

KIWA BIO-TECH PRODUCTS GROUP CORP
Form 10-Q/A
March 15, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 2

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

For the Quarterly Period Ended March 31, 2017

☐ 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

77-0632186

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(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

310 N. Indian Hill Blvd., #702
Claremont, California
(Address of principal executive offices) (Zip Code)

91711

(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 ☒ 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 ☒ 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 ☒

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

There were 16,885,260 shares of the issuer's common stock outstanding as of March 14, 2019.

Explanatory Note

On October 17, 2017, Kiwa Bio-Tech Products Group Corporation (the “Company”) filed a Current Report on Form 8-K with the Securities and Exchange Commission stating that it had concluded that the Company’s previously issued consolidated financial statements for the year ended December 31, 2016 included in the Company’s Annual Report on Form 10-K for the year then ended should not be relied upon and that the Company would file with the Securities and Exchange Commission amendments to the aforementioned Annual Report and affected Quarterly Reports to restate the financial statements included therein.

Following a re-audit of the Company’s Annual Financial Statement by Friedman LLP, the Company’s new independent registered public accounting firm, on November 22, 2017 the Company filed an amended Annual Report on Form 10-K with the Securities and Exchange Commission for the year ended December 31, 2016. That Amended Annual Report incorporated restated financial statements which properly accounted for all matters which were the subject of the prior conclusion that the Annual Report should no longer be relied upon. Such restatements resolved all issues which were the basis of the Company’s prior advice that the originally filed Annual Report should no longer be relied upon.

While the financial statements for the period ended March 31, 2017 were previously restated in the Company’s Form 10-Q for the quarter ended March 31, 2018 (see Note 2 to that filing for details), this Amended Form 10-Q for the quarter ended March 31, 2017 is being filed to update the previously filed report for that period in order to be consistent with the Company’s subsequent filings.

Specifically, this Amended 10-Q is being filed in order to restate:

- a) Revenue and cost of goods sold were deferred as the Company considers the revenue recognition criteria are not met as of March 31, 2017 and therefore defers the revenue and cost of goods sold until payments were collected;
- b) Recognition of the relative fair value of beneficial conversion feature (“BCF”) into additional paid in capital and debt discount and amortize value over the term of the convertible notes issued on January 17, 2017;
Reclassification of the balance due from Kangtan Gerui (Beijing) Bio-Tech Co, Ltd (“Gerui”), which Ms. Feng Li, a member of the Company’s board of directors and shareholder of the Company (Ms. Li held approximately 12.93% of the Company’s Common Stock and 50% of the Company’s Series A Preferred Stock), is also a 23% shareholder of Gerui, from other receivables - third party to other receivables – related party as of March 31, 2017 and December 31, 2016, respectively;
Reclassification of Kiwa Shandong as discontinued operations. The Company executed an Equity Transfer Agreement with Dian Shi Cheng Jing (Beijing) Technology Co. (“Transferee”) on February 11, 2017 whereby the
- d) Company transferred all of its right, title and interest in Kiwa Bio-Tech Products (Shandong) Co., Ltd. (“Shandong”) to the Transferee for the RMB 1.00. The government approval and processing of the transaction was completed on April 12, 2017. This transaction was considered as completed and effective on April 12, 2017.

This amendment of the Company's financial statements for the period ended March 31, 2017 results in the statements for this period being consistent with the Company's financial statements for the Quarter ended September 30, 2017 and thereafter.

The Company's amended Quarterly Reports on Form 10-Q for the Quarters ended March 31, 2017 and June 30, 2017 (filed concurrently herewith) and the restated financial statements included therein properly account for all matters which were the subject of the prior conclusion that the financial statements included in the Company's Quarterly Reports on Form 10-Q for those quarters should no longer be relied upon. Such restatements have resolved all issues which were the basis of the Company's prior advice with respect to reliance on such financials statements.

As a result thereof, the Company's board of directors has concluded that all of the Company's currently issued consolidated financial statements, including but not limited to the Company's First Amendment to Form 10-Q for the three months ended March 31, 2017 may be relied upon and that the full review of the Company's financial statements for all periods which was the basis of the Company's prior non-reliance guidance have been successfully completed.

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****KIWA BIO-TECH PRODUCTS GROUP CORPORATION****CONSOLIDATED BALANCE SHEETS**

(Unaudited)

	March 31, 2017 (As Restated)	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 140,101	\$ 13,469
Accounts receivable, net	3,772,440	1,122,754
Prepaid expenses	1,272,619	1,417,554
Other receivables	1,098,150	38,897
Deferred cost of goods sold	2,067,140	-
Advance to suppliers	139,148	1,880,044
Total current assets	8,489,598	4,472,718
OTHER ASSETS		
Property, plant and equipment - net	46,310	55,319
Rent deposit – non current	34,803	34,519
Deferred tax assets	270,676	-
Due from related party	1,329,166	1,522,434
Total non-current assets	1,680,955	1,612,272
Total assets	\$ 10,170,553	6,084,990
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable	\$ 1,089,736	1,073,094
Due to related parties	270,541	261,259
Convertible notes payable, net of discount	259,425	150,250
Notes payable	360,000	360,000
Salary payable	1,184,300	1,154,921
Taxes payable	637,052	414,970
Interest payable	1,577,638	1,524,988
Deferred revenue	3,149,844	-
Other payables and accruals	852,065	924,875
Current liabilities of discontinued operations	4,515,640	4,464,685

Total current liabilities	13,896,241	10,329,042
SHAREHOLDER'S EQUITY		
Preferred stock - \$0.001 par value, Authorized 20,000,000 shares.		
Issued and outstanding 500,000 and 500,000 shares at March 31, 2017 and December 31, 2016, respectively.	500	500
Common stock - \$0.001 per value. Authorized 100,000,000 shares.		
Issued and outstanding \$9,798,981 and 2,000,000 shares at March 31, 2017 and December 31, 2016, respectively	9,799	8,729
Additional paid-in capital	16,278,903	15,234,878
Statutory Reserve	127,473	127,473
Accumulated deficit	(20,052,715)	(19,561,255)
Accumulated other comprehensive loss	(89,648)	(54,377)
Total stockholders' deficiency	(3,725,688)	(4,244,052)
Total liabilities and shareholder's equity	\$10,170,553	6,084,990

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

KIWA BIO-TECH PRODUCTS GROUP CORPORATION**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(LOSS)

(Unaudited)

	Three months ended	Three months ended
	March 31, 2017	March 31, 2016
	(As Restated)	
Revenue	\$-	\$-
Cost of goods sold	-	-
Gross profit	-	-
Operating expenses		
Research and development	36,291	38,764
Selling expenses	36,286	-
General and administrative	394,307	70,781
Total operating expenses	466,884	109,545
Operating income (loss)	(466,884)	(109,545)
Other income/(expense), net		
License revenue	-	267,010
Interest expense	(61,793)	(47,004)
Total other income/(expense), net	(61,793)	220,006
Income (loss) from continuing operations before income taxes	(528,677)	110,461
(Provision) benefit for income taxes		
Current	(219,356)	-
Deferred	270,747	-
Total (provision) benefit for income taxes	51,391	-
Income (loss) from continuing operations	(477,286)	110,461
Loss from discontinued operations, net of taxes	(14,220)	(54,331)
Net Income (loss)	(491,506)	56,130

Other comprehensive income		
Foreign currency translation adjustment	(35,271)	(35,093)
Total comprehensive income (loss)	(526,777)	\$21,037
Earnings (loss) per share - Basic:		
Income (loss) from continuing operations	(0.05)	\$0.05
Discontinued operations	(0.00)	(0.02)
Net Income (loss)	(0.05)	\$0.03
Earnings per share – Diluted:		
Income (loss) from continuing operations	(0.05)	\$0.02
Discontinued operations	(0.00)	(0.01)
Net Income (loss)	(0.05)	\$0.01
Weighted average number of common shares outstanding - basic	9,073,759	2,241,743
Weighted average number of common shares outstanding - diluted	9,073,759	4,098,410

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

KIWA BIO-TECH PRODUCTS GROUP CORPORATION AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

	Three months ended 2017	Three months ended 2016
	(As restated)	
Cash flows from operating activities:		
Net income (loss)	\$(491,506)	\$56,130
Loss from discontinued operations, net of taxes	14,220	54,331
Net income (loss) from continuing operations	(477,286)	110,461
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	9,466	-
Accrued interest	61,793	47,005
Stock compensation expense	157,050	-
Deferred income tax benefit	(51,391)	-
Changes in operating assets and liabilities:		
Accounts receivable	(2,641,137)	(40,616)
Other receivables	(1,059,210)	(185,206)
Advance to suppliers	1,756,189	-
Prepaid expenses	(12,017)	-
Deferred cost of goods sold	(2,067,680)	-
Deferred tax assets	(270,747)	-
Accounts payable	7,813	-
Salary payable	29,303	42,000
Due from related party	205,850	38,230
Taxes payable	218,724	-
Other payable and accruals	(40,951)	(10,523)
Deferred revenue	3,150,667	-
Net cash provided by (used in) operating activities in continuing operation	(1,023,564)	1,351
Net cash provided by (used in) operating activities	(1,023,564)	1,351
Cash flows from financing activities:		
Proceeds from related parties, net of payments to related parties	27,000	38,500
Proceeds from sales of common stock	1,000,000	-
Proceeds from convertible note	145,165	-
Net cash provided by financing activities	1,172,165	38,500
Effect of exchange rate change	(21,969)	2,073
Cash and cash equivalents:		

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Net increase	126,632	41,924
Balance at beginning of period	13,469	721
Balance at end of period	\$ 140,101	42,645

Non-cash financing activities:

Issuance of common stock for debt settlement	\$-	\$3,141,000
Issuance of common stock for financing related service	\$85,400	\$-
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 CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. Description of Business and Organization

Organization

Kiwa Bio-Tech Products Group Corporation (“the Company”) is the result of a share exchange transaction accomplished on March 12, 2004 between the 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. The share exchange resulted in a change of control of Tintic, with former Kiwa BVI stockholders owning approximately 89% of Tintic on a fully diluted basis and Kiwa BVI surviving as a wholly-owned subsidiary of Tintic. Subsequent to the share exchange transaction, Tintic changed its name to Kiwa Bio-Tech Products Group Corporation. On July 21, 2004, the Company completed its reincorporation in the State of Delaware. On March 8, 2017, we completed our reincorporation in the State of Nevada.

The Company operates through a series of subsidiaries in the Peoples Republic of China as detailed in the following Organizational Chart. The Company had previously operated its business through its subsidiaries Kiwa Bio-Tech Products (Shandong) Co., Ltd. (“Kiwa Shandong”) and Tianjin Kiwa Feed Co., Ltd. (“Kiwa Tianjin ”). Kiwa Tianjin has been dissolved since July, 11, 2012. On February 11, 2017, the Company entered an Equity Transfer Agreement with Dian Shi Cheng Jing (Beijing) Technology Co. (“Transferee”) to transfer all of shareholders’ right, title and interest in Kiwa Shandong to the Transferee for RMB ¥1.00. The government approval and processing of the transaction was completed on April 12, 2017. This transaction was considered as completed and effective on April 12, 2017.

Business

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

2. Summaries of Significant Accounting Policies

Principle of Consolidation

These consolidated unaudited condensed financial statements include the financial statements of the Company and its wholly-owned subsidiaries, Kiwa BVI, Hong Kong Baina Group Holding Company, Kiwa Baiao Bio-Tech (Beijing) Co., Ltd ("Kiwa Beijing"), Kiwa Bio-Tech Products (Shandong) Co., Ltd. ("Kiwa Shandong"). All significant inter-company balances or transactions are eliminated on consolidation.

Reverse Split

On January 14, 2016, the Company filed a Certificate of Amendment of its Certificate of Incorporation with the State of Delaware with reference to a 1-for-200 reverse stock split with respect to its Common Stock with effective date of January 28, 2016. In connection with the reverse split, the Company's authorized capital was amended to be 120,000,000 shares, comprising 100,000,000 shares of Common Stock par value \$0.001 and 20,000,000 shares of Preferred Stock par value \$0.001. All relevant information relating to numbers of shares, options and per share information have been retrospectively adjusted to reflect the reverse stock split for all periods presented.

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 valuation of securities issued, deferred tax assets and related valuation allowance.

Certain of our estimates, including evaluating the collectability of accounts receivable and the fair market value of long-lived assets, could be affected by external conditions, including those unique to our industry, and general economic conditions. It is possible that these external factors could have an effect on our estimates that could cause actual results to differ from our estimates. We re-evaluate all of our accounting estimates annually based on these conditions and record adjustments when necessary.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less to be cash and cash equivalents. At times, such investments may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limit.

Accounts Receivables

Accounts receivable represent amounts due from customers in the ordinary course of business and are recorded at the invoiced amount and do not bear interest. The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience, the economic environment, trends in the microbial fertilizer industry, and a review of the current status of trade accounts receivable. Management reviews its accounts receivable each reporting period to determine if the allowance for doubtful accounts is adequate. Such allowances, if any, would be recorded in the period the impairment is identified. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. Uncollectible accounts receivable are charged against the allowance for doubtful accounts when all reasonable efforts to collect the amounts due have been exhausted. There was \$55,240 allowance for doubtful accounts at March 31, 2017 and December 31, 2016.

Inventories

Inventories are stated at the lower of cost, determined on the weighted average method, and net realizable value. Work in progress and finished goods are composed of direct material, direct labor and a portion of manufacturing overhead. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and dispose.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Gains or losses on disposals are reflected as gain or loss in the year of disposal. The cost of improvements that extend the life of property, plant and equipment are capitalized. These capitalized costs may include structural improvements, equipment and fixtures. All ordinary repair and maintenance costs are expensed as incurred. Depreciation for financial reporting purposes is provided using the straight-line method over the estimated useful lives of the assets as follows:

	Useful Life (In years)
Buildings	30 - 35
Machinery and equipment	5 - 10
Automobiles	8
Office equipment	2 - 5
Computer software	3
Leasehold improvements	The shorter of the lease term and useful life

Impairment of Long-Lived Assets

The Company's long-lived assets consist of property, equipment and intangible assets. The Company evaluates its 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. 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, the Company makes assumptions regarding the estimated future cash flows and other factors to determine the fair value of the respective assets.

Fair value of warrants and options

The Company adopted ASC Topic 815, "Accounting for Derivative Instruments and Hedging Activities" to recognize warrants relating to loans and warrants issued to consultants as compensation as derivative instruments in our consolidated financial statements. The Company also adopted ASC Topic 718, "Share Based Payment" to recognize options granted to employees as derivative instruments in our consolidated financial statements. The Company calculates the fair value of the warrants and options using the Black-Scholes Model.

Revenue Recognition

The Company applies paragraph 605-10-S99-1 of the FASB Accounting Standards Codification for revenue recognition. The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the product has been shipped or the services have been rendered to the customer, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured.

The Company derives its revenues from sales contracts with its customers with revenues being recognized upon delivery of products. Persuasive evidence of an arrangement is demonstrated via sales contract and invoice; and the sales price to the customer is fixed upon acceptance of the sales contract and there is no separate sales rebate, discount, or volume incentive. The Company recognizes revenue when title and ownership of the goods are transferred upon shipment to the customer by the Company and collectability of payment is reasonably assured.

The Company's customers are mainly agricultural cooperative company and distributors who then resell the Company's products to individual farmers. Because the crop growing cycle usually takes approximately 3 to 9 months in the agricultural industry, for some co-ops and distributors, it will take approximately similar time frame of 3 to 9 months

for farmers to harvest crops and to realize profits to repay them. As a result, for the sales contracts with these customers, the collectability of payment is highly dependent on the successful harvest of crops and the customers' ability to collect money from farmers. The Company deemed the collectability of payment may not be reasonably assured until after the Company get paid. For those sales contracts that the Company has shipped its products but the payment is contingent on collections of payments from the downstream customers, the Company considers the revenue recognition criteria are not met and therefore defers the revenue and cost of goods sold until payments are collected. These revenue and cost of goods sold are classified in the captioned "Deferred revenue" and "Deferred cost of goods sold" in the accompanying unaudited condensed consolidated balance sheets. For other customers whose repayment term is within normal business course and not dependent on the harvest of crops, the Company recognized revenue when title and ownership of the goods are transferred upon shipment to the customer by the Company.

Deferred Revenue and Deferred Cost of Goods Sold

Deferred revenue and deferred cost of goods sold result from transactions where the Company has shipped product for which all revenue recognition criteria have not yet been met. Deferred cost of goods sold related to deferred product revenues includes direct inventory costs. Once all revenue recognition criteria have been met, the deferred revenues and associated cost of goods sold are recognized.

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 allowance when it is more likely than not that the assets will not be recovered.

ASC Topic 740-10-30 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740-10-40 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We have no material uncertain tax positions for any of the reporting periods presented.

Foreign Currency Translation and Other Comprehensive Income

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 comprehensive loss and the statement of cash flow are 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.

Other comprehensive income for the three months ended March 31, 2017 and 2016 represented foreign currency translation adjustments and were included in the consolidated statements of comprehensive loss.

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

	As of March 31 2017	As of December 31 2016
Balance sheet items, except for equity accounts	6.8905	6.9472
	Three months ended March 31, 2017	2016
Items in the statements of comprehensive loss	6.8887	6.5395

Net Loss Per Common Share

Net income per common share is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Basic net income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the period.

Diluted net income per common share is computed by dividing net income by the weighted average number of shares of common stock and potentially outstanding shares of common stock during the period to reflect the potential dilution that could occur from common shares issuable through contingent shares issuance arrangement, stock options or warrants.

Financial Instruments

The Company analyzes all financial instruments with features of both liabilities and equity under FASB Accounting Standards Codification (“ASC”) Topic 480 “Distinguishing Liabilities from Equity” and FASB ASC Topic 815 “Derivatives and Hedging”.

Embedded conversion features of convertible debentures not considered to be derivative instruments

The embedded conversion features of convertible debentures not considered to be derivative instruments provide for a rate of conversion that is below market value. Such feature is normally characterized as a “beneficial conversion feature” (“BCF”). The relative fair values of the BCF were recorded as discounts from the face amount of the respective debt instrument. The Company amortized the discount using the straight-line method which approximates the effective interest method through maturity of such instruments.

Fair Value of Financial Instruments

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification (“Paragraph 820-10-35-37”) to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value with U.S. GAAP, and expands disclosures about fair value measurements.

To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

Level 1: quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2: pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs that are generally observable inputs and not corroborated by market data.

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The carrying amount of the Company's financial assets and liabilities, such as cash and cash equivalent, prepaid expenses, accounts payable and accrued expenses, approximate their fair value because of the short maturity of those instruments.

Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm's-length transactions unless such representations can be substantiated.

It is not however practical to determine the fair value of advances from stockholders, if any, due to their related party nature.

Related Parties

The Company follows subtopic 850-10 of the FASB Accounting Standards Codification for the identification of related parties and disclosure of related party transactions. Pursuant to Section 850-10-20 the related parties include: a) affiliates of the Company; b) entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825-10-15, to be accounted for by the equity method by the investing entity; c) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; d) principal owners of the Company; e) management of the Company; f) other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and g) other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly Influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The consolidated financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of consolidated financial statements is not required in those statements. The disclosures shall include: a. the nature of the relationship(s) involved; b. a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the consolidated financial statements; c. the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and d. amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

Commitments and Contingencies

The Company follows subtopic 450-20 of the FASB Accounting Standards Codification to report accounting for contingencies. Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. Management does not believe, based upon information available at this time that these matters will have a material adverse effect on the Company's financial position, results of operations or cash flows. However, there is no assurance that such matters will not materially and adversely

Stock Based Compensation

The Company accounts for share-based compensation awards to employees in accordance with FASB ASC Topic 718, "Compensation – Stock Compensation", which requires that share-based payment transactions with employees be measured based on the grant-date fair value of the equity instrument issued and recognized as compensation expense over the requisite service period. The Company records stock-based compensation expense at fair value on the grant date and recognizes the expense over the employee's requisite service period. The Company's expected volatility assumption is based on the historical volatility of Company's stock. The expected life assumption is primarily based on historical exercise patterns and employee post-vesting termination behavior. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield is based on the Company's current and expected dividend policy.

The Company accounts for share-based compensation awards to non-employees in accordance with FASB ASC Topic 718 and FASB ASC Subtopic 505-50, "Equity-Based Payments to Non-employees". Under FASB ASC Topic 718 and FASB ASC Subtopic 505-50, stock compensation granted to non-employees has been determined as the fair value of the consideration received or the fair value of equity instrument issued, whichever is more reliably measured and is recognized as an expense as the goods or services are received.

Cash Flows Reporting

The Company adopted paragraph 230-10-45-24 of the FASB Accounting Standards Codification for cash flows reporting, classifies cash receipts and payments according to whether they stem from operating, investing, or financing activities and provides definitions of each category, and uses the indirect or reconciliation method ("Indirect method") as defined by paragraph 230-10-45-25 of the FASB Accounting Standards Codification to report net cash flow from operating activities by adjusting net income to reconcile it to net cash flow from operating activities by removing the effects of (a) all deferrals of past operating cash receipts and payments and all accruals of expected future operating cash receipts and payments and (b) all items that are included in net income that do not affect operating cash receipts and payments. The Company reports the reporting currency equivalent of foreign currency cash flows, using the current exchange rate at the time of the cash flows and the effect of exchange rate changes on cash held in foreign currencies is reported as a separate item in the reconciliation of beginning and ending balances of cash and cash equivalents and separately provides information about investing and financing activities not resulting in cash receipts or payments in the period pursuant to paragraph 830-230-45-1 of the FASB Accounting Standards Codification.

3. Accounts Receivable, net

Accounts receivable consisted of the following:

	March 31, 2017	December 31, 2016
Accounts receivable	\$3,827,680	\$1,177,994
Less: Allowance for doubtful accounts	(55,240)	(55,240)
Accounts receivable, net	\$3,772,440	\$1,122,754

4. Other Receivable

Other receivable consisted of the following:

	March 31, 2017	December 31, 2016
Weifang Deluke Fertilizer Co., Ltd.	\$978,918	\$ -
Advance to employees	53,842	38,897
Others	65,390	-
	\$1,098,150	\$ 38,897

On May 10, 2017, the Company collected from Weifang Deluke Fertilizer Co., Ltd. of repayments totaled RMB 6,860,000 or approximately \$996,000.

5. Property, Plant and Equipment

Property, plant and equipment, net consisted of the following:

	March 31, 2017	December 31, 2016
Property, Plant and Equipment		
Buildings	\$-	\$-
Machinery and equipment	-	-
Automobiles	-	-
Office equipment	904	896
Furniture	7,903	7,838
Leasehold improvement	67,466	66,896
Property, plant and equipment - total	\$76,253	\$75,630
Less: accumulated depreciation	(29,943)	(20,311)
Property, plant and equipment - net	\$46,310	\$55,319

Depreciation expense was \$9,466 and \$nil for the three months ended March 31, 2017 and 2016, respectively.

All of our property, plant and equipment have been held as collateral to secure the 6% Notes (see Note 12).

6. Related Party Transactions

Amounts due from related parties consisted of the following as of March 31, 2017 and December 31, 2016:

Item	Nature	Notes	March 31, 2017	December 31, 2016
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Kangtan Gerui (Beijing) Bio-Tech Co., Ltd. ("Gerui") Non-trade (1)	1,329,166	1,522,434
Total	\$1,329,166	\$1,522,434

(1) Gerui

Ms. Feng Li, a member of the Company's board of directors and shareholder of the Company (Ms. Li held approximately 20% of the Company's Common Stock and 50% of the Company's Series A Preferred Stock), is also a 23% shareholder of Gerui. According to the agreement between the Company and Gerui, all the balances will be paid off before June 30, 2018. The management has determined that no allowance for doubtful debts was necessary.

Amounts due to related parties consisted of the following as of March 31, 2017 and December 31, 2016:

Item	Nature	Notes	March 31, 2017	December 31, 2016
Ms. Yvonne Wang (“Ms. Wang”)	Non-trade	(1)	73,798	100,798
CAAS IARRP and IAED Institutes	Trade	(2)	196,743	160,461
Total			\$270,541	\$261,259

(1) Ms. Wang

Ms. Wang is the Secretary of the Company until November 20, 2015. Effective as of November 20, 2015, the Company appointed Ms. Wang as the Chairman of the Board. Effective August 11, 2016, the Company’s Board of Directors has assigned Ms. Wang the additional titles of Acting President, Acting Chief Executive Officer and Acting Chief Financial Officer.

On December 14, 2015, Ms. Wang subscribed for the purchase of 250,000 shares of preferred stock for the aggregate amount of \$500,000, and agrees to the concurrent cancellation of debt owed by the Company.

On March 24, 2016, the Company issued 240,000 shares of common stock to Ms. Wang to pay off the loan balance of \$240,000. During the three months ended March 31, 2017, Ms. Wang paid various expenses on behalf of the Company. As of March 31, 2017, the amount due to Ms. Wang was \$73,798.

(2) CAAS IARRP and IAED Institutes

On November 5, 2015, the Company signed a strategic cooperation agreement (the “Agreement”) with China Academy of Agricultural Science (“CAAS”)’s Institute of Agricultural Resources & Regional Planning (“IARRP”) and Institute of Agricultural Economy & Development (“IAED”). The term of the Agreement was three years commencing November 20, 2015.

Pursuant to the agreement, Kiwa agree to invest RMB 1 million (approximately \$160,000) each year to the Spatial Agriculture Planning Method & Applications Innovation Team that belongs to the Institutes. Prof. Yong Chang Wu,

the authorized representative of IARRP, CAAS, is also one of the Company's directors effective since November 20, 2015 until March 13, 2017. The Company recorded \$36,291 and \$38,764 research and development expenses related to the institutes, for the three months ended March 31, 2017 and 2016, respectively.

7. Convertible Notes Payable

Convertible notes payable - current consists of \$ 150,250 of 6% secured convertible notes issued to FirsTrust Group Inc. on June 29, 2006 and \$109,175 (face amount \$145,127 net of discount of \$35,952) of 15% convertible note issued to Mr. Geng Liu on January 17, 2017.

6% secured convertible notes – FirsTrust Group Inc.

On June 29, 2006, the Company entered into a securities purchase agreement (the "Purchase Agreement") with six institutional investors (collectively, the "Purchasers") for the issuance and sale of 6% secured convertible notes, due three years from the date of issuance, in the aggregate principal amount of \$2,450,000 (the "6% Convertible Notes"), convertible into shares of the Company's common stock.

On August 12, 2013, the Company, entered into a Settlement Agreement and Release (the "Release") with the holders (the "Holders") of the "6% Convertible Notes" in the aggregate principal amount of \$2,000,000. Pursuant to the terms of the Release, the Company paid the Holders \$75,000 for a full release, including the forgiveness of past defaults of unpaid principal amounts, interests and penalties. During the course of the time, certain notes had been converted as well. On March 18, 2008, FirsTrust Group, Inc. ("FirsTrust") purchased the three remaining 6% Convertible Notes, totaling \$168,000 (\$59,100, \$50,400 and \$59,100 respectively), from Nite Capital, one of the six institutional investors which purchased a total of \$300,000 of the Note in three tranches (\$105,000, \$90,000, \$105,000 respectively), for a cash payment of \$100,000. After the Release and conversion, FirsTrust is the only holder of the outstanding 6% Convertible Note with outstanding principal amount of \$150,250.

On June 29, 2009, the 6% Notes were due. The Company informed the Purchasers of its inability to repay the outstanding balance on the due date. Therefore, the 6% Notes are in default and the default interest rate of 15% per annum is being charged on the 6% Notes.

The conversion price of the Notes is based on a 40% discount to the average of the lowest three days trading price of the Company's common stock on the OTC Bulletin Board over a 20-day trading period. The conversion price is also adjusted for certain subsequent issuances of equity securities of the Company at prices below the conversion price then in effect. The Notes contain a volume limitation that prohibits the holder from further converting the 6% Notes if doing so would cause the holder and its affiliates to hold more than 4.99% of the Company's outstanding common stock.

The Company has elected to early adopt the guidance in ASU 2017-11. As a result, the Company has concluded that the conversion feature of the Notes is indexed to its own stock and would be classified and recorded as equity. The Company retrospectively applied the guidance to the above Notes and determined that the impact of the conversion feature for the above Notes is immaterial.

The Company also incurs a financial liquidated damages in cash or shares at the option of the Company (equal to 2% of the outstanding amount of the Notes per month plus accrued and unpaid interest on the Notes, prorated for partial months) if it breaches any affirmative covenants in the Purchase Agreement, including a covenant to maintain a sufficient number of authorized shares under its Certificate of Incorporation to cover at least 110% of the stock issuable upon full conversion of the Notes. Pursuant to the relevant provisions for liquidated damages in Purchase Agreement, the Company has accrued the amounts of \$20,239 and \$18,886 liquidated damages for the three months ended March 31, 2017 and 2016, respectively. The Company also accrued \$5,557 and \$5,619 for interest at the rate of 15% per annum for the three months ended March 31, 2017 and 2016, respectively. The total 15% interest was \$188,919 at March 31, 2017. The total accrued liquidated damages were \$502,566 at March 31, 2017.

The Company's obligations under the Notes are secured by a first priority security interest in the Company's intellectual property pursuant to an Intellectual Property Security Agreement with the Holders. In addition, Mr. Li, the Company's former Chief Executive Officer until July 1, 2015, has pledged all of his common stock of the Company as collateral for the Company's obligations under the 6% Convertible Notes.

15% convertible notes- Mr. Geng Liu

On January 17, 2017, the Company entered a Convertible Note Agreement with Mr. Geng Liu with principal of RMB 3 million. The note bears interest at 15% per annum and will mature on January 16, 2018. Before the maturity date, the Note holder has an option to convert partial or all of the outstanding principal to the Company's common shares

with a conversion price of \$0.90 per share. As of March 31, 2017, the Company has received partial principal totaled RMB 1 million (\$145,127 equivalent revalued as at March 31, 2017).

The notes are convertible into shares of the common stock, at conversion price is \$0.9 which is lower than the price of the Company's common stock on the date of issue. Therefore, the conversion feature embedded in the convertible note meet the definition of beneficial conversion feature ("BCF"). The Company evaluated the intrinsic value of the BCF as \$45,094 at the issue date. The relative fair values of the BCF were recorded into additional paid in capital, and the remainder proceeds of \$99,850 from issuance of the convertible note was allocated to convertible notes payable.

For the three months ended March 31, 2017, the Company recorded interest expense of \$13,497 on the note, including the amortization of the debt discount resulting from the value of beneficial conversion feature, and the carrying value of the note as at March 31, 2017 was \$109,175.

8. Note payable

On May 29, 2007, the Company issued a \$360,000 promissory note (the “Promissory Note”) to an unrelated individual (the “Original Note holder”). This note bears interest at 18% per annum and was due on July 27, 2007. This note is currently in default and bears interest of 25% per annum (the “Default rate”) until paid in full. This note is secured by a pledge of shares of the Company’s common stock owned by Investlink (China) Limited (the “Pledged Shares”). The Company accrued \$22,500 and \$22,500 interest expense on note payable for the three months ended March 31 and 2016, respectively.

As of December 31, 2016, the Original Note holder informed the Company that all right, title and interests in the Promissory Note has been assigned and transferred to FirsTrust. As of March 31, 2017, all of \$360,000 of Promissory Note to FirsTrust is still outstanding, and total accrued interest of the Promissory Note is \$ 881,800. The Company has begun preliminary discussion with FirsTrust with regards to a potential settlement of the Note, but no agreement has been reached yet.

9. Other payables and accruals

Other payable and accruals includes the payables to two unrelated potential investors, accrued expenses and other liabilities. As of March 31, 2017, two potential investors have made the payments approximately \$464,408 to the Company and the investment agreements have not finalized. As of March 31, 2017, the balance of other payables and accruals was \$852,065.

10. Stockholders’ Equity (Deficiency)

During the three months ended March 31, 2017, the Company issued 1,000,000 common shares to one individual residing in China for net proceeds of \$1,000,000.

During the three months ended March 31, 2017, the Company entered into one consulting agreement and issued 70,000 shares of common stocks to consultants for financing services based on market price of issuance.

11. Stock-based Compensation

On March 15, 2017, the Board of Directors approved a new stock option plan with ten years' term. As of March 31, 2017, the Company has not granted any option yet.

12. Income Tax

In accordance with the current tax laws in China, Kiwa Beijing is subject to a corporation income tax rate of 25% on its taxable income. For the three months ended March 31, 2017, it recorded income tax provision for RMB1,511,077 or approximately USD219,356.

No provision for taxes is made for U.S. income tax as the Company has no taxable income in the U.S. In accordance with the relevant tax laws in the British Virgin Islands, Kiwa BVI, as an International Business Company, is exempt from income taxes.

A reconciliation of the provision for income taxes determined at the local income tax rate to the Company's effective income tax rate is as follows:

	Three months ended March 31,	
	2017	2016
Pre-tax income (loss)	\$(528,677)	\$110,461
Income tax computed at U.S. federal corporate income tax rate	(179,750)	37,557
Reconciling items:		
Rate differential	18,519	(90,577)
Change of valuation allowance	102,700	53,020
Non-deductible expenses	7,140	-
Effective tax expense	\$(51,391)	\$-

The Company had deferred tax assets as follows:

	March 31, 2017	December 31, 2016
Net operating losses	\$3,565,236	\$2,555,064
Less: Valuation allowance	(3,294,560)	(2,555,064)
Net deferred tax assets	\$270,676	\$-

As of March 31, 2017, and December 31, 2016, the Company had approximately \$10.5 million and \$7.3 million net operating loss carryforwards available to reduce future taxable income. Net operating loss of the Company could be carried forward and taken against any taxable income for a period of not more than twenty years from the year of the initial loss pursuant to Section 172 of the Internal Revenue Code of 1986, as amended. The net operating loss of Kiwa Beijing could be carried forward for a period of not more than five years from the year of the initial loss pursuant to relevant tax laws and regulations. As of March 31, 2017, the Company recorded \$3,294,560 valuation allowance, and the deferred tax assets was \$270,676.

As of March 31, 2017 and December 31, 2016, the Company has no material unrecognized tax benefits which would favorably affect the effective income tax rate in future periods and does not believe that there will be any significant increases or decreases of unrecognized tax benefits within the next twelve months. No interest or penalties relating to income tax matters have been imposed on the during three months ended March 31, 2017 and December 31, 2016, and no provision for interest and penalties is deemed necessary as of March 31, 2017 and December 31, 2016.

According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or its withholding agent. The statute of limitations extends to five years under special circumstances, which are not clearly defined. In the case of a related party transaction, the statute of limitation is ten years. There is no statute of limitation in the case of tax evasion.

13. Discontinued Operations

The Company initiated the process of selling Kiwa Shandong to an unrelated third-party company at the end of 2016. The Company assessed that all the criteria required for the classification of Kiwa Shandong as held for sale have been met as at December 31, 2016. As a result, the consolidated balance sheets at March 31, 2017 reflected the assets and liabilities of Kiwa Shandong business segment as a discontinued operation.

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On February 11, 2017, the Company executed an Equity Transfer Agreement with Dian Shi Cheng Jing (Beijing) Technology Co. (“Transferee”) whereby the Company transferred all of its right, title and interest in Kiwa Bio-Tech Products (Shandong) Co., Ltd. (“Shandong”) to the Transferee for the RMB 1.00. The government processing of the transaction has been completed on April 12, 2017. This transaction was completed and effective on April 12, 2017.

The following table summarizes the assets and liabilities of the discontinued operation, excluding intercompany balances eliminated in consolidation, at March 31, 2017:

	March 31, 2017	December 31, 2016
Assets held for sale:		
Cash	-	-
Other receivables	-	-
Property, plant and equipment - total	623,060	2,117,324
Less: accumulated depreciation	(623,060)	(765,598)
Less: impairment on long-lived assets	-	(1,351,726)
Deferred tax assets	-	1,013,365
Less: Deferred tax assets allowance	-	(1,013,365)
Total assets of business held for sale	\$-	\$-
Liabilities of business held for sale:		
Accounts Payable	253,535	251,466
Advances from customers	-	12,883
Salary payable	537,821	533,432
Accrued expense	29,072	28,835
Other payable	115,413	101,588
Due to related party-trade	1,131,993	1,122,754
Loan payable	1,668,965	1,655,343
Construction cost payable	257,642	255,539
Tax payable	521,199	502,845
Total liabilities of business held for sale	\$4,515,640	\$4,464,685

The income statement for the three months ended March 31, 2017 reflected the Kiwa Shandong business segment as a discontinued operation. The following results of operations of Kiwa Shandong are presented as a loss from a discontinued operation in the consolidated statements of operations:

	March 31, 2017	March 31, 2016
Net sales	-	-
Gross profit	-	-
Operating expense	14,220	54,331
Income tax	-	-
Loss from discontinued operations	\$ 14,220	\$ 54,331

14. Commitments and Contingencies

The Company has the following material contractual obligations:

(1) Investment in manufacturing and research facilities in Zoucheng, Shandong Province in China

According to the Project Agreement with Zoucheng Municipal Government in 2002, we have committed to investing approximately \$18 million to \$24 million for developing the manufacturing and research facilities in Zoucheng, Shandong Province. As of December 31, 2016, we had invested approximately \$1.91 million for the project. On February 11, 2017, the Company entered an Equity Transfer Agreement with Dian Shi Cheng Jing (Beijing) Technology Co. (“Transferee”) to transfer all of shareholders’ right, title and interest in Kiwa Shandong to the Transferee for USD \$1.00. On April 12, 2017, the government processing of transfer has been completed.

(2) Strategic cooperation with two institutes in China

On November 5, 2015, the Company signed a strategic cooperation agreement (the “Agreement”) with China Academy of Agricultural Science (“CAAS”)’s Institute of Agricultural Resources & Regional Planning (“IARRP”) and Institute of Agricultural Economy & Development (“IAED”). Pursuant to the Agreement, the Company will form a strategic partnership with the two institutes and establish an “International Cooperation Platform for Internet and Safe Agricultural Products”. To fund the cooperation platform’s R&D activities, the Company will provide RMB 1 million (approximately \$160,000) per year to the Spatial Agriculture Planning Method & Applications Innovation Team that

belongs to the Institutes. The term of the Agreement is for three years beginning November 20, 2015. Prof. Yong Chang Wu, the authorized representative of IARRP, CAAS, is also one of the Company's directors effective since November 20, 2015 until March 13, 2017.

(3) Distribution agreement with Kangtan Gerui Bio-Tech in China

On December 17, 2015, Kiwa Bio-Tech Products Group Corporation (the "Company") entered into a distribution agreement (the "Agreement") with Kangtan Gerui (Beijing) Bio-Tech Co., Ltd. ("Gerui") and formally awarded Gerui a right to sell and distribute the Company's fertilizer products in 3 major agricultural regions of China— Hainan Province, Hunan Province and Xinjiang Autonomous Region. The Company's Research and Development department has been conducting application experiments in Hainan and Hunan Provinces since August 2015, in accordance with the market requirements. The experiment data indicates that the Company's fertilizer products have fulfill the requirements of reduction of content of heavy metals in soil and improve crop yield. Gerui was founded in Beijing in April 2015 and relies on the sales network of China's Supply and Marketing Cooperatives system. Currently, the Company and Gerui do not hold any interest in each other; however, a collaboration and integration may take place in the future. The term of the Agreement is for a period of three years commencing December 17, 2015. In September 2016, Kiwa Baiao Bio-Tech (Beijing) Co., Ltd obtained a fertilizer sales permit from the Chinese government and began to sale the products directly to customers in those 3 major agricultural regions.

(4) Lease payments

(1) On April 29, 2016, Kiwa Baiao Bio-Tech (Beijing) Co., Ltd. entered an office lease agreement with two-year term. Monthly lease payment and building management fee totaled RMB 77,867 or approximately USD \$11,303.

(2) On November 11, 2016, Kiwa Baiao Bio-Tech (Beijing) Co., Ltd. entered an apartment lease agreement for its employees. The lease term is one year with monthly lease payment of RMB 6,000 or approximately USD \$871.

(3) In March 15, 2017, Kiwa Bio-Tech (Shenzhen) Co., Ltd, a newly established subsidiary entered an office lease agreement with one-year term. Monthly lease payment is RMB 29,000 or approximately of USD \$4,210.

The future lease payments at March 31, 2017 are summarized below.

	Beijing Office	Beijing Apartment	Shenzhen Office	Total
2017	\$101,727	\$ 6,384	\$ 37,890	\$146,001
2018	\$45,212	-	\$ 10,525	\$55,737
Thereafter	-	-	-	-

15. Subsequent Events

On May 9, 2017, the Company entered into a Convertible Loan Agreement with Junwei Zheng with principal of approximately US\$ 4.5 million (RMB 30,000,000) with a term of 24 months and bearing interest at a rate of Fifteen Percent (15%) per annum. The Loan is convertible at any time at the option of the Lender at a conversion price of \$3.50 per share. The net proceeds will be used for the further development of Kiwa products and distribution, as well as for general working capital. As of May 15, 2017, the Company has received partial principal totaled \$507,946.

The Company has evaluated the existence of significant events subsequent to the balance sheet date through the date these financial statements were issued and has determined that, other than as stated above, there were no subsequent events or transactions which would require recognition or disclosure in the financial statements, other than noted herein.

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

This Quarterly Report on Form 10-Q for the three months ended March 31, 2017 contains "forward-looking statements" within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended, 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/A Amendment No. 2 for the three months ended March 31, 2017 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 and Kiwa Shandong is inactive as of March 31, 2017.

On November 30, 2015, we entered into an acquisition agreement (the "Agreement") with the shareholders of Caber Holdings LTD, whose Chinese name is Hong Kong Baina Group Co., Ltd, located in Hong Kong ("Baina Hong Kong"), and Oriental Baina Co. Ltd. (hereinafter referred to as "Baina Beijing"), Baina Hong Kong's wholly-owned subsidiary in Beijing, China. Kiwa will rename Baina Beijing to Kiwa Baiao Co. Ltd. Kiwa Baiao Co. Ltd will replace Kiwa's current subsidiary in China - Kiwa Bio-Tech (Shandong) Co., Ltd ("Kiwa Shandong") - to operate Kiwa's bio-fertilizer market expansion and become Kiwa's platform for future acquisitions of new agricultural-related projects in China. In

accordance with the terms of the Agreement, Kiwa agreed to pay US\$30,000 to the Baina Hong Kong Shareholders for the acquisition of 100% of the equity of Baina Hong Kong. The acquisition was completed on January 7, 2016. Both Baina Hong Kong and Baina Beijing had no activities before the acquisition date and had no assets and liabilities. The purpose of this acquisition was to acquire Baina Hong Kong's corporation registration in Hong Kong and In China. Kiwa Baiao Co. Ltd established Kiwa Bio-Tech Products (Shenzhen) Co., Ltd. ("Kiwa Shenzhen") in China in November 2016, and Kiwa Bio-Tech Products (Hebei) Co., Ltd. ("Kiwa Hebei") in China in December 2016,

We generated no sales revenues in the three months ended March 31, 2017 and three months ended March 31, 2016. Meanwhile, we generated no license revenue in the three months ended March 31, 2017 compare with some license revenues in the three months ended March 31, 2016. We incurred a net loss of \$491,506 and a net income of \$56,130 for the three months ended March 31, 2017 and 2016, respectively.

The Company entered into an agreement with a company, Kangtan Gerui (Beijing) Bio-Tech Co., Ltd. ("Gerui"), to allow Gerui to sell products with the Company's trademark in the first quarter of 2016. Gerui will pay 10% of total sales amount to the Company as license fee. The Company recognized license fees when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, and no other significant obligations of the Company exist and collectability is reasonably assured. From the fourth quarter of 2016 on, the Company began to gradually generate sales revenue instead of relying on Gerui to generate the license revenue.

As of March 31, 2017, the Company had cash of \$141,101. Due to shortage of working capital, we have relied on the proceeds from advances from related parties to provide the necessary to fund the development of our business plan and operations. Meanwhile, The Company is generating additional revenue while seeking additional equity financing. The management of the Company already raised additional equity for approximately \$1,000,000 and convertible note for approximately \$145,165 during the first quarter of 2017. Management is very optimistic about the Company's continue profitability for the coming years.

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 March 31, 2017, we had an accumulated deficit of \$20,118,933. We currently have negative working capital. We will require additional capital to fund our operations.

As of March 31, 2017, our current liabilities were \$13,896,241 which exceeded current assets by \$5,406,643, representing a current ratio of 0.61; comparably, as of December 31, 2016, we had total current assets of \$4,472,718 and current liabilities of \$10,329,042, denoting a current ratio of 0.43. 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 enough financing.

Our independent auditors have added an explanatory paragraph to their audit opinion issued in connection with our financial statements for the latest eight 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 effect 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 and Kiwa Tianjin, 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 or Kiwa Tianjin were not profitable that year; thereby narrowing the time period when the favorable tax treatment may be available to us.

Results of Operations

Results of Operations for Three Months Ended March 31, 2017 and 2016

Revenue

Revenue was \$nil for the three months ended March 31, 2017 and 2016, respectively. We have sold and shipped approximately \$3.1 million of our products during the three months ended March 31, 2017, all of which the revenue recognition criteria of collectability of payments is reasonably assured has not yet been met, and we have deferred approximately \$3.1 million of revenues to be recognized in the future periods when our collectability of payments will be assured. There was no products shipment during the three months ended March 31, 2016.

Cost of Revenue and Gross Profit

Cost of revenue was \$nil for the three months ended March 31, 2017 and 2016, respectively. Consequently, gross margin was nil for the three months ended March 31, 2017 and 2016, respectively.

Selling Expense

Selling expenses for the three months ended March 31, 2017 and 2016 were \$36,286 and nil, respectively, representing a 100% increase from the same period last year. Selling expenses include salaries of sales personnel, sales commission, travel and entertainment etc. The increase in selling expenses is mainly because we have hired more sales managers in the first quarter of 2017 for the marketing of our products after we started selling products since August 2016, while there was no sales personnel in the first quarter of 2016.

General and Administration

General and administration expenses for the three months ended March 31, 2017 and 2016 were \$394,307 and \$70,781, respectively, representing a \$323,526 or 457.08% increase. General and administrative expenses include salaries, travel and entertainment, rent, office expense, telephone expense, consulting expense and insurance costs etc. The increase in general and administrative expenses is mainly attributed to business expansion and the establishment of Kiwa Shenzhen in November, 2016, and Kiwa Hebei in December 2016.

Research and Development

Research and development expenses was approximately \$36,291 (RMB 250,000) for the three months ended March 31, 2017, keeping the same as the prior comparable period. On November 20, 2015, the Company signed a strategic cooperation agreement (the “Agreement”) with China Academy of Agricultural Science (“CAAS”)’s Institute of Agricultural Resources & Regional Planning (“IARRP”) and Institute of Agricultural Economy & Development (“IAED”). Pursuant to the Agreement, the Company will form a strategic partnership with the two institutes and establish an “International Cooperation Platform for Internet and Safe Agricultural Products”. To fund the cooperation platform’s R&D activities, the Company will provide RMB 1 million (approximately \$160,000) per year to the Spatial Agriculture Planning Method & Applications Innovation Team that belongs to the Institutes. The term of the Agreement is for three years beginning November 20, 2015 and will expire on November 19, 2018. However, the Company is only liable for the annual funds to be provided to the extent of the contract obligations performed by CAAS IARRP and IAED, and the agreement is terminable before the three years’ commitment date based on

negotiations of both parties. The Company contributed approximately \$39,313 (RMB 250,000) for the three months ended March 31, 2018. The Company plans to contribute the remaining balance quarterly until the date of the Agreement expired on November 19, 2018.

Interest Expenses

Net interest expense was \$61,793 for the three months ended March 31, 2017 and \$47,004 for the same period of 2016. Interest expense included accrued interest and penalty charge on convertible note and other note payable for the three months ended March 31, 2017 and 2016.

Other Income (License revenue)

Other income was nil and \$267,010 for the three months ended March 31, 2017 and 2016, respectively. Revenue was generated from licensing our trademark to Gerui. We signed the license agreement with Gerui to allow Gerui to sell fertilizer using our trademark in December 2015.

Net Income / Loss

During the three months ended March 31, 2017, net loss was \$491,506 and for the same period of 2016 net income was \$56,130, representing a change of \$547,636 or 975.66%. The change was due to the reasons discussed above.

Liquidity and Capital Resources

In assessing our liquidity, we monitor and analyze our cash on-hand and our operating and capital expenditure commitments. Our liquidity needs are to meet its working capital requirements, operating expenses and capital expenditure obligations. The unaudited condensed 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.

Since inception of our ag-biotech business in 2002, 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 our operations and the execution of our business plan. During the three months ended March 31, 2017, the advances from related parties, net of repayment by the Company to related parties, was \$27,000. As of March 31, 2017, our current liabilities exceeded current assets by \$5,406,643, representing a current ratio of 0.61. Comparably, as of December 31, 2016, our current liabilities exceeded current assets by \$5,856,324, denoting a current ratio of 0.43.

We may have to consider supplementing our available sources of funds for operations through the following sources:

- We will continuously seek additional equity financing to support our working capital;
- other available sources of financing from PRC banks and other financial institutions; and
- financial support and credit guarantee commitments from our major shareholder

As of March 31, 2017 and December 31, 2016, we had cash of \$140,101 and \$13,469, respectively. Changes in cash balances are outlined as follows:

During the three months ended March 31, 2017, our operations used cash of \$1,023,564 as compared with \$1,351 provided in the same period of 2016. Cash was mainly used for working capital for public company operation.

During the three months ended March 31, 2017 and 2016, we used nil cash for investing activities.

During the three months ended March 31, 2017, our financing activities incurred net cash inflow of \$1,172,165, \$27,000 of which are generated from advances from related parties, \$1,000,000 of which are generated from sales of

common stock and \$145,165 of which are generated from convertible note. During the three months ended March 31, 2016, we generated \$38,500 from financing activities due to proceeds received from related party loans.

To the extent that we are unable to successfully raise 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 14 to the Consolidated Financial Statements under Item 1 in Part I.

Off-Balance Sheet Arrangements

At March 31, 2017, 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

(a) Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e)) as of the end of the quarterly period covered by this report, have concluded that our disclosure controls and procedures are not effective to reasonably ensure that material information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's Rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The principal basis for this conclusion is the lack of segregation of duties within our financial function and the lack of an operating Audit Committee.

(b) Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) under the Exchange Act) during the fiscal period to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

ITEM 1A. RISK FACTORS

Smaller reporting companies are not required to provide the information required by this item.

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

The following is a list of securities issued for cash or converted with debentures or as stock compensation to consultants or as salary compensation during the period from January 1, 2017 through March 14, 2019, which were not registered under the Securities Act:

Stock Purchase	4,500,600 shares
Consultant Fees	3,281,906 shares
Conversion of Note	245,291 shares
Salary Compensation	128,482 shares
Total	8,156,279 shares

There were no other sales of unregistered securities not already reported on the Company's quarterly filings on Form 10-Q or on a Current Report on Form 8-K.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine safety disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
<u>31.1/31.2</u>	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
<u>32.1/32.2</u>	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
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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

March 15, 2019 By: */s/ Yvonne Wang*

Yvonne Wang, Interim Chief Executive Officer and Interim Chief Financial Officer

