KIWA BIO-TECH PRODUCTS GROUP CORP
Form 10-Q
August 14, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.20549

FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2015

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from ______ to ______

Commission File Number: 000-33167

KIWA BIO-TECH PRODUCTS GROUP CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**77-0632186** (I.R.S. Employer Identification No.)
310 N. Indian Hill Blvd., #702 **Claremont, California**	**91711**

(Address of principal executive offices) (Zip Code)

(626) 715-5855

(Registrant's telephone number, including area code)

(Former address)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer ¨ Accelerated filer ¨
Non-accelerated filer ¨ Smaller reporting company x

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

There were 400,000,000 shares of the issuer's common stock outstanding as of August 12, 2015.

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KIWA BIO-TECH PRODUCTS GROUP CORPORATION

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$856	$2,963
Deposits and other receivables	14,367	14,280
Total current assets	15,223	17,243
Property, plant and equipment - net	5,199	7,372
Total assets	$20,422	$24,615
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable	$318,771	$316,842
Advances from customers	14,651	14,562
Construction costs payable	290,610	288,851
Due to related parties - trade	1,113,148	1,025,057
Due to related parties - non-trade	4,263,576	4,190,315
Convertible notes payable	150,250	150,250
Salary payable	1,622,634	1,538,266
Taxes payable	475,642	440,885
Penalty payable	367,997	332,600
Interest payable	149,400	138,224
Other payable	503,806	525,488
Total current liabilities	9,270,485	8,961,340
Unsecured loans payable	1,882,530	1,871,136
Total long-term liabilities	1,882,530	1,871,136
Total liabilities	11,153,015	10,832,476
Stockholders' deficiency		
Common stock - $0.001 par value. Authorized 400,000,000 shares. Issued and outstanding 400,000,000 shares at June 30, 2015 and December 31, 2014	400,000	400,000
Preferred stock - $0.001 par value. Authorized 20,000,000 shares, none issued	-	-
Additional paid-in capital	8,093,337	8,093,337
Accumulated deficit	(18,883,980)	(18,608,154)
Accumulated other comprehensive loss	(741,950)	(693,044)
Total stockholders' deficiency	(11,132,593)	(10,807,861)
Total liabilities and stockholders' deficiency	$20,422	$24,615

The accompanying notes are an integral part of these consolidated financial statements.

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KIWA BIO-TECH PRODUCTS GROUP CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue	$-	$-	$-	$-
Operating expenses				
General and administrative	68,571	85,816	147,542	172,198
Research and development	40,940	40,122	81,627	81,089
Total operating expenses	109,511	125,938	229,169	253,287
Operating loss	(109,511)	(125,938)	(229,169)	(253,287)
Other income (expense)				
Penalty expense	(17,866)	(16,514)	(35,397)	(32,551)
Interest expense	(5,669)	(5,844)	(11,260)	(11,906)
Total other income (expense)	(23,535)	(22,358)	(46,657)	(44,457)
Net loss before income tax	(133,046)	(148,296)	(275,826)	(297,744)
Income tax	-	-	-	-
Net loss	(133,046)	(148,296)	(275,826)	(297,744)
Other comprehensive income (loss)				
Foreign currency translation adjustment	(15,524)	(16,100)	(48,906)	188,376
Total comprehensive loss	$(148,570)	$(164,396)	$(324,732)	$(109,368)
Net loss per common share - basic and diluted	$(0.00)	$(0.00)	$(0.00)	$(0.00)
Weighted average number of common shares outstanding - basic and diluted	400,000,000	400,000,000	400,000,000	400,000,000

The accompanying notes are an integral part of these consolidated financial statements.

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KIWA BIO-TECH PRODUCTS GROUP CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30, 2015	2014
Cash flows from operating activities:		
Net loss	$ (275,826)	$ (297,744)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,212	2,175
Provision for penalty payable	35,397	32,552
Accrued interest on convertible notes	11,176	11,176
Changes in operating assets and liabilities:		
Salary payable	80,766	100,828
Taxes payable	31,985	31,443
Due to related parties - trade	81,627	80,244
Other payable	(22,383)	(53,156)
Net cash used in operating activities	(55,046)	(92,482)
Cash flows from financing activities:		
Proceeds from related parties, net of payments to related parties	52,929	99,988
Net cash provided by financing activities	52,929	99,988
Effect of exchange rate change	10	1,714
Cash and cash equivalents:		
Net increase (decrease)	(2,107)	9,220
Balance at beginning of period	2,963	2,039
Balance at end of period	$ 856	$ 11,259
Supplemental Disclosures of Cash flow Information:		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -

The accompanying notes are an integral part of these consolidated financial statements.

KIWA BIO-TECH PRODUCTS GROUP CORPORATION

NOTES TO FINANCIAL STATEMENTS

(UNAUDITED)

1. <u>Description of Business and Organization</u>

References herein to “Kiwa” or the “Company” refer to Kiwa Bio-Tech Products Group Corporation and its wholly-owned subsidiaries unless the context specifically states or implies otherwise.

Business –The Company’s business plan is to develop, manufacture, distribute and market innovative, cost-effective and environmentally safe bio-technological products for agriculture markets located primarily in China. The Company has acquired technologies to produce and market bio-fertilizer.

2. <u>Going Concern</u>

The consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the consolidated financial statements do not purport to represent the realizable or settlement values.

As of June 30, 2015, the Company had cash of $856. The Company had an accumulated deficit of $18,883,980, and incurred net losses of $275,826 during the six months ended June 30, 2015. This trend is expected to continue. These factors, among others, create substantial doubt about the Company’s ability to continue as a going concern. The Company will rely on the proceeds from the sale of securities and loans from both related parties and unrelated parties to provide the resources necessary to fund the operation.

The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

3. <u>Summaries of Significant Accounting Policies</u>

Principle of consolidation - These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries. All significant inter-company balances or transactions are eliminated on consolidation.

Basis of preparation - These interim consolidated financial statements are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) and disclosures necessary for a fair presentation of these interim condensed consolidated financial statements have been included. The results reported in the consolidated financial statements for any interim periods are not necessarily indicative of the results that may be reported for the entire year or any other periods. The (a) consolidated balance sheet as of December 31, 2014, which was derived from audited financial statements, and (b) the unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Use of Estimates - The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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 period. Actual results could differ from those estimates. Significant accounting estimates include the bad debt provision, impairment of inventory and long-lived assets, depreciation and amortization, valuation allowance of deferred tax assets and fair value of warrants and options.

Foreign Currency Translation - The Company uses United States dollars ("US Dollar" or "US$" or "$") for financial reporting purposes. However, the Company maintains the books and records in its functional currency, Chinese Renminbi ("RMB"), being the primary currency of the economic environment in which its operations are conducted. In general, the Company translates its assets and liabilities into U.S. dollars using the applicable exchange rates prevailing at the balance sheet date, and the statement of income is translated at average exchange rates during the reporting period. Equity accounts are translated at historical rates. Adjustments resulting from the translation of the Company's financial statements are recorded as accumulated other comprehensive income.

The exchange rates used to translate amounts in RMB into U.S. Dollars for the purposes of preparing the condensed consolidated financial statements were as follows:

	As of June 30, 2015	As of December 31, 2014
Balance sheet items, except for equity accounts	US$1 = RMB 6.1088	US$1 = RMB 6.1460

	Six months ended June 30,	
	2015	2014
Items in the statements of income and cash flows	US$1 = RMB 6.1254	US$1 = RMB 6.2310

Research and development costs - Research and development costs are charged to expense as incurred.

Impairment of Long-Lived Assets - We periodically evaluate our investment in long-lived assets, including property and equipment, for recoverability whenever events or changes in circumstances indicate the net carrying amount may not be recoverable. Our judgments regarding potential impairment are based on legal factors, market conditions and operational performance indicators, among others. In assessing the impairment of property and equipment, we make assumptions regarding the estimated future cash flows and other factors to determine the fair value of the respective assets. Based on our analysis, no further impairment on long-lived assets was charged during the six months ended June 30, 2015.

Income Taxes - The Company accounts for income taxes under the provisions of FASB ASC Topic 740, "Income Tax," which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax assets and liabilities are recognized for the future tax consequence attributable to the difference between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are measured using the enacted tax rate expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company establishes a valuation when it is more likely than not that the assets will not be recovered.

Net Loss Per Common Share - Basic loss per common share is calculated by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted loss per common share includes the effect of dilutive securities (stock options, warrants, convertible debt, stock subscription and other stock commitments issuable). These potentially dilutive securities were not included in the calculation of loss per share for the periods presented because the Company incurred a loss during such periods and thus the effect would have been anti-dilutive. Accordingly, basic and diluted loss per common share is the same for all periods presented. As of June 30, 2015, potentially dilutive securities aggregated 330,727,951 shares of common stock.

Fair value measurements - ASC Topic 820, Fair Value Measurement and Disclosures, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This topic also establishes a fair value hierarchy which requires classification based on observable and unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying values of cash and cash equivalents, trade receivables and payables, and short-term debts approximate their fair values due to their short maturities.

There were no assets and liabilities measured at fair value on a nonrecurring basis as of June 30, 2015 and December 31, 2014.

4. Related Party Transactions

Amounts due to related parties consisted of the following as of June 30, 2015 and December 31, 2014:

Item	Nature	Notes	June 30, 2015	December 31, 2014
Mr. Wei Li ("Mr. Li")	Non-trade	(1)	$ 3,573,304	$ 3,553,939
Kangtai Xinnong Agriculture Tech (Beijing) Co., Ltd. ("Kangtai")	Non-trade	(2)	(13,792)	(13,624)
Ms. Yvonne Wang ("Ms. Wang")	Non-trade	(3)	704,064	650,000
Subtotal			4,263,576	4,190,315
Kiwa-CAU R&D Center	Trade	(4)	1,113,148	1,025,057
Subtotal			1,113,148	1,025,057
Total			$ 5,376,724	$ 5,215,372

The amounts due to related parties are non-interest bearing and due on demand.

(1) Mr. Li

Mr. Li is the Chairman of the Board and was the Chief Executive Officer of the Company until July 1, 2015.

Advances and Loans

As of December 31, 2014, the remaining balance due Mr. Li was $3,553,939. During the six months ended June 30, 2015, Mr. Li paid various expenses on behalf of the Company. As of June 30, 2015, the balance due Mr. Li was $3,573,304. Mr. Li has agreed that the Company may repay the balance when its cash flow circumstance allows.

Guarantees for the Company

Mr. Li has pledged without any compensation from the Company, all of his common stock of the Company as collateral security for the Company's obligations under the 6% Notes (See Note 5 below).

(2) Kangtai

Kangtai, formerly named Kangtai International Logistics (Beijing) Co., Ltd., Kangtai Xinnong Agriculture Tech (Beijing) Co., Ltd., is a private company, 28% owned by Mr. Li. Mr. Li is the Chairman of Kangtai.

On December 31, 2014, the amount due from Kangtai was $13,624. The balance due from Kangtai on June 30, 2015 was $13,792.

(3) Ms. Wang

Ms. Wang is the Secretary of the Company.

On December 31, 2014, the amount due to Ms. Wang was $650,000. During the six months ended June 30, 2015, Ms. Wang paid various expenses on behalf of the Company. As of June 30, 2015, the amount due to Ms. Wang was $704,064. Ms. Wang has agreed that the Company may repay the balance when its cash flow circumstance allows.

(4) Kiwa-CAU R&D Center

Pursuant to the agreement with China Agricultural University ("CAU"), the Company agreed to invest RMB 1 million (approximately $163,000) each year to fund research at Kiwa-CAU R&D Center. Prof. Qi Wang, one of the Company's directors, is also the director of Kiwa-CAU R&D Center.

On December 31, 2014, the amount due to Kiwa-CAU R&D Center was $1,025,057. As of June 30, 2015, the outstanding balance due to Kiwa-CAU R&D Center was $1,113,148.

5. Convertible Notes Payable

Convertible notes payable consists convertible notes issued on June 29, 2006, bear interest at 6% and due on June 29, 2009. As of June 30, 2015 and December 31, 2014, balance of convertible notes payable was $150,250. As of June 30, 2015, interest payable on the convertible was $149,400. The Company also recorded liquidation damages of $367,997 as of June 30, 2015. No payment was made for interest and liquidation damages during the six months ended June 30, 2015 and 2014, respectively.

6. Stock-based Compensation

On December 12, 2006, the Company granted options for 2,000,000 shares of its common stock under its 2004 Stock Incentive Plan. Summary of options issued and outstanding at June 30, 2015 and the movements during the six months then ended are as follows:

	Number of underlying shares	Weighted-Average Exercise Price Per Share	**Aggregate Intrinsic Value** (1)	Weighted-Average Contractual Life Remaining in Years
Outstanding at December 31, 2014	1,232,600	$ 0.175	$ -	4
Exercised	-	-		
Expired	-	-		
Forfeited	-	-		

Outstanding at June 30, 2015	1,232,600	$ 0.175	$	-	3.50
Exercisable at June 30, 2015	1,232,600	$ 0.175	$	-	3.50

(1) The market value of the Company’s common stock at June 30, 2015 was $0.0008 per share. The outstanding options had no intrinsic value at June 30, 2015.

7. Commitments and Contingencies

The Company has the following material contractual obligations:

Operation of Kiwa-CAU R&D Center

Pursuant to the agreement on joint incorporation of the research and development center between CAU and Kiwa Shandong dated November 14, 2006, Kiwa Shandong agrees to invest RMB1 million (approximately $163,000) each year to fund research at the R&D Center. The term of this Agreement is ten years starting from July 1, 2006. Qi Wang, one of our directors commencing in July 2007 has acted as Director of Kiwa-CAU R&D Center since July 2006.

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Investment in manufacturing and research facilities in Zoucheng, Shandong Province in China

According to the Project Agreement with Zoucheng Municipal Government in 2002, the Company has committed to investing approximately $18 million to $24 million for developing the manufacturing and research facilities in Zoucheng, Shandong Province. The Company had invested approximately $2 million for the project during the period from 2004 to 2010 and no additional investments were made since then.

8. <u>Income Tax</u>

No provision for taxes is made as the Company and its subsidiaries do not have any taxable income in the U.S., the British Virgin Islands or the PRC.

The Company had deferred tax assets as follows:

	June 30, 2015	December 31 2014
Net operating losses carried forward	$3,081,314	3,167,589
Less: Valuation allowance	(3,081,314)	(3,167,589)
Net deferred tax assets	$-	$-

The net operating losses carried forward were approximately $7.6 million at June 30, 2015, which will expire between 2015 and 2025. Full valuation allowance has been made because it is considered more likely than not that the deferred tax assets will not be realized through sufficient future earnings of the entity to which the operating losses relate.

9. <u>Subsequent event</u>

The Company has evaluated subsequent events through the date that these financial statements were issued and determined that there were no subsequent events to disclose in these financial statements.

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

This Quarterly Report on Form 10-Q for the six months ended June 30, 2015 contains "forward-looking statements" within the meaning of the federal securities laws, including statements that include the words "believes," "expects," "anticipates," or similar expressions. These forward-looking statements include, among others, statements concerning our expectations regarding our working capital requirements, financing requirements, business, growth prospects, competition and results of operations, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. The forward-looking statements in this Quarterly Report on Form 10-Q for the three months ended June 30, 2015 involve known and unknown risks, uncertainties and other factors that could cause our actual results, performance or achievements to differ materially from those expressed in or implied by the forward-looking statements contained herein.

Overview

The Company took its present corporate form in March 2004 when shareholders of Kiwa Bio-Tech Products Group Ltd. ("Kiwa BVI"), a company originally organized under the laws of the British Virgin Islands on June 5, 2002 and Tintic Gold Mining Company ("Tintic"), a corporation originally incorporated in the state of Utah on June 14, 1933 to perform mining operations in Utah, entered into a share exchange transaction. The share exchange transaction left the shareholders of Kiwa BVI owning a majority of Tintic and Kiwa BVI a wholly-owned subsidiary of Tintic. For accounting purposes this transaction was treated as an acquisition of Tintic by Kiwa BVI in the form of a reverse triangular merger and a recapitalization of Kiwa BVI and its wholly owned subsidiary, Kiwa Bio-Tech Products (Shandong) Co., Ltd. ("Kiwa Shandong"). On July 21, 2004, we completed our reincorporation in the State of Delaware.

We have established a subsidiary in China, Kiwa Shandong in 2002, a wholly-owned subsidiary, engaging in the bio-fertilizer business. Formerly, our subsidiary Tianjin Kiwa Feed Co., Ltd. ("Kiwa Tianjin"), was engaged in the bio-enhanced feed business. At the end of 2009, Kiwa Tianjin could no longer use its assets including machinery and inventory in the normal course of operations. The Company has classified the bio-enhanced feed business as discontinued operations. Effective on July 11, 2012, the Company formally dissolved Kiwa Tianjin.

We generated no revenues in the six months ended June 30, 2015 and 2014. We incurred a net loss of $275,826 and $297,744 for the six months ended June, 2015 and 2014, respectively.

As of June 30, 2015, the Company had cash of $856. Due to our limited revenues from sales and continuing losses, we have relied on the proceeds from the sale of our equity securities and loans from both unrelated and related parties to provide the resources necessary to fund the development of our business plan and operations. During the six months ended June 30, 2015, net amount advanced by related parties, net of repayment to related parties was $52,929 in total. These funds are insufficient to execute our business plan as currently contemplated. Management is currently looking for alternative sources of capital to fund our operations.

Going Concern

Our consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the consolidated financial statements do not purport to represent the realizable or settlement values.

As of June 30, 2015, we had an accumulated deficit of $18,883,980, of which $275,826 was incurred during the six months ended June 30, 2015. We currently do not have sufficient revenues to support our business activities and we expect operating losses to continue. We will require additional capital to fund our operations.

As of June 30, 2015, our current liabilities were $9,270,485, which exceeded current assets by $9,255,262, representing a current ratio of 0.0016; comparably, as of December 31, 2014, we had total current assets of $17,243; at the same time, we had current liabilities of $8,961,340, denoting a current ratio of 0.0019. As of June 30, 2015, we also had long-term liabilities of $1,882,530. The 6% Notes became due on June 29, 2009. If we can achieve the necessary financing to increase our working capital, we believe the Company will be well-positioned to generate sales of our products and to generate more revenues in the future. There can be no assurances that we will be successful in obtaining this financing or in increasing our sales revenue if we do obtain the financing.

Our independent auditors have added an explanatory paragraph to their audit opinion issued in connection with our financial statements for the latest nine years, which states that the financial statements raise substantial doubt as to our ability to continue as a going concern. Our ability to make operations profitable or obtain additional funding will determine our ability to continue as a going concern.

Trends and Uncertainties in Regulation and Government Policy in China

Foreign Investment Policy Change in China

On March 16, 2007, China's parliament, the National People's Congress, adopted the Enterprise Income Tax Law, which took effective on January 1, 2008. The new income tax law sets a unified income tax rate for domestic and foreign companies at 25% and abolishes the favorable policy for foreign invested enterprises. As a result subsidiaries established in China in the future will not enjoy the original favorable policy unless they are certified as qualified high and new technology enterprises.

According to the enterprise income tax law previously in effect, our PRC subsidiaries, Kiwa Shandong, were exempt from corporate income taxes for their first two profitable years and were entitled to a 50% tax reduction for the succeeding three years. Now that the new income tax law is in effect, fiscal year 2008 is regarded as the first profitable year even if Kiwa Shandong are not profitable that year; thereby narrowing the time period when the favorable tax treatment may be available to us.

Critical Accounting Policies and Estimates

We prepared our condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Management periodically evaluates the estimates and judgments made. Management bases its estimates and judgments on historical experience and on various factors that are believed to be reasonable under current circumstances. Actual results may differ from these estimates as a result of different assumptions or conditions.

The following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements. In addition, you should refer to our accompanying financial statements and the related notes thereto, for further discussion of our accounting policies.

Impairment of Long-Lived Assets

Our long-lived assets consist of property, equipment and intangible assets. As of June 30, 2015, the net value of property and equipment was $5,199, which represented approximately 25.5% of our total assets.

We periodically evaluate our investment in long-lived assets, including property and equipment, for recoverability whenever events or changes in circumstances indicate the net carrying amount may not be recoverable. Our judgments regarding potential impairment are based on legal factors, market conditions and operational performance indicators, among others. In assessing the impairment of property and equipment, we make assumptions regarding the estimated future cash flows and other factors to determine the fair value of the respective assets. If these estimates or the related assumptions change in the future, we may be required to record impairment charges for these assets.

Based on our analysis, no further impairment on long-lived assets was charged during the six months ended June 30, 2015.

Income Taxes

The Company accounts for income taxes under the provisions of FASB ASC Topic 740, “Income Tax,” which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax assets and liabilities are recognized for the future tax consequence attributable to the difference between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are measured using the enacted tax rate expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company establishes a valuation when it is more likely than not that the assets will not be recovered.

Major Customers and Suppliers

Bio-fertilizer Products

As of June 30, 2015 and 2014, we had no customers. During first half of 2015 and 2014, we had no suppliers.

Results of Operations

Results of Operations for Three Months Ended June 30, 2015 and 2014

Revenue

Net sales were nil for the three months ended June 30, 2015 and 2014, respectively. The Company did not generate any sales revenue during the second quarter of 2015 and 2014 mainly due to severe market conditions.

General and Administration

General and administration expenses for three months ended June 30, 2015 and 2014 were $68,571 and $85,816, respectively, representing a $17,245 or 20% decrease. General and administrative expenses include salaries, travel and entertainment, rent, office expense, telephone expense and insurance costs. The decrease in general and administrative expenses was mainly due to decreased amount of salary and rent expenses incurred by the Company during current period as compared with same period of last year.

Research and Development

Research and development expense for the three months ended June 30, 2015 reflected a slight increase of $818 or 2% from $40,122 in the three months ended June 30, 2014 to $40,940 for the same period of 2015 because of exchange rate effect.

Penalty Expense

The Company incurred liquidated damages resulting from the default of 6% Notes. The penalty charge, which is calculated monthly at 2% of the outstanding amounts of convertible notes and unpaid interest on the notes, was $17,866 and $16,514 for the three months ended June 30, 2015 and 2014, respectively. The increase of penalty expense was mainly due to accrued and unpaid interest on the notes.

Interest Expenses

Net interest expense was $5,669 in the three months ended June 30, 2015 and $5,844 in the same period of 2014, representing a $175 or 3% decrease.

Net Loss

During the three months ended June 30, 2015, net loss was $133,046, comparing with $148,296 for the same period of 2014, representing a decrease of $15,250 or 10%. The decrease is mainly because of decrease in general and administrative expenses in the quarter especially salary and rent, partially offset by increase of penalty expense described above.

Comprehensive Loss

Comprehensive loss for the three months ended June 30, 2015 and 2014 was $148,570 and $164,396. This decrease resulted from a slight decrease in loss of translation adjustments of $576 in addition to the other reasons stated above.

Results of Operations for Six Months Ended June 30, 2015 and 2014

Revenue

Net sales were nil for the six months ended June 30, 2015 and 2014, respectively. The Company did not generate any sales revenue during the first half of 2015 and 2014 mainly due to severe market conditions.

General and Administration

General and administration expenses for six months ended June 30, 2015 and 2014 were $147,542 and $172,198, respectively, representing a $24,656 or 14.3% decrease. General and administrative expenses include salaries, travel and entertainment, rent, office expense, telephone expense and insurance costs. The decrease in general and administrative expenses was mainly due to decreased amount of salary and rent expenses incurred by the Company during current period as compared with same period of last year.

Research and Development

Research and development expense for the six months ended June 30, 2015 reflected a slight increase of $538 or less than 1% from $81,089 in the six months ended June 30, 2014 to $81,627 for the same period of 2015 because of exchange rate effect.

Penalty Expense

The Company incurred liquidated damages resulting from the default of 6% Notes. The penalty charge, which is calculated monthly at 2% of the outstanding amounts of convertible notes and unpaid interest on the notes, was $35,397 and $32,551 for the six months ended June 30, 2015 and 2014, respectively. The decrease of penalty expense was mainly due to accrued and unpaid interest on the 6% Notes.

Interest Expenses

Net interest expense was $11,906 in the six months ended June 30, 2014 and $11,260 in the same period of 2015, representing a $646 or 5.4% decrease.

Net Loss

During the six months ended June 30, 2015, net loss was $275,826, comparing with $297,744 for the same period of 2014, representing a decrease of $21,918 or 7.4%. The decrease is mainly because of decrease in general and administrative expenses especially salary and rent, partially offset by increase of penalty expense described above.

Comprehensive Loss

Comprehensive loss increased by $215,364 or 197% from $109,368 for the six months ended June 30, 2014, as compared to $324,732 for the comparable period of 2015. This increase in comprehensive loss resulted from decrease in foreign currency translation adjustments of $237,282, partially offset by decrease in net loss described above.

Liquidity and Capital Resources

Since inception of our ag-biotech business in 2002, we have relied on proceeds from sale of our equity securities and loans from both unrelated and related parties to provide the resources necessary to fund our operations and the execution of our business plan. During the six months ended June 30, 2015, amount related parties advanced to the Company, net of repayment by the Company to related parties was $52,929. As of June 30, 2015, our current liabilities exceeded current assets by $9,255,262, reflecting a current ratio of 0.0016. Comparably, as of December 31, 2014, our current liabilities exceeded current assets by $8,944,097, denoting a current ratio of 0.0019.

As of June 30, 2015 and December 31, 2014, we had cash of $856 and $2,963, respectively. Changes in cash balances are outlined as follows:

During the six months ended June 30, 2015, our operations utilized cash of $55,046 as compared with $92,482 in the same period of 2014. Cash was mainly used for working capital for public company operation.

During the six months ended June 30, 2015 and 2014, we invested nil for investing activities.

During the first half of 2015, our financing activities incurred net cash inflow of $52,929, all of which were generated from advances or loans from related parties, net of repayment to related parties. During the six months ended June 30, 2014, we generated $99,988 from financing activities.

Currently, we have insufficient cash resources to accomplish our objectives and also do not anticipate generating sufficient positive operating cash inflow in the rest of 2015 to fund our planned operations. We are actively looking for new sources of capital. To the extent that we are unable to successfully raise the capital necessary to fund our future cash requirements on a timely basis and under acceptable terms and conditions, we will not have sufficient cash resources to maintain operations, and may have to curtail operations and consider a formal or informal restructuring or reorganization.

Commitments and Contingencies

See Note 7 to the Consolidated Financial Statements under Item 1 in Part I.

Off-Balance Sheet Arrangements

At June 30, 2015, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls.

Our management, under the supervision and with the participation of our Chief Executive and Interim Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as defined in SEC Rules 13a-15(e) and 15d-15(e) as of the end of the period covered by this Quarterly Report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in the SEC’s forms, and that such information is accumulated and communicated to our management including our Chief Executive and Interim Chief Financial Officer, to allow timely decisions regarding required disclosures. Based on his evaluation, our Chief Executive and Interim Chief Financial Officer concluded that, as of June 30, 2015, our disclosure controls and procedures were ineffective.

Our management has conducted, with the participation of our Chief Executive and Interim Chief Financial Officer, an assessment, including testing of the effectiveness, of our disclosure controls and procedures as of June 30, 2015. Based on such evaluation, management identified deficiencies that were determined to be a material weakness.

A material weakness is a deficiency, or a combination of deficiencies, in disclosure controls and procedures, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Because of the material weaknesses described below, management concluded that our disclosure controls and procedures were ineffective as of June 30, 2015.

The specific material weakness identified by the Company's management as of June 30, 2015are described as follows:

- The Company is lacking qualified resources to perform the internal audit functions properly. In addition, the scope and effectiveness of the Company's internal audit function are yet to be developed.
- We currently do not have an audit committee.

Remediation Initiative

- We are committed to establishing the disclosure controls and procedures but due to limited qualified resources in the region, we were not able to hire sufficient internal audit resources by June 30, 2015. However, internally we established a central management center to recruit more senior qualified people in order to improve our internal control procedures. Externally, we are looking forward to engaging an accounting firm to assist the Company in improving the Company's internal control system based on the COSO Framework. We also will increase our efforts to hire the qualified resources.
- We intend to establish an audit committee of the board of directors as soon as practicable. We envision that the audit committee will be primarily responsible for reviewing the services performed by our independent auditors, evaluating our accounting policies and our system of internal controls.

Conclusion

The Company did not have sufficient and skilled accounting personnel with an appropriate level of technical accounting knowledge and experience in the application of generally accepted accounting principles accepted in the United States of America commensurate with the Company's disclosure controls and procedures requirements, which resulted in a number of deficiencies in disclosure controls and procedures that were identified as being significant. The Company's management believes that the number and nature of these significant deficiencies, when aggregated, was determined to be a material weakness.

Despite of the material weaknesses and deficiencies reported above, the Company's management believes that its condensed consolidated financial statements included in this report fairly present in all material respects the Company's financial condition, results of operations and cash flows for the periods presented and that this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

Changes in internal control over financial reporting.

There were no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

ITEM 1A. RISK FACTORS

Note: in addition to the other information set forth in this report, you should carefully consider the factors discussed in "Item 1A. Risk Factors" contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 which could materially affect our business, financial condition, or future results. During the three months ended June 30, 2015, there were no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014.

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

None.

Item 3. Defaults Upon Senior Securities

On June 29, 2006, the Company entered into a securities purchase agreement with six institutional investors for the issuance and sale of (1) 6% secured convertible notes, due three years from the date of issuance, in the aggregate principal amount of $2,450,000, convertible into shares of the Company's common stock (the "6% Notes"), and (2) warrants to purchase 12,250,000 shares of the Company's common stock. The maturity date for 6% Notes was June 29, 2009.

On June 29, 2009, the 6% Notes were due. The Company had informed the Purchasers of its inability to repay the outstanding balance on the due date. Therefore, the 6% Notes were in default.

On January 31, 2008, the Company entered into three Callable Secured Convertible Notes Agreements ("2% Notes") with four of the Company's 6% Notes purchasers converting their unpaid interest of $112,917 in total, into principal with an interest rate of 2% per annum, which fell due on January 31, 2011. Other terms of the 2% Notes are similar to the 6% Notes.

On August 12, 2013, the Company entered into a Settlement Agreement and Release (the "Release") with the Purchasers of the Company's 6% Notes and 2% Notes. Pursuant to the terms of the Release, the Company paid the Purchasers $75,000 for a full release, including the forgiveness of past defaults of unpaid principal amounts, interest and penalties. As of June 30, 2015, principal amount of 6% Notes outstanding was $150,250; interest amount outstanding was $149,400; amount of standard liquidation damages was $367,997.

As of December 31, 2013, the 2% Notes were fully settled.

Item 4. Mine safety disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	**Description**	**Incorporated by Reference in Document**	**Exhibit No. in Incorporated Document**
31.1/31/2	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-14(a) and Rule15d-14(a) of the Securities Exchange Act of 1934, as amended	Filed herewith.	
32.1/32.2*	Certification of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith.	
101.INS	XBRL Instance Document	Filed herewith.	
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith.	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.	
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.	
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.	

* This certification is being furnished and shall not be deemed "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	KIWA BIO-TECH PRODUCTS GROUP CORPORATION
August 14, 2015	By:*/s/ Jimmy Ji Zhou* Jimmy Ji Zhou, Chief Executive Officer and Interim Chief Financial Officer