

KIWA BIO-TECH PRODUCTS GROUP CORP
Form 10-Q/A
August 29, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

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

For the Quarterly Period Ended June 30, 2012

¨ 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
(Address of principal executive
offices)

91711
(Zip Code)

(626) 715-5855

(Registrant's telephone number, including area code)

415 West Foothill Blvd, Suite 206
Claremont, California 91711-2766
(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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 17, 2012
Common Stock, \$0.001 par value per share	400,000,000 shares

EXPLANATORY NOTE

The purpose of this Amendment No. 1 to Quarterly Report on Form 10-Q/A is to furnish Exhibit 101 to the Form 10-Q which was filed with the Securities and Exchange Commission (the “SEC”) on August 17, 2012 (the “Original 10-Q”) in accordance with Rule 405 of Regulation S-T. Exhibit 101 consists of the following materials from the Company’s Form 10-Q, formatted in XBRL (eXtensible Business Reporting Language):

101.INS XBRL Instance Document
101.SCH XBRL Taxonomy Schema
101.CAL XBRL Taxonomy Calculation Linkbase
101.DEF XBRL Taxonomy Definition Linkbase
101.LAB XBRL Taxonomy Label Linkbase
101.PRE XBRL Taxonomy Presentation Linkbase

In addition, this Amendment No. 1 to Quarterly Report on Form 10-Q/A also corrects a minor date mistake on “Kiwa Bio-Tech Products Group Corporation Consolidated Statements of Operations and Other Comprehensive Loss” under “Item 1 — Financial Statements” of our Quarterly Report on the Original 10-Q.

Except as stated herein, this Quarterly Report on Form 10-Q/A does not reflect events occurring after the filing of the Original 10-Q on August 17, 2012 and no attempt has been made in this Quarterly Report on Form 10-Q/A to modify or update other disclosures as presented in the Original 10-Q. Accordingly, this Form 10-Q/A should be read in conjunction with the 10-K and our filings with the SEC subsequent to the filing of the 10-K.

Pursuant to Rule 406T of Regulation S-T, the interactive data files attached as Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Table of contents

PART I. FINANCIAL INFORMATION	3
Item 1. FINANCIAL STATEMENTS	3
Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.	14
Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	18
Item 4. CONTROLS AND PROCEDURES	18
PART II. OTHER INFORMATION	20
Item 1. LEGAL PROCEEDINGS	20
ITEM 1A. RISK FACTORS	20
Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	20
Item 3. DEFAULTS UPON SENIOR SECURITIES	20
Item 4. MINE SAFETY DISCLOSURES	21
Item 5. OTHER INFORMATION	21
Item 6. EXHIBITS	21
SIGNATURES	22

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

KIWA BIO-TECH PRODUCTS GROUP CORPORATION

CONSOLIDATED BALANCE SHEETS

	June 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	\$4,268	\$ 16,307
Deposits and other receivables	26,073	25,954
Current assets of discontinued operation	415	416
Total current assets	30,756	42,677
Property, plant and equipment - net	17,825	20,322
Total assets	\$48,581	\$ 62,999
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable	\$ 306,515	\$ 307,322
Advances from customers	14,088	14,125
Construction costs payable	279,439	280,172
Due to related parties - trade	598,143	552,364
Due to related parties - non-trade	3,659,898	3,514,898
Convertible notes payable	1,631,088	1,631,088
Salary payable	1,019,074	919,875
Taxes payable	272,326	242,120
Penalty payable	1,930,128	1,634,150
Interest payable	886,226	764,229
Other payable	552,742	619,477
Current liabilities of discontinued operation	113,409	113,706
Total current liabilities	11,263,076	10,593,526
Unsecured loans payable	1,810,169	1,814,911
Total liabilities	13,073,245	12,408,437
Stockholders' deficiency		
Common stock - \$0.001 par value Authorized 400,000,000 shares. Issued and outstanding 400,000,000 at June 30, 2012 and December 31, 2011	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

Edgar Filing: KIWA BIO-TECH PRODUCTS GROUP CORP - Form 10-Q/A

Accumulated deficit	(21,057,712)	(20,362,032)
Accumulated other comprehensive deficiency	(460,289)	(476,743)
Total stockholders' deficiency	(13,024,664)	(12,345,438)
Total liabilities and stockholders' deficiency	\$48,581	\$ 62,999

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

KIWA BIO-TECH PRODUCTS GROUP CORPORATION**CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE LOSS**

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net sales	\$-	\$-	-	-
Cost of sales	-	-	-	-
Gross profit	-	-	-	-
Operating expenses				
General and administrative	243,670	334,701	490,102	711,481
Research and development	39,491	40,317	79,254	78,284
Total operating expenses	283,161	375,018	569,356	789,765
Operating loss	(283,161)	(375,018)	(569,356)	(789,765)
Interest expense	(63,164)	(78,226)	(126,324)	(140,179)
Net loss before income tax	(346,325)	(453,244)	(695,680)	(929,944)
Income tax	-	-	-	-
Net loss	(346,325)	(453,244)	(695,680)	(929,944)
Other comprehensive loss				
Translation adjustment	58,131	(83,936)	16,454	(143,186)
Total comprehensive loss	\$(288,194)	\$(537,180)	(679,226)	(1,073,130)
Net loss per common share - basic and diluted	\$(0.0009)	\$(0.001)	(0.002)	(0.002)
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.

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

(Unaudited)

	Six Months Ended June 30,	
	2012	2011
Cash flows from operating activities:		
Net loss	\$ (695,680)	\$ (929,944)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,454	3,640
Provision for penalty payable	295,978	266,551
Interest payable on convertible notes	121,997	120,079
Changes in operating assets and liabilities:		
Deposit and other receivables	(187)	46,398
Accounts payable	-	17,406
Salary payable	101,603	106,087
Taxes payable	30,839	40,531
Due to related parties-trade	47,222	40,776
Other payable	(66,735)	(60,454)
Net cash used in operating activities	(162,509)	(348,930)
Cash flows from financing activities:		
Proceeds from related parties, net of payments to related parties	146,951	428,243
Net cash provided by financing activities	146,951	428,243
Effect of exchange rate change	3,519	(94,105)
Cash and cash equivalents:		
Net decrease	(12,039)	(14,792)
Balance at beginning of period	16,307	32,816
Balance at end of period	\$ 4,268	\$ 18,024
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. Description of Business and Organization

References herein to “Kiwa” or the “Company” refer to Kiwa Bio-Tech Products Group Corporation and its wholly-owned and majority-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 and bio-enhanced feed products.

Going Concern - 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, 2012, the Company had cash of \$4,268. The Company had an accumulated deficit of \$21,057,712 and incurred net losses of \$695,680 during the six months ended June 30, 2012. This trend is expected to continue. These factors create substantial doubt about the Company’s ability to continue as a going concern.

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

2. Summaries of Significant Accounting Policies

Principle of consolidation - These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries and also its majority-owned subsidiary. 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 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, 2011, 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, 2011.

KIWA BIO-TECH PRODUCTS GROUP CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (UNAUDITED)

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, 2012	As of December 31, 2011
Balance sheet items, except for equity accounts	US\$1=RMB6.3530	US\$1=RMB6.3364
	Three months ended June 30,	
	2012	2011
Items in the statements of income and cash flows	US\$1=RMB6.3305	US\$1=RMB6.5011

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, 2012.

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, 2012, potentially dilutive securities aggregated 4,991,370,471 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:

KIWA BIO-TECH PRODUCTS GROUP CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (UNAUDITED)

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, 2012 and December 31, 2011.

3. Related Party Transactions

Amounts due to related parties consisted of the following as of June 30, 2012 and December 31, 2011:

Item	Nature	Notes	June 30, 2012	December 31, 2011
Mr. Wei Li ("Mr. Li")	Non-trade	(1)	\$ 3,313,620	\$ 3,203,190
Kangtai International Logistics (Beijing) Co., Ltd. ("Kangtai")	Non-trade	(2)	(12,722)	(12,792)
Ms. Yvonne Wang ("Ms. Wang")	Non-trade	(3)	359,000	324,500
Subtotal			3,659,898	3,514,898
Kiwa-CAU R&D Center	Trade	(4)	598,143	552,364
Subtotal			598,143	552,364
Total			\$ 4,258,041	\$ 4,067,262

(1) Mr. Li

Mr. Li is the Chairman of the Board and the Chief Executive Officer of the Company.

Advances and Loans

As of December 31, 2011, the remaining balance due Mr. Li was \$3,203,190. During the six months ended June 30, 2012, Mr. Li paid various expenses on behalf of the Company. As of June 30, 2012, the balance due Mr. Li was \$3,313,620. 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 4 below).

(2) Kangtai

Kangtai, formerly named China Star Investment Management Co., Ltd., Kangtai International Logistics (Beijing) Co., Ltd., is a private company, 28% owned by Mr. Li. Mr. Li is the Chairman of Kangtai.

On December 31, 2011, the amount due from Kangtai was \$12,792. The balance due from Kangtai on June 30, 2012 was \$12,722.

(3) Ms. Wang

Ms. Wang is the Secretary of the Company.

KIWA BIO-TECH PRODUCTS GROUP CORPORATION
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

On December 31, 2011, the amount due Ms. Wang was \$324,500. During the six months ended June 30, 2012, Ms. Wang paid various expenses on behalf of the Company. As of June 30, 2012, the amount due Ms. Wang was \$359,000. 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 agree to invest RMB 1 million (approximately \$157,000) 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, 2011, the amount due to Kiwa-CAU R&D Center was \$552,364. As of June 30, 2012, the outstanding balance due Kiwa-CAU R&D Center was \$598,143.

4. Convertible Notes Payable

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 (1) 6% secured convertible notes, due three years from the date of issuance, in the aggregate principal amount of \$2,450,000 (the “6% Notes”), convertible into shares of the Company’s common stock, and (2) warrants (the “Warrants”) to purchase 12,250,000 shares of the Company’s common stock.

In conjunction with the sale and issuance of the 6% Notes, the Company entered into a Registration Rights Agreement, amended in October 2006, the requirements of which the Company met by filing its registration statement on Form SB-2 on August 11, 2006 and subsequently amended on October 20, 2006 and June 29, 2007.

Closings for the sale of the 6% Notes occurred on June 29, August 15 and October 31, 2006 for \$857,500, \$735,000 and \$857,500 principal amount, respectively. The Company received \$2,450,000 in aggregate from the three sales of the 6% Notes.

The conversion price of the 6% Notes is based on a 40% discount to the average of the 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 6% 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. In addition, each holder of the 6% Notes agrees that they may not convert more than their pro-rata share (based on original principal amount) of the greater of \$120,000 principal amount of the 6% Notes per calendar month or the average daily dollar volume calculated during the 10 business days prior to a conversion, per conversion. This conversion limit has since been eliminated pursuant to an agreement by the Company and the Purchasers (see discussion below).

The exercise price of the Warrants is \$0.45 per share, subject to anti-dilution adjustments pursuant to a broad-based weighted average formula for subsequent issues of equity securities by the Company below the trading price of the shares. The Purchase Agreement requires the Company to maintain a reserve of authorized common stock equal to 110% of the number of shares issuable upon full conversion of the 6% Notes and exercise of the Warrants. The Purchase Agreement imposes financial penalties in cash (equal to 2% of the number of shares that the Purchaser is entitled to multiplied by the market price for each day) if the authorized number of shares of common stock is insufficient to satisfy the reserve requirements. The 6% Notes and the Warrants also impose financial penalties on the Company if it fails to timely deliver common stock upon conversion of the 6% Notes and exercise of the Warrants, respectively.

To enable reservation of a sufficient amount of authorized shares that may be issued pursuant to conversion of the 6% Notes and exercise of the Warrants, the Purchase Agreement required the Company to amend its Certificate of Incorporation to increase the number of authorized shares of common stock. At the annual meeting for 2006, which was held on September 12, 2006, a proposal to amend our Certificate of Incorporation to increase the number of authorized shares of common stock, from 100,000,000 shares to 200,000,000 shares was approved by the required vote of our stockholders. At the annual meeting held for 2008 on December 30, 2008 we further amended our Certificate of Incorporation by increasing the number of authorized shares of common stock from 200,000,000 to 400,000,000. At our annual meeting for 2009, which was held on December 28, 2009, the proposal of further amend the Certificate of Incorporation to increase the number of authorized shares from 400,000,000 to 800,000,000 was not approved by stockholders. At our annual meeting for 2010, which was held on December 15, 2010, the proposal of further amend the Certificate of Incorporation to increase the number of authorized shares from 400,000,000 to 800,000,000 was not approved by stockholders.

KIWA BIO-TECH PRODUCTS GROUP CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (UNAUDITED)

The Company incurs a financial penalty 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 this or other 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 and the Warrants. Pursuant to the relevant provisions for liquidated damages in the Purchase Agreement, as of June 30, 2012 and December 31, 2011, the Company has accrued a penalty of \$1,930,128 and \$1,634,150 respectively, of which \$149,819 and \$135,099 was included in general and administrative expenses for the three months ended June 30, 2012 and 2011, respectively.

The 6% Notes require the Company to procure the Purchaser's consent prior to taking certain actions including the payment of dividends, repurchasing stock, incurring debt, guaranteeing obligations, merging or restructuring the Company, or selling significant assets.

The Company's obligations under the 6% Notes and the Warrants are secured by a first priority security interest in the Company's intellectual property pursuant to an Intellectual Property Security Agreement with the Purchasers, and by a first priority security interest in all of the Company's other assets pursuant to a Security Agreement with the Purchasers. In addition, the Company's Chief Executive Officer has pledged all of his common stock of the Company as collateral for the Company's obligations under the 6% Notes and the Warrants. The Purchasers are accredited investors as defined under the Securities Act and the 6% Notes and the Warrants and the underlying common stock upon conversion and exercise will be issued without registration under the Securities Act in reliance on the exemption provided by Rule 506 under Regulation D under the Securities Act. The intellectual property pledged had a cost of \$592,901 which carrying value of \$179,897 was fully impaired during the year ended December 31, 2009.

The fair value of the Warrants underlying the three sales of the 6% Notes (amounting to 4,287,500 shares, 3,675,000 shares and 4,287,500 shares respectively) at the time of their issuance was determined to be \$545,477, \$416,976 and \$505,503 calculated pursuant to the Black-Scholes option pricing model. The fair value was recorded as a reduction to the 6% Notes payable and was charged to operations as interest expense in accordance with effective interest method within the period of the 6% Notes. Significant assumptions used in calculating fair value of outstanding warrants are as follows.

Black and Scholes Model Assumption		Details of Outstanding Warrants				
Expected dividend	Risk-free rate of interest	Expected term (year)	Exercise price	Underlying Number of shares	Closing price June 30, 2012	Fair value of warrants/options determined by

Black and Scholes
model

- 75 % 0.31 % 1.00 \$ 0.45 12,250,000 \$ 0.0007 -

The expected volatility was determined based on the historic quoted market price of the common stock over the last 12 months. Risk free interest rate was determined based on the quoted US treasury rate under the same expected term with each corresponding financial instrument. Based on the calculation, the fair value of outstanding warrants was zero.

As of June 30, 2012, there were 12,250,000 warrants outstanding which will expire in 2013.

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. No principal of the 2% Notes has been converted so far. The outstanding principal balance on the 2% Notes was \$112,917 as of June 30, 2012.

During the six months ended June 30, 2011, the Purchasers converted nil principal and nil interest into shares of common stock. As of June 30, 2011, the face amount of the 6% Notes outstanding was \$1,518,171.

KIWA BIO-TECH PRODUCTS GROUP CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (UNAUDITED)

During six months ended June 30, 2012, interest of \$113,551 and \$8,446 was accrued on the 6% Notes and the 2% Notes, respectively. During the same period of 2011, interest of \$112,927 and \$7,152 was accrued on the 6% Notes and the 2% Notes, respectively.

Unpaid interest of \$886,226 and \$764,229 was included on the balance sheet as of June 30, 2012 and December 31, 2011, respectively.

5. 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, 2012 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, 2011	1,232,600	\$ 0.175	\$ -	6
Exercised	-	-		
Expired	-	-		-
Forfeited	-	-		-
Outstanding at June 30, 2012	1,232,600	\$ 0.175	\$ -	4.5
Exercisable at June 30, 2012	1,232,600	\$ 0.175	\$ -	4.5

(1) The market value of the Company's common stock at June 30, 2012 was \$0.0007 per share. The outstanding options had no intrinsic value at June 30, 2012.

6. Commitments and Contingencies

The Company has the following material contractual obligations:

Operating lease commitments

On June 30, 2011, the Company entered into an agreement with Kangtai pursuant to which Kangtai will sublease a portion of its offices to the Company for a monthly rental of \$1,000. The sublease expired on June 30, 2012. On June 30, 2012, the sublease was renewed for another one year term, which expires on June 30, 2013.

The Company's commitments for minimum lease payments under the operating lease for the next five years and thereafter as of June 30, 2012 are as follows:

Fiscal Year	Amount
2012	\$6,000
2013	6,000
Total	\$12,000

KIWA BIO-TECH PRODUCTS GROUP CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (UNAUDITED)

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 \$157,000) 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.

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. As of June 30, 2012, the Company had invested approximately \$2 million for the project.

7. Discontinued Operation

In accordance with the provisions of ASC topic 360, "Accounting for the Impairment or Disposal of Long-Lived Assets," the disposal of the Company's bio-enhanced feed business segment is presented as assets and liabilities of a discontinued operation.

The following table summarizes the assets and liabilities of the discontinued operation, excluding intercompany balances eliminated in consolidation, at June 30, 2012 and December 31, 2011, respectively:

	June 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	\$415	\$ 416
Total assets	\$415	\$ 416

Liabilities		
Due to related parties-trade	\$ 34,425	\$ 34,515
Salary payable	78,984	79,191
Total liabilities	\$113,409	\$ 113,706

The Company's operations of bio-enhanced feed business had no sales and expense transactions since the quarter ended March 31, 2011.

During the year ended December 31, 2009, Challenge Feed, the 20% minority shareholder of Kiwa Tianjin, without our prior permission, transferred titles to machinery, equipment and inventory of Kiwa Tianjin to its own creditors to settle its own debts. On December 22, 2009, Kiwa Tianjin filed a lawsuit against Challenge Feed in the local court of Wuqing District, Tianjin, where Kiwa Tianjin is domiciled. In the lawsuit, Kiwa Tianjin asserted that Challenge Feed unlawfully disposed of the assets held by Kiwa Tianjin. The local court of Wuqing District ruled that the local court would not examine the lawsuit against Challenge Feed since Challenge Feed entered into bankruptcy proceedings and that all related matters would be solved during Challenge Feed's bankruptcy proceedings.

On December 27, 2011, Challenge Feed's bankruptcy administrator informed the Company the bankruptcy court had agreed on the Company's request of repossessing machinery and equipment and Kiwa Tianjin's bio-enhanced feed production lines that were positioned in Challenge Feed's domicile before December 31, 2011. On February 9, 2012, the Company sold such machinery and equipment for \$8,000.

In July 2012, Kiwa Tianjin has been closed down.

8. Income Tax

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, 2012	December 31 2011
Net operating losses carried forward	\$5,516,098	5,314,283
Less: Valuation allowance	(5,516,098)	(5,314,283)
Net deferred tax assets	\$-	\$-

KIWA BIO-TECH PRODUCTS GROUP CORPORATION
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

The net operating losses carried forward were approximately \$21 million at June 30, 2012, which will expire between 2012 and 2022. 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. Subsequent event

Effective on July 11, 2012, the Company formerly dissolved Kiwa Tianjin (see note 7). The Company will record a gain of approximately \$113,000 during the quarter ending September 30, 2012 based on the discharge of the excess liabilities over the assets of the Kiwa Tianjin which has been classified as discontinued operations during the periods presented.

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 June 30, 2012 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 for the three months ended June 30, 2012 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 two subsidiaries in China: (1) Kiwa Shandong in 2002, a wholly-owned subsidiary, engaging in the bio-fertilizer business, and (2) Tianjin Kiwa Feed Co., Ltd. ("Kiwa Tianjin") in July 2006, engaging in the bio-enhanced feed business, of which we hold 80% equity. 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. In July 2012, Kiwa Tianjin has been closed down for business.

We generated nil in revenue in the six months ended June 30, 2012 and 2011, respectively. We incurred a net loss of \$695,680 and \$929,944 for the six months ended June 30, 2012 and 2011, respectively.

As of June 30, 2012, the Company had cash of \$4,268. 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, 2012, net amount advanced by related parties, net of repayment to related parties was \$146,951 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, 2012, we had an accumulated deficit of \$21,057,712 of which \$695,680 was incurred during the six months ended June 30, 2012. 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, 2012, our current liabilities were \$11,263,076, which exceeded current assets by \$11,232,320, representing a current ratio of 0.004; comparably, on December 31, 2011, our current liabilities exceeded current assets by \$10,550,849, resulting in a current ratio of 0.005. The 6% Notes became due on June 29, 2009. The 2% Notes became due on January 31, 2011. If we can achieve the necessary financing to increase our working capital, we believe the Company will be well-positioned to further increase 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 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 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.

Results of Operations

Results of Operations for Three Months Ended June 30, 2012 and 2011

Net Sales

Net sales were nil for the three months ended June 30, 2012 and 2011, respectively. The Company did not generate any sales revenue during the second quarter of 2012 and 2011 mainly due to severe market conditions.

Cost of Sales

Cost of sales were nil during second quarter of 2012 and 2011. This was mainly due to no net sales.

Gross Profit

Gross profit for the three months ended June 30, 2012 and 2011 were nil, since there were no net sales during both periods.

General and Administration

General and administration expenses for three months ended June 30, 2012 and 2011 were \$243,670 and \$334,701, respectively, representing a \$91,031 or 27.2% decrease. General and administrative expenses include salaries, travel and entertainment, rent, office expense, telephone expense and insurance costs. The penalty charge, which is calculated monthly at 2% of the outstanding amounts of convertible notes and unpaid interest on the notes, was \$149,819 for three months ended June 30, 2012, increased by \$14,720 compared to \$135,099 of the same period of 2011. The decrease in general and administrative expenses was mainly due to tight control over such expenses under tight cash flow circumstances.

Selling Expenses

The Company incurred no selling expenses during the second quarter of 2012 and 2011, respectively.

Research and Development

Research and development expense for the three months ended June 30, 2012 reflected a slight decrease of \$826 or 2.0% from \$40,317 in the three months ended June 30, 2011 to \$39,491 for the same period of 2012.

Interest Expenses

Net interest expense was \$78,226 in the three months ended June 30, 2011 and \$63,164 in the same period of 2012, representing a \$15,062 or 19.3% decrease. The decrease in interest expenses was due to decreased amount of interest for incurred on Company's credit cards.

Net Loss

During the three months ended June 30, 2011, net loss was \$346,325 comparing with \$453,244 for the same period of 2012, representing a decrease of \$106,919 or 23.6%. This decrease primarily resulted from decrease in general and administrative expenses and interest expenses.

Comprehensive Loss

Comprehensive loss decreased by \$248,986 or 46.4% to \$288,194 for the three months ended June 30, 2012, as compared to \$537,180 for the comparable period of 2011. This increase resulted from a change in translation adjustments of \$142,067 in addition to reasons stated above.

Results of Operations for Six Months Ended June 30, 2012 and 2011

Net Sales

Net sales were nil for the six months ended June 30, 2012 and 2011, respectively. The Company did not generate any sales revenue during the first half of 2012 and 2011 mainly due to severe market conditions.

Cost of Sales

Cost of sales were nil during first half of 2012 and 2011. This was mainly due to no net sales.

Gross Profit

Gross profit for the six months ended June 30, 2012 and 2011 were nil, since there were no net sales during both periods.

General and Administration

General and administration expenses for six months ended June 30, 2012 and 2011 were \$490,102 and \$711,481, respectively, representing a \$221,379 or 31.1% decrease. General and administrative expenses include salaries, travel and entertainment, rent, office expense, telephone expense and insurance costs. The penalty charge, which is calculated monthly at 2% of the outstanding amounts of convertible notes and unpaid interest on the notes, was \$295,978 for six months ended June 30, 2012, increased by \$29,427 compared to \$266,551 of the same period of 2011. The decrease in general and administrative expenses was mainly due to tight control over such expenses under tight cash flow circumstances.

Selling Expenses

The Company incurred no selling expenses during the second first half of 2012 and 2011, respectively.

Research and Development

Research and development expense for the six months ended June 30, 2012 reflected a slight increase of \$970 or 1.2% from \$78,284 in the six months ended June 30, 2011 to \$79,254 for the same period of 2012.

Interest Expenses

Net interest expense was \$126,324 in the six months ended June 30, 2012 and \$140,179 in the same period of 2011, representing a \$13,855 or 9.9% decrease. The decrease in interest expenses was due to decreased amount of interest for incurred on Company's credit cards.

Net Loss

During the six months ended June 30, 2012, net loss was \$695,680, comparing with \$929,944 for the same period of 2011, representing a decrease of \$234,264 or 25.2%. This decrease primarily resulted from decrease in general and administrative expenses and interest expenses.

Comprehensive Loss

Comprehensive loss decreased by \$393,904 or 36.7% to \$679,226 for the six months ended June 30, 2012, as compared to \$1,073,130 for the comparable period of 2011. This decrease resulted from a decrease in net loss and change in translation adjustments of \$159,640 from negative translation adjustment of \$143,186 during corresponding period of 2011 to positive translation adjustments of \$16,454 in current period in addition to reasons stated above.

Liquidity and Capital Resources

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 six months ended June 30, 2012, amount related parties advanced to the Company, net of repayment by the Company to related parties was \$146,951. As of June 30, 2012, our current liabilities exceeded current assets by \$11,232,320, reflecting a current ratio of 0.004:1. Comparably, as of December 31, 2011, our current liabilities exceeded current assets by \$10,550,849, denoting a current ratio of 0.005:1.

As of June 30, 2012 and December 31, 2011, we had cash of \$4,268 and \$16,307, respectively. Changes in cash balances are outlined as follows:

During the six months ended June 30, 2012, our operations utilized cash of \$162,509 as compared with \$348,930 in the same period of 2011. Cash was mainly used for working capital for public company operation.

During the six months ended June 30, 2012 and 2011, we invested nil for investing activities.

During the first half of 2012, our financing activities incurred net cash inflow of \$146,951, comparably, during the six months ended June 30, 2011, we generated \$428,243 from financing activities, all of them are generated from advances or loans from related parties, net of repayment to related parties.

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 2012 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 6 to the Consolidated Financial Statements under Item 1 in Part I.

Off-Balance Sheet Arrangements

At June 30, 2012, 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

Foreign Currency Exchange Rate Risk

All of our revenues and the majority of our expenses and liabilities incurred are in RMB. Thus, our revenues and operating results may be impacted by exchange rate fluctuations of RMB. Up to now, we have not reduced our exposure to exchange rate fluctuations by using hedging transactions or any other measures to avoid our exchange rate risks. Accordingly, we may experience economic losses and negative impacts on earnings and equity as a result of foreign exchange rate fluctuations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls.

Our management, under the supervision and with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), 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 CEO and CFO, to allow timely decisions regarding required disclosures. Based on their evaluation, our CEO and CFO have concluded that, as of June 30, 2012, our disclosure controls and procedures were ineffective.

Our management has conducted, with the participation of our CEO and CFO, an assessment, including testing of the effectiveness, of our disclosure controls and procedures as of June 30, 2012. 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, 2012.

The specific material weakness identified by the Company's management as of June 30, 2012 are described as follows:

- 1 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.
 - 1 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, 2012. 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, 2012 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

On December 22, 2009, Tianjin Kiwa filed a lawsuit against Challenge Feed in the local court of Wuqing District, Tianjin, where Kiwa Tianjin is domiciled. In the lawsuit, Kiwa Tianjin asserted that Challenge Feed unlawfully disposed of the assets held by Kiwa Tianjin, such assets include:

(1) Machinery and equipment. Challenge Feed entered into a settlement agreement with one of its creditors, in accordance with which Challenge Feed agreed to transfer title of the machinery and equipment, which had been assigned to Kiwa Tianjin in 2006 in connection with the establishment of Kiwa Tianjin as a joint venture between the Company and Challenge Feed, to repay Challenge Feed's debt. Challenge Feed did not obtain Kiwa Tianjin's consent nor inform Kiwa Tianjin of such transfer.

(2) Inventories. Kiwa Tianjin had a long standing agreement to lease Challenge Feed's factory facilities and warehouse for the storage of its inventory. Challenge Feed disposed of Kiwa Tianjin's inventories including raw materials, packaging and finished goods stored in the factory to repay Challenge Feed's debt without the permission of Kiwa Tianjin.

The local court of Wuqing District ruled that the local court would not examine the lawsuit against Challenge Feed since Challenge Feed entered into bankruptcy proceedings and that all related matters would be solved during Challenge Feed's bankruptcy proceedings.

On December 27, 2011, Challenge Feed's bankruptcy administrator informed the Company that the bankruptcy court has granted the Company's request to repossess the machinery and equipment and Kiwa Tianjin's bio-enhanced feed production lines that was positioned in Challenge Feed's domicile. If the Company fails to repossess such machinery and equipment before December 31, 2011, the Company would then be responsible for losses resulting from any damages to the machinery and equipment after such date. On February 9, 2012, the Company sold such machinery and equipment for \$8,000.

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, 2011, which could materially affect our business, financial condition, or future results. During the three months ended June 30, 2012, there have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011.

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 has informed the Purchasers of its inability to repay the outstanding balance on the due date. Therefore, the 6% Notes are 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. The maturity date for the 2% Notes was January 31, 2011.

The Company has informed the Purchasers of its inability to repay the outstanding balance on the due date. Therefore, the 2% Notes are in default.

Item 4. Mine safety disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of 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 Schema
101.CAL *	XBRL Taxonomy Calculation Linkbase

101.DEF
* XBRL Taxonomy Definition Linkbase

101.LAB
* XBRL Taxonomy Label Linkbase

101.PRE * XBRL Taxonomy Presentation Linkbase

* Furnished herewith. XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

21

SIGNATURES

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

KIWA BIO-TECH PRODUCTS GROUP CORPORATION

(Registrant)

/s/ Wei Li August 29, 2012 Chief Executive Officer and Chairman of the Board of Directors
Wei Li (Principal Executive Officer)

/s/ Steven Ning Ma August 29, 2012 Chief Financial Officer
Steven Ning Ma (Principal Financial Officer and Principal Accounting Officer)