the staff of the U.S. Securities and Exchange Commission, Stone Mountain (the legal acquirer) is considered the accounting acquiree and Continental (the legal acquiree) was considered the accounting acquirer. The consolidated financial statements of the combined entity are in substance those of Continental, with the assets and liabilities, and revenues and expenses, of Stone Mountain included as of the date of consummation of the share exchange transaction. Stone Mountain is deemed to be a continuation of the business of Continental. The outstanding stock of Stone Mountain prior to the share exchange transaction was accounted for at its net book value and no goodwill will be recognized. On August 29, 2007, the Stone Mountain changed its name to Kandi Technologies, Corp.

Results of Operations

Comparison of Three Months Ended September 30, 2007 and September 30, 2006.

The following table sets forth the amounts and percentage relationship to revenue of certain items in our consolidated statements of income and

comprehensive income for the three months ended September 30, 2007 and 2006:

		For the Three Months Ended			
		September 30,			
		2007		2006	
		(Unaudited)		(Unaudited)	
Comparisons			% of		% of
Growth in	Increase				
Amount	Amount		Revenue	Amount	Revenue
	in %				
REVENUES		\$ 8,854,668	100.00 %	\$ 1,552,217	
100.00 %	\$ 7,302,451	470.45 %			
COST OF GOODS SOLD		7,389,605	83.45 %	1,129,089	
72.74 %	6,260,516	554.47 %			
GROSS PROFIT		1,465,063	16.55 %	423,128	
27.26 %	1,041,935	246.25 %			
Selling and					
Marketing		292,074	3.30 %	54,140	
3.49 %	237,934	439.48 %			
General and					
Administrative		248,992	2.81 %	65,501	
4.22 %	183,491	280.13 %			
Research and					
Development		16,122	0.18 %	37,777	
2.43 %	(21,655)	(57.32 %)			
INCOME FROM					
OPERATIONS		907,895	10.25 %	265,710	
17.12 %	642,165	241.68 %			
Government Grants		3,049	0.03 %	30,968	
2.00 %	(27,919)	(90.15 %)			
Forfeiture of					
Customer Deposit		233,584	2.64 %	-	
N/A	233,584	100.00 %			
Other (Expense)					
Income, Net		-	N/A	4,971	
0.32 %	(4,971)	(100.00 %)			
Interest Expense,					

Net		(272,818)	(3.08 %)	(174,741)
(11.26 %)	(98,077)	(56.13 %)		
INCOME BEFORE INCOME				
TAX		871,710	9.84 %	126,908
8.18 %	744,802	586.88 %		
INCOME TAX		212	0.00 %	-
N/A	212	100.00 %		
NET INCOME		871,498	9.84 %	126,908
8.18 %	744,590	586.72 %		

Revenues. For the three months ended September 30, 2007, our revenues increased approximately 470% from \$1,552,217 to \$8,854,668 relative to the same period ended September 30, 2006. The biggest factor in the increase of our revenues was the increased sales of the Go-kart, the beach vehicles developed and introduced by the Company.

Cost of Sales. Cost of sales increased from \$1,129,089 for the three months ended September 30, 2006 to \$7,389,605, or approximately 554%, for the same period in 2007, reflecting the increase in production manufacturing associated with the manufacturing of the beach vehicles during the quarter as discussed above.

Gross Profit. Gross profit increased approximately 246% from \$423,128 for the three months ended September 30, 2006 to \$1,465,063 for the three months ended September 30, 2007. This increase in gross profit was primarily due to the increase in revenues.

Selling and Marketing Expenses. For the three months ended September 30, 2007, selling and marketing expenses increased approximately 439% from \$54,140 to \$292,074 relative to the three months ended September 30, 2006. The increase was primarily due to an increase in the expansion of the sales department because of the sharp increase in sales revenue.

General and Administrative Expenses. For the three months ended September 30, 2007, general and administrative expenses increased approximately 280% from \$65,501 to \$248,992 relative to the three months ended September 30, 2006. The increase was primarily due to increase in headcount of the admin department as the company went public in June 2007.

Research and Development Expenses. For the three months ended September 30, 2007, research and development expenses decreased approximately 57% from \$37,777 to \$16,122 relative to the three months ended September 30, 2006. The decrease was attributed to the significant research and development expenses required in the initial stage of product development, while such expenses were gradually decreased due to improvements on its existing products.

Income Tax Provision. On March 16, 2007, the National People's Congress of the PRC determined to adopt a new corporate income tax law in its fifth plenary session. The new corporate income tax law unifies the application scope, tax rate, tax deduction and preferential policy for both domestic and foreign-invested enterprises. The new corporate income tax law take effect on January 1, 2008. According to the new corporate income tax law, the applicable income tax rate for our operating subsidiaries may be subject to changes. As the implementation detail has not yet been announced, we cannot be sure of the potential impact of such new corporate income tax law on our financial position and operating results. Under the new law, the Company had a tax expense of \$212 for the three months ended September 30, 2007, compared to a tax expenses of NIL for the same period of 2006.

Net Income. Net income increased approximately 587% from \$126,908 for the three months ended September 30, 2006 to \$871,498 for the three months ended September 30, 2007. This increase in net income was due primarily to the increase in both our revenues and gross profits.

Comparison of Nine Months Ended September 30, 2007 and September 30, 2006.

The following table sets forth the amounts and percentage relationship to revenue of certain items in our consolidated statements of income and comprehensive income for the nine months ended September 30, 2007 and 2006:

		For the Nine Months Ended September 30,			
		2007 (Unaudited)		2006 (Unaudited)	
Comparisons			% of		% of
Growth in Amount	Increase Amount in %		Revenue	Amount	Revenue
REVENUES		\$ 26,022,205	100 %	\$ 6,338,562	
100 %	\$ 19,683,643		310.54 %		
COST OF GOODS SOLD		20,666,981	79.42 %	5,440,601	
85.83 %	15,226,380		279.87 %		
GROSS PROFIT		5,355,224	20.58 %	897,961	
14.17 %	4,457,263		496.38 %		
Selling and Marketing		657,342	2.53 %	139,480	
2.20 %	517,862		371.28 %		
General and Administrative		614,615	2.36 %	285,757	
4.51 %	328,858		115.08 %		
Research and Development		68,925	0.26 %	87,538	
1.38 %	(18,613)		(21.26 %)		
INCOME FROM OPERATIONS		4,014,342	15.43 %	385,186	

6.08 %	3,629,156	942.18 %	
Government Grants		15,233	0.06 % 97,194
1.53 %	(81,961)	(84.33 %)	
Forfeiture on			
Customer Deposit		500,304	1.92 % -
N/A	500,304	100.00 %	
Other (Expense)			
Income, Net		(77,404)	(0.30 %) 5,519
0.09 %	(82,923)	(1,502.50 %)	
Interest Expense,			
Net		(723,171)	(2.78 %) (450,734)
(7.11 %)	(272,437)	(60.44 %)	
INCOME BEFORE INCOME			
TAX		3,729,304	14.33 % 37,165
(0.59 %)	3,692,139	9,934.45 %	
INCOME TAX		2,111	0.01 % -
N/A	2,111	100.00 %	
NET INCOME		3,727,193	14.32 % 37,165
(0.59 %)	3,690,028	9,928.77 %	

Revenues. For the nine months ended September 30, 2007, our revenues increased approximately 311% from \$6,338,562 to \$26,022,205 relative to the same period ended September 30, 2006. The main reason in the increase of our revenues was the increase in sale of the beach vehicles developed and launched by the Company.

Cost of Sales. Cost of sales increased from \$5,440,601 for the nine months ended September 30, 2006 to \$20,666,981 for the same period in 2007, reflecting the increase in production manufacturing associated with the manufacturing of the beach vehicles during the nine months as discussed above. However, in terms of cost of sales as a percentage of net revenues, our cost of sales for the nine months ended September 30, 2007 was approximately 79% of net revenues as compared to approximately 86% of net revenues for the same period in 2006 due to lower raw material costs as purchase volume increased sharply and due to better cost control.

Gross Profit. Gross profit increased approximately 496% from \$897,961 for the nine months ended September 30, 2006 to \$5,355,224 for the nine months ended September 30, 2007. This increase in gross profit was primarily due to the increased revenues.

Selling and Marketing Expenses. For the nine months ended September 30, 2007, selling and marketing expenses increased approximately 371% from \$139,480 to \$657,342 relative to the nine months ended September 30, 2006. The increase was primarily due to increase in the expansion of the sales department as sales increased sharply.

General and Administrative Expenses. For the nine months ended September 30, 2007, general and administrative expenses increased approximately 115% from \$285,757 to \$614,615 relative to the nine months ended September , 2006. The increase was primarily due to increase in headcount of the admin department as the company went public in June 2007.

Research and Development Expenses. For the nine months ended September 30, 2007, research and development expenses decreased approximately 21% from \$87,538 to \$68,925 relative to the nine months ended September 30, 2006. The decrease was attributed to the heavy incurred of research and development expenses in the initial stage, while such expenses was gradually decreased due to the improvement on its existing products.

Income Tax Provision. On March 16, 2007, the National People's Congress of the PRC determined to adopt a new corporate income tax law in its fifth plenary session. The new corporate income tax law unifies the application scope, tax rate, tax deduction and preferential policy for both domestic and foreign-invested enterprises. The new corporate income tax law will be effective on January 1, 2008. According to the new corporate income tax law, the applicable income tax rate for our operating subsidiaries may be subject to change. As the implementation detail has not yet been announced, we cannot be sure of the potential impact of such new corporate income tax law on our financial position and operating results. For the nine months ended September 30, 2007, the Company incurred a tax expense of \$2,111 as compared to NIL for the same period of 2006.

Net Income. Net income increased approximately 9,929% from \$37,165 for the nine months ended September 30, 2006 to \$3,727,193 for the nine months ended September 30, 2007. This increase in net income was due primarily to the increase in both our revenues and gross profits, and reduction in cost of sale.

Liquidity and Capital Resources

Cash Flows

Nine Months ended September 30, 2007 and 2006

Net cash flow provided by operating activities was \$4,337,081 for the nine months ended September 30, 2007 as compared to \$591,390 in cash flow used in operating activities in the same period of 2006. The increase of net cash flow used in operating activities was mainly due to increased sales, the collection of outstanding loans and cash inflows generated by incremental operations.

Net cash flow used in investing activities was \$11,925,129 for the nine months ended September 30, 2007 as compared to \$100,417 in cash flow provided by investing activities in the same period of 2006. Uses of cash flow for investing activities in the nine month period ended September 30, 2007 included the construction of manufacturing facilities and the purchase of associated machinery and equipment, deposit for acquisition, insurance and repayment of notes receivables.

Net cash flow provided by financing activities was \$6,968,591 in the nine months ended September 30, 2007, as compared to net cash flow provided by financing activities of \$120,662 in the same period in 2006. The increase in net cash flow used in financing activities was mainly due to the collection of loan payments and interest owed to the Company. Uses of cash flow included payments of notes payable, interest and premiums payable on loans.

Working Capital

Our working capital increased by \$3,093,467 to \$820,621 at September 30, 2007, as compared to \$(2,272,846) at December 31, 2006. The increase in working capital at September 30, 2007 was mainly attributed to our increase in accounts receivables and deposit for acquisition and increase in short term bank loans. The deposit for acquisition was a reclassification from advances from suppliers and thus had no cash impact.

The Company currently generates its cash flow through operations and the Company believes that its cash flows generated from operations will be sufficient to sustain operations for the next twelve months. Also, from time to time, the Company may require extra funding through financing activities and investments for expansion. Also, from time to time, the Company may come up with new expansion opportunities for which our management may consider seeking external funding and

financing. However, as of September 30, 2007, the Company did not have any plan for additional capital through external funding and financing.

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations

We have certain fixed contractual obligations and commitments that include future estimated payments. Changes in our business needs, cancellation provisions, changing interest rates, and other factors may result in actual payments differing from the estimates. We cannot provide certainty regarding the timing and amounts of payments. We have presented below a summary of the most significant assumptions used in our determination of amounts presented in the tables, in order to assist in the review of this information within the context of our consolidated financial position, results of operations, and cash flows.

The following tables summarize our contractual obligations as of September 30, 2007, and the effect these obligations are expected to have on our liquidity and cash flows in future periods.

Payments Due by Period

			Total	Less than 1 Year	1 - 5 Years +
3 Years	3 - 5 Years	5 Years +			
Contractual Obligations:					
Bank Indebtedness			\$ 17,942,588	\$ 17,942,588	\$ -
- \$	- \$	-			
Other Indebtedness			10,854,656	10,854,656	
-	-	-			
Capital Lease Obligations					
-	-	-			
Operating Leases					
-	-	-			
Purchase Obligations					
-	-	-			
Total Contractual Obligations:			\$ 28,797,244	\$ 28,797,244	\$ -
- \$	- \$	-			

Bank indebtedness consists of secured and unsecured borrowings from Industrial and Commercial Bank of China Limited, ICBC Jinhua Economic Exploration Zone Branch, Shanghai Pudong Development Bank, and Commercial Bank, Jiangnan Branch.

Other indebtedness includes short-time loans, and loans from individuals.

Off-balance Sheet Arrangements

Other than the arrangement described above, we have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or

that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Related Party Transactions

For a description of our related party transactions, please see the section of this Current Report entitled "Certain Relationships and Related Transactions."

Accounting Policies

Revenue Recognition

Revenue represents the invoiced value of goods sold, recognized upon the shipment of goods to customers. Revenue is recognized when all of the following criteria are met:

- Persuasive evidence of an arrangement exists,
- Delivery has occurred or services have been rendered,
- The seller's price to the buyer is fixed or determinable, and
- Collectibility is reasonably assured.

The Company does not provide any warranty for the goods sold to customers.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

Management makes these estimates using the best information available at the time the estimates are made. Actual results could differ materially from those estimates.

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued FIN 48, "Accounting for Uncertainty in Income Taxes--an interpretation of FASB Statement No. 109," which seeks to reduce the diversity in practice associated with the accounting and reporting for uncertainty in income tax positions. This Interpretation prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in an income tax return. FIN 48 presents a two-step process for evaluating a tax position. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, based on the technical merits of the position. The second step is to measure the benefit to be recorded from tax positions that meet the more-likely-than-not recognition threshold, by determining the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement, and recognizing that amount in the financial statements. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact that the adoption of FIN 48 will have on its results of operations, financial position, and cash flows.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in generally accepted accounting principles more consistent and comparable. SFAS No. 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. SFAS No. 157 is effective for financial statements issued in fiscal years beginning after November 15, 2007 and to interim periods within those fiscal years. The Company is currently in the process of evaluating the effect, if any, the adoption of SFAS No. 157 will have on its results of operations, financial position, or cash flows.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements". SAB No. 108 was issued in order to eliminate the diversity in practice surrounding how public companies quantify financial statement misstatements. SAB No. 108 requires that registrants quantify errors using both a balance sheet (iron curtain) approach and an income statement (rollover) approach then evaluate whether either approach results in a misstated amount that, when all relevant quantitative and qualitative factors are considered, is material. SAB No. 108 is effective for fiscal years ending after November 15, 2006. The Company has adopted the bulletin during 2006. The adoption did not have a material effect on results of operations, financial position, or cash flows.

In February 2007, the FASB issued FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities -- Including an amendment of FASB Statement No. 115 ("FAS 159"). FAS 159, which becomes effective for the Company on January 1, 2008. This standard permits companies to choose to measure many financial instruments and certain other items at fair value and report unrealized gains and losses in earnings. Such accounting is optional and is generally to be applied instrument by instrument. The Company does not anticipate that election, if any, of this fair-value option will have a material effect on the consolidated results or operations or financial position.

The implementation of the above pronouncement is not expected to have a material effect on the Company's consolidated financial statements or disclosures.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

Form 8-K for KANDI TECHNOLOGIES CORP

5-Nov-2007

Other Events, Financial Statements and Exhibits

Item 8.01 Other Events.

On October 31, 2007, the Board of Directors of Kandi Technologies, Corp. (the "Company") adopted a Code of Business Conduct and Ethics (the "Code of Ethics") for the Company and approved and authorized the adoption of the charter documents four committees: the Audit Committee, the Compensation Committee, the Nominations/Corporate Governance Committee and the Disclosure Committee.

Messrs. Dexter Fong (Chair), Zheng Mingyang and Xie Kepei were appointed to the Audit Committee, Messrs. Zheng Mingyang (Chair), Xie Kepei and Ying Jinfeng were appointed to the Compensation Committee, Messrs. Ying Jinfeng (Chair), Zheng Mingyang and Xie Kepei were appointed to the Nominations/Corporate Governance Committee and Messrs. Hu Xiaoming, Zhu Xiaoying and Lang Jianfeng were appointed to the Disclosure Committee.

The Code of Ethics and each of the charters for the Audit, Compensation, Nominations/Corporate Governance and Disclosure Committees is included as Exhibits 14, 99.1, 99.2, 99.3 and 99.4 to this report and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit

Number Exhibit Description

14 Code of Business Conduct and Ethics, adopted October 31, 2007.

99.1 Audit Committee Charter, adopted October 31, 2007.

99.2 Compensation Committee Charter, adopted October 31, 2007.

99.3 Nominating/Corporate Governance Committee Charter, adopted October 31, 2007.

99.4 Written Disclosure Policy, adopted October 31, 2007.

Press Release

Source: Zhejiang Kandi Vehicle

Dutton Associates Announces Investment Opinion: Zhejiang Kandi Vehicle Speculative Buy In Initiating

Coverage By Dutton Associates

Tuesday October 30, 12:00 pm ET

EL DORADO HILLS, Calif.--(BUSINESS WIRE)--Dutton Associates initiates coverage of Zhejiang Kandi Vehicle (OTCBB:[KNDI](#) - [News](#)) with a Speculative Buy rating and a price target of \$6.51. The 20-page report by Dutton senior analyst Stanley Ng is available at www.jmdutton.com as well as from First Call, Bloomberg, Zacks, Reuters, Knobias, and other leading financial portals.

Zhejiang Kandi Vehicle (Kandi) is principally engaged in the development, production and marketing of small, energy-saving vehicles, including go-karts, all-terrain vehicles (ATVs), and special-purpose or utility vehicles (UTVs). It is expected that sales of go-karts and all-terrain vehicles will benefit from the growing affluence of the Chinese people and the increasing health consciousness of the public, with rising demand for these vehicles both as entertainment and as exercise products. Meanwhile, the implementation of new agriculture policies in China and increasing forestation in urban areas, have created a big market for specialized pesticide-spraying vehicles. The more exciting growth prospects for Kandi stems from its aggressive move into the development of super mini-cars, which are gaining momentum in popularity and sales in Western countries. Demand for mini-cars has risen rapidly in recent years, as more and more consumers are considering fuel-efficiency as a major factor in their car-purchasing decisions. Kandi has begun to invest in a super mini-car project, with production capacity expected to reach 300,000 vehicles and revenue potential of over \$1.3 billion by 2012; first batch of super mini-cars will start exporting to the U.S. market in November 2007. Our projections for Kandi in 2007 are a 170% increase in revenue to \$39.1 million and a 426% jump in net income to \$5.7 million, versus \$14.5 million and \$1.1 million in 2006, respectively. In 2008, revenue and net income are forecast to increase 56% to \$60.9 million and 47% to \$8.4 million, respectively. Diluted EPS were \$0.09 in 2006 and are expected to surge 211% to \$0.28 in 2007 and rise another 50% to \$0.42 in 2008.

About Dutton Associates

Dutton Associates is one of the largest independent investment research firms in the U.S. Its 30 senior analysts are primarily CFAs and have expertise in many industries. Dutton Associates provides continuing analyst coverage of over 140 enrolled companies, and its research, estimates, and ratings are carried in all the major databases serving institutions and online investors.

The cost of enrollment in our one-year continuing research program is US \$35,000 prepaid for 4 Research Reports, typically published quarterly, and requisite Research Notes. The Firm does not accept any equity compensation. We received \$35,000 from the Company for 4 quarterly Research Reports with coverage commencing on 10/30/2007. Our principals and analysts are prohibited from owning or trading in securities of covered companies. The views expressed in this research report accurately reflect the analyst's personal views about the subject securities or issuer. Neither the analyst's compensation nor the compensation received by us is in any way related to the specific ratings or views contained in this research report or note. Please read full disclosures and analyst background at www.jmdutton.com before investing.

Contact:

Dutton Associates
John M. Dutton, 916-941-8119

Source: Zhejiang Kandi Vehicle
Press Release

Source: Kandi Technologies, Corp.

Kandi Technologies Introduces KD-08 Mini Sub-Compact Car to High Praise at Zhejiang Province Exhibition; Also Forecasts Sharp Increase in Full Year '07 Revenues and

Earnings

Thursday October 25, 8:00 am ET

Company Sees Continued Strength of New ATV and Go-Kart Product Introductions and Increased Special Vehicle Sales as Key Contributors to '07 Growth

JINHUA, ZHEJIANG PROVINCE, CHINA--(MARKET WIRE)--Oct 25, 2007 -- Kandi Technologies, Corp. (Other OTC:[KNDI.PK](#) - [News](#)), an emerging US traded PRC-based leader in small vehicle production, including ATVs, golf carts and approximately 15% of the world Go-Kart market, said today that the first public showing of its KD-08 super-mini car at the Zhejiang Province Car Exhibition two weeks ago was the highlight of the exhibition and drew wide praise from the public and government officials for its trendy design, proven performance, safety and energy-saving features, as well as its environmentally friendly low emission levels. Aimed at meeting the transportation needs of middle-class consumers in the PRC, initial pricing of the highly economical KD-08 is expected to be approximately \$4,000 (USD).

The company noted that while ATV and Go-Kart sales were expected to be the principal contributors to growth in 2007 and 2008, in 2008 it anticipates a growing contribution from car sales as it initiates mass production in this new product category.

Second Half Outlook: 2007 Full Year Revenues Expected To Grow To Nearly \$40 Million, Earnings In Excess Of \$5 million.

The company said that the growth being experienced in all key product categories should push full year 2007 revenues, excluding possible car sales this year, to approximately \$39 million. This compares with revenues in 2006 of approximately \$14.5 million, an increase of more than 150%, as the company continues to broaden its product range, introduce new vehicles and grow production to an estimated 50,000+ vehicles by the end of this year.

The company also noted that, as explained in its report on 2007 first half results, part of the orders originally scheduled in Q3 were pushed forward to June ahead of a reduction in the export tax rebate. As a consequence, it expects revenues in the third quarter ended September 30, 2007 to be slightly lower than the record \$11.2 million reported in the second quarter, but significantly ahead of results in the third quarter last year. The company said that actual results for the quarter will be filed in the second week of November. Additionally, the company anticipates somewhat higher expenses in the second half relating in part to the cost of going public as well as increased marketing expense and the rising cost of certain raw materials, especially steel. However, at the same time, the company anticipates full year gross profit margins growing to more than 20%, compared with 17.9% in 2006, as well as a decrease in operating expenses as a percentage of sales, due to the steep growth it is experiencing in revenues. Reflecting these and other factors, including the company's tax exempt status in 2007, full year net income in 2007 also is expected to grow substantially to in excess of \$5 million, as compared with reported net income in 2006 of \$1.1 million.

About the Company

Kandi Technologies, Inc. (formerly Stone Mountain Resources, Inc.) is a PRC (China)-based vehicle machinery producer, concentrating on three areas of small vehicle production: Go-Karts, Special Purpose Vehicles and Casual Purpose Vehicles. At present, it is among the leading producers of Go-Karts in the world, with an estimated 15% share of market and a goal of doubling this share, in large part by becoming the leading producer of this increasingly popular recreational product in China. Focusing on the country's rapid economic development, Kandi also sees an increasing need for transportation vehicles for specific purposes, in particular mini-size pesticide spraying vehicles and mini-service vehicles. The company produces a wide and growing range of All Terrain Vehicles (ATVs) which it believes represent the highest quality vehicles of this type in China, aimed at the export

market as well as the rapidly growing market in the PRC. The Company also is focused on the development of fashionable, energy saving mini-cars. It has produced mini-cars that have completed the trial stage and is now preparing to start mass production. It expects to begin to export these cars to the American market, followed by sales in China when the domestic market is more mature. Kandi is a US full reporting company whose shares are traded under the symbol KNDI.

The company's products can be viewed at <http://www.kandivehicle.com>.

Information Regarding Forward-Looking Statement

Except for historical information contained herein, the statements in this Press Release are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties, which may cause our actual results in future periods to differ materially from forecasted results. These risks and uncertainties include, among other things, product demand, market competition, and risks inherent in our operations. These and other risks are described in our filings with the Securities and Exchange Commission.

Contact:

Contacts:

Kandi Technologies, Corp.
Hu Xiaoming
President and CEO
(86-0579) 82239700

US Investors
Press
Focus Asia Partners
Robert Agriogianis
Tel: 973-245-8099
Fax: 973-966-6252

Source: Kandi Technologies, Corp.

Income Statement

| Quarterly Data

All numbers in thousands

PERIOD ENDING

30-Jun-07

31-Mar-07

Total Revenue	17,149	-
Cost of Revenue	13,292	-
Gross Profit		
	3,857	-
Operating Expenses		
Research Development	53	-
Selling General and Administrative	709	1
Non Recurring	-	-
Others	-	-
Total Operating Expenses		
	-	-
Operating Income or Loss		
	3,095	(1)
Income from Continuing Operations		
Total Other Income/Expenses Net	203	-
Earnings Before Interest And Taxes	3,298	(1)
Interest Expense	450	-
Income Before Tax	2,848	(1)
Income Tax Expense	2	-
Minority Interest	-	-
Net Income From Continuing Ops		
	2,846	(1)
Non-recurring Events		
Discontinued Operations	-	-
Extraordinary Items	-	-
Effect Of Accounting Changes	-	-
Other Items	-	-

Net Income	2,846	(1)
Preferred Stock And Other Adjustments	-	-
		
Net Income Applicable To Common Shares	\$2,846	(\$1)

Kandi Reports Strong Second Quarter Performance Led by Go-Kart Beach Vehicle Sales

Monday September 24, 10:30 am ET

JINHUA, ZHEJIANG PROVINCE, CHINA--(MARKET WIRE)--Sep 24, 2007 -- Kandi Technologies, Corp (OTC BB:[KNDIE.OB](#) - [News](#)), an emerging PRC-based leader in small vehicle production, with approximately 15% of the world Go-Kart market, today announced results for its second quarter and first half ended June 30, 2007.

The Company reported that revenues in the second quarter of 2007 climbed approximately 290% to \$11,155,508, compared with \$2,859,686 in the same period last year. The Company's net income also grew, from a loss of \$83,659 in the second quarter of 2006, to \$1,907,050 in the 2007 second quarter, an increase of approximately 2,280%. According to the Company, the increase in revenues in the period, combined with a reduction in cost of sales, generated an approximately 1,033% increase in gross profit, which rose to \$2,709,646 compared with \$239,196 in the second quarter of 2006.

For the first half of 2007, the Company said revenues increased approximately 261% to \$17,148,966 compared to \$4,756,821 in the first six months of 2006, while net income in the 2007 first half rose approximately 3,308% to \$2,845,636 compared to a loss of \$88,694 in the first six months of 2006. Gross profit in the first six months of 2007 rose approximately 714% to \$3,856,524, compared with \$473,620 in the first half of 2006, as cost of sales declined primarily due to lower raw material costs and improved cost controls, while revenues increased.

The Company also reported that as of June 30, 2007, it had 19,961,000 shares issued and outstanding.

Go-Kart Vehicles Well Received By Consumers

Mr. Hu Xiaoming, president and chief executive officer of Kandi, commented, "We're very pleased to be able to report such a strong performance following up on our introduction to the US stock market. In this period, we benefited in particular from increased sales of our Go-Kart, a beach vehicle developed and introduced by the Company in 2006, which has received high marks from consumers because of its low cost, good performance and proven reliability."

Mr. Xiaoming added, "In the period, we also pushed hard to ship orders in June that were originally scheduled for the third quarter, ahead of the reduction in the export tax rebate from 17% to 9% beginning on July 1, 2007."

"Looking ahead," Mr. Xiaoming stated, "we remain focused on pursuing our goal of doubling our 15% market share in Go-Karts and seeking to obtain the biggest market share in China for this product through continuing technical and quality improvement and a larger and stronger sales force. We also will continue our focus on mini-sized special purpose vehicles and the developing market we envision for super mini casual cars."

About the Company

Kandi (formerly Stone Mountain Resources, Inc) is a PRC-based vehicle machinery producer, concentrating on three areas of small vehicle production: Go-Karts, Special Purpose Vehicles and Casual Purpose Vehicles. At present, it is among the leading producers of Go-Karts in the world, with

an estimated 15% share of market and a goal of doubling this share, in large part by becoming the leading producer of this increasingly popular recreational product in China. Focusing on the country's rapid economic development, Kandi also sees an increasing need for transportation vehicles for specific purposes, in particular mini-size pesticide spraying vehicles and mini-service vehicles. The Company also is focused on the development of fashionable, energy saving mini-cars. It has produced mini-cars that have completed the trial stage and is now preparing to start mass production. It expects to begin to export these cars to the American market, followed by sales in China when the domestic market is more mature. Kandi shares were recently listed on the US OTCBB market with the symbol KNDIE.OB. It is anticipated that the "e" will be removed from the symbol in the next few days and the Company will trade under the symbol KNDI.OB.

Information Regarding Forward-Looking Statements

Except for historical information contained herein, the statements in this Press Release are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties, which may cause our actual results in future periods to differ materially from forecasted results. These risks and uncertainties include, among other things, product demand, market competition, and risks inherent in our operations. These and other risks are described in our filings with the Securities and Exchange Commission.

Contact:

Contacts:

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Hu Xiaoming
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US Investors
Press
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Fax 212-425-6951

Source: Kandi Technologies, Corp.

Form 10QSB for KANDI TECHNOLOGIES CORP

21-Sep-2007

Quarterly Report

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

This 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 Exchange Act of 1934, as amended, which are based on management's exercise of business judgment as well as assumptions made by and information currently available to, management. When used in this document, the words "may", "will", "anticipate", "believe", "estimate", "expect", "intend" and words of similar import, are intended to identify any forward-looking statements. You should not place undue reliance on these forward-looking statements. These statements reflect our current view of future events and are subject to certain risks and uncertainties as described in this Report on Form 10-QSB as well as other periodic reports, filed with the Securities and Exchange Commission, and as noted below. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements. We undertake no obligation, and do not intend, to update, revise or otherwise publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize.

Overview

Kandi Technologies, Corp (formerly Stone Mountain Resources, Inc., the "Company") was originally incorporated on March 31, 2004. As a result of the share exchange transaction that was completed on June 29, 2007, Stone Mountain Resources, Inc. ("Stone Mountain") issued 12,000,000 shares of its common stock to the sole shareholder of Continental Development Limited ("Continental"), in exchange for 100% of the common stock of Continental. Continental conducts its business operations through its wholly owned subsidiary Zhejiang Kandi Vehicles Co., Ltd. ("Kandi"), a People's Republic of China ("PRC" or "China") company. As a result of the Closing, Continental became a wholly owned subsidiary of Stone Mountain. From and after the Closing Date, the business of the Company is that of Continental's wholly owned subsidiary, Kandi.

The transaction was accounted for as a reverse merger. In accordance with the Accounting and Financial Reporting Interpretations and Guidance provided by the staff of the U.S. Securities and Exchange Commission, Stone Mountain (the legal acquirer) is considered the accounting acquiree and Continental (the legal acquiree) was considered the accounting acquirer. The consolidated financial statements of the combined entity are in substance be those of Continental, with the assets and liabilities, and revenues and expenses, of Stone Mountain being included effective from the date of consummation of the Share Exchange Transaction. Stone Mountain is deemed to be a continuation of the business of Continental. The outstanding stock of Stone Mountain prior to the Share Exchange Transaction was accounted for at its net book value and no goodwill will be recognized.

Results of Operations

Comparison of Three Months Ended June 30, 2007 and June 30, 2006.

The following table sets forth the amounts and percentage relationship to revenue of certain items in our consolidated statements of income and comprehensive income for the three months ended June 30, 2007 and 2006:

		For the Three Months Ended June 30, 2007	
		(Unaudited)	
2006	(Unaudited)	Comparisons	
Growth in			
Amount	% of Revenue	Amount	% of Revenue
Amount	% of Revenue	Amount	Increase in %
REVENUES		11,155,508	100.00 %
2,859,686	100.00 %	8,295,822	290.10 %
COST OF GOODS SOLD		8,445,862	75.71 %
2,620,490	91.64 %	5,825,372	222.30 %
GROSS PROFIT		2,709,646	24.29 %
239,196	8.36 %	2,470,450	1,032.81 %
Selling and Marketing		202,538	1.82 %
39,989	1.40 %	162,549	406.48 %
General and Administrative		170,936	1.53 %
101,031	3.53 %	69,905	69.19 %
Research and Development		40,749	0.37 %
25,948	0.91 %	14,801	57.04 %
INCOME FROM OPERATIONS		2,295,423	20.58 %
72,228	2.53 %	2,223,195	3,078.02 %
Government Grants		12,191	0.11 %
-	0.00 %	12,191	100.00 %
Interest Expense, Net		(361,748)	(3.24 %)
(156,309)	(5.47 %)	(205,439)	131.43 %
Other Income (Expense), Net		(72,228)	(0.65 %)
422	0.01 %	(72,650)	(17,215.64 %)
INCOME BEFORE INCOME TAX		1,873,638	16.80 %
(83,659)	(2.93 %)	1,957,297	2,339.61 %
INCOME TAX		33,412	0.30 %
-	0.00 %	33,412	100.00 %

NET INCOME		1,907,050	17.10 %
(83,659)	(2.93 %)	1,990,709	2,279.55 %

Revenues. For the three months ended June 30, 2007, our revenues increased approximately 290% from \$2,859,686 to \$11,115,508 relative to the same period ended June 30, 2006. The biggest factor in the increase of our revenues was the increased sales of the Go-kart, the beach vehicles developed and introduced by the Company. Go-kart was introduced in 2006 and it was well received by customers because of its low cost, good performance and reliability. This reputation has helped boost the sale in this particular product. Furthermore, the export tax rebate was reduced from 17% to 9% beginning July 1, 2007, therefore, the Company pushed most of its orders originally scheduled to be shipped in the third quarter this year to the month of June. This is one of the main reasons for the sharp increase in sales in the second quarter ended June 30, 2007.

Cost of Sales. Cost of sales increased from \$2,620,490 for the three months ended June 30, 2006 to \$8,445,862, or approximately 222%, for the same period in 2007, reflecting the increase in production manufacturing associated with the manufacturing of the beach vehicles during the quarter as discussed above. However, in terms of cost of sales as a percentage of net revenues, our cost of sales for this quarter in 2007 was approximately 76% of net revenues as compared to approximately 92% of net revenues for the same quarter in 2006. The main reason for the improvement in cost of sales was due to tighter cost controls and discounts obtained in raw materials because of the increase in purchase volume as sales increased.

Gross Profit. Gross profit increased approximately 1,033% from \$239,196 for the three months ended June 30, 2006 to \$2,709,646 for the three months ended June 30, 2007. This increase in gross profit was primarily due to the increased revenues and reduction in cost of sales.

Selling and Marketing Expenses. For the three months ended June 30, 2007, selling and marketing expenses increased approximately 406% from \$39,989 to \$202,538 relative to the three months ended June 30, 2006. The increase was primarily due to increase in the expansion of the sales department because of the sharp increase in sales revenue.

General and Administrative Expenses. For the three months ended June 30, 2007, general and administrative expenses increased approximately 69% from \$101,031 to \$170,936 relative to the three months ended June 30, 2006. The increase was primarily due to increase in headcount of the administration department as the Company went public in June 2007.

Research and Development Expenses. For the three months ended June 30, 2007, research and development expenses increased approximately 57% from \$25,948 to \$40,749 relative to the three months ended June 30, 2006. The increase was primarily due to the continuing effort the Company spent on improvement of its existing products.

Income Tax Provision. On March 16, 2007, the National People's Congress of the PRC determined to adopt a new corporate income tax law in its fifth plenary session. The new corporate income tax law unifies the application scope, tax rate, tax deduction and preferential policy for both domestic and foreign-invested enterprises. The new corporate income tax law will be effective on January 1, 2008. According to the new corporate income tax law, the applicable income tax rate for our operating subsidiaries may be subject to change. As the implementation detail has not yet been announced, we cannot be sure of the potential impact of such new corporate income tax law on our financial position and operating results. Under the new law, the Company had a tax benefit of \$33,412 for the three months ended June 30, 2007, compared to a tax expenses of \$NIL for the same period of 2006.

Net Income. Net income increased approximately 2,280% from a loss of \$83,659 for the three months ended June 30, 2006 to an income of \$1,907,050 for the three months ended June 30, 2007. This increase in net income was due primarily to the increase in both our revenues and gross profits.

Comparison of Six Months Ended June 30, 2007 and June 30, 2006.

The following table sets forth the amounts and percentage relationship to revenue of certain items in our consolidated statements of income and comprehensive income for the six months ended June 30, 2007 and 2006:

	For the Six Months Ended June 30,		
	2007		
	(Unaudited)	Comparisons	
	Amount	% of Revenue	Amount
2006			
(Unaudited)			
% of Revenue	Growth in Amount	Increase in %	
REVENUES	17,148,966	100 %	4,756,821
100 %	12,392,145	260.51 %	
COST OF GOODS SOLD	13,292,442	77.51 %	4,283,201
90.04 %	9,009,241	210.34 %	
GROSS PROFIT	3,856,524	22.49 %	473,620
9.96 %	3,382,904	714.27 %	
Selling and Marketing	366,578	2.14 %	85,035
1.79 %	281,543	331.09 %	
General and Administrative	342,320	2.00 %	219,175
4.61 %	123,145	56.19 %	
Research and Development	52,615	0.31 %	49,608
1.04 %	3,007	6.06 %	
INCOME FROM OPERATIONS	3,095,011	18.05 %	119,802
2.52 %	2,975,209	2,483.44 %	
Forfeiture of Customer Deposit	267,673	1.56 %	-
0.00 %	267,673	100.00 %	
Government Grants	12,132	0.07 %	65,946
1.39 %	(53,814)	(81.60 %)	

Interest Expense,			
Net	(450,441)	(2.63 %)	(275,007)
(5.78 %)	(175,434)	63.79 %	
Other Income			
(Expense), Net	(76,851)	(0.45 %)	565
0.01 %	(77,416)	(13,701.95 %)	
INCOME BEFORE INCOME			
TAX	2,847,524	16.60 %	(88,694)
(1.86 %)	2,936,218	3,310.50 %	
INCOME TAX	(1,888)	0.01 %	-
0.00 %	(1,888)	100.00 %	
NET INCOME	2,845,636	16.59 %	(88,694)
(1.86 %)	2,934,330	3,308.37 %	

Revenues. For the six months ended June 30, 2007, our revenues increased approximately 261% from \$4,756,821 to \$17,148,966 relative to the same period ended June 30, 2006. The main reason in the increase of our revenues was the increase in sale of the beach vehicles developed and launched by the Company.

Cost of Sales. Cost of sales increased from \$4,283,201 for the six months ended June 30, 2006 to \$13,292,442 for the same period in 2007, reflecting the increase in production manufacturing associated with the manufacturing of the beach vehicles during the six months as discussed above. However, in terms of cost of sales as a percentage of net revenues, our cost of sales for the six months ended June 30, 2007 was approximately 78% of net revenues as compared to approximately 90% of net revenues for the same period in 2006 due to lower raw material costs as purchase volume increased sharply and due to better cost control.

Gross Profit. Gross profit increased approximately 714% from \$473,620 for the six months ended June 30, 2006 to \$3,856,524 for the six months ended June 30, 2007. This increase in gross profit was primarily due to the increased revenues.

Selling and Marketing Expenses. For the six months ended June 30, 2007, selling and marketing expenses increased approximately 331% from \$85,035 to \$366,578 relative to the six months ended June 30, 2006. The increase was primarily due to increase in the expansion of the sales department as sales increased sharply.

General and Administrative Expenses. For the six months ended June 30, 2007, general and administrative expenses decreased approximately 56% from \$219,175 to \$342,320 relative to the six months ended June 30, 2006. The increase was primarily due to increase in headcount of the admin department as the company went public in June 2007.

Research and Development Expenses. For the six months ended June 30, 2007, research and development expenses increased approximately 6% from \$49,608 to \$52,615 relative to the three months ended June 30, 2006. The decrease was primarily due to the continuing effort the Company spent on improvement of its existing products. .

Income Tax Provision. On March 16, 2007, the National People's Congress of the PRC determined to adopt a new corporate income tax law in its fifth plenary session. The new corporate income tax law unifies the application scope, tax rate, tax deduction and preferential policy for both domestic and

foreign-invested enterprises. The new corporate income tax law will be effective on January 1, 2008. According to the new corporate income tax law, the applicable income tax rate for our operating subsidiaries may be subject to change. As the implementation detail has not yet been announced, we cannot be sure of the potential impact of such new corporate income tax law on our financial position and operating results. For the six months ended June 30, 2007, the Company incurred a tax expense of \$1,888 as compared to \$NIL for the same period of 2006.

Net Income. Net income increased approximately 3,308% from a loss of \$88,694 for the six months ended June 30, 2006 to an income of \$2,845,636 for the six months ended June 30, 2007. This increase in net income was due primarily to the increase in both our revenues and gross profits, and reduction in cost of sale.

Liquidity and Capital Resources

Cash Flows

Six Months ended June 30, 2007 and 2006

Net cash flow provided by operating activities was \$2,208,423 for the six months ended June 30, 2007 as compared to \$803,839 in cash flow used in operating activities in the same period of 2006. The decrease of net cash flow used in operating activities was mainly due to increased sales, the collection of outstanding loans and cash inflows generated by incremental operations.

Net cash flow used in investing activities was \$8,114,887 for the six months ended June 30, 2007 as compared to net cash flow provided by investing activities of \$634,396 in the same period of 2006. Uses of cash flow for investing activities offset in the six months period ended June 30, 2007 included the construction of manufacturing facilities and the purchase of associated machinery and equipment, restricted cash, insurance and repayment of notes receivables.

Net cash flow provided by financing activities was \$6,272,758 in the six months ended June 30, 2007, as compared to net cash flow used in financing activities of \$2,222,862 in the same period of 2006. The net cash flow provided by financing activities was mainly due to the collection of loan payments and interest owed to the Company for the six months ended June 30, 2007. Uses of cash flow included payment of notes payable, interest and premiums payable on loans for the six months ended June 30, 2006.

Working Capital

Our working capital increased by \$2,968,374 to \$695,528 at June 30, 2007, as compared to \$(2,272,846) at December 31, 2006. The increase in working capital at June 30, 2007 was mainly attributed to our increase in accounts receivables and reduction in notes receivable.

The Company currently generates its cash flow through operations and the Company believes that its cash flow generated from operations will be sufficient to sustain operations for the next twelve months. Also, from time to time, the Company may require extra funding through financing activities and investments for expansion. Also, from time to time, the Company may come up with new expansion opportunities for which our management may consider seeking external funding and financing. However, as of June 30, 2007, the Company did not have any plan for additional capital through external funding and financing.

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations

We have certain fixed contractual obligations and commitments that include future estimated payments. Changes in our business needs, cancellation provisions, changing interest rates, and other factors may result in actual payments differing from the estimates. We cannot provide certainty regarding the timing and amounts of payments. We have presented below a summary of the most significant assumptions used in our determination of amounts presented in the tables, in order to assist in the review of this information within the context of our consolidated financial position, results of operations, and cash flows.

The following tables summarize our contractual obligations as of June 30, 2007, and the effect these obligations are expected to have on our liquidity and cash flows in future periods.

Due by Period			Payments	
1-3 Years	3-5 Years	Total 5 Years +	Less than 1 year	
Contractual Obligations:				
Bank Indebtedness		\$ 13,034,060	\$	13,034,060
\$ --	\$ --	\$ --		
Other Indebtedness		\$ 15,068,594	\$	15,068,594
\$ --	\$ --	\$ --		
Capital Lease Obligations		\$ --	\$	--
\$ --	\$ --	\$ --		
Operating Leases		\$ --	\$	--
\$ --	\$ --	\$ --		
Purchase Obligations		\$ --	\$	--
\$ --	\$ --	\$ --		
Total Contractual Obligations:		\$ 28,102,654	\$	28,102,654
\$ -	\$ --	\$ --		

Bank indebtedness consists of secured and unsecured borrowings from Industrial and Commercial Bank of China Limited, ICBC Jinhua Economic Exploration Zone Branch, Shanghai Pudong Development Bank, Commercial Bank, Jiangnan Branch, Huaxia Bank, Hangzhou Jianguo Branch, and the Agricultural Bank.

Other indebtedness includes short-time loans, and loans borrowed from individuals.

Off-balance Sheet Arrangements

Other than the arrangement described above, we have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Accounting Policies

Revenue Recognition

Revenue represents the invoiced value of goods sold, recognized upon the shipment of goods to customers. Revenue is recognized when all of the following criteria are met:

ooo Persuasive evidence of an arrangement exists, ooo Delivery has occurred or services have been rendered,

ooo The seller's price to the buyer is fixed or determinable, and ooo Collectibility is reasonably assured.

The Company does not provide any warranty for the goods sold to customers.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

Management makes these estimates using the best information available at the time the estimates are made. Actual results could differ materially from those estimates.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in generally accepted accounting principles more consistent and comparable. SFAS No. 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. SFAS No. 157 is effective for financial statements issued in fiscal years beginning after November 15, 2007 and to interim periods within those fiscal years. The Company is currently in the process of evaluating the effect, if any, the adoption of SFAS No. 157 will have on its results of operations, financial position, or cash flows.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements". SAB No. 108 was issued in order to eliminate the diversity in practice surrounding how public companies quantify financial statement misstatements. SAB No. 108 requires that registrants quantify errors using both a balance sheet (iron curtain) approach and an income statement (rollover) approach then evaluate whether either approach results in a misstated amount that, when all relevant quantitative and qualitative factors are considered, is material. SAB No. 108 is effective for fiscal years ending after November 15, 2006. The Company has adopted the bulletin during 2006. The adoption did not have a material effect on results of operations, financial position, or cash flows.

In February 2007, the FASB issued FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities -- Including an amendment of FASB Statement No. 115 ("FAS 159"). FAS 159, which becomes effective for the Company on January 1, 2008. This standard permits companies to choose to measure many financial instruments and certain other items at fair value and report unrealized gains and losses in earnings. Such accounting is optional and is generally to be

applied instrument by instrument. The Company does not anticipate that election, if any, of this fair-value option will have a material effect on the consolidated results or operations or financial position.

The implementation of the above pronouncement is not expected to have a material effect on the Company's consolidated financial statements or disclosures.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.
