KIWA BIO-TECH PRODUCTS GROUP CORP
Form 10-K
March 31, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K**

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013

OR

.. 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**<br>(State or other jurisdiction of<br>incorporation or organization) | **77-0632186**<br>(I.R.S. Employer Identification No.) |

**310 N. Indian Hill Blvd., #702**
**Claremont, California 91711**
(Address of principal executive offices)
**(626) 715-5855**

(Registrant's telephone number,
including area code)

| | |
|---|---|
| Securities registered pursuant to<br><br>Section 12(b) of the Act: | Securities registered pursuant to<br><br>Section 12(g) of the Act: |
| | (Title of Each Class) |
| **None** | **Common Stock, $0.001 par value** |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ¨ Yes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ¨ Yes x No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.¨ Yes x No

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

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

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

The aggregate market value of voting and non-voting common stock held by non-affiliates of the registrant, based upon the closing bid quotation for the registrant's common stock, as reported on the OTC Bulletin Board quotation service, as of June 28, 2013, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $400,000.

The number of shares of registrant's common stock outstanding as of March 28, 2014 was 400,000,000.

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Part I

**Special Note Regarding Forward-Looking Statements**

On one or more occasions, we may make forward-looking statements in this Annual Report on Form 10-K regarding our assumptions, projections, expectations, targets, intentions or beliefs about future events. Words or phrases such as "anticipates," "may," "will," "should," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "targets," "will continue" or similar expressions identify forward-looking statements. These forward-looking statements are only our predictions and involve numerous assumptions, risks and uncertainties, including, but not limited to those listed below and those business risks and factors described elsewhere in this report and our other Securities and Exchange Commission filings.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, your attention is directed to any further disclosures made on related subjects in our subsequent annual and periodic reports filed with the Securities and Exchange Commission on Forms 10-K, 10-Q and 8-K and Proxy Statements on Schedule 14A.

References herein to "we," "us," "our" 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.

ITEM 1. Business

The Company

We are the result of a share exchange transaction completed in March 2004 between the shareholders of Tintic Gold Mining Company ("Tintic"), a corporation originally incorporated in the state of Utah on June 14, 1933 to perform mining operations in Utah, and 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. 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, we completed our reincorporation in the State of Delaware.

We established our subsidiary in China, Kiwa Bio-Tech Products (Shandong) Co., Ltd. (“Kiwa Shandong”) in 2002 and Tianjin Kiwa Feed Co., Ltd. (“Kiwa Tianjin”) in July 2006. Effective on July 11, 2012, the Company dissolved Kiwa Tianjin. The following chart summarizes our organizational and ownership structure.

1

We develop, manufacture, distribute and market innovative, cost-effective and environmentally safe bio-technological products for agriculture. Our products are designed to enhance the quality of human life by increasing the value, quality and productivity of crops and decreasing the negative environmental impact of chemicals and other wastes.

**Bio-fertilizers**

We have developed a number of bio-fertilizers and are continuing to develop new products in this area. In 2002, Kiwa BVI chartered Kiwa Shandong, a wholly-owned subsidiary organized under the laws of the PRC, as its offshore fertilizer manufacturing base to capitalize on low cost, high quality manufacturing advantages available in China. In October 2003, Kiwa Shandong completed the first phase of construction of its manufacturing facility in Shandong Province, China. In November 2003, Kiwa Shandong began shipping its bio-fertilizer products to the agricultural market in China. Since then, we have been devoted to expanding our market share.

In June 2008, Kiwa Shandong received approval from the Ministry of Commerce of the PRC to sell fertilizer products of other manufacturers on a wholesale basis, including chemical fertilizers, complex fertilizers, and compound fertilizers. Based on applicable tax laws in China, these products will be exempt from value-added tax.

During the last three years, the Company did not produce any products, had no market and failed to generate any revenue of material importance. However, during 2013, the Company successfully settled its outstanding Convertibles Notes with certain of its Convertible Notes Purchasers (See Note 8 “Convertible Notes Payable” in Notes to Consolidated Financial Statements).

**Bio-enhanced Feed**

On July 11, 2006, we entered into a joint venture with Tianjin Challenge Feed Co., Ltd. (“Challenge Feed”) to develop, manufacture, and market biologically enhanced feed for livestock. Pursuant to the joint venture agreement between the Company and Challenge Feed, we formed Tianjin Kiwa Feed Co., Ltd. (“Kiwa Tianjin”), a company organized and operating under the laws of the PRC, and the Company invested $480,000 in cash in return for an 80% equity share of Kiwa Tianjin and Challenge Feed invested machinery and equipment used in one of Kiwa Tianjin’s two bio-enhanced feed production lines with an agreed value of $120,000 for the remaining 20% equity. We also leased another production line from Challenge Feed.

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, 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 storage of its inventory. Challenge Feed disposed of Kiwa Tianjin’s inventories including raw materials, packages and finished goods stored in the factory to repay Challenge Feed’s debt without permission from 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.

At the end of 2009, Kiwa Tianjin could no longer use these assets, which included machinery and inventory, in the normal course of operations. In addition, because Kiwa Tianjin has no offices or assets it has not been able to register as a feed manufacturer with the applicable regulatory authorities and is also unable to meet the annual inspection requirements, which could result in a revocation of Kiwa Tianjin's business license.

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.

Effective on July 11, 2012, the Company dissolved Kiwa Tianjin. The Company recorded a gain of approximately $113,000 during the year ended December 31, 2012 based on the discharge of the excess liabilities over the assets of the Kiwa Tianjin.

Strategies

With the world's largest population to feed, China's demand for agricultural products is immense. Problems with pollution and soil contamination have increased pressure on the Chinese government to conserve land and enhance environmental protection. Serious diseases such as H5N1 avian flu are spreading around the world and have threatened animal husbandry. More critically, such diseases have threatened the health and safety of humans through possible bird to human and human to human transmission. China thus faces an urgent need to improve unit land yield, prevent and treat such diseases, and reduce pollution. We plan to address this need through the development of our ag-biotech inputs which may resolve many of these problems in environmentally friendly ways. To exploit this opportunity, our core strategies are as follows:

***General Operational Strategy***

- Build a platform for world-class biotechnological research and development results to be commercialized into products for applications in agriculture;
- Invest in mature technologies that will not require substantial research and development to commercialize;
- Utilize proprietary technology to supply ag-biotech inputs to the market at lower cost than our competitors;
- Construct or acquire new production facilities, and improve existing facilities to improve our manufacturing capability in China;

- Build and strengthen our “KIWA” brand which will increase our ability to become one of the leading companies in China’s “biological, safe and environment-friendly” agricultural inputs industry;

- Establish strategic alliances for research and development, sales and distribution and customer acquisition with complimentary entities in the biological-agriculture industry; and

- Enhance our overall management systems, operational structure and corporate governance.

***Sales Strategy***

- Our sales strategy involves utilizing both a direct sales force and distribution networks. Our distribution efforts are expected to include the following:

  - Choosing green food/organic food planting bases or other demonstrative agricultural products producers, carrying out regional field tests, fanning out from a point to an area, cultivating market network;

  - Leveraging government and industrial organizations (such as “China Green Food Association”) to strengthen existing sales networks in rural areas, thereby reaching end-users in a more cost-effective manner; cutting off selling expenses incurred during middle tiers of supply chain to boost end-user’s value;

- Cooperating with special agricultural production materials distributors who also help farmers resell their products; focusing on large-to-medium size wholesalers of agricultural production materials at provincial and municipal levels;

- Establishing a three-level distribution network consisting of a company-centralized sales office, prefectural representative offices, and direct distributors in villages and towns; and

- Leveraging existing sales channels and network of affiliates' products to save costs of building the network from scratch.

***<u>Strategy Regarding Customers</u>***

1 Our targeted customers include major agricultural companies and growers that can realize significant financial benefits from using our products including:

- Chinese agricultural products producers that provide high value-added agricultural products (such as fruits, vegetables, meat, eggs that meet the requirements of green food/organic food) ;

- Agricultural products producers located in China who are exporting to Japan, Korea, Europe, US, and other regional markets of the world;

- Chinese agricultural products producers who have generated internal needs of ag-biotech inputs to solve the problems of soil-caused diseases, anti-biotic drug tolerance, leftover and others; and

- "Green" or organic growers throughout the world.

Given the global trend of customers favoring environmentally safe green food and organically grown food, producers' needs for higher yields and better quality, we also foresee strong market needs in other international markets including East Asia and Southeast Asia. We plan to explore these markets when the time is right.

<u>Intellectual Property and Product Lines</u>

Our goal is to build a platform to commercialize bio-technological research and development results for applications in agriculture and environmental protection. In this respect, we are working on developing cooperative research relationships with several universities and institutions in China. When our liquidity position improves, we also intend to continue to acquire technologies to reduce research and development costs and shorten commercialization cycles.

**Bio-fertilizers**

We have developed six bio-fertilizer products with bacillus spp and/or photosynthetic bacteria as core ingredients. Some of our products contain ingredients of both photosynthesis and bacillus bacteria. Bacillus spp is a species of bacteria that interacts with plants and promotes biological processes. It is highly effective for promoting plant growth, enhancing yield, improving quality and elevating resistances. Photosynthetic bacteria are a group of green and purple bacteria. Bacterial photosynthesis differs from green plant photosynthesis in that bacterial photosynthesis occurs in an anaerobic environment and does not produce oxygen. Photosynthetic bacteria can enhance the photosynthetic capacity of green plants by increasing the utilization of sunlight, which helps keep the photosynthetic process at a vigorous level, enhances the capacity of plants to transform inorganic materials to organic products, and boosts overall plant health and productivity.

Our bacillus bacteria based fertilizers are protected by patents. In 2004, we acquired patent no. ZL 93101635.5 entitled “Highly Effective Composite Bacteria for Enhancing Yield and the Related Methodology for Manufacturing” from China Agricultural University (“CAU”) for the aggregate purchase of $480,411, consisting of $60,411 in cash and 1,000,000 shares of our common stock, valued at $0.42 per share (aggregate value of $420,000). Our photosynthetic bacteria based fertilizers are also protected by trade secret laws.

The patent acquired from CAU covers six different species of bacillus which have been tested as bio-fertilizers to enhance yield and plant health. The production methods of the six species are also patented. The patent has expired on February 19, 2013.There are no limitations under this agreement on our exclusive use of the patent. Pursuant to our agreement with CAU, the University agreed to provide research and technology support services at no additional cost to us in the event we decide to use the patent to produce commercial products. These research and technology support services include: (1) furnishing faculty or graduate-level researchers to help bacteria culturing, sampling, testing, trial production and production formula adjustment; (2) providing production technology and procedures to turn the products into powder form while keeping live required bacteria in the products; (3) establishing quality standards and quality control systems; (4) providing testing and research support for us to obtain necessary sale permits from the Chinese government; and (5) cooperation in developing derivative products.

On January 5, 2011, the State Intellectual Property Office of the PRC (“Intellectual Property Office”) granted Kiwa Shandong two Certificates of Patent of Invention for (1) “A cucumber dedicated composite anti-continuous cropping effect probiotics and their specific strains with related application” with patent number of “ZL 2008 1 0144492.6”; and (2) “Cotton dedicated composite anti-continuous cropping effect probiotics and their special strains with related application” with patent number of “ZL 2008 1 0144491.1” These two patents have been developed by Kiwa-CAU R&D Center. These two patents will expire on August 5, 2028. These two patents can be used to develop specific environment-friendly bio-fertilizer.

We have obtained five fertilizer registration certificates from the Chinese government - four covering our bacillus bacteria fertilizer and one covering our photosynthetic bacteria fertilizer. The five registration certificates are: (1) Microorganism Microbial Inoculum Fertilizer Registration Certificate issued by the PRC Ministry of Agriculture; (2) Photosynthetic Bacteria Fertilizer Registration Certificate issued by the PRC Ministry of Agriculture; (3) Amino Acid Foliar Fomular Fertilizer Registration Certificate issued by the PRC Ministry of Agriculture; (4) Organic Fertilizer Registration Certificate issued by Agriculture Department of Shandong Province; and (5) Organic Matter-Decomposing Inoculants Registration Certificate issued by the PRC Ministry of Agriculture on February 16, 2008. Protected by these five fertilizer registration certificates and five trademarks under the names of “KANGTAN” (Chinese translation name for Kiwa), “ZHIGUANGYOU,” “PUGUANGFU,” “JINWA” and “KANGGUAN,” we have developed six series of bio-fertilizer products with bacillus spp and/or photosynthetic bacteria as core ingredients. Valid period of fertilizer registration certificates is five years and be extended for another five years upon application from the owner of fertilizer registration certificates.

**Kiwa-CAU Research and Development Center**

In July 2006, we established a new research center with CAU through our subsidiary, Kiwa Shandong, which known as Kiwa-CAU Bio-Tech Research & Development Center (the “Kiwa-CAU R&D Center”). Pursuant to an agreement between CAU and Kiwa Shandong dated November 14, 2006, Kiwa Shandong agreed to contribute RMB 1 million (approximately $165,188) each year to fund research at Kiwa-CAU R&D Center. Under the above agreement, the Kiwa-CAU R&D Center is responsible for fulfilling the overall research-and-development functions of Kiwa Shandong, including: (1) development of new technologies and new products (which will be shared by Kiwa and

CAU); (2) subsequent perfection of existing product-related technologies; and (3) training quality-control personnel and technicians and technical support for marketing activities. The Company has spent $165,188 and $159,059 for its research and development activities during the years ended December 31, 2013 and 2012, respectively. The costs incurred by Company’s research and development activities are not borne directly by customers.

During fiscal 2013, Kiwa-CAU R&D Center concentrated on the following activities:

1. Screening of growth-promoting bacteria;

2. Screening of bio-control bacteria;

3. Screening of environmental microbiology; and

4. Studying on fermentation technology and related production process.

During fiscal 2013, Kiwa-CAU R&D Center had successfully isolated several strains of endophytic bacillus from plants. A number of strains had been observed to have the capability of boosting crop yield and dispelling chemical pesticide residual from soil. These strains could be used for developing not only new biological preparation but also environmental protection preparation.

Market Overview

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Modern agricultural practices largely rely on heavy use of chemical fertilizers, pesticides and veterinary drugs that can cause tremendous harm to the environment, soils and human health. Such practices have been under an increasing public scrutiny across the world, leading to an increased consumer demand for agricultural practices that are more environmentally friendly. China has only 9.26% of the world's arable land but needs to feed over 1.3 billion people, or approximately 22.9% of the world's population. If the situation continues unchanged, the largest population in the world could potentially face severe food and water shortages and an increasingly polluted living environment. One solution to the environmental problem is to develop environmentally friendly fertilizers, veterinary drugs and animal feed.

Competition

**Bio-fertilizer**

The Company believes that there are about 400 producers of microbial fertilizers in China, most of which are small-scale, workshop producing enterprises with backward equipment and production processes and poor quality. Some of the producers over-exaggerate product effectiveness, employ improper artifice and even produce fake and shoddy products, all of which have caused losses to farmers and lowered the reputation of bio-fertilizer.

Due to the unique products that we offer and the very early stage of the bio-fertilizer market in China, we believe there is a limited direct competition for our products in the Chinese marketplace. We believe that we have product differentiation and cost advantages (cost to customer) which will enable us to be more profitable than our competitors for the following reasons, among others:

- Highly effective in boosting crop yield and quality while being environmentally friendly;

- Lower price point and higher return on investment to end users; and

- Complimentary to existing use of chemical fertilizer which will help minimize switching costs for end users.

In addition, we face competition from large chemical fertilizer manufacturers in China. These chemical fertilizer manufacturers have provided chemical fertilizers to farmers in China for more than twenty years and customers are more accustomed to using their established products as compared to our products.

Raw Materials and Suppliers

The key raw materials used in manufacturing of our products are available from a wide variety of supply sources. Historically, we have not experienced any difficulties in procuring adequate quantities of raw materials for use in our bio-fertilizer and biologically enhanced livestock feed production. We do not have long-term agreements with our suppliers due to the availability of other numerous suppliers that have the ability to supply our required raw materials to us on fairly short notice. We typically place purchase orders when we need raw material supplies.

The major raw materials for our bio-fertilizer production can be divided into two categories: (1) growth media such as sodium acetate, glucose and turf for culturing bacillus spp., and (2) photosynthetic and bacillus bacteria, which are the core ingredients for our finished products. Some other main ingredients include urea, aminophenol, humus, diammonium phosphate, and dipotassium hydrogen phosphate. Prior to the completion of our bacillus manufacturing facility upgrade in Shandong, we had purchased semi-manufactured bacillus goods.

In fiscal 2013, we did not purchase any raw materials from any suppliers. During 2013, the Company did not have any principal suppliers.

Customers

Our principal business generated no revenue during 2013 and 2012, thus as of December 31, 2013 and 2012, we had no customers.

Seasonality

Our operating results are expected to be subject to seasonal trends if we successfully develop new products and acquire customers. This trend is dependent on numerous factors, including the markets in which we operate, growing seasons, climate, economic conditions, and numerous other factors beyond our control. Generally, we expect the second and third quarters to be stronger than the first and fourth quarters, primarily because the second and third quarters correspond with the growing seasons in our primary markets in China. It is during those growing seasons when application of our products by our customers would be most beneficial and we therefore expect greater demand for our products during those periods. There can be no assurance that these operating patterns will occur or continue.

Employees

We currently employ 7 full-time employees in China, including seven management staff, and one employee in the United States.

Available Information

The Company files or furnishes Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, registration statements, and other items with the Securities and Exchange Commission (SEC). The Company provides access free of charge to all of these SEC filings, as soon as reasonably practicable after filing or furnishing, on its Internet site located at http://www.kiwabiotech.com/tuoziy.htm?eid=12. The Company will also make available to any stockholder, without charge, copies of its Annual Report on Form 10-K as filed with the SEC.

The public may read and copy any materials and files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549, on official business days during the hours of 10 a.m. to 3 p.m. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Regulatory Concerns

Our production must comply with bio-fertilizer, livestock feed production, and testing procedure standards promulgated by the PRC Ministry of Agriculture and local administrative authorities. We have complied with the applicable PRC government standard production and testing procedures. The amount of costs incurred in connection with compliance with environmental laws during fiscal 2013 and 2012 was immaterial.

Environmental Matters

Our manufacturing facilities, Kiwa Shandong, have passed environmental impact assessments by local environmental authorities. Photosynthesis bacteria, bacillus ssp, and actinomycetes are environmentally friendly and are not known to cause any environmental problems.

ITEM 1A.Risk Factors

We operate in a market environment that is difficult to predict and involves significant risks and uncertainties, many of which are beyond our control. The following risk factors and other information included in this annual report should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks occur, our business, financial condition, operating results, and cash flows could be materially adversely affected.

(1) Risks Related to Our Business

**We have not yet generated any profits and if we do not become profitable or obtain additional funding to implement our business plan our ability to continue as a going concern is in doubt.**

The Company’s ability to continue as a going concern is in doubt. We expect to continue to have operating losses for the foreseeable future as we are still in the process of exploring new markets and conducting further research and product tests. We will require additional capital to implement our business plan and continue operating. 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 or cease operations and consider a formal or informal restructuring or reorganization.

Our independent auditors have added an explanatory paragraph to their audit opinion issued in connection with our financial statements for the latest nine fiscal 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.

**We did not have any customers in 2013 and 2012 and we are still in the initial stage of market development.**

We do not have long-term contracts with any of our customers. Generally, we intend to sign an annual distribution agreement with each customer and purchases should in most cases occur on an order-by-order basis. Relationships exist as long as there is a perceived benefit to both parties. A decision by a major customer, whether motivated by competitive considerations, financial difficulties and economic conditions or otherwise, to decrease its purchases from us or to change its manner of doing business with us, could adversely affect our business and financial condition.

During fiscal 2013 and 2012, our principal business did not generate any sales revenue. We did not have any customers during both periods.

We are still in the initial stage of market development and need more time to construct a robust customer base. If we successfully develop new products and gain customers, there can be no assurance that we will be able to retain these customers. Our inability to generate new customers and retain old customers could negatively impact our business and our ability to continue as a going concern.

**If we successfully develop new products and gain customers, our business is expected to be subject to seasonal fluctuations.**

Our operating results are expected to be subject to seasonal trends. This trend is dependent on numerous factors, including the markets in which we operate, growing seasons, climate, economic conditions and numerous other factors beyond our control.

**Our operating results may fluctuate significantly, which may result in volatility or have an adverse effect on the market price of our common stock.**

We expect to experience, substantial variation in our net sales and operating results from quarter to quarter. Our business is expected to be subject to seasonal fluctuations due to growing seasons in different markets. We believe the factors that influence this variability of quarterly results include:

- the timing and size of orders from major customers;
- budgeting and purchasing cycles of customers;
- the timing of enhancements to products or new products introduced by us or our competitors;
- changes in pricing policies made by us, our competitors or suppliers, including possible decreases in average selling prices of products in response to competitive pressures;
- fluctuations in general economic conditions;
- the status of operating cash flow; and
- natural disasters and contagious animal diseases.

We may also choose to reduce prices or increase spending in response to competition or pursue new market opportunities. Due to fluctuations in our revenue and operating expenses, we believe that period-to-period comparisons of our results of operations are not a good indication of our future performance. It is possible that in some future quarter or quarters our operating results will be below the expectations of securities analysts or investors. In that case, our stock price could fluctuate significantly or decline.

From January 1, 2013 to December 31, 2013, the market close price for our common stock as quoted on the OTC Bulletin Board has ranged from a low of $0.0006 to a high of $0.0046 per share. High volatility in the market price of our common stock may result in lower prices for our common stock, making it more difficult for us to obtain equity financing on terms and conditions which are favorable to us, if at all. We expect to continue to incur losses in the future as we develop and market our initial products. As a result, we will be dependent on additional debt or equity financing to fund our operations. If such financing is not available on terms which are acceptable to us, we may have to delay development of new products and/or reduce sales and marketing efforts for our existing products. Such actions may have an adverse effect on our results of operations. In addition, uncertainties with respect to our ability to raise additional capital would make operational planning more difficult for management.

**Our success depends in part on our successful development and sale of products which are currently in the research and development stage.**

Some of our product candidates are still in the research and development stage. The successful development of new products is uncertain and subject to a number of significant risks. Potential products that appear to be promising at early stages of development may not reach the market for a number of reasons, including but not limited to, the cost and time of development. Potential products may be found to be ineffective or cause harmful side effects, fail to receive necessary regulatory approvals, be difficult to manufacture on a large scale or be uneconomical or fail to win market acceptance. Our failure to develop and sell new products may delay or eliminate future acquisition plans and would most likely slow our development. Our plans to introduce additional proprietary products may not be realized as expected, if at all.

As above mentioned, the China bio-fertilizer market is still in a very early stage and is very fragmented with many potential customers, but with no single producer or small group of producers dominating the market. To some extent, however, we also face competition from large chemical fertilizer manufacturers in China. These chemical fertilizer manufacturers have provided chemical fertilizers to farmers in China for over twenty years and customers are more accustomed to using their established products as compared with new products.

There can be no assurance that any of our intended products will be successfully developed or that we will achieve significant revenues from such products even if they are successfully developed. Our success is dependent upon our ability to develop and market our products on a timely basis. There can be no assurance that we will be successful in developing or marketing such products or taking advantage of the perceived demand for such products. In addition, there can be no assurance that products or technologies developed by others will not render our products or technologies non-competitive or obsolete.

**Failure to adequately expand to address expanding market opportunities could have a material adverse effect on our business and results of operations.**

We anticipate that a significant expansion of operations will be required to address potential market opportunities. There can be no assurance that we will expand our operations in a timely or sufficiently large manner to capitalize on these market opportunities. The anticipated substantial growth is expected to place a significant strain on our managerial, operational and financial resources and systems. While management believes it must implement, improve and effectively use our operational, management, research and development, marketing, financial and employee training systems to manage anticipated substantial growth, there can be no assurance that these practices will be successful.

**Our success depends in part upon our ability to retain and recruit key personnel.**

Our success is highly dependent upon the continued services of our executive officers, key product development and scientific personnel. Given the intense competition for qualified management and product development personnel in our industry, the loss of the services of any key management or product development personnel may significantly and detrimentally affect our business and prospects. We maintain employment agreements with all members of management or key personnel. Pursuant to our joint agreement with CAU, it must make available at least six R&D staff to join the Kiwa-CAU R&D Center, at least three of which must have professor or doctorate degrees, and at least two must have master degrees. There can be no assurance that we will be able to retain these personnel, and it may be time-consuming and costly to recruit qualified personnel replacement.

**We currently do not have sufficient revenues to support our business activities, expect operating losses continue, and will require additional financing which we may not be able to secure.**

We require substantial working capital to fund our business. In the short term, we still need to continue building out our bio-fertilizer manufacturing facility, adjust our product formula to improve product stability and optimize our product offerings, expand our sales and marketing efforts in China, expand our distribution base in China, maintain the Kiwa-CAU R&D Center operation, introduce new veterinary drug products and acquire a small or medium sized biotechnology company or a factory with GMP qualification for this new product. In the long term, we plan to become a commercialization platform for world-class biotechnological research and development results for applications in agriculture, natural resources conservation and environment protection, launch our products in the Southeast Asia, United States and other markets, continue our introduction of new products, create formal strategic alliances with selected United States companies to co-develop and/or co-market products in the United States and China, and form an international biotechnology research center in China for the research and development of agricultural, environmental and medical applications.

During fiscal 2013 and 2012, our sales revenue was $nil, and we are continuing to experience losses. 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 and finance our research and development activities. Funding, whether from a public or private offering of debt or equity, a bank loan or a collaborative agreement, may not be available when needed or on favorable terms. Further, any significant equity or debt financing will require us to give priority to holders of the 6% secured convertible notes ("6% Notes") under the terms of a securities purchase agreement dated June 29, 2006, which may raise the difficulty level of completing a financing. (For more details regarding the 6% Notes see Note 8 to consolidated financial statements under Item 8, Part II.) If we are unable to obtain necessary financing in the amounts and on terms deemed acceptable, we will have to limit, delay, scale back or eliminate our research and development activities or future operations. Any of the foregoing may adversely affect our business and cause us to discontinue as a going concern.

**The risks associated with raising capital through collaborations and licensing agreements could adversely affect our business.**

We will be required to raise additional capital to fund our operations and finance our research and development activities through collaborative and/or licensing agreements. Under these agreements, we may be subject to various restrictive covenants which could significantly limit our operating and financial flexibility and may limit our ability to respond to changes in our business or competitive environment. If we are unable to obtain necessary financing in the amounts and on terms deemed acceptable, we may have to limit, delay, scale back or eliminate our research and development activities or future operations. Any of the foregoing may adversely affect our business.

**Restrictions on currency exchange may limit our ability to effectively receive and use our revenue.**

Since most of our future revenues may be in the form of China Renminbi, any future restrictions on currency exchanges may limit our ability to use revenue generated in Renminbi to fund our business activities outside China or to make dividend or other payments in U.S. Dollars. Although the Chinese government introduced regulations since 1996 to allow greater convertibility of Renminbi, for current account transactions, significant restrictions still remain, including primarily the restriction that foreign invested enterprises may only buy, sell and/or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial documents. In addition, conversion of Renminbi for capital account items, including direct investment and loans, is subject to governmental approval in China, and companies are required to open and maintain separate foreign exchange accounts for capital account items. We cannot be certain that the Chinese regulatory authorities will not impose more stringent restrictions on the convertibility of Renminbi, especially with respect to foreign exchange transactions.

We may also be subject to foreign exchange risk and foreign ownership restrictions. The Chinese government is loosening its control on foreign exchange transactions, and has steadily appreciated Renminbi relative to the U.S. dollar since July 2005. However, there can be no assurance that this policy will continue. More liberal foreign exchange policies will reduce our foreign exchange risk by increasing the liquidity of revenues generated in Renminbi. Fluctuations in the exchange rate of Renminbi against the U.S. Dollar could adversely affect our results of operations by affecting our reported earnings for any given period. In addition, foreign ownership restrictions could also impact our ability to expand our business through investment and acquisition opportunities. If we are unable to pursue such strategic opportunities due to foreign ownership regulations, the growth of our business could be limited.

**Changes in China's political, social, economic or legal systems could materially harm our business.**

All of our manufacturing and production as well as the majority of our sales occur in China. Consequently, an investment in our common stock may be adversely affected by the political, social and economic environment in China. Under its current leadership, China has been pursuing economic reform policies, including the encouragement of private economic activities and greater economic decentralization. There can be no assurance, however, that the Chinese government will continue to pursue such policies, that such policies will be successful if pursued, or that such policies will not be significantly altered from time to time.

Our business and prospects are dependent upon agreements and regulatory approval with various entities controlled by Chinese governmental instrumentalities. Historically, our operations in China have received relatively favorable treatment from these instrumentalities as a result of the Chinese government's policies of encouraging economic development and innovation, especially in underdeveloped regions. However, our operations and prospects would be materially and adversely affected by a change in China's economic policies, which could make it more difficult for us to obtain necessary approvals from governmental authorities and to obtain economic incentives from governmental authorities. In addition, if the Chinese government elects not to honor certain contracts as a result of political change, it might be difficult to enforce these contracts against such governmental entities in China. In addition, the legal system of China relating to foreign investments is both new and continually evolving, and currently there can be no certainty as to the application of its laws and regulations in particular instances.

**A slow-down in the Chinese economy may adversely affect our growth and profitability.**

The growth of the Chinese economy has been uneven across geographic regions and economic sectors. There can be no assurance that growth of the Chinese economy will be steady or that any recessionary conditions will not have a negative effect on our business. To the extent that there is a slow-down in the Chinese economy, the agricultural industry may be adversely affected. Consequently, the growth and profitability of our bio-fertilizer business and bio-enhanced feed business may slow down. The financial meltdown has significantly slowed down the growth of the world economy. There can be no assurance that Chinese economy and our growth and profitability will not be affected.

**Our ability to generate revenues could suffer if the Chinese ag-biotechnology market does not develop as anticipated.**

The agriculture-biotechnology market in China, the primary market in which we do business, is in the early stages of development. While we believe the market opportunity looks promising, we expect that the market will take several years to develop. While it is difficult to project exactly how long it will take to develop the ag-biotechnology industry in China, we anticipate that it will take at least ten years to reach a level of development that is similar to the current state of the industry in the United States. Successful development of the ag-biotechnology market in China depends on the following: (1) continuation of governmental and consumer trends favoring the use of products and technologies designed to create sustainable agriculture; (2) educating the Chinese agricultural community and consumers about the uses of ag-biotechnology products; and (3) certain institutional developments such as governmental agricultural subsidies designed to promote the use of environmentally friendly ag-biotechnological products.

There are no assurance that these trends will continue, governmental subsidies will be offered, or that the Chinese agricultural community and consumers will be successfully educated about the uses of ag-biotechnology products. The conduct of business in the ag-biotechnology market involves high risks. There can be no assurance that the ag-biotechnology market in China will develop sufficiently to facilitate our profitable operation. While we believe that we will benefit from our first-mover advantage in a growing market, existing competitors and new entrants in the ag-biotechnology market are expected to create fierce competition in the future as the market evolves. Competitors and new entrants may introduce new products into the market that may detrimentally affect sales of our existing products, and consequently our revenues. We intend to fund operations through sales, debt and equity financings until such time as the ag-biotechnology market in China is sufficiently developed to support our profitable operation.

**We may not be able to adequately protect our intellectual property rights, and may be exposed to infringement claims from third parties.**

Our success will depend in part on our ability to obtain patent protection for our technology, preserve our trade secrets, and operate without infringing on the proprietary rights of third parties. We have several trademarks registered in China, which will be protected by the trademark laws in China for ten years and are renewable at the expiration of the initial ten-year term.

We may also file patents with the PRC Intellectual Property Bureau and/or the U.S. Patent and Trademark Office as we deem appropriate, or buy other patents. There can be no assurance that the patents applied for will be reviewed in a timely manner, that any additional patents will be issued or that any patents issued will afford meaningful protection against competitors with similar technology or that any patents issued will not be challenged by third parties. There also can be no assurance that others will not independently develop similar technologies, duplicate our technologies or design around our technologies whether or not patented. There also can be no assurance that we will have sufficient resources to maintain a patent infringement lawsuit should anyone be found or believed to be infringing our patents. There also can be no assurance that the technology ultimately used by us will be covered in any additional patent applications that we may file. We do not believe that our technology infringes on the patent rights of third parties. However, there can be no assurance that certain aspects of our technology will not be challenged by the holders of other patents or that we will not be required to license or otherwise acquire from third parties the right to use additional technology. The failure to overcome such challenges or obtain such licenses or rights on acceptable terms could have a material adverse impact on our results of operations and financial condition.

The processes and know-how of importance to our technology are dependent upon the skills, knowledge and experience of our technical personnel, consultants and advisors and such skills, knowledge and experience are not patentable. To help protect our rights, we require employees, significant consultants and advisors with access to proprietary information to enter into confidentiality and proprietary rights agreements. There can be no assurance, however, that these agreements will provide adequate protection for our trade secrets, know-how or proprietary information in the event of any unauthorized use or disclosure. There can be no assurance that we will be able to obtain a license for any technology that we may require to conduct our business or that, if obtainable, such technology can be licensed at a reasonable cost. The cost of obtaining and enforcing patent protection and of protecting proprietary technology may involve a substantial commitment of our resources. Any such commitment may divert resources from other areas of our operations. We may be required to license or sublicense certain technology or patents in order to commence operations. There can be no assurance that we will be able to obtain any necessary licenses or to do so on satisfactory terms. In addition, we could incur substantial costs in defending ourselves against suits brought by other parties for infringement of intellectual property rights and there can be no assurance that we will have the resources to do so.

**We may become involved in intellectual property litigation, the defense of which could adversely impact our business operations.**

Currently we have two patents in China (1) “A cucumber dedicated composite anti-continuous cropping effect probiotics and their specific strains with related application” (Patent Number: ZL 2008 1 0144492.6), which will expire on August 5, 2028; and (2) “Cotton dedicated composite anti-continuous cropping effect probiotics and their special strains with related application” (Patent Number: ZL 2008 1 0144491.1), which will expire on August 5, 2028.

While we have not received any allegations, complaints or threats of litigation relating to any intellectual property rights, we may, from time to time, become involved in litigation regarding patent and other intellectual property rights. From time to time, we may receive notices from third parties of potential infringement and claims of potential infringement. Defending these claims could be costly and time consuming and would divert the attention of management and key personnel from other business issues. The complexity of the technology involved and the uncertainty of intellectual property litigation increase these risks. Claims of intellectual property infringement also might require us to enter into costly royalty or license agreements. However, we may be unable to obtain royalty or license agreements on terms acceptable to us, or at all. In addition, third parties may attempt to appropriate the confidential information and proprietary technologies and processes used in our business, which we may be unable to prevent and which would harm the businesses and our prospects.

**We face technical risks associated with commercializing our technology which could have a material adverse impact on our business results and operations.**

A key to our future success is the ability to produce our planned animal flu disinfector, livestock feed and bacillus series of products at lower costs than our competitors. Although we are currently utilizing our proprietary technology to produce such products at lower costs, our method for producing such products on a commercial basis has only recently begun. Further, although results from recent independent tests and our early production results have been encouraging, the ability of our technology to commercially produce such products at consistent levels is still being evaluated. There can be no assurance that we will be able to produce products at lower costs than our competitors, or that our technology will be able to commercially produce such products at consistent levels.

**We have no business insurance coverage.**

We do not have any business liability insurance coverage for our operations. Any business disruption, litigation or natural disaster might result in substantial costs and diversion of resources.

**If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results. As a result, current and potential stockholders could lose confidence in our financial reporting, which would harm our business and the trading price of our stock.**

As a public company, we are subject to report on our internal control structure and procedures for financial reporting in our annual reports on Form 10-K, as a requirement of Section 404 of the U.S. Sarbanes-Oxley Act of 2002 by the U.S. Securities and Exchange Commission (the "SEC"). The report must contain an assessment by management about the effectiveness of our internal controls over financial reporting.

As required by Section 404 of the U.S. Sarbanes-Oxley Act, our management has concluded that our internal controls over our financial reporting are ineffective as of December 31, 2013. Any failure to implement and maintain improvements in the controls over our financial reporting, or difficulties encountered in the implementation of any improvements in our controls, could cause us to fail to meet our reporting obligations. Any failure to improve our internal controls to address these identified weaknesses could also cause investors to lose confidence in our reported financial information, which could have a negative impact on the trading price of our stock.

(2) Risk Related to Our Common Stock

**If an active trading market for our securities does not remain in existence, the market price of our securities may decline and stockholders' liquidity may be reduced.**

Our common stock is quoted on the OTC QB; however, trading volume is very limited. We cannot guarantee that we will develop sufficient trading volumes to sustain a regular trading market. The OTC Bulletin Board is an inter-dealer, over-the-counter market that provides significantly less liquidity than the NASDAQ's automated quotation system. Market prices for our common stock will be influenced by a number of factors, including but not limited to: (1) the issuance of new equity securities; (2) changes in interest rates; (3) competitive developments, including announcements by competitors of new products or services or significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments; (4) variations in quarterly operating results; (5) change in financial estimates by securities analysts; (6) the depth and liquidity of the market for our common stock; (7) investor perceptions of our company and the ag-biotechnology industry generally; and (8) general economic and other conditions.

**The designation of our common stock as "penny stock" could impact the trading market for our common stock due to broker-dealer requirements imposed by the designation of our common stock as "penny stock."**

Our common stock is a "penny stock" as defined in Rules 15g-2 through 15g-6 promulgated under Section 15(g) of the Securities Exchange Act of 1934, as amended, as it meets the following definitions: (i) the stock trades at a price less than $5.00 per share; (ii) it is not traded on a "recognized" national exchange, or even if so, has a price less than $5.00 per share; and (iii) is issued by a company with net tangible assets less than $2.0 million, if in business more than a continuous three years, or with average revenues of less than $6.0 million for the past three years. The principal result or effect of being designated as a "penny stock" is that securities broker-dealers cannot recommend the stock but must trade in it on an unsolicited basis.

Section 15(g) of the Securities Exchange Act of 1934, as amended, and Rule 15g-2 promulgated thereunder by the SEC require broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor's account.

Potential investors in our common stock are urged to obtain and read such disclosure carefully before purchasing any shares that are deemed to be "penny stock." Moreover, Rule 15g-9 requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer to (i) obtain from the investor information concerning his or her financial situation, investment experience and investment objectives; (ii) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives. Compliance with these requirements may make it more difficult for holders of our common stock to resell their shares to third parties or to otherwise dispose of them in the market or otherwise.

**Provisions in our charter and the corporate law of our state of incorporation could deter or prevent an acquisition or change of control.**

Provisions of our certificate of incorporation may deter or prevent a change in control of management. Specifically, our certificate of incorporation allows our Board of Directors to issue 20,000,000 shares of preferred stock, in one or more series and with such rights and preferences including voting rights, without further stockholder approval. In the event that the Board of Directors designates additional series of preferred stock with rights and preferences, including super-majority voting rights, and issues such preferred stock, the preferred stock could make our acquisition by means of a tender offer, a proxy contest or otherwise, more difficult, and could also make the removal of incumbent officers and directors more difficult. As a result, these provisions may have an anti-takeover effect. The preferred stock authorized in our certificate of incorporation may inhibit changes of control.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law. That section provides, with some exceptions, that a Delaware corporation may not engage in any of a broad range of business combinations with a person or affiliate, or associate of the person, who is an "interested stockholder" for a period of three years from the date that the person became an interested stockholder unless: (i) the transaction resulting in a person becoming an interested stockholder, or the business combination, is approved by the Board of Directors of the corporation before the person becomes an interested stockholder; (ii) the interested stockholder acquires 85% or more of the outstanding voting stock of the corporation in the same transaction that makes it an interested stockholder, excluding shares owned by persons who are both officers and directors of the corporation, and shares held by some employee stock ownership plans; or (iii) on or after the date the person becomes an interested stockholder, the business combination is approved by the corporation's Board of Directors and by the holders of at least 66 2/3% of the corporation's outstanding voting stock at an annual or special meeting, excluding shares owned by the interested stockholder. An "interested stockholder" is defined as any person that is (a) the owner of 15% or more of the outstanding voting stock of the corporation or (b) an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether the person is an interested stockholder.

These provisions could also limit the price that future investors might be willing to pay in the future for our common stock. This could have the effect of delaying, deferring or preventing a change in control of our Company and/or a change in the members our Board of Directors. The issuance of preferred stock could also effectively limit or dilute the voting power of our stockholders. Accordingly, such provisions of our certificate of incorporation, as amended, may discourage or prevent an acquisition or disposition of our business that could otherwise be in the best interest of our stockholders.

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**Investors should not rely on an investment in our common stock for dividend income as we do not intend to pay dividends in the foreseeable future.**

We do not anticipate paying any cash dividends on our common stock in the foreseeable future.  We intend to retain any earnings to finance the growth of our business. We cannot assure you that we will ever pay cash dividends. Therefore, investors should not rely on an investment in our common stock if they require dividend income. The only income in the foreseeable future such investors will receive from an investment in our common stock will come from increases in the market price of our common stock. There can be no assurance that the market price of our common stock will increase or continue to increase, and such increases will most likely be uncertain and unpredictable. Whether we pay any cash dividends in the future will depend on the financial condition, results of operations and other factors that the Board of Directors will consider.

**Entering into equity or debt financings could result in dilution to existing stockholders.**

We will be required to raise additional capital to fund our operations and finance our research and development activities through a public or private offering of debt or equity securities. Any equity financing could result in dilution to the existing stockholders as a direct result of our issuance of additional shares of our capital stock. Debt financings will result in interest expense and likely subject us to negative covenants that would limit our operational flexibility, and if convertible into equity, could also dilute then-existing stockholders.

For example, we issued $2,450,000 of convertible notes (6% Notes) in 2006, of which $931,829 of principal have been converted into 318,398,409 shares. We also have outstanding 6% Note Warrants to purchase 12,250,000 shares of common stock. The conversion ratio of the 6% Notes and 2% Notes is based on the market price of our stock at any given point in time. Consequently, the number of shares of common stock issuable upon conversion of the outstanding 6% Notes and 2% Notes and certain of our other outstanding convertible notes will increase if the market price of our stock declines. Such debt financings may cause immediate and substantial dilution to our existing stockholders.

**The shares of common stock allocated for conversion of the 6% Notes are not adequate and we are required to amend our certificate of incorporation to increase our authorized shares of common stock. We may incur substantial costs in connection therewith. Since the annual meeting of stockholders did not approve a proposed amendment to our certificate of incorporation, we cannot repay the 6% Notes by issuing shares of common stocks.**

Pursuant to the securities purchase agreement in connection with the 6% Notes, we must reserve for purposes of issuance a number of shares of common stock that is no less than 110% of the number of shares of common stock issuable upon full conversion of the 6% Notes based on the average conversion price of the 6% Notes and full exercise of the 6% Note Warrants based on the average exercise price of the 6% Note Warrants. Based on our current market price and the potential decrease in our market price as a result of the issuance of shares upon conversion of the 6% Notes, we have made a good faith estimate as to the amount of shares of common stock that we are required to allocate for conversion of the 6% Notes. The annual meeting of stockholders of the Company for 2012 did not approve a proposed amendment of certificate of incorporation increasing the authorized shares from 400,000,000 to 800,000,000. Given the fact that as of December 31, 2013, the Company had issued 400,000,000 shares of common stock, the Company could not repay outstanding 6% Notes by further issuing shares of common stock. As of December 31, 2013, the amount of authorized shares does not meet the requirements as set forth by the security purchase agreement in connection with the 6% Notes.

In the future, we may have to further amend our certificate of incorporation to increase the number of authorized common stock, which could incur substantial costs.

**Future sales by our stockholders may negatively affect our stock price and our ability to raise funds in new stock offerings.**

Sales of our common stock in the public market could lower the market price of our common stock. Sales may also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price that our management deems acceptable or at all. As of December 31, 2013, we had 400,000,000 shares of common stock outstanding, most of which we estimate have been held more than two years and are freely tradable under Rule 144. In the Form SB-2 declared effective on October 30, 2006, we registered up to 27,685,365 shares of common stock for resale, which may be sold without restriction under securities laws. In November 2007, the SEC adopted significant amendments to Rule 144, pursuant to which holding period of non-affiliates before resale of restricted shares of a reporting company has been shortened to six months. The sale of these shares may adversely affect the market price of our common stock.

**The sale of our stock under the Securities Purchase Agreement could encourage short sales by third parties, which could contribute to the future decline of our stock price.**

In many circumstances, the provision of financing based on the distribution of equity/convertible notes for companies that are quoted on the OTC QB has the potential to cause a significant downward pressure on the price of common stock. Since the registration statement for this offering is effective, the number of freely tradable shares will significantly increase, thus there is a possibility that the balance of sell side pressure would overwhelmingly exceed that of the buy side. Consequently, the price of shares will drop considerably. This is especially the case if the shares being placed into the market exceed the market's ability to take up the increased stock or if we have not performed in such a manner to show that the equity funds raised will be used to grow our business. Such an event could place further downward pressure on the price of our common stock.

During fiscal 2013, the lowest trading price of our common stocks was $0.0006. There is no assurance that the share price will not further decrease.

If there are significant short sales of stock, the price decline that would result from this activity will cause the share price to decline more so which in turn may cause long holders of the stock to sell their shares thereby contributing to sales of stock in the market. If there is an imbalance on the sell side of the market for the stock, the price will decline significantly and quickly. It is not possible to predict if the circumstances exist under which short sales could materialize or to what level our stock price could decline. In some cases where companies have been subjected to short sales, their stock prices have dropped to near zero.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

In June 2002, Kiwa Shandong entered into an agreement with Zoucheng Municipal Government granting us the use of at least 15.7 acres in Shandong Province, China at no cost for 10 years to construct a manufacturing facility. Under the agreement, we have the option to pay a fee of approximately RMB 480,000 (approximately $78,155) per acre for the land use right at the expiration of the 10-year period. We may not transfer or pledge the temporary land use right. In the same agreement, we have also committed to invest approximately $18 million to $24 million for developing the manufacturing and research facilities in Zoucheng, Shandong Province. As of December 31, 2013, we had invested approximately $1.91 million in plant and equipment for the project. The Company is in negotiation with Zoucheng Municipal Government to renew the agreement. However, there is no assurance that the Company will successfully renew the agreement with Zoucheng Municipal Government. In the future, the Company may consider moving the primary location of Kiwa Shandong's operation to other locations in China.

From January 1, 2007, China central government adopted a series of policies to strengthen land management, including doubling the tenure tax to $3,320 per acre. In February 2008, the Ministry of Land and Resources of China issued "Controlling Indexes of Construction Land Use for Industrial Projects," which requires that the building coverage be not less than 30%. Up to now, the current situation in Kiwa Shandong does not meet this requirement. As a company operating ag-biotech business, the building coverage may differ from that of typical manufacturers in other industries. However, there is no assurance that local authorities would not take back a portion of the land granted to us.

The core ingredient of our bio-fertilizer products is bacillus spp. Photosynthetic bacteria is one of the ingredients used in some of our products. However, the upgrade of bio-fertilizer production facilities was not fully completed due to capital shortage.

The Company leases its principal office from a related party at the rent of $1,000 per month.

ITEM 3. 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 had 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 failed 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.

Effective on July 11, 2012, the Company formally dissolved Kiwa Tianjin.

ITEM 4. Mine Safety Disclosures

Not applicable.

Part II

ITEM 5. Market for Registrants' Common Equity, Related Stockholder Matters and Issuer Purchasers of Equity Securities

Market Information

The Company's common stock has been quoted on the OTC QB of the NASD under the symbol "KWBT.OB" since March 30, 2004. During fiscal 2013, the market price for our common stock has ranged from $0.0006 to $0.0046.

The following table sets forth the high and low bid quotations per share of our common stock as reported on the OTC Bulletin Board for the periods indicated. The high and low bid quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

| Fiscal Year 2013 | High | Low |
|---|---|---|
| First Quarter | $0.0042 | $0.0014 |
| Second Quarter | $0.0016 | $0.0009 |
| Third Quarter | $0.0018 | $0.0006 |
| Fourth Quarter | $0.0046 | $0.0011 |

| Fiscal Year 2012 | High | Low |
|---|---|---|
| First Quarter | $0.0019 | $0.0005 |
| Second Quarter | $0.0014 | $0.0006 |
| Third Quarter | $0.0018 | $0.0003 |
| Fourth Quarter | $0.0038 | $0.0004 |

Holders

As of March 28, 2014, there were approximately 435 shareholders of record of our common shares.

Dividend Policy

We have not paid any dividends on our common shares since our inception and do not anticipate that dividends will be paid at any time in the immediate future.

Equity Compensation Plan Information

The information required by Item 5 regarding securities authorized for issuance under equity compensation plans is included in Item 12 of this report.

ITEM 6. Selected Financial Data

Not required.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

*This Annual Report on Form 10-K for the fiscal year ended December 31, 2013 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2013 involve known and unknown risks, uncertainties and other factors (described in "Business-Risk Factors" under Item 1) 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 the shareholders of Tintic Gold Mining Company, a Utah public corporation ("Tintic"), entered into a share exchange transaction with the shareholders of Kiwa BVI, a privately-held British Virgin Islands corporation that left the shareholders of Kiwa BVI owning a majority of Tintic and Kiwa BVI a wholly-owned subsidiary of Tintic, see "Business - The Company" under Item 1. For accounting purposes this transaction was treated as an acquisition of Tintic Gold Mining Company by Kiwa BVI in the form of a reverse triangular merger and a recapitalization of Kiwa BVI and its wholly owned subsidiary, 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. At the end of 2009, our former subsidiary, Kiwa Tianjin, discontinued its business operations, because it lost possession of its primary assets including machinery and inventory, necessary to its business operations due to an unsettled dispute. See "Legal Proceedings" under Item 3. As a result, the Company has classified the bio-enhanced feed business as discontinued operations. Effective on July 11, 2012, the Company formally dissolved Kiwa Tianjin.

We generated no revenue in fiscal years 2013 and 2012. We incurred a net profit of $3,713,866 and net loss of $1,342,432 during fiscal 2013 and 2012, respectively.

Due to our limited revenues, we have relied on the proceeds from loans from both unrelated and related parties to provide the resources necessary to fund the development of our business plan and operations. Our financing activities generated $199,304 and $236,412 during fiscal 2013 and 2012, respectively. These funds are insufficient to execute our business plan as currently contemplated, which may result in the risks described in “Risk Factors” under Item 1-Business.

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.

As of December 31, 2013, the Company’s current liabilities substantially exceeded its current assets by $8,419,854. The Company had no sales during the year ended December 31, 2013 and 2012, had an accumulated deficit of $17,990,598 and stockholders’ deficiency of $10,307,564. These circumstances, among others, raise substantial doubt about the Company’s ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. The financial statements also do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

The company plans to rely on the proceeds from loans from both unrelated and related parties to provide the resources necessary to fund the development of our business plan and operations. The Company also plans to raise funds from domestic and foreign banks and/or financial institutions to increase working capital in order to meet capital demands.

Trends and Uncertainties in Regulation and Government Policy in China

**Foreign Exchange Policy Changes**

China is considering allowing its currency to be freely exchangeable for other major currencies. This change will result in greater liquidity for revenues generated in Renminbi ("RMB"). We would benefit by having easier access to and greater flexibility with capital generated in and held in the form of RMB. The majority of our assets are located in China and most of our earnings are currently generated in China, and are therefore denominated in RMB. Changes in the RMB-U.S. Dollar exchange rate will impact our reported results of operations and financial condition. In the event that RMB appreciates over the next year as compared to the U.S. Dollar, our earnings will benefit from the appreciation of the RMB. However, if we have to use U.S. Dollars to invest in our Chinese operations, we will suffer from the depreciation of U.S. Dollars against the RMB. On the other hand, if the value of the RMB were to depreciate compared to the U.S. Dollar, then our reported earnings and financial condition would be adversely affected when converted to U.S. Dollars.

On July 21, 2005, the People's Bank of China announced it would appreciate the RMB, increasing the RMB-U.S. Dollar exchange rate from approximately US$1.00 = RMB8.28 to approximately US$1.00 = RMB8.11. So far the trend of such appreciation continues. The exchange rate of U.S. Dollar against RMB on December 31, 2013 was US$1.00 = RMB6.0537.

Critical Accounting Policies and Estimates

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

The following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements. In addition, you should refer to our accompanying audited balance sheets as of December 31, 2013 and 2012, and the audited statements of operations, equity movement and cash flows for the fiscal years ended December 31, 2013 and 2012, and the related notes thereto, for further discussion of our accounting policies.

Fair value of warrants and options

We have 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.

We also adopted ASC Topic 718, “Share Based Payment” to recognize options granted to employees as derivative instruments in our consolidated financial statements.

We calculate the fair value of the warrants and options using the Black-Scholes Model.

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.

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.

Major Customers and Suppliers..

**Bio-fertilizer products**

During 2013 and 2012, our principal business did not generate any sales revenue, thus we had no customers.

During 2013 and 2012, we did not purchase any raw materials; hence we had no suppliers for 2013 and 2012.

Results of Operations

**Net Sales**

Net sales were $nil for the years ended December 31, 2013 and 2012, respectively.

**Cost of Sales**

Cost of sales was $nil for the years ended December 31, 2013 and 2012, respectively.

**Gross Profit/Loss**

Gross profit for fiscal 2013 and 2012 was $nil, the Company had not been able to recognize any sales revenue during 2013 and 2012.

**General and Administrative**

General and administrative expenses were $394,100 and $436,500 for the years ended December 31, 2013 and 2012, respectively, a decrease of $42,400 or 9.7%. General and administrative expenses include professional fees, officers' compensation, depreciation and amortization, salaries, travel and entertainment, rent, office expense and telephone expense. The decrease mainly resulted from the reduction of our operating activities, which led to a decrease in rent, salaries, travel expenses and office expenses.

**Selling Expenses**

During 2013 and 2012, selling expenses were $nil. Resulting from the lack of operating activities, the Company incurred no selling expenses during 2013 and 2012.

**Research and Development**

Research and development expenses increased by $3,693 or 2% to $162,752 for the year ended December 31, 2013, compared to $159,059 for the prior comparable period. The research and development expense mainly consists of the expenses of maintaining Kiwa-CAU R&D Centre, which began operation in July 2006 (see "Business-Intellectual Property and Product Lines- Kiwa-CAU R&D Center" under Item 1 in Part I).

**Penalty Expense**

We charged $495,508 and $606,702 of liquidated damages in connection with the 6% Notes and 2% Notes to penalty expenses during the years ended December 31, 2013 and 2012, respectively (see Note 8 to the Consolidated Financial Statements).

**Interest Expenses**

Net interest expense was $187,654 and $253,189 in the fiscal years of 2013 and 2012, respectively, representing a decrease of $65,535 or 26%. The decrease in interest expenses was due to settlement on convertible notes.

**Gain on disposition of subsidiary**

Gain on disposition of subsidiary for the years ended December 31, 2013 and 2012 was $nil and $113,018, respectively. The Company recorded a gain of $113,018 during the year ended December 31, 2012 based on the discharge of the excess liabilities over the assets of Kiwa Tianjin.

**Gain on extinguishment of Convertible Notes**

On August 12, 2013, the Company entered into a Settlement Agreement and Release (the "Release") with four of the Purchasers of the Company's 6% Notes and 2% Notes, the 6% Notes and 2% Notes. Pursuant to the terms of the Release, the Company paid the four of the Purchasers $75,000 for a full release, including the forgiveness of past defaults of unpaid principal amounts, interests and penalties. During 2013, the Company recorded income of

$4,953,880 from restructure of 6% Notes and 2% Notes.

**Net Income/(Loss)**

Net income for fiscal 2013 was $3,713,866 and net loss for fiscal 2012 was $1,342,432. This net income increase resulted from the net effect of the following factors: (1) the decrease in operating expenses of $149,901 or 12% from the fiscal year of 2013 to the fiscal year 2012; (2) the decrease in interest expenses of $65,535 or 26% from the fiscal year of 2013 to the fiscal year of 2012; (3) gain on disposition of subsidiary of $nil and $113,018, respectively; and (4) income from restructure of convertible notes for 2013 was $4,953,880. There was no transaction in similar nature in 2012.

**Comprehensive Income/(Loss)**

Comprehensive income generated during fiscal 2013 was $3,498,717, compared to comprehensive loss of $1,460,843 for the year ended December 31, 2012. The increase was due to an increase of net income and increase of $96,738 comprehensive loss.

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 fiscal 2013 and 2012, we raised $199,084 and $236,412 in total from related parties. To some extent, these advances improved our short-term liquidity. However, as of December 31, 2013, our current liabilities exceeded current assets by $8,419,854, reflecting a current ratio of 0.003:1, whereas current liabilities exceeded current assets by $11,976,368, reflecting a current ratio 0.003:1, as of December 31, 2012. The improvement in our short-term liquidity was mainly due to net income generated during 2013. During the year ended December 31, 2013 and 2012, we did not issue any shares resulting from the conversion of principal of the 6% Notes and 2% Notes into our common stock. Since the Company does not have sufficient financial capability to repay the 6% Notes and 2% Notes and had issued all of its 400,000,000 authorized shares, the Company cannot issue additional shares to repay the 6% Notes and 2% Notes, unless the Company can obtain stockholder approval to amend its certificate of incorporation to increase the authorized shares of common stock (see Note 8 to the Consolidated Financial Statements).

As of December 31, 2013 and 2012, we had cash of $2,039 and $4,493, respectively. The change is outlined as follows.

During the fiscal year of 2013, the net cash used in our operating activities was $138,028, compared to $242,708 for the comparable period of 2012. Such cash was mainly used for maintaining operations of a public company and working capital for our bio-fertilizer business.

During the fiscal years of 2013 and 2012, we did not invest in acquiring property and equipment.

During the year ended December 31, 2013, we generated cash inflow of $124,084 from financing activities. During the year ended December 31, 2012, we generated cash inflow of $236,412 from financing activities.

As of December 31, 2013, we had an accumulated deficit of $17,990,598, which was made up in part of a net income of $3,713,866 during 2013 and net loss of $1,342,432 during 2012. We do not anticipate generating sufficient positive operating cash inflow to fund our planned operations.

In 2014, we plan to focus on expanding our bio-fertilizer sales. We will concentrate on (1) adjusting our product mix to increase the proportion of high-margin products, (2) improving our current equipment, and (3) setting up new production lines.

Currently we have insufficient cash resources to accomplish our objectives. We will need to seek additional funding to sustain our operations. In the next year, we intend to raise additional capital through the issuance of debt or equity securities to fund the development of our planned business operations, although there can be no assurance that we will be successful in obtaining this financing. Various factors listed below significantly harm our ability to obtain this financing.

Given the facts that:

(1) Extremely low share price. The price of the Company’s common stock ranged from $0.0006 to $0.0046 per share during fiscal 2013;

(2) Continued losses. As of December 31, 2013, we had an accumulated deficit of $17,990,598, which was made up in part of a net income of $3,713,866 and net loss of $1,342,432 during 2013 and 2012;

(3) Deteriorating financial situation. As of December 31, 2013 and 2012, the Company had total assets of $28,485 and $42,046, respectively, and total liabilities of $10,336,049 and $13,848,327, respectively; and

(4) Outstanding 6% Notes. As of December 31, 2013, the amount of outstanding 6% Notes was $150,250. The 6% Notes have been in default since June 2009.

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.

Contractual Obligations

**(1) Operating lease commitments**

The Company leased an office in Beijing on July 15, 2007. The operating lease agreement would expire at January 14, 2012. The monthly rental payment for the office was RMB 80,324 (approximately $12,000). Although the operating lease agreement would be expired by its term on January 14, 2012, the parties elected to terminate the lease in June 30, 2011.

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, 2013 and both parties agreed to extend the lease for another one year.

The Company’s commitments for minimum lease payments under the operating lease for the next five years and thereafter as of December 31, 2013 are as follows:

| Fiscal Year | Amount |
|---|---|
| 2014 | $ 6,000 |
| Total | $ 6,000 |

**(2) Technology acquisition**

On May 8, 2006 we entered into a Technology Transfer Agreement (“TTA”) with Jinan Kelongboao Bio-Tech Co. Ltd. (“JKB”). Pursuant to the agreement, JKB agreed to transfer its AF-01 Anti-viral Aerosol technology for veterinary medicines to us. Pursuant to the agreement we will pay JKB a transfer fee of RMB10 million (approximately $1.63 million), of which RMB 6 million will be paid in cash and RMB 4 million will be paid in stock. The cash portion will be paid in installments, the first installment RMB 3 million was set for May 23, 2006 initially, of which RMB 1 million has been paid and both parties have agreed to extend the remaining RMB 2 million to the date when the application for new veterinary drug certificate is accepted.  Three other installments of RMB 1 million are due upon the achievement of certain milestones, the last milestone being the issuance by the PRC Ministry of Agriculture of a new medicine certificate in respect of the technology. The RMB 4 million stock payment will be due 90 days after the AF-01 technology is approved by the appropriate PRC department for use as a livestock disinfector for preventing bird flu. The agreement will become effective when the first installment has been fully paid.

As of December 31, 2013, we had paid one-third of the first installment, or RMB1,000,000 (or $165,188) to JKB. However, due to the difficulties of obtaining additional funds, the Company has determined to discontinue this project.

**(3) 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 $165,188) each year to fund research at the R&D Center. The term of this agreement is ten years starting from July 1, 2006. Prof. Qi Wang, who became one of our directors in July 2007, has acted as Director of Kiwa-CAU R&D Center since July 2006.

**(4) 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, 2013, we had invested approximately $1.91 million for the project.

Off-Balance Sheet Arrangements

At December 31, 2013, 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 had we engaged in such relationships.

Recent Accounting Pronouncements

See Note 2 to the Consolidated Financial Statements under Item 8, Part II.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

Not required.

ITEM 8. Financial Statements and Supplementary Data

The full text of our audited consolidated financial statements as of December 31, 2013 and 2012 begins on page F-1 of this annual report.

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

None.

ITEM 9A. Controls and Procedures

**Disclosure Controls and Procedures**

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 Annual 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 rules and 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 December 31, 2013, our disclosure controls and procedures were ineffective.

**Management Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f).  Our internal control over financial reporting was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published consolidated financial statements.  Internal control over financial reporting is promulgated under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting, no matter how well designed, has inherent limitations and may not prevent or detect misstatements. Therefore, even effective internal control over financial reporting can only provide reasonable assurance with respect to the financial statement preparation and presentation.

Our management has conducted, with the participation of our CEO and CFO, an assessment, including testing of the effectiveness, of our internal control over financial reporting as of December 31, 2013. Management's assessment of internal control over financial reporting was conducted using the criteria in Internal Control over Financial Reporting - Guidance for Smaller Public Companies issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). 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 internal control over financial reporting, 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 weakness described below, management concluded that our internal control over financial reporting was ineffective as of December 31, 2013.

The specific material weakness identified by the Company's management as of December 31, 2013 is described as follows:

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

- The Company lacks qualified resources to perform the internal audit functions properly. In addition, the scope and effectiveness of the Company's internal audit function are yet to be developed.

- We currently do not have an audit committee.

**Remediation Initiative**

- We are committed to establishing the internal audit functions but due to limited qualified resources in the region, we were not able to hire sufficient internal audit resources before the end of 2014. 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 COSO Framework.

- 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**

Despite the material weakness and deficiencies reported above, the Company's management believes that its 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.

This Annual Report does not include an attestation report of the Company’s registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this Annual Report.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the fiscal year ended December 31, 2013 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. Other Information

None.

Part III

ITEM 10. Directors, Executive Officers and Corporate Governance

Directors and Executive Officers

Set forth below are the names of our directors and executive officers, their ages, their offices with us, if any, their principal occupations or employment for the past five years. The directors listed below will serve until the Company's next annual meeting of the stockholders:

| **Name** | **Age** | **Position** | **Director Since** |
|---|---|---|---|
| Wei Li | 53 | Chief Executive Officer, Chief Financial Officer (from January 4, 2009 to February 17, 2009) and Chairman of the Board of Directors | 2004 |
| Steven Ning Ma | 57 | Chief Financial Officer and Chief Operating Officer (from February 18, 2009) | |
| Lianjun Luo | 44 | Director | 2004 |
| Xucheng Hu | 51 | Director | 2008 |
| Qi Wang | 47 | Director and Vice President - Technical | 2007 |
| Yvonne Wang | 35 | Corporate Secretary | |

***Wei Li*** became our Chief Executive Officer and Chairman of the Board of Directors on March 12, 2004. Mr. Li was appointed as Chief Financial Officer on January 4, 2009 by the Board of Directors. From January 1, 2004 to the time of the Tintic/Kiwa merger, Mr. Li was the acting Chief Executive Officer of Kiwa Bio-Tech Products Group Ltd. Mr. Li founded Kiwa Bio-Tech Products Group Ltd. to capitalize on the growth of the ag-biotechnology industry in China. Prior to founding Kiwa Bio-Tech Products Group Ltd., Mr. Li founded China Star, an entity which provides integrated financial services and/or venture investments to growth businesses in China. Mr. Li served as President of China Star from June 1993 to January 2004. In 1989, Mr. Li founded Xinhua International Market Development Co. Ltd., a company which engaged in investing in China's high tech, pharmaceutical, medical device, media, entertainment and real estate industries. Mr. Li holds a B.S. in Finance from Hunan Finance and Economics University. Mr. Li has a wealth of experience in running businesses in China, with broad management expertise and a knowledge and understanding of business issues in China, and is able to provide the Board of Directors with his insights and experience in running businesses in China.

***Steven Ning Ma*** became our Chief Financial Officer and Chief Operating Officer on February 18, 2009. Prior to joining the Company, Mr. Ma served as Managing Director of SAS Conserve de Provence from 2006 to 2008. Prior to that, Mr. Ma was the Senior Managing Partner of HJV (Hejun) Consulting (Ltd.) from 2004 to 2005. Mr. Ma received his Master degree in Economics/Finance from the Graduate School of Chinese Academy of Sciences. He is also a Ph.D. Candidate in Financial Economics from Wageningen University, Netherlands.

***Lianjun Luo*** became one of our directors on March 27, 2004 and he previously served as our Chief Financial Officer from March 12, 2004, until the expiration of his employment agreement as the Company's CFO on December 31, 2008. Mr. Luo served as the Chief Executive Officer of Kiwa Bio-Tech Products Group Ltd. from October 2002 to December 2003. From January 2002 to October 2002, Mr. Luo served as the Chief Financial Officer of China Star. From August 2000 to December 2001, Mr. Luo served as manager of Security Department and Assistant to President at Jilin Hengfa Group Ltd., a Chinese drug manufacturing company, responsible for the company's preparation for an aborted IPO and for merger and acquisition activities. From May 1998 to July 2000, Mr. Luo worked as manager of Investment Department and Associate General Manager for Hongli Enterprise Ltd., a Chinese investment company on merger and acquisition transactions. Mr. Luo obtained his law degree from China University of Political Science and Law in 1993. Mr. Luo is a certified public accountant and lawyer in China. Mr. Luo's expertise in the field of accounting and law enables him to provide the Company's Board of Directors with insight and information related to the Company's financial, accounting and SEC reporting issues.

***Xucheng Hu*** has been serving as one of our directors since December 30, 2008.  Since August 2003, he has been the Executive Director of New Capital International Investment Limited, a listed company on the Hong Kong Stock Exchange.  Prior to that engagement, Mr. Hu acted as Executive Director of China Property Development (Holdings) Limited and Asia Director of ING Real Estate.  Over the past 10 years, he has been working with the Beijing International Trade Association and the Beijing International Trade Research Institute, during which period his responsibilities included performing financial and economic research and providing professional advice on the Beijing municipal government's cross-provincial investments and foreign investments, participating in the decision-making process for granting export rights to Beijing government-owned enterprises, evaluating investment proposals, and supervising sino-foreign investments in Beijing.  Mr. Hu graduated with a bachelor degree in economics from Beijing Economics College in 1983. Mr. Xu's experience working with public companies in China enables him to provide the Board with an understanding of the operation of other boards of directors.

***Qi Wang*** became our Vice President - Technical on July 19, 2005 and was elected as one of our directors of the Company on July 18, 2007. Prof. Wang has also acted as Director of Kiwa-CAU R&D Center since July 2006. Prof. Wang served as a Professor and Advisor for Ph.D. students in the Department of Plant Pathology, China Agricultural University ("CAU") since January 2005. Prior to that, he served as an assistant professor and lecturer of CAU since June 1997. He obtained his master degree and Ph.D. in agricultural science from CAU in July 1994 and July 1997, respectively. Prof. Wang received his bachelor's degree of science from Inner Mongolia Agricultural University in July 1989. He is a committee member of various scientific institutes in China, including the National Research and Application Center for Increasing-Yield Bacteria, Chinese Society of Plant Pathology, Chinese Association of Animal Science and Veterinary Medicine. Prof. Wang's unique expertise in the field of agriculture offers significant knowledge and experience to the Board of Directors when making critical operational decisions.

***Yvonne Wang*** became our Secretary in September 2005. Prior to that, she served as an executive assistant and a manager of the Company's U.S. office between April 2003 and September 2005. She obtained her B.S. degree of Business Administration in July 2001 from University of Phoenix. She is also a California Realtor, and a certified Notary Public.

Family Relationships

There are no family relationships among our directors or executive officers.

Involvement in Certain Legal Proceedings

None of our directors or executive officers has, during the past ten years:

(a) Had any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) Been convicted in a criminal proceeding or subject to a pending criminal proceeding;

(c) Been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or any federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, futures, commodities or banking activities; and

(d) Been found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Section 16(a) Beneficial Ownership Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers, directors and certain persons holding more than 10 percent of a registered class of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Officers, directors and certain other shareholders are required by the SEC to furnish the Company with copies of all Section 16(a) forms they file. To the best of the Company's knowledge, based solely upon a review of the copies of such reports, the Company believes that all Section 16(a) filing requirements applicable to its officers, directors and certain other shareholders were complied with during the fiscal year ended December 31, 2013.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics (the "Code") that is applicable to all employees, consultants and members of the Board of Directors, including the Chief Executive Officer, Chief Financial Officer and Secretary. This Code embodies our commitment to conduct business in accordance with the highest ethical standards and applicable laws, rules and regulations. We will provide any person a copy of the Code, without charge, upon written request to the Company's Secretary. Requests should be addressed in writing to Ms. Yvonne Wang; 310 N. Indian Hill Blvd., #702 Claremont, California 91711.

Director Nominees Recommended by Stockholders

We have not implemented any changes to the procedures by which stockholders may recommend nominees to our board of directors since we last disclosed those procedures in our most recent proxy statement filed with the SEC on November 10, 2012.

Board Composition; Audit Committee and Financial Expert

Our Board of Directors is currently composed of four members: Wei Li, Lianjun Luo, Xucheng Hu and Qi Wang. All board actions require the approval of a majority of the directors in attendance at a meeting at which a quorum is present.

We currently do not have an audit committee. We intend, however, 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. Currently such functions are performed by our Board of Directors.

The Board has determined that at least one person on the Board, Lianjun Luo, qualifies as a “financial expert” as defined by SEC rules implementing Section 407 of the Sarbanes-Oxley Act. Mr. Luo does not meet the definition of an “independent” director set forth in Rule 4200(a)(15) of the Market Place Rules of the Nasdaq Stock Market, which is the independence standard that we have chosen to report under.

Board meetings and committees; annual meeting attendance.

During fiscal year 2013, the Board of Directors did not have meeting. All members of the Board of Directors are required to attend the annual meetings of securities holders.

ITEM 11. Executive Compensation

We currently have no Compensation Committee. The Board of Directors is currently performing the duties and responsibilities of Compensation Committee. In addition, we have no formal compensation policy. We decide on our executives' compensation based on average compensation levels of similar companies in the U.S. or China, depending on consideration of many factors such as where the executive works. Our Chief Executive Officer's compensation is approved by the Board of Directors. Other named executive officers' compensation are proposed by our Chief Executive Officer and approved by the Board of Directors.

Our Stock Incentive Plan is administered by the Board of Directors. Any amendment to our Stock Incentive Plan requires majority approval of the stockholders of the Company.

The Company had no officers or directors whose total compensation during either 2013 or 2012 exceeded $100,000.

Currently, the main forms of compensation provided to each of our executive officers are: (1) annual salary; (2) non-equity Incentive Plan; and (3) the granting of incentive stock options subject to approval by our Board of Directors.

Summary Compensation Table

**Summary Compensation Table**

| Name and principal position | Year | Salary ($) | Bonus ($) | Stock Awards ($) | Option Awards ($) | Non-Equity Incentive Plan Compensation ($) | Nonqualified Deferred Compensation Earnings ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|---|---|
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) |
| Wei Li, CEO | 2013 | 72,000 | Nil | Nil | Nil | Nil | Nil | Nil | 72,000 |
| Wei Li, CEO | 2012 | 72,000 | Nil | Nil | Nil | Nil | Nil | Nil | 72,000 |
| Steven Ning Ma, CFO | 2013 | 74,400 | Nil | Nil | Nil | Nil | Nil | Nil | 74,400 |
| Steven Ning Ma, CFO | 2012 | 74,400 | Nil | Nil | Nil | Nil | Nil | Nil | 74,400 |

Employment Contracts and Termination of Employment and Change of Control Arrangements

On February 2, 2009, we entered into an employment agreement with our Chief Executive Officer and Chief Financial Officer, Wei Li, for a three-year term, commencing on January 1, 2009. Pursuant to this agreement, Mr. Li receives a salary at the rate of $96,000 per annum, of which $72,000 will be paid in equal monthly installments of $6,000 during the period of employment, prorated for any partial employment period, and $24,000 is paid as an annual performance bonus in three months after each employment year. Mr. Li may receive such annual increases in salary as may be determined by our Board of Directors at our annual meeting. Mr. Li is also entitled to an annual grant of stock options under our employee stock option plan as determined by the Board of Directors. Mr. Li is entitled to three-month's severance if his employment is terminated without cause.

On February 2, 2009, the Company and Mr. Steven Ning Ma entered into an employment agreement with the Company. Pursuant to the employment agreement, Mr. Ma is entitled to annual salary of RMB636,000 (approximately US$93,000), among which RMB42,400 (approximately US$6,200) payable monthly and RMB127,200 (approximately $18,600) in one lump sum, as a performance bonus, three months following the anniversary of his employment provided that Mr. Ma meets all goals and objectives set by the Company. Mr. Ma's employment may be terminated at any time for cause or with thirty days' written notice without cause. The employment agreement is automatically terminated upon death or permanent disability. Upon termination without cause, Mr. Ma is entitled to severance payment equal to three months' salary including all non-cash benefits, if the termination is due to death or permanent disability; Mr. Ma is entitled to six months' salary. The employment agreement also contains confidentiality provisions and provisions against competition with the Company and solicitation of customers for 12 months following termination of employment.

On February 6, 2012, we entered into a new Employment Agreement between the Company and Mr. Wei Li, President and Chief Executive Officer of the Company for a term of three years beginning January 1, 2012. Pursuant to the Agreement Mr. Li is entitled to an annual salary of $72,000 and a performance bonus of $24,000. If Mr. Li is terminated without cause, he is entitled to a lump sum payment equal to three months' salary.

On February 6, 2012, we entered into a new Employment Agreement between the Company and Mr. Steven Ning Ma, Chief Financial Officer of the Company for a term of three years beginning January 1, 2012. Pursuant to the Agreement Mr. Ma is entitled to an annual salary of $70,000.

There are no compensatory plans or arrangements with respect to a named executive officer that would result in payments or installments in excess of $100,000 upon the resignation, retirement or other termination of such executive officer's employment with us or from a change-in-control.

Stock Incentive Plan and Option Grants

**2004 Stock Incentive Plan**

On May 10, 2004, our Board of Directors approved equity incentive awards to our certain directors, officers and employees and/or consultants and adopted, subject to stockholder approval, our 2004 Stock Incentive Plan (the "Plan"). Our stockholders approved the Plan on June 3, 2004, and an amendment to the Plan on September 12, 2006. There are 3,047,907 shares reserved for issuance of options and other stock awards under the Plan. The number of shares that may be granted to any participant in a fiscal year is 500,000. Options issued under the Plan will expire not more than ten years from the date of grant.

The Plan is a key aspect of our compensation program, designed to attract, retain, and motivate the highly qualified individuals required for our long-term success.

**Stock Option Grants**

On December 12, 2006, our Board of Directors granted 2,000,000 options under the Plan, of which 823,700 shares were granted to the current executive officers and directors. The exercise price was $0.175, equal to the closing price of our common stock on December 12, 2006. Pursuant to the approval of Board of Directors, after each of the first and second anniversaries of the grant date, 33% percent of the options will become exercisable. After the third anniversary of the grant date, 34% of the options will become exercisable.

No options were granted under the Plan during 2013.

**Outstanding Equity Awards at 2013 Fiscal Year-End**

The following table sets forth the status of all outstanding equity awards of the Company as of December 31, 2013.

Outstanding Equity Awards at Fiscal Year-End

| Option Awards | | | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) | Option Exercise Price ($) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Value of Shares or Units of Stock That Have Not Vested ($) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#) |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) |
| Wei Li | 182,800 | Nil | 182,800 | 0.175 | 12/04/16 | Nil | Nil | Nil | Nil |
| Steven Ning Ma | Nil | Nil | Nil | Nil | N/A | Nil | Nil | Nil | Nil |

(1) See information contained in subheading entitled “Stock Option Grant” under heading “2004 Stock Incentive Plan.”

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**Option Exercises and Stock Vested**

No stock options were exercised by any officers or directors during 2013 and 2012. We did not adjust or amend the exercise price of any stock options previously awarded to any named executive officers during 2013 and 2012.

**Option Exercises and Stock Vested**

| Name | Option Awards<br>Number of Shares Acquired on Exercise (#) | Value Realized on Exercise ($) | Stock Awards<br>Number of Shares Acquired on Vesting (#) | Value Realized on Vesting ($) |
|---|---|---|---|---|
| (a) | (b) | (c) | (d) | (e) |
| Wei Li | Nil | Nil | Nil | Nil |
| Steven Ning Ma | Nil | Nil | Nil | Nil |

**Director Compensation for 2013**

We currently have no policy in effect for providing compensation to our directors for their services on our Board of Directors, and did not compensate our directors in 2013 for services performed as directors.

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

The following table sets forth as of December 31, 2013 certain information with respect to the beneficial ownership of our common stock by (i) each of our executive officers, (ii) each person who is known by us to beneficially own more than 5% of our outstanding common stock, and (iii) all of our directors and executive officers as a group. Percentage ownership is calculated based on 400,000,000 shares of our common stock outstanding as of March 12, 2014. None of the shares listed below are issuable pursuant to stock options or warrants of the Company.

| Title of class | Name and Address of Beneficial Ownership | Amount and Nature of Beneficial Owner | Percentage of class | |
|---|---|---|---|---|
| Common Stock | Wei Li(1) | 13,064,794 | 3.3 | % |
| Common Stock | Steven Ning Ma | - | - | |
| Common Stock | Qi Wang | - | - | |

| | | | | |
|---|---|---|---|---|
| Common Stock | All officers and directors as a group | 13,064,794 | 3.3 | % |

(1) Consists of 12,356,672 shares of common stock (3.1% of all shares outstanding) held by All Star Technology Inc., a British Virgin Islands international business company. Wei Li exercises voting and investment control over the shares held by All Star Technology Inc. Wei Li is a principal stockholder of All Star Technology Inc. and may be deemed to beneficially own such shares, but disclaims beneficial ownership in such shares held by All Star Technology Inc. except to the extent of his pecuniary interest therein. Mr. Li has pledged all of his common stock of the Company as collateral security for the Company's obligations under the 6% Notes (See Note 7 to Consolidated Financial Statements).

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Under the terms of the 6% Notes and 6% Note Warrants, the notes and warrants are exercisable by any holder only to the extent that the number of shares of common stock issuable pursuant to such securities, together with the number of shares of common stock owned by such holder and its affiliates (but not including shares of common stock underlying unconverted shares of callable secured convertible notes or unexercised portions of the warrants) would not exceed 4.99% of the then outstanding common stock as determined in accordance with Section 13(d) of the Exchange Act. Therefore, the table above does not include beneficial ownership information of the following holders of the 6% Notes and 6% Note Warrants of the Company: AJW Partners, LLC, AJW Offshore, Ltd., AJW Qualified Partners, LLC, New Millennium Capital Partners II, LLC, Double U Master Fund LP, and Nite Capital LP.

Equity Compensation Plan Information

The following table sets forth certain information as of December 31, 2013 about our equity compensation plans under which our equity securities are authorized for issuance.

Equity Compensation Plan Information

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br>(a) | Weighted-average exercise price of outstanding options, warrants and rights<br>(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br>(c) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 1,232,600 | $ 0.175 | 767,400 |
| Equity compensation plans not approved by security holders | - | - | |
| Total | 1,232,600 | - | 767,400 |

Change in Control

None.

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

For description of transactions with related parties, see Note 6 to Consolidated Financial Statements under Item 8 in Part II.

Under the independence standard set forth in Rule 4200(a) (15) of the Market Place Rules of the Nasdaq Stock Market, which is the independence standard that we have chosen to report under, none of the members of the Board of Directors are independent.

The relationships between our directors and the Company are as follows:

Mr. Wei Li is a principal stockholder of All Star Technology Inc., which holds 12,356,672 shares of our common stock. Mr. Li may be deemed to beneficially own such shares and exercises voting and investment control over such shares. Mr. Li is also Chief Executive Officer of the Company.

Prof. Qi Wang is the Director of Kiwa-CAU R&D center and also Vice President of the Company.

ITEM 14. Principal Accountant Fees and Services

Fees Paid to Independent Public Accountants for 2013 and 2012.

Audit Fees

All of the services described below were approved by our board of directors prior to performance of such services. The board of directors has determined that the payments made to its independent accountants for these services are compatible with maintaining such auditor's independence.

The aggregate audit fees for 2013 and 2012 paid and payable to Paritz & Company, P.A. were approximately $40,000 and $58,000, respectively. The amounts include: (1) fees for professional services rendered by Paritz & Company, P.A. in connection with the audit of our consolidated financial statements; (2) reviews of our quarterly reports on the Form 10-Q.

Audit-Related Fees

Audit-related fees for 2013 and 2012 were $nil.

Tax Fees

Tax service fees billed by a tax consultant for 2013 and 2012 were zero in each year.

All Other Fees

None.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

Since we did not have a formal audit committee, our board of directors served as our audit committee. We have not adopted pre-approval policies and procedures with respect to our accountants in 2013. All of the services provided and fees charged by our independent registered accounting firms in 2013 were approved by the board of directors.

Part IV

ITEM 15. Exhibits and Financial Statement Schedules

| Exhibit No. | Description | Incorporated by Reference in Document | Exhibit No. in Incorporated Document |
|---|---|---|---|
| 3.1 | Certificate of Incorporation, effective as of July 21, 2004 | Form 8-K filed on July 23, 2004 | 3.1 |
| 3.2 | Bylaws, effective as of July 22, 2004 | Form 8-K filed on July 23, 2004 | 3.2 |
| 3.3 | Certificate of Amendment to Certificate of Incorporation, effective as of January 9, 2009 | Form 10-K filed on May 18, 2009 | 3.3 |
| 10.1 | Advance Agreement by and between Wei Li and the Company dated January 10, 2008 | Form 8-K filed on January 11, 2008 | 10.01 |
| 10.2 | Stock Purchase Agreement between Kiwa Bio-Tech Products Group Corporation and Yuxin Zhou dated February 19, 2008 | Form 8-K filed on February 22, 2008 | 10.01 |
| 10.3 | Consulting Agreement between the Company and Robert Schechter dated January 10, 2008 | Form 10-Q filed on August 11, 2008 | 10.1 |
| 10.4 | Contract for Joint Venture between the Company and Hebei Huaxing Pharmaceuticals Co., Ltd. dated May 22, 2008 | Form 8-K filed on May 27, 2008 | 10.1 |
| 10.5 | Term Sheet for Redemption Convertible Notes dated September 25, 2008 between the Company and AJW Offshore Ltd., AJW Qualified Partners LLC, AJW Partners LLC, and New Millennium Capital Partners II LLC | Form 10-Q filed on November 12, 2008 | 10.3 |
| 10.6 | Term Sheet for Redemption Convertible Notes dated September 25, 2008 between the Company and FirsTrust Group, Inc. dated October 7, 2008 | Form 10-Q filed on November 12, 2008 | 10.4 |
| 10.7 | 2004 Stock Incentive Plan, amended in 2006 | Form Pre 14A filed on July 28, 2006 | Appendix A |
| 10.8 | Employment Agreement dated July 31, 2006, between the Company and Lianjun Luo | Form 8-K filed on August 7, 2006 | 10.02 |
| 10.9 | Employment Agreement dated February 2, 2009 by and between the Company and Wei Li. | Form 8-K filed on February 2, 2009 | 10.1 |
| 10.10 | Employment Agreement dated February 18, 2009 by and between the Company and Steven Ning Ma. | Form 8-K filed on February 19, 2009 | 10.1 |
| 10.11 | Letter from Mao & Company, CPAs, Inc. dated June 7, 2009 to the Securities and Exchange Commission | Form 8-K filed on June 8, 2009 | 16.1 |
| 10.12 | Letter of AGCA, Inc., dated July 19, 2010 | Form 8-K filed on July 20, 2010 | 16.1 |
| 10.13 | Letter of Crowe Horwath (HK) CPA Limited, dated June 16, 2011 | Form 8-K filed on | 16.1 |

| | | | |
|---|---|---|---|
| | | June 16, 2011 | |
| 10.14 | Letter of Commitment | Form 10-Q filed on August 10, 2011 | 10.1 |
| 10.15 | Letter of Commitment | Form 10-Q filed on August 10, 2011 | 10.2 |
| 10.16 | Lease Agreement | Form 10-Q filed on November 8, 2011 | 10.1 |
| 10.17 | Employment Agreement dated February 6, 2012 by and between the Company and Wei Li. | Form 8-K filed on February 6, 2012 | 10.1 |
| 10.18 | Employment Agreement dated February 6, 2012 by and between the Company and Steven Ning Ma | Form 8-K filed on February 6, 2012 | 10.2 |
| 14 | Code of Ethics | Form 10-K filed on May 18, 2009 | 14.1 |

| | | | |
|---|---|---|---|
| 21 | List of Subsidiaries | Form 10-KSB filed on April 2, 2007 | 21 |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934 | Filed herewith. | |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934 | Filed herewith. | |
| 32.1 | Certification of Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed herewith. | |

**Kiwa Bio-Tech Products Group Corporation**

Signatures

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

Date: March 31, 2014

**KIWA BIO-TECH PRODUCTS GROUP**

**CORPORATION.**

By: /s/ Wei Li
Wei Li

Chief Executive Officer

(Principal Executive Officer)

By: /s/ Steven Ning Ma
Steven Ning Ma

Chief Financial Officer

(Principal Financial and Accounting Officer)

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf of the registrant and in the capacities and on the dates indicated.

| | | |
|---|---|---|
| /s/ Wei Li<br>Wei Li | Chief Executive Officer and<br>Chairman of the Board of Directors (Principal<br>Executive Officer) | March 31, 2014 |

| | | |
|---|---|---|
| /s/ Steven Ning Ma<br>Steven Ning Ma | Chief Financial Officer<br>(Principal Financial and Accounting Officer) | March 31, 2014 |
| /s/ Xucheng Hu<br>Xucheng Hu | Director | March 31, 2014 |
| /s/ Lianjun Luo<br>Lianjun Luo | Director | March 31, 2014 |
| /s/ Qi Wang<br>Qi Wang | Director | March 31, 2014 |

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**Kiwa Bio-Tech Products Group Corporation**

Index to Consolidated Financial Statements

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To Board of Directors and the Stockholders of

Kiwa Bio-Tech Products Group Corporation

We have audited the accompanying consolidated balance sheets of Kiwa Bio-Tech Products Group Corporations as of December 31, 2013 and 2012 and the related consolidated statements of comprehensive income (loss), changes in stockholders' deficiency and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kiwa Bio-Tech Products Group Corporation as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company's current liabilities substantially exceeded its current assets by $8,419,854 at December 31, 2013. The Company had no sales during the year ended December 31, 2013 and 2012, incurred an accumulated deficit of $17,990,598 since inception and has stockholders' deficiency of $10,307,564 as of December 31, 2013. These circumstances, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*/s/ Paritz & Company, P.A.*

Hackensack, New Jersey

March 31, 2014

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**KIWA BIO-TECH PRODUCTS GROUP CORPORATION**

CONSOLIDATED BALANCE SHEETS

| | December 31, 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $2,039 | $4,493 |
| Deposits and other receivables | 14,491 | 21,588 |
| Total current assets | 16,530 | 26,081 |
| Property, plant and equipment - net | 11,955 | 15,965 |
| Total assets | $28,485 | $42,046 |
| LIABILITIES AND STOCKHOLDERS' DEFICIENCY | | |
| Current liabilities | | |
| Accounts payable | $321,670 | $312,580 |
| Advances from customers | 14,784 | 14,366 |
| Construction costs payable | 293,256 | 284,952 |
| Due to related parties - trade | 875,498 | 690,198 |
| Due to related parties - non-trade | 4,096,718 | 3,803,034 |
| Convertible notes payable | 150,250 | 1,631,088 |
| Salary payable | 1,343,096 | 1,127,070 |
| Taxes payable | 382,881 | 309,145 |
| Penalty payable | 265,998 | 2,240,852 |
| Interest payable | 115,806 | 1,009,563 |
| Other payable | 576,427 | 579,601 |
| Total current liabilities | 8,436,384 | 12,002,449 |
| | | |
| Unsecured loans payable | 1,899,665 | 1,845,878 |
| Total liabilities | 10,336,049 | 13,848,327 |
| | | |
| Stockholders' deficiency | | |
| Common stock - $0.001 par value Authorized 400,000,000 shares. Issued and outstanding 400,000,000 at December 31, 2013 and 2012, respectively | 400,000 | 400,000 |
| Preferred stock - $0.001 par value Authorized 20,000,000 shares, none issued | - | - |
| Additional paid-in capital | 8,093,337 | 8,093,337 |
| Accumulated deficit | (17,990,598) | (21,704,464) |
| Accumulated other comprehensive deficiency | (810,303) | (595,154) |
| Total stockholders' deficiency | (10,307,564) | (13,806,281) |
| Total liabilities and stockholders' deficiency | $28,485 | $42,046 |

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

**KIWA BIO-TECH PRODUCTS GROUP CORPORATION**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

| | Years Ended December 31, | |
|---|---|---|
| | 2013 | 2012 |
| Revenue | $ - | $ - |
| | | |
| Operating expenses | | |
| General and administrative | 394,100 | 436,500 |
| Research and development | 162,752 | 159,059 |
| Total operating expenses | 556,852 | 595,559 |
| Operating loss | (556,852) | (595,559) |
| | | |
| Other income (expense) | | |
| Penalty expense | **(495,508)** | (606,702) |
| Interest expense | (187,654) | (253,189) |
| Gain on disposition of subsidiary | - | 113,018 |
| Gain on extinguishment of convertible notes | 4,953,880 | - |
| Total other income (expense) | 4,270,718 | (746,872) |
| Net income/(loss) before income tax | 3,713,866 | (1,342,432) |
| Income tax | - | - |
| Net income/(loss) | 3,713,866 | (1,342,432) |
| | | |
| Other comprehensive loss Translation adjustment | (215,149) | (118,411) |
| Total comprehensive income/(loss) | $ 3,498,717 | $ (1,460,843) |
| | | |
| Net income/(loss) per common share - basic and diluted | $ 0.01 | $ (0.003) |
| Weighted average number of common shares outstanding-basic and diluted | 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 STOCKHOLDERS' DEFICIENCY

| | Common Stock Shares | Amount | Additional Paid-in Capital | Accumulated Deficits | Other Comprehensive Deficiency | Total |
|---|---|---|---|---|---|---|
| Balance, December 31, 2011 | 400,000,000 | $400,000 | $8,093,337 | $(20,362,032) | $ (476,743) | $(12,345,438) |
| Net loss for the twelve months ended December 31, 2012 | - | - | - | $(1,342,432) | - | $(1,342,432) |
| Foreign currency translation difference | - | - | - | - | $ (118,411) | $(118,411) |
| Balance, December 31, 2012 | 400,000,000 | $400,000 | $8,093,337 | $(21,704,464) | $ (595,154) | $(13,806,281) |
| Net loss for the twelve months ended December 31, 2013 | - | - | - | $3,713,866 | - | $3,713,866 |
| Foreign currency translation difference | - | - | - | - | $ (215,149) | $(215,149) |
| Balance, December 31, 2013 | 400,000,000 | $400,000 | $8,093,337 | $(17,990,598) | $ (810,303) | $(10,307,564) |

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

**KIWA BIO-TECH PRODUCTS GROUP CORPORATION**

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31, | |
|---|---|---|
| | 2013 | 2012 |
| Cash flows from operating activities: | | |
| Net income/(loss) | $3,713,866 | $(1,342,432) |
| Net loss from discontinued operations, net of income taxes | | (113,018) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 4,450 | 4,702 |
| Writen-off other receivables | | 12,474 |
| Provision for penalty payable | 495,508 | 606,702 |
| Accrued interest on convertible notes | 183,923 | 245,334 |
| Gain on extinguishment of convertible notes | (4,953,880) | - |
| Changes in operating assets and liabilities: | | |
| Deposit and other receivables | (7,508) | (7,665) |
| Salary payable | 203,545 | 201,668 |
| Taxes payable | 64,341 | 62,894 |
| Due to related parties-trade | 164,201 | 128,409 |
| Other payable | (6,474) | (41,776) |
| Net cash used in operating activities | (138,028) | (242,708) |
| | | |
| Cash flows from financing activities: | | |
| Proceeds from related parties, net of payments to related parties | 199,084 | 236,412 |
| Cash paid on extinguishment of convertible notes | (75,000) | - |
| Net cash provided by financing activities | 124,084 | 236,412 |
| Effect of exchange rate change | 11,490 | (5,518) |
| | | |
| Cash and cash equivalents: | | |
| Net increase (decrease) | (2,454) | (11,814) |
| Balance at beginning of period | 4,493 | 16,307 |
| Balance at end of period | $2,039 | $4,493 |
| | | |
| 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.**

## 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.

The Company has established a subsidiary in China, Kiwa Bio-Tech Products (Shandong) Co., Ltd. (“Kiwa Shandong”) in 2002. The following chart summarizes the Company’s organizational and ownership structure.

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

## 2. Summary of Significant Accounting Policies

**Principle of Consolidation** - These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries, Kiwa BVI and Kiwa Bio-Tech Products (Shandong) Co., Ltd. (“Kiwa Shandong”), and also its former majority-owned subsidiary, Tianjin Kiwa Feed Co., Ltd. (“Kiwa Tianjin”). Effective on July 11, 2012, the Company dissolved Kiwa Tianjin. All significant inter-company balances or transactions are eliminated on consolidation.

Certain amounts on prior year financial statements were reclassified to conform with current year presentation.

**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 of long-lived assets and fair value of warrants and options.

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 -** Cash includes cash in hand and cash in time deposits, certificates of deposits and all highly liquid debt instruments with original maturities of three months or less.

The Company maintains cash with financial institutions in the People's Republic of China ("PRC") which are not insured or otherwise protected. Should any of these institutions holding the Company's cash become insolvent, or if the Company is unable to withdraw funds for any reason, the Company could lose the cash on deposit with that institution.

**Accounts Receivables -** Accounts receivables represent customer accounts receivables. The allowance for doubtful accounts is based on a combination of current sales, historical charge offs and specific accounts identified as high risk. Uncollectible accounts receivable are charged against the allowance for doubtful accounts when all reasonable efforts to collect the amounts due have been exhausted. Such allowances, if any, would be recorded in the period the impairment is identified.

**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 |

**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 recognizes revenue for our products in accordance with FASB ASC Topic 605, “Revenue Recognition.” Sales represent the invoiced value of goods, net of value added tax, supplied to customers. Sales are recognized upon delivery of goods to customers 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. Payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as advances from customers.

**Shipping and Handling Costs -** Substantially all costs of shipping and handling of products to customers are included in selling. Shipping and handling costs for the years ended December 31, 2013 and 2012 were both $nil.

**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.

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 income 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 loss for the year ended December 31, 2013 and 2012 represented foreign currency translation adjustments and were included in the consolidated statements of income and comprehensive income.

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 December 31, |
|---|---|

| | 2013 | 2012 |
|---|---|---|
| Balance sheet items, except for equity accounts | 6.0537 | 6.2301 |

| | Year ended December 31, | |
|---|---|---|
| | 2013 | 2012 |
| Items in the statements of income | 6.0901 | 6.3093 |

**Advertising Costs** - The Company charges all advertising costs to expense as incurred. The total amounts of advertising costs charged to selling, general and administrative expense were $nil for the years ended December 31, 2013 and 2012, respectively.

**Research and Development Costs** - Research and development costs are charged to expense as incurred. During the years ended December 31, 2013 and 2012, research and development costs were $162,752 and $159,059, respectively.

**Net Loss Per Common Share** - Basic loss per common share is calculated by dividing net loss attributable to Kiwa stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted loss per common share includes dilutive 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 December 31, 2013 and 2012, potentially dilutive securities aggregated 543,732,162 and 2,164,782,738 shares of common stock, respectively.

***Fair value measurements***

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

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

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

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

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

***Recent accounting pronouncements adopted***

In February 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2013-2, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02), that requires an organization to present the effects on the line items of net income of significant amounts reclassified out of Accumulated OCI, but only if the item reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. ASU 2013-02 is effective for fiscal years beginning after December 15, 2012. The Company adopted ASU 2013-02 effective January 1, 2013 and it did not have a significant impact on its consolidated results of operations and financial condition.

In March 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2013-05, Foreign Currency Matters, (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (ASU 2013-05), to resolve a diversity in accounting for the cumulative translation adjustment of foreign currency upon derecognition of a foreign subsidiary or group of assets. ASU 2013-05 requires the parent to apply the guidance in Subtopic 830-30 to release any related cumulative translation adjustment into net income when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. Further, ASU 2013-05 clarified that the parent should apply the guidance in subtopic 810-10 if there is a sale of an investment in a foreign entity, including both (1) events that result in the loss of a controlling financial interest in a foreign entity and (2) events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date. Accordingly, the cumulative translation adjustment should be released into net income upon the occurrence of those events. ASU 2013-05 is effective prospectively for the Company in its first quarter of fiscal 2014, with early adoption permitted. The Company does not expect ASU 2013-05 to have a significant impact on its consolidated results of operations and financial condition.

In July 2013, the FASB issued Accounting Standards Update No. 2013-11, Income Taxes (Topic 740)(ASU 2013-11). The amendments in this update provide guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss, or tax credit carryforward exists. These amendments provide that an unrecognized tax benefit, or a portion thereof, should be presented in the financial statements as a reduction of a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except to the extent that a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date to settle any additional income taxes that would result from disallowance of a tax position, or the tax law does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, then the unrecognized tax benefit should be presented as a liability. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The Company does not expect ASU 2013-11 to have a significant impact on its consolidated results of operations and financial condition.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's consolidated financial statements upon adoption.

## 3. 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.

As of December 31, 2013, the Company's current liabilities substantially exceeded its current assets by $8,419,854. The Company had no sales during the year ended December 31, 2013 and 2012, had an accumulated deficit of $17,990,598 and stockholders' deficiency of $10,307,564. These circumstances, among others, raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. The financial statements also do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

The company plans to rely on the proceeds from loans from both unrelated and related parties to provide the resources necessary to fund the development of our business plan and operations. The Company also plans to raise funds from domestic and foreign banks and/or financial institutions to increase working capital in order to meet capital demands.

## 4. Property, Plant and Equipment

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

| Property, Plant and Equipment | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Buildings | $ 1,402,182 | $ 1,362,481 |
| Machinery and equipment | 638,130 | 620,060 |
| Automobiles | 91,890 | 89,288 |
| Office equipment | 112,331 | 109,147 |
| Computer software | 23,895 | 23,219 |
| Property, plant and equipment - total | $ 2,268,428 | $ 2,204,195 |
| Less: accumulated depreciation | (808,280) | (781,044) |
| Less: impairment on long-lived assets | (1,448,193) | (1,407,186) |
| Property, plant and equipment - net | $ 11,955 | $ 15,965 |

The building is on a piece of land the use right of which was granted to Kiwa Bio-Tech Products (Shandong) Co., Ltd. by local government free for 10 years and then for another 20 years on a fee calculated according to Kiwa Shandong's net profit. Since Kiwa Shandong did not generate any net profit, no fee is payable.

Depreciation expense was $4,450 and $4,642 for the years ended December 31, 2013 and 2012, respectively.

Impairment on long-lived assets was $nil for the years ended December 31, 2013 and 2012, respectively.

All of our property, plant and equipment have been held as collateral to secure the 6% Notes (see Note 8).

## 5. Construction Costs Payable

Construction costs payable represents remaining amounts to be paid for the first phase of construction of bio-fertilizer facility in Shandong. The balance of construction costs payable as of December 31, 2013 and 2012 was $293,256 and $284,952, respectively.

## 6. Related Party Transactions

Amounts due to related parties consisted of the following as of December 31, 2013 and December 31, 2012:

| Item | Nature | Notes | December 31, 2013 | December 31, 2012 |
|---|---|---|---|---|
| Mr. Wei Li ("Mr. Li") | Non-trade | (1) | $ 3,544,264 | $ 3,412,284 |
| Kangtai International Logistics (Beijing) Co., Ltd. ("Kangtai") | Non-trade | (2) | (14,046) | (13,250) |
| Ms. Yvonne Wang ("Ms. Wang") | Non-trade | (3) | 566,500 | 404,000 |
| Subtotal | | | 4,096,718 | 3,803,034 |
| Kiwa-CAU R&D Center | Trade | (4) | 875,498 | 690,198 |
| Subtotal | | | 875,498 | 690,198 |
| Total | | | $ 4,972,216 | $ 4,493,232 |

**(1) Mr. Li**

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

**Advances and Loans**

As of December 31, 2012, the balance due to Mr. Li for advances made was $3,412,284. During the year ended December 31, 2013, Mr. Li paid various expenses on behalf of the Company. As of December 31, 2013, the balance due to Mr. Li was $3,544,264. 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 for the Company's obligations under the 6% Notes (see Note 8 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, 2012, the amount due from Kangtai was $13,250. The balance due from Kangtai on December 31, 2013 was $14,046.

**(3) Ms. Wang**

Ms. Wang is the Secretary of the Company.

On December 31, 2012, the amount due to Ms. Wang was $404,000. During the year ended December 31, 2013, Ms. Wang paid various expenses on behalf of the Company. As of December 31, 2013, the amount due to Ms. Wang was $566,500. Ms. Wang has agreed that the Company may repay the balance when its cash flow circumstance allows.

**(4) Kiwa-CAU R&D Center**

In November 2006, Kiwa and China Agricultural University (the "CAU") agreed to jointly establish a new research and development center, named Kiwa-CAU R&D Center. The term of the agreement was ten years commencing July 1, 2006.

- Pursuant to the agreement, Kiwa agree to invest RMB 1 million (approximately $165,188) each year to fund research at Kiwa-CAU R&D Center. Prof. Qi Wang, a director of the Company, is also the director of Kiwa-CAU R&D Center.

During the year ended December 31, 2013 and 2012, $162,752 and $159,059 was charged to research and development expenses under the agreement with Kiwa-CAU R&D Center. The Company paid nil and $32,100 to Kiwa-CAU R&D Center in the year 2013 and 2012, respectively.

The Company leased its principal office from Kangtai at the rent of $1,000 per month. (See Note 11)

7. Unsecured Loans Payable

The balance of unsecured loans payable was $1,899,665 and $1,845,878 as of December 31, 2013 and December 31, 2012, respectively. The change in the balances at December 31, 2013 to December 31, 2012 arose from the effect of changes in the exchange rates prevailing at the balance sheet dates. Unsecured loans payable consisted of the following as of December 31, 2013 and December 31, 2012:

| Item | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Unsecured loan payable to Zoucheng Municipal Government, non-interest bearing, becoming due within three years from Kiwa Shandong's first profitable year on a formula basis, interest has not been imputed due to the undeterminable repayment date | $ 1,486,694 | $ 1,444,600 |
| Unsecured loan payable to Zoucheng Science & Technology Bureau, non-interest bearing, it is due in Kiwa Shandong's first profitable year, interest has not been imputed due to the undeterminable repayment date | 412,971 | 401,278 |
| Total | $ 1,899,665 | $ 1,845,878 |

The Company qualifies for non-interest bearing loans under a Chinese government sponsored program to encourage economic development in certain industries and locations in China. To qualify for the favorable loan terms, a company must meet the following criteria: (1) be a technology company with innovative technology or product (as determined by the Science Bureau of the central Chinese government); (2) operate in specific industries that the Chinese government has determined are important to encourage development, such as agriculture, environmental, education, and others; and (3) be located in an undeveloped area such as Zoucheng, Shandong Province, where the manufacturing facility of the Company is located.

According to the Company's project agreement, Zoucheng Municipal Government granted the Company use of at least 15.7 acres in Shandong Province, China at no cost for 10 years to construct a manufacturing facility. Under the agreement, the Company has the option to pay a fee of RMB480,000 ($77,100) per acre for the land use right after the 10-year period until May 2012. The Company may not transfer or pledge the temporary land use right. The Company also committed to invest approximately $18 million to $24 million for developing the manufacturing and research facilities in Zoucheng, Shandong Province. As of December 31, 2013, the Company invested approximately $2 million for the property, plant and equipment of the project and these assets were impaired as of December 31, 2013.

8. 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 the Company’s 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 its stockholders. At the annual meeting held for 2008 on December 30, 2008 the Company further amended its Certificate of Incorporation by increasing the number of authorized shares of common stock from 200,000,000 to 400,000,000. At the 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 the 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. At the annual meeting for 2011, which was held on December 16, 2011, 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 the annual meeting for 2012, which was held on December 18, 2012, 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.

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.

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.

As of December 31, 2013, the Warrants have expired.

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.

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

On August 12, 2013, the Company entered into a Settlement Agreement and Release (the "Release") with four of the Purchasers of the Company's 6% Notes and 2% Notes. Pursuant to the terms of the Release, the Company paid four of the Purchasers $75,000 for a full release, including the forgiveness of past defaults of unpaid principal amounts, interest and penalties. As of December 31, 2013, principal amount of 6% Notes outstanding was $150,250; interest amount outstanding was $115,806; amount of standard liquidation damages was $265,998.

As of December 31, 2013, 2% Notes have been fully settled.

During 2013, the Company recorded gain from restructure of convertible notes of $4,953,880.

During the twelve months ended December 31, 2013, the Purchasers converted nil principal and nil interest into shares of common stock.

## 9. 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 December 31, 2013 and 2012 and the movements during the years 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 | $ - | 7 |
| Exercised | - | - | | - |
| Expired | - | - | | - |
| Forfeited | - | - | | - |
| Outstanding at December 31, 2012 | 1,232,600 | $ 0.175 | $ - | 6 |
| Exercised | - | - | | |

| | | | | | |
|---|---|---|---|---|---|
| Expired | - | | - | | - |
| Forfeited | - | | - | | - |
| Outstanding at December 31, 2013 | 1,232,600 | $ | 0.175 | $ - | 5 |
| Exercisable at December 31, 2013 | 1,232,600 | $ | 0.175 | $ - | 5 |

(1) The market value of the Company's common stock at December 31, 2013 was $0.0018 per share. The outstanding options had no intrinsic value at December 31, 2013.

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The Company has adopted ASC Topic 718 effective as of January 1, 2006. The fair value of the options granted at the grant date was determined to be $320,154 (approximately $0.16 per share), calculated pursuant to the Black-Scholes option pricing model. The calculated fair value is recognized as expense over the applicable vesting periods, using the straight-line attribution method. Unamortized fair value of stock options granted to those who separated from the Company has been charged to expense, while the options returned to the Company. During the years ended December 31, 2013 and 2012, $nil was charged to expense.

## 10. Income Tax

In accordance with the current tax laws in China, Kiwa Shandong is subject to a corporate income tax rate of 25% on its taxable income. However, Kiwa Shandong has not provided for any corporate income taxes since it had no taxable income for the years ended December 31, 2013 and 2012.

No provision for other overseas taxes is made 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:

| | Year ended December 31, | |
|---|---|---|
| | 2013 | 2012 |
| Pre-tax income (loss) | $3,713,866 | $(1,342,432) |
| U.S. federal corporate income tax rate | 34 % | 34 % |
| Income tax computed at U.S. federal corporate income tax rate | 1,262,714 | (456,427) |
| Reconciling items: | | |
| Rate differential for PRC earnings | 29,392 | 19,692 |
| Change of valuation allowance | (1,332,906) | 395,935 |
| Non-deductible expenses and non-reportable income | 40,800 | 40,800 |
| Effective tax expense | $- | $- |

The Company had deferred tax assets as follows:

| | December 31 2013 | December 31 2012 |
|---|---|---|
| Net operating losses carried forward | $ 3,555,928 | $ 5,459,835 |
| Less: Valuation allowance | (3,555,928 ) | (5,459,835 ) |
| Net deferred tax assets | $ - | $ - |

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As of December 31, 2013 and 2012, the Company had approximately $10 million and $16 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 Shandong could be carried forward for a period of not more than five years from the year of the initial loss pursuant to relevant PRC tax laws and regulations. It is more-likely-than-not that the deferred tax assets cannot be utilized in the future because there will not be significant future earnings from the entity which generated the net operating loss. Therefore, the Company recorded a full valuation allowance on its deferred tax assets.

As of December 31, 2013 and 2012, 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 Company during the two years ended December 31, 2013 and 2012, and no provision for interest and penalties is deemed necessary as of December 31, 2013 and 2012.

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.

## 11. Commitments and Contingencies

The Company has the following material contractual obligations:

**(1) Operating lease commitments**

The Company leased an office in Beijing on July 15, 2007. The operating lease agreement will expire on January 14, 2012. The monthly rental payment for the office is RMB 80,324 (approximately $12,000). Rent expense under the operating lease for the nine months ended September, 2011 and 2010 was $102,247 and $143,897, respectively. Although the operating lease agreement expired by its term on January 14, 2012, the parties elected to terminate the lease on June 30, 2011.

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, 2013 and both parties agreed to extend the lease for another one year.

The Company's commitments for minimum lease payments under the operating lease for the next five years and thereafter as of December 31, 2013 are as follows:

| Fiscal Year | Amount |
|---|---|
| 2014 | $ 6,000 |
| Total | $ 6,000 |

**(2) Technology acquisition**

On May 8, 2006 we entered into a Technology Transfer Agreement ("TTA") with Jinan Kelongboao Bio-Tech Co. Ltd. ("JKB"). Pursuant to the agreement, JKB agreed to transfer its AF-01 Anti-viral Aerosol technology for veterinary medicines to us. Pursuant to the agreement we will pay JKB a transfer fee of RMB10 million (approximately $1.62 million), of which RMB 6 million will be paid in cash and RMB 4 million will be paid in stock. The cash portion will be paid in installments, the first installment RMB 3 million was set for May 23, 2006 initially, of which RMB 1 million has been paid and both parties have agreed to extend the remaining RMB 2 million to the date when the application for new veterinary drug certificate is accepted. Three other installments of RMB 1 million are due upon the achievement of certain milestones, the last milestone being the issuance by the PRC Ministry of Agriculture of a new medicine certificate in respect of the technology. The RMB 4 million stock payment will be due 90 days after the AF-01 technology is approved by the appropriate PRC department for use as a livestock disinfector for preventing bird flu. The agreement will become effective when the first installment has been fully paid.

As of December 31, 2013, we had paid one-third of the first installment, or RMB1,000,000 (or $165,188) to JKB. However, due to the difficulties of obtaining additional funds, the Company has determined to discontinue this project.

**(3) 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 $165,188) each year to fund research at the R&D Center. The term of this agreement is ten years starting from July 1, 2006. Prof. Qi Wang, who became one of our directors in July 2007, has acted as the Director of Kiwa-CAU R&D Center since July 2006.

**(4) 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, 2013, we had invested approximately $1.91 million for the project.

**Note 12. Subsequent Events**

The Company has reviewed its subsequent events from December 31, 2013 through the date these financial statements were issued and has determined that no material subsequent events have occurred through such date.