Cellular Biomedicine Group, Inc.
Form 10-Q
November 13, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2015

OR

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

Commission File Number 001-36498

CELLULAR BIOMEDICINE GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	86-1032927
State of Incorporation	IRS Employer Identification No.

19925 Stevens Creek Blvd., Suite 100
Cupertino, California 95014
(Address of principal executive offices)

(408) 973-7884
(Registrant's telephone number)

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

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 than the registrant was required to submit and post such files). Yes þ No o

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

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	þ

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

As of November 3, 2015, there were 11,679,669 shares of common stock, par value $.001 per share issued and outstanding.

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION
Item 1. Condensed Consolidated Financial Statements (Unaudited)

CELLULAR BIOMEDICINE GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
AS OF SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

	September 30, 2015	December 31, 2014
Assets		
Cash and cash equivalents	$20,106,377	$14,770,584
Accounts receivable	410,761	141,029
Other receivables	319,211	135,957
Inventory	422,077	372,249
Prepaid expenses	439,657	565,299
Other current assets	-	110,347
Total current assets	21,698,083	16,095,465
Investments	13,299,407	6,886,033
Property, plant and equipment, net	1,726,418	1,280,410
Goodwill	7,678,787	7,678,789
Intangibles, net	16,323,642	11,156,676
Long-term prepaid expenses and other assets	1,150,296	587,729
Total assets (1)	$61,876,633	$43,685,102
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	$146,369	$426,917
Accrued expenses	2,574,829	2,074,384
Taxes payable	615,800	814,288
Advances payable to related party	-	36,254
Other current liabilities	1,382,798	724,479
Total current liabilities	4,719,796	4,076,322
Other non-current liabilities	231,085	452,689
Total liabilities (1)	4,950,881	4,529,011
Commitments and Contingencies (note 14)		
Stockholders' equity:		
Preferred stock, par value $.001, 50,000,000 shares authorized; none issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	-	-
Common stock, par value $.001, 300,000,000 shares authorized;		

11,656,857 and 10,990,335 issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	11,657	10,990
Additional paid in capital	101,312,047	75,467,316
Accumulated deficit	(52,346,434)	(37,890,590)
Accumulated other comprehensive income (loss)	7,948,482	1,568,375
Total stockholders' equity	56,925,752	39,156,091
Total liabilities and stockholders' equity	$61,876,633	$43,685,102

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(1) The Company's consolidated assets as of September 30, 2015 and December 31, 2014 included $5,827,782 and $5,508,459, respectively, of assets of variable interest entities, or VIEs, that can only be used to settle obligations of the VIEs. Each of the following amounts represent the balances of the VIEs as of September 30, 2015 and December 31, 2014, respectively. These assets include cash and cash equivalents of $1,842,457 and $3,496,678; accounts receivable of $280,042 and $141,029; other receivables of $151,208 and $127,280; inventory of $161,613 and $215,152; prepaid expenses of $260,919 and $193,613; other current assets of $ nil and $109,777; property, plant and equipment, net, of $742,611 and $1,055,648; intangibles of $1,872,495 and $42,779; and long-term prepaid expenses and other assets of $516,437 and $126,503. The Company's consolidated liabilities as of September 30, 2015 and December 31, 2014 included $1,386,205 and $1,434,826, respectively, of liabilities of the VIEs whose creditors have no recourse to the Company. These liabilities include accounts payable of $27,283 and $10,572; other payables of $693,693 and $714,309; payroll accrual of $425,597 and $273,599; taxes payable of $24,267 and $ nil; and other non-current liabilities of $215,365 and $436,346. See further description in Note 4, Variable Interest Entities.

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

CELLULAR BIOMEDICINE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014 (Note 21)	2015	2014 (Note 21)
Net sales and revenue	$624,907	$-	$1,885,256	$179,120
Operating expenses:				
Cost of sales	443,416	-	1,335,707	92,553
General and administrative	3,467,184	1,946,909	9,915,956	4,901,670
Selling and marketing	190,152	21,311	500,393	86,806
Research and development	2,190,240	812,227	4,968,352	2,100,271
Impairment of investments	-	-	123,428	-
Total operating expenses	6,290,992	2,780,447	16,843,836	7,181,300
Operating loss	(5,666,085)	(2,780,447)	(14,958,580)	(7,002,180)
Other income (expense):				
Interest income	8,386	698	29,417	1,263
Other income (expense)	492,101	(260)	502,921	94,357
Total other income	500,487	438	532,338	95,620
Loss from continuing operations before taxes	(5,165,598)	(2,780,009)	(14,426,242)	(6,906,560)
Income taxes (expense) credit	23,400	-	(29,602)	-
Loss from continuing operations	(5,142,198)	(2,780,009)	(14,455,844)	(6,906,560)
Loss on discontinued operations, net of taxes	-	(43,271)	-	(3,037,514)
Net loss	$(5,142,198)	$(2,823,280)	$(14,455,844)	$(9,944,074)
Other comprehensive income (loss):				
Cumulative translation adjustment	(225,198)	(1,838)	(163,353)	(8,673)
Unrecognized gain (loss) on investments	(1,520,000)	(1,005,455)	6,543,460	2,515,894
Total other comprehensive income (loss):	(1,745,198)	(1,007,293)	6,380,107	2,507,221
Comprehensive loss	$(6,887,396)	$(3,830,573)	$(8,075,737)	$(7,436,853)
Loss per share for continuing operations:				
Basic	$(0.44)	$(0.30)	$(1.27)	$(0.85)
Diluted	$(0.44)	$(0.30)	$(1.27)	$(0.85)
Loss per share for discontinued operations:				
Basic	$-	$-	$-	$(0.37)
Diluted	$-	$-	$-	$(0.37)
Net loss per share :				
Basic	$(0.44)	$(0.31)	$(1.27)	$(1.22)
Diluted	$(0.44)	$(0.31)	$(1.27)	$(1.22)
Weighted average common shares outstanding:				
Basic	11,622,756	9,131,576	11,399,958	8,155,213
Diluted	11,622,756	9,131,576	11,399,958	8,155,213

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

CELLULAR BIOMEDICINE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

	For the Nine Months Ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (14,455,844)	$ (9,944,074)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,537,323	660,836
Loss on disposal of assets	-	12,313
Stock based compensation expense	5,672,955	1,151,404
Amortisation of deferred stock compensation	-	85,671
Other than temporary impairment on investments	123,428	-
Realized losses from sale of investments	5,178	5,913
Value of stock received for services	-	(1,610,000)
Impairment of goodwill	-	3,299,566
Decrease in fair value of accrued expenses for the acquisition of intangible assets	(413,559)	-
Changes in operating assets and liabilities:		
Accounts receivable	(275,317)	(13,419)
Other receivables	(176,301)	(53,332)
Inventory	(49,828)	(53,857)
Prepaid expenses	108,055	(439,437)
Other current assets	110,347	22,779
Investments	-	7,150
Long-term prepaid expenses and other assets	(156,704)	(458,058)
Accounts payable	(280,548)	(36,988)
Accrued expenses	183,105	371,578
Advance payable to related party	(30,216)	-
Other current liabilities	(63,426)	(1,135,151)
Taxes payable	(198,488)	-
Other non-current liabilities	(212,371)	-
Net cash used in operating activities	(8,572,211)	(8,127,106)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of business, net of cash acquired	-	(190,698)
Proceed from sale of investments, net of transaction costs	1,480	-
Purchases of intangible assets	(4,577,740)	(1,953)
Purchases of property, plant and equipment	(918,289)	(129,096)
Net cash used in investing activities	(5,494,549)	(321,747)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from the issuance of common stock	18,964,849	11,121,956
Proceeds from exercise of stock options	478,798	-

Repayment of advance from affiliate	-	(33,468)
Net cash provided by financing activities	19,443,647	11,088,488
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(41,094)	1,112
INCREASE IN CASH AND CASH EQUIVALENTS	5,335,793	2,640,747
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	14,770,584	7,175,215
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 20,106,377	$ 9,815,962
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for income taxes	$ 99,668	$ -
Non-cash investing activities		
Acquisition of intangible assets through issuance of the Company's stock	$ 1,096,399	$ 1,442,850
Acquisition of business through issuance of the Company's stock	$ -	$ 14,496,256

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

CELLULAR BIOMEDICINE GROUP, INC.
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF BUSINESS

As used in this quarterly report, "we", "us", "our", "CBMG", "Company" or "our company" refers to Cellular Biomedicine Group, Inc. and, unless the context otherwise requires, all of its subsidiaries and variable interest entities.

Overview

Cellular Biomedicine Group, Inc. is a biomedicine company, principally engaged in the development of new treatments for cancerous and degenerative diseases utilizing proprietary cell-based technologies. Our technology includes two major cell platforms: (i) Immune Cell therapy for treatment of a broad range of cancers using Vaccine, Tcm, TCR clonality, Chimeric Antigen Receptor T cell (“CAR-T”) and anti-PD-1 technologies, and (ii) human adipose-derived mesenchymal progenitor cells (“haMPC”) for treatment of joint and autoimmune diseases, with primary research and manufacturing facilities in China.

We are focused on developing and marketing safe and effective cell-based therapies based on our cellular platforms, to treat serious chronic and degenerative diseases such as cancer, orthopedic diseases (including osteoarthritis and tissue damage), various inflammatory diseases and metabolic diseases. We have developed proprietary practical knowledge in the use of cell-based therapeutics that we believe could be used to help a great number of people suffering from cancer and other serious chronic diseases. We are conducting clinical studies in China for two stem cell based therapies to treat knee osteoarthritis (“KOA”) and Cartilage Defect (“CD”). We have initiated preclinical studies in Asthma, and Chronic Obstructive Pulmonary Disease ("COPD").

Our primary target market is Greater China. We believe that the results of our research studies and the acquired knowhow and clinical data will support expanded preclinical and clinical trials with a larger population of patients, which we expect to carry out through authorized treatment centers throughout Greater China. With the recent acquisition of the University of South Florida’s license on the next generation GVAX vaccine’s (“CD40LGVAX”) and its related technologies and technical knowledge, we have expanded our comprehensive immuno-oncology cell therapy portfolio with cancer immunotherapy vaccine and vaccine combination technology platform and broadened our potential treatment options for patients. We plan to evaluate a return of investment on any U.S. sponsorship of the phase l/ll clinical study to support a U.S. New Drug Application (NDA) for the combination of CD40LGVAX, a next generation cancer vaccine, with nivolumab, an anti-PD1 checkpoint inhibitor, to treat unresectable stage IV non-small cell lung cancer (“NSCLC”), (collectively “U.S. CD40LGVAX Trial”). We may also seek approval to conduct clinical trials with leading non-U.S. medical centers or seek partnership for CD40LGVAX sub-license opportunities.

With our 2014 acquisition of Agreen Biotech Co. Ltd. ("AG"), we are generating technical services revenue comprised of T Cells Receptor ("TCR") clonality analysis technology and T Central Memory Cell ("Tcm") and Dendritic Cell ("DC") preparation methodologies. AG is a biotech company with operations in China, engaged in the development of treatments for cancerous diseases utilizing proprietary cell technologies, which include preparation of subset T Cell and clonality assay platform technology for treatment of a broad range of cancers by AG’s primary hospital partner, Jilin Hospital. We are expanding the hospital partnerships business model to a few additional hospitals in the densely populated northeast China region in Beijing, Shanxi, Shandong and Anhui Province. With recent build-up of our Vaccine, Tcm, TCR clonality, CAR-T and anti-PD-1 technologies we plan to evaluate and prioritize our cancer clinical trial indications for commercialization using safe and most effective therapy or combination therapies. We plan to integrate CBMG's state-of-the art infrastructure and clinical platform with the aforementioned acquired technologies to boost the Company's Immuno-Oncology presence, and pave the way for

future partnerships. We plan to initiate certain cancer clinical trials in China upon receiving acceptance of the clinical trial designs with the principal investigator and obtaining the requisite approvals. We have yet to derive revenue from our CAR-T or anti-PD-1 technologies.

Corporate History

Cellular Biomedicine Group, Inc., (formerly known as EastBridge Investment Group Corporation) was originally incorporated in the State of Arizona on June 25, 2001 under the name ATC Technology Corporation. ATC Technology Corporation changed its corporate name to EastBridge Investment Group Corporation in September 2005 and changed its business focus to providing investment related services in Asia.

On November 13, 2012, EastBridge Investment Group Corporation, an Arizona corporation ("EastBridge"), CBMG Acquisition Limited, a British Virgin Islands company and the Company's wholly-owned subsidiary ("Merger Sub") and Cellular Biomedicine Group Ltd. ("CBMG BVI"), a British Virgin Islands company, entered into a Merger Agreement, pursuant to which CBMG BVI was the surviving entity in a merger with Merger Sub whereby CBMG BVI became a wholly-owned subsidiary of the Company (the "Merger"). The Merger was consummated on February 6, 2013 (the "Closing Date").

Also in connection with the Merger, the Company created a new Delaware subsidiary named EastBridge Investment Corp. (“EastBridge Sub”). Pursuant to a Contribution Agreement by and between the Company and EastBridge Sub dated February 5, 2013, the Company contributed all of its then current assets and liabilities to EastBridge Sub which continued the business and operations of the Company at the subsidiary level. A copy of the Contribution Agreement is attached as Exhibit 10.1 to the Current Report on Form 8-K filed by the Company on February 12, 2013.

As a result of the Merger, CBMG BVI and EastBridge Sub became the two direct subsidiaries of the Company.

In connection with the Merger, effective March 5, 2013, the Company (formerly named “EastBridge Investment Group Corporation”) changed its name to “Cellular Biomedicine Group, Inc.” In addition in March 2013, the Company changed its corporate headquarters to 530 University Avenue in Palo Alto, California.

From February 6, 2013 to June 23, 2014, we operated the Company in two separate reportable segments: (i) Biomedicine Cell Therapy (“Biomedicine”); and (ii) Financial Consulting (“Consulting”). The Consulting segment was conducted through EastBridge Sub. On June 23, 2014, the Company announced the discontinuation of the Consulting segment as it no longer fit into management’s long-term strategy and vision. The Company is now focusing resources on becoming a biotechnology company bringing therapies to improve the health of patients in China.

On September 26, 2014, the Company completed its acquisition of Beijing Agreen Biotechnology Co. Ltd. ("AG") and the U.S. patent held by AG’s founder. AG is a biotech company with operations in China, engaged in the development of treatments for cancerous diseases utilizing proprietary cell technologies, which include without limitation, preparation of subset T Cell and clonality assay platform technology for treatment of a broad range of cancers by AG’s served hospital, Jilin Hospital.

At the end of September, 2015, the Company moved its corporate headquarters to 19925 Stevens Creek Blvd., Suite 100 in Cupertino, California.

NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and the rules and regulations of the Securities and Exchange Commission (“SEC”) for reporting on Form 10-Q. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements herein. The unaudited Condensed Consolidated Financial Statements herein should be read in conjunction with the historical consolidated financial statements of the Company for the years ended December 31, 2014 and 2013 included in our Annual Report on Form 10-K for the year ended December 31, 2014. Operating results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

Principles of Consolidation

Our unaudited condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary for a fair presentation of our financial position and results of operations. Such adjustments are of a normal recurring nature, unless otherwise noted. The balance sheet as of September 30, 2015 and the results of operations for the three and nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for any future period.

Our unaudited condensed consolidated financial statements are prepared in accordance with U.S. GAAP. These accounting principles require us to make certain estimates, judgments and assumptions that affect the reported

amounts if assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We believe that the estimates, judgments and assumptions are reasonable, based on information available at the time they are made. Actual results could differ materially from those estimates.

Recent Accounting Pronouncements

Recent accounting pronouncements that the Company has adopted or may be required to adopt in the future are summarized below.

In September 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-16, "Business Combination (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments" ("ASU 2015-16"). The amendments in this update require that the acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The acquirer is required to also record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. In addition an entity is required to present separately on the face of the income statement or disclose in the notes to the financial statements the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments in ASU 2015-16 should be applied prospectively to adjustments to provisional amounts that occur after the effective date of ASU 2015-16 with earlier application permitted for financial statements that have not been issued. We do not expect the adoption of ASU 2015-16 to have a material impact on our consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory" ("ASU 2015-11"). The amendments in this update require an entity to measure inventory within the scope of ASU 2015-11 (the amendments in ASU 2015-11 do not apply to inventory that is measured using last-in, first-out or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out or average cost) at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is uncharged for inventory measured using last-in, first-out or the retail inventory method. The amendments in ASU 2015-11 more closely align the measurement of inventory in U.S. GAAP with the measurement of inventory in International Financial Reporting Standards ("IFRS"). ASU 2015-11 is effective for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The amendments in ASU 2015-11 should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. We are currently in the process of evaluating the impact of the adoption of ASU 2015-11 on our consolidated financial statements.

In June 2015, the FASB issued ASU No. 2015-10, "Technical Corrections and Improvements" ("ASU 2015-10"). The amendments in ASU 2015-10 cover a wide range of Topics in the Accounting Standards Codification (the "ASC"). The amendments in ASU 2015-10 represent changes to clarify the ASC, correct unintended application of guidance, or make minor improvements to the ASC that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. Additionally, some of the amendments will make the ASC easier to understand and easier to apply by eliminating inconsistencies, providing needed clarifications, and improving the presentation of guidance in the ASC. Transition guidance varies based on the amendments in ASU 2015-10. The amendments in ASU 2015-10 that require transition guidance are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. All other amendments will be effective upon the issuance of ASU 2015-10. We are currently in the process of evaluating the impact of the adoption of ASU 2015-10 on our consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis" ("ASU 2015-02"). The amendments in this update affect reporting entities that are required to evaluate whether

they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. ASU 2015-02 is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. We are currently in the process of evaluating the impact of the adoption of ASU 2015-02 on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). ASU 2014-09 supersedes the revenue recognition requirements in “Revenue Recognition (Topic 605)”, and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date” (“ASU 2015-14”) in August 2015. The amendments in ASU 2015-14 defer the effective date of ASU 2014-09. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. We are currently in the process of evaluating the impact of the adoption of ASU 2014-09 on our consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08. The amendments in this ASU modify the requirements for the reporting of discontinued operations. In order to qualify as a discontinued operation, the disposal of a component of an entity, a group of components, or a business of an entity must represent a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. The ASU further indicates that the timing for recording a discontinued operation is when one of the following occurs: the component, group of components, or business meets the criteria to be classified as held-for-sale; the component, group of components, or business is disposed of by sale; or the component, group of components, or business is disposed of other than by sale (for example abandonment or spinoff). In addition, the ASU also requires additional disclosure items about an entity’s discontinued operations. The amendments are effective for us beginning on January 1, 2015. The amendments are to be applied prospectively solely to newly identified disposals that qualify as discontinued operations after the effective date. Items previously reported as discontinued operations will maintain their classification based on the prior guidance. Early adoption is permitted, but only for disposals that have not been previously reported as discontinued operations in previously issued financial statements. We had adopted this amendments from January 1, 2015 and see note 3 for related disclosure.

NOTE 3 – DISCONTINUED OPERATIONS

On June 23, 2014, at a Board of Directors meeting, the Company approved the discontinuation of all activities of the Consulting segment. Accordingly, based on management's intent at June 30, 2014, the Company discontinued the Consulting segment.

The Company had liquidated all of the Consulting segment's remaining assets and settled all related liabilities as of December 31, 2014.

Amounts presented for the three months ended September 30, 2015 and 2014, have been reclassified to conform to the current presentation. The following table provides the amounts reclassified for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Amounts reclassified:				
Consulting revenue	$-	$-	$-	$1,636,746
Consulting operating expenses	-	(40,229)	-	(1,345,705)
Selling and marketing	-	(3,042)	-	(27,263)
Impairment expense	-	-	-	(3,299,566)
Other income (expense)	-	-	-	(1,726)
Total amount reclassified as discontinued operations	$-	$(43,271)	$-	$(3,037,514)

NOTE 4 – VARIABLE INTEREST ENTITIES

VIEs are those entities in which a company, through contractual arrangements, bears the risk of, and enjoys the rewards normally associated with ownership of the entity, and therefore the Company is the primary beneficiary of the entity. Cellular Biomedicine Group Ltd (Shanghai) ("CBMG Shanghai") and its subsidiaries are variable interest entities (VIEs), through which the Company conducts stem cell research and clinical trials in China. The shareholders of record for CBMG Shanghai are Cao Wei and Chen Mingzhe, who together own 100% of the equity interests in CBMG Shanghai. The initial capitalization and operating expenses of CBMG Shanghai are funded by our wholly foreign-owned enterprise ("WFOE"), Cellular Biomedicine Group Ltd. (Wuxi) ("CBMG Wuxi"). The registered capital of CBMG Shanghai is ten million RMB and was incorporated on October 19, 2011. AG was 100% acquired by CBMG Shanghai in September 2014. The registered capital of AG is five million RMB and was incorporated on April 27, 2011. For the nine months ended September 30, 2015, 86% of the Company revenue is derived from VIEs.

In February 2012, CBMG Wuxi provided financing to CBMG Shanghai in the amount of $1,587,075 for working capital purposes. In conjunction with the provided financing, exclusive option agreements were executed granting CBMG Wuxi the irrevocable and exclusive right to convert the unpaid portion of the provided financing into equity interest of CBMG Shanghai at CBMG Wuxi's sole and absolute discretion. CBMG Wuxi and CBMG Shanghai additionally executed a business cooperation agreement whereby CBMG Wuxi is to provide CBMG Shanghai with technical and business support, consulting services, and other commercial services. The shareholders of CBMG Shanghai pledged their equity interest in CBMG Shanghai as collateral in the event CBMG Shanghai does not perform its obligations under the business cooperation agreement.

The Company has determined it is the primary beneficiary of CBMG Shanghai by reference to the power and benefits criterion under ASC 810, Consolidation. This determination was reached after considering the financing provided by CBMG Wuxi to CBMG Shanghai is convertible into equity interest of CBMG Shanghai and the business cooperation agreement grants the Company and its officers the power to manage and make decisions that affect the operation of CBMG Shanghai.

There are substantial uncertainties regarding the interpretation, application and enforcement of PRC laws and regulations, including but not limited to the laws and regulations governing our business or the enforcement and performance of our contractual arrangements. See our Annual Report on Form 10-K for year ended December 31, 2014 and 2013. The Company has not provided any guarantees related to VIEs and no creditors of VIEs have recourse to the general credit of the Company.

As the primary beneficiary of CBMG Shanghai and its subsidiaries, the Company consolidates in its financial statements the financial position, results of operations, and cash flows of CBMG Shanghai and its subsidiaries, and all intercompany balances and transactions between the Company and CBMG Shanghai and its subsidiaries are eliminated in the condensed consolidated financial statements.

The Company has aggregated the financial information of CBMG Shanghai and its subsidiaries in the table below. The aggregate carrying value of assets and liabilities of CBMG Shanghai and its subsidiaries (after elimination of intercompany transactions and balances) in the Company's condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014 are as follows:

	September 30, 2015	December 31, 2014
Assets		
Cash	$1,842,457	$3,496,678
Accounts receivable	280,042	141,029
Other receivables	151,208	127,280
Inventory	161,613	215,152
Prepaid expenses	260,919	193,613
Other current assets	-	109,777
Total current assets	2,696,239	4,283,529
Property, plant and equipment, net	742,611	1,055,648
Intangibles	1,872,495	42,779
Long-term prepaid expenses and other assets	516,437	126,503
Total assets	$5,827,782	$5,508,459
Liabilities		
Accounts payable	$27,283	$10,572
Other payables	693,693	714,309
Payroll accrual	425,597	273,599
Taxes payable	24,267	-
Total current liabilities	$1,170,840	$998,480
Other non-current liabilities	215,365	436,346
Total liabilities	$1,386,205	$1,434,826

10

NOTE 5 – OTHER RECEIVABLES

The Company pays deposits on various items relating to office expenses and collects option exercise fees from brokers when stock options of the Company are exercised. Management has classified these deposits and option costs to be collected as other receivables as the intention is to recover these deposits in less than 12 months. As of September 30, 2015 and December 31, 2014 the amounts of other receivables was $319,211 and $135,957, respectively.

NOTE 6 – INVENTORY

As of September 30, 2015 and December 31, 2014, inventory consisted of the following:

	September 30, 2015	December 31, 2014
Raw materials	$246,349	$128,665
Work in progress	-	89,164
Semi-finished goods	18,989	-
Finished goods	156,739	154,420
	$422,077	$372,249

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

As of September 30, 2015 and December 31, 2014, property, plant and equipment, carried at cost, consisted of the following:

	September 30, 2015	December 31, 2014
Office equipment	$19,577	$16,842
Manufacturing equipment	2,060,950	1,518,718
Computer equipment	103,272	73,888
Leasehold improvements	1,424,626	1,414,475
Construction in progress	210,646	-
	3,819,071	3,023,923
Less: accumulated depreciation	(2,092,653)	(1,743,513)
	$1,726,418	$1,280,410

For the three and nine months ended September 30, 2015, depreciation expense was $124,992 and $423,901, respectively, as compared to $137,071 and $400,731 for the three and nine months ended September 30, 2014, respectively.

NOTE 8 – INVESTMENTS

The Company's investments represent the investment in equity securities listed in Over-The-Counter ("OTC") markets of the United States of America:

September 30, 2015	Cost	Gross Unrealized Gains	Gross Unrealized Losses more than 12 months	Gross Unrealized Losses less than 12 months	Market or Fair Value
Equity position in Alpha Lujo, Inc.	$251,388	$-	$-	$(133,694)	$117,694
Equity position in Arem Pacific Corporation	5,030,000	8,090,000	-	-	13,120,000
Equity position in Wonder International Education & Investment Group Corporation	61,713	-	-	-	61,713
Total	$5,343,101	$8,090,000	$-	$(133,694)	$13,299,407

December 31, 2014	Cost	Gross Unrealized Gains	Gross Unrealized Losses more than 12 months	Gross Unrealized Losses less than 12 months	Market or Fair Value
Equity position in Alpha Lujo, Inc.	$251,388	$42,846	$-	$-	$294,234
Equity position in Arem Pacific Corporation	5,030,000	1,370,000	-	-	6,400,000
Equity position in Wonder International Education & Investment Group Corporation	191,799	-	-	-	191,799
Total	$5,473,187	$1,412,846	$-	$-	$6,886,033

Net proceeds from sale of investments for the three and nine months ended September 30, 2015 was $ nil and $1,480, respectively. Net realized losses from sale of investments for the three and nine months ended September 30, 2015 was $ nil and $5,178, respectively.

The unrealized holding gain for the investments that is recognized in other comprehensive income for the three and nine months ended September 30, 2015 was other comprehensive loss of $1,520,000 and other comprehensive income of $6,543,460, respectively, as compared to other comprehensive loss of $1,005,455 and other comprehensive income of $2,515,894 for the three and nine months ended September 30, 2014, respectively.

The Company tracks each investment with an unrealized loss and evaluates them on an individual basis for other-than-temporary impairments, including obtaining corroborating opinions from third party sources, performing trend analysis and reviewing management's future plans. When investments have declines determined by management to be other-than-temporary the Company recognizes write downs through earnings. Other-than-temporary impairment of investments for the three and nine months ended September 30, 2015 was $ nil and $123,428, respectively. For the three and nine months ended September 30, 2014, other-than-temporary impairment of investments was $ nil.

NOTE 9 – FAIR VALUE ACCOUNTING

The Company has adopted ASC Topic 820, Fair Value Measurement and Disclosure, which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. It does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. It establishes a three-level valuation hierarchy of

valuation techniques based on observable and unobservable inputs, which may be used to measure fair value and include the following:

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

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, 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.

Classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement.

The carrying value of financial items of the Company including cash and cash equivalents, accounts receivable, other receivables, accounts payable and accrued liabilities, approximate their fair values due to their short-term nature and are classified within Level 1 of the fair value hierarchy. The Company's investments are classified within Level 2 of the fair value hierarchy because of the insufficient volatility of the three stocks traded in OTC market. The Company did not have any Level 3 financial instruments as of September 30, 2015 and December 31, 2014.

Assets measured at fair value within Level 2 on a recurring basis as of September 30, 2015 and December 31, 2014 are summarized as follows:

	As of September 30, 2015 Fair Value Measurements at Reporting Date Using:			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Equity position in Alpha Lujo, Inc.	$117,694	$-	$117,694	$ -
Equity position in Arem Pacific Corporation	13,120,000	-	13,120,000	-
Equity position in Wonder International Education & Investment Group Corporation	61,713	-	61,713	-
	$13,299,407	$-	$13,299,407	$ -

	As of December 31, 2014 Fair Vaue Measurements at Reporting Date Using:			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Equity position in Alpha Lujo, Inc.	$294,234	$-	$294,234	$ -
Equity position in Arem Pacific Corporation	6,400,000	-	6,400,000	-
Equity position in Wonder International Education & Investment Group Corporation	191,799	-	191,799	-
	$6,886,033	$-	$6,886,033	$ -

No investments were acquired in the nine months ended September 30, 2015. During the nine months ended September 30, 2014, the Company received 3,000,000 shares of Arem Pacific Corporation and 800,000 shares of Alpha Lujo, Inc. as compensation for services performed by the Company's consulting segment. No investments were received in the three months ended September 30, 2014.

As of September 30, 2015 and December 31, 2014, the Company holds 8,000,000 and 8,000,000 respectively, shares in Arem Pacific Corporation, 2,942,350 and 2,942,350 respectively, shares in Alpha Lujo, Inc. and 2,057,131 and 2,131,105 shares in Wonder International Education and Investment Group Corporation, respectively. All available-for-sale investments held by the Company at September 30, 2015 and December 31, 2014 have been valued based on level 2 inputs due to the limited trading of all three of these companies. Available-for-sale securities classified within level 2 of the fair value hierarchy are valued utilizing pricing reports from an independent third party pricing service.

NOTE 10 – INTANGIBLE ASSETS

Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually. The Company evaluates the continuing value of the intangibles at each balance sheet date and records write-downs if the continuing value has become impaired. An impairment is determined to exist if the anticipated undiscounted future cash flow attributable to the asset is less than its carrying value. The asset is then reduced to the net present value of the anticipated future cash flow.

As of September 30, 2015 and December 31, 2014, intangible assets, net consisted of the following:

Patents & knowhow & license

	September 30, 2015	December 31, 2014
Cost basis	$17,617,725	$11,404,730
Less: accumulated amortization	(1,351,984)	(289,758)
	$16,265,741	$11,114,972

Software

	September 30, 2015	December 31, 2014
Cost basis	$91,688	$65,848
Less: accumulated amortization	(33,787)	(24,144)
	$57,901	$41,704
Total intangibles, net	$16,323,642	$11,156,676

All software is provided by a third party vendor, is not internally developed, and has an estimated useful life of five years. Patents and knowhow are amortized using an estimated useful life of three to ten years. Amortization expense for the three and nine months ended September 30, 2015 was $483,800 and $1,113,422, respectively, and amortization expense for the three and nine months ended September 30, 2014 was $86,750 and $260,105, respectively.

Estimated amortization expense for each of the ensuing years are as follows for the years ending September 30:

Years ending September 30,	Amount
2016	$1,780,110
2017	1,779,653
2018	1,771,340
2019	1,768,712
2020 and thereafter	9,223,827
	$16,323,642

NOTE 11 – LEASES

The Company leases facilities under non-cancellable operating lease agreements. These facilities are located in the United States, Hong Kong, China and United States. The Company recognizes rental expense on a straight-line basis over the life of the lease period. Rent expense under operating leases for the three and nine months ended September 30, 2015 was approximately $255,667 and $758,889, respectively, as compared to $153,254 and $379,917for the three and nine months ended September 30, 2014, respectively.

As of September 30, 2015, the Company has the following future minimum lease payments due under the foregoing lease agreements:

Years ending September 30,	Amount
2016	$1,064,740
2017	508,164
2018	424,038
2019	391,119
2020	257,602
	$2,645,663

NOTE 12 – RELATED PARTY TRANSACTIONS

Prior to August 26, 2014, Global Health Investment Holdings Ltd. (“Global Health”) was the Company’s largest shareholder. On August 26, 2014 Global Health disseminated its CBMG shareholdings, on a pro rata basis, to its shareholders. Global Health and its subsidiaries are no longer the Company’s affiliate since then. The net balance due to related parties is $36,254 as of December 31, 2014, representing $6,037 for combined advances from the Company’s executives and $30,217 to a subsidiary of Global Health.

The Company received income from the Subsidiaries of Global Health for cell kits with cell processing and storage for the three and nine months ended September 30, 2014, of approximately $ nil and $179,000, respectively.

NOTE 13 – EQUITY

ASC Topic 505 Equity paragraph 505-50-30-6 establishes that share-based payment transactions with nonemployees shall be measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

In March 2014, the Company entered into several Subscription Agreements with selected investors (the “Purchasers”) that met the criteria as “Accredited Investors” as defined in Rule 501(a) of Regulation D under the Securities Act of 1933 (the “Act”), and other investors who met the criteria as “non-U.S. persons” who agreed to comply with the applicable requirements of Regulation S under the Act. As a result of these transactions, the Company issued to the purchasers an aggregate of 194,029 shares of common stock, at a price per share of $6.70 for an aggregate purchase price of approximately $1,220,000.

In June 2014, the Company entered into several Subscription Agreements with selected investors that met the criteria as “non-U.S. persons” who agreed to comply with the applicable requirements of Regulation S under the Act. As a result of these transactions, the Company issued to the purchasers an aggregate of 1,492,537 shares of common stock, at a price per share of $6.70 for an aggregate purchase price of approximately $10,000,000. Certain warrants were issued to the placement agent in this offering. These warrants were all exercised in the year ended December 31, 2014 and 17,765 shares of common stock were issued.

The Company issued to the lead investor in the June 2014 financing, a three-year option to purchase up to 1,000,000 shares of common stock at $8.00 per share. Pursuant to the terms of the option, if at any time after 18 months following the date of issuance, the daily volume-weighted average price of the Company's common stock exceeds $12.00 for a consecutive 20 trading days, the Company shall have the right to require the holder to exercise the option in full. In December 2014, the Company received approximately $8,000,000 upon the exercise in full of this option.

In September 2014, the Company entered into several agreements with selected parties for the purchase of AG and patents. As a result of these transactions, the Company issued an aggregate of 828,522 shares of common stock, at a price per share of $19.238 for an aggregate price of approximately $15,939,000.

In December 2014, the Company issued 39,260 shares as a finder fee in connection with the AG acquisition and recorded expense for the issuance of approximately $480,000. The share price on the date of this signed agreement was $12.22 and was used to calculate number of shares to issue.

In March 2015, the Company closed a financing transaction pursuant to which it sold 515,786 shares of the Company's common stock to selected investors at $38 per share, for total gross proceeds of approximately $19,600,000. The shares were sold pursuant to separate subscription agreements between the Company and each investor. The Company incurred a finder fee of $979,992, equal to 5% of the gross proceeds from the investors that were introduced by such finders, which was recorded as reduction in equity.

On June 26, 2015, the Company completed its acquisition of the certain license rights to technology and know-how from Blackbird BioFinance, LLC ("Blackbird") and entered into an assignment and assumption agreement to acquire all of Blackbird's right, title and interest in and to the exclusive worldwide license to a CD40LGVAX vaccine from the University of South Florida. According to the asset purchase agreement, $1,050,500 in restricted common stock (based on the 20-day volume-weighted average price of the Company's stock on the closing date) would be delivered to Blackbird at closing, thus 28,120 shares of Company common stock were issued as part of the consideration of this transaction.

During the three and nine months ended September 30, 2015, the Company expensed $1,920,063 and $5,437,427 associated with unvested options awards and $134,842 and $235,528 associated with restricted common stock issuances, respectively. During the three and nine months ended September 30, 2014, the Company expensed $377,870 and $990,492 associated with unvested options awards and $22,153 and $85,671 associated with restricted common stock issuances, respectively.

During the three and nine months ended September 30, 2015, options for 45,645 and 121,168 underlying shares were exercised on a cash basis, 45,645 and 121,168 shares of the Company's common stock were issued accordingly. During the three and nine months ended September 30, 2014, 2,900 shares of the Company's common stock were exercised.

During the three and nine months ended September 30, 2015, 547 and 1,448 shares of the Company's restricted common stock, were issued respectively. During the three and nine months ended September 30, 2014, 4,854 and 9,559 shares of the Company's restricted common stock were issued respectively.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Executive Employment Agreements

At the close of the merger with CBMG BVI, the Company entered into executive employment agreements with each of Wen Tao (Steve) Liu, Wei (William) Cao and Andrew Chan (the "New Officers") dated February 6, 2013 (each an "Employment Agreement," collectively, the "Employment Agreements"). Pursuant to Amendment 1 to the Employment Agreement, Andrew Chan will receive an annual base salary of $200,000. Pursuant to Board of Directors ("BOD") Minutes dated September 29, 2013, Steve Liu and William Cao receive an annual base salary of $200,000 and $225,000, respectively. The New Officers are also eligible to participate in the Company's Amended and Restated 2011 Incentive Stock Option Plan (the "2011 Plan") and receive an option grant thereunder for the purchase of common stock of the Company at the discretion of the board of directors of the Company (the "Board"). The term of the New

Officers' employment agreements are effective as of February 6, 2013 and continue for three years thereafter. After the three year term, if the New Officers continue to be employed, they will be employed on an at-will basis and their agreements shall automatically renew for successive one year terms, until and unless their employment is terminated.

Each of the above Executive Employment Agreements contain termination provisions that dependent on the reason an executive is terminated, severance payments and the payment of COBRA premiums may be triggered.

On January 3, 2014 the Company entered into an executive employment agreement with Bizuo (Tony) Liu (the "Liu Employment Agreement"). Pursuant to the Liu Employment Agreement, Tony Liu will receive an annual base salary of $210,000 with substantially similar terms and conditions as the New Officers.

On May 1, 2014 the Company revised Wen Tao (Steve) Liu's agreement (the "Wen Tao Employment Agreement"). Pursuant to the Wen Tao Agreement, Steve Liu will receive an annual base salary of $150,000 as part-time Executive Chairman.

On May 24, 2015, the Board approved the appointment of Richard L. Wang as the Company's Chief Operation Officer. In connection with Mr. Wang's appointment, the Company entered into an agreement with Mr. Wang, pursuant to which Mr.Wang will receive an annual base salary of $210,000. The term of the agreement is effective as of May 18, 2015 for a period of three years, with a probation period from May 18, 2015 to November 18, 2015. Additionally, on May 18, 2015 the Company granted to Mr. Wang 20,000 restricted common stock and 30,000 options to purchase common stock with full vesting of 30%, 30% and 40% at each year anniversary of the grant date for 3 years. The strike price related to above option was $29.54 and its expiration date is May 18, 2025.

On May 24, 2015, the Board approved the appointment of Yihong Yao as the Company's Chief Scientific Officer. In connection with Mr. Yao's appointment, the Company entered into an agreement with Mr. Yao, pursuant to which Mr. Yao will receive an annual base salary of $250,000. The term of the agreement is effective as of August 4, 2015 for a period of three years, with a six-month probation period. Additionally, on August 4, 2015 the Company granted to Mr. Yao 25,000 restricted common stock and 25,000 options to purchase common stock with full vesting of 30%, 30% and 40% at each year anniversary of the grant date for 3 years. The strike price related to above option was $26.53 and its expiration date is August 4, 2025.

Capital commitments

As of September 30, 2015, the capital commitments of the Company are summarized as follows:

	September 30, 2015
Contracts for acquisition of equipment and GMP construction being or to be executed	$760,759
Contracts for acquisition of intangible assets being or to be executed	424,442
	$1,185,201

Legal proceedings

On April 21, 2015, a putative class action complaint was filed against the Company in the U.S. District Court for the Northern District of California captioned Bonnano v. Cellular Biomedicine Group, Inc., 3:15-cv-01795-WHO (N.D. Ca.). The complaint also names Wei Cao, the Company's Chief Executive Officer, and Tony Liu, the Company's Chief Financial Officer, as defendants. The complaint alleges that during the class period, June 18, 2014, through April 7, 2015, the Company made material misrepresentations in its periodic reports filed with the SEC. The complaint alleges a cause of action under Section 10(b) of the Securities Exchange Act of 1934 (the "1934 Act") against all defendants and under Section 20(a) of the 1934 Act against the individual defendants. The complaint does not state the amount of the damages sought. On June 3, 2015, defendants were served. On June 29, 2015, the Court ordered, as stipulated by the parties, that defendants are not required to respond to the initial complaint in this action until such time as a lead plaintiff and lead counsel have been appointed and a consolidated complaint has been filed. The deadline for filing motions for the appointment of lead plaintiff and selection of lead counsel was June 22, 2015. On that date, one motion was filed by the Rosen Law Firm on behalf of putative plaintiff Michelle Jackson. On August 3, 2015, having received no opposition, the Court appointed Jackson as lead plaintiff and the Rosen Law Firm as class counsel. As stipulated among the parties, Jackson filed an amended class action complaint on September 17, 2015. The Company's date to answer or move is on or before January 19, 2016, and a hearing on the anticipated motion to dismiss has been set for April 6, 2016. Discovery will be stayed pending a decision on the motion to dismiss. The amended complaint names ten additional individuals and entities as defendants ("additional defendants"), none of whom are affiliated with the Company, and asserts an additional claim under Section 10(b) and Rule 10b-5(a) and (c) thereunder that the Company purportedly engaged in a scheme with the additional defendants to promote its securities. To date, none of the additional defendants have appeared in the case. The Company believes the suit is

without merit and filled with patently false information, and will vigorously defend the Company in the matter. At this early stage of the proceedings it is not possible to evaluate the likelihood of an unfavorable outcome or to estimate the range of potential loss.

NOTE 15 – STOCK BASED COMPENSATION

Our stock-based compensation arrangements include grants of stock options and restricted stock awards under the Stock Option Plan (the “2009 Plan”,“2011 Plan”, “2013 Plan” and the “2014 Plan”), and certain awards granted outside o these plans. The compensation cost that has been charged against income related to stock options (including shares issued for services and expense true-ups and reversals described in Note 13) for the three and nine months ended September 30, 2015 was $1,920,063 and $5,437,427, respectively, and for the three and nine months ended September 30, 2014 was $377,870 and $990,492, respectively. The compensation cost that has been charged against income related to restricted stock awards for the three and nine months ended September 30, 2015 was $134,842 and $235,528, respectively, and for the three and nine months ended September 30, 2014 was $22,153 and $85,671, respectively.

These expenses are included in overhead, general and administrative expense, selling and marketing expense as well as research and development expenses in our Consolidated Statements of Operations (see Note 21).

As of September 30, 2015, there was $14,498,532 all unrecognized compensation cost related to an aggregate of 1,233,773 of non-vested stock option awards and $1,605,854 related to an aggregate of 68,805 of non-vested restricted stock awards. These costs are expected to be recognized over a weighted-average period of 1.86 years for the stock options awards and 1.85 years for the restricted stock awards.

During the nine months ended September 30, 2015, the Company issued an aggregate of 698,779 options under the 2013 Plan and 2014 Plan to officers, directors and employees. The grant date fair value of these options was $13,319,639 using Black-Scholes option valuation models with the following assumptions: exercise price equal to the grant date stock price of $5.00to $38.4, volatility 88.53% to 99.27%, expected life 6.0 years, and risk-free rate of 1.39% to 1.92%. The Company is expensing these options on a straight-line basis over the requisite service period.

The following table summarizes stock option activity as of September 30, 2015 and December 31, 2014 and for the nine months ended September 30, 2015:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2015	1,425,173	$7.37	8.9	$11,065,770
Grants	698,779	20.86		
Forfeitures	(38,050)	14.70		
Exercises	(121,168)	4.05		
Outstanding at September 30, 2015	1,964,734	$12.24	8.1	$9,219,612
Vested and exercisable at September 30, 2015	730,961		7.8	$7,605,114

Exercise Price	Number of Options Outstanding	Exercisable
$3.00 - $4.95	282,921	248,201
$5.00 - $9.19	726,734	380,570
$12.91+	955,079	102,190
	1,964,734	730,961

The aggregate intrinsic value for stock options outstanding is defined as the positive difference between the fair market value of our common stock and the exercise price of the stock options.

Cash received from option exercises under all share-based payment arrangements for the nine months ended September 30, 2015 was $478,798.

NOTE 16 – NET INCOME (LOSS) PER SHARE

Basic and diluted net loss per common share is computed on the basis of our weighted average number of common shares outstanding, as determined by using the calculations outlined below:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Loss from continuing operations	$(5,142,198)	$(2,780,009)	$(14,455,844)	$(6,906,560)
Loss on discontinued operations	$-	$(43,271)	$-	$(3,037,514)
Net loss	$(5,142,198)	$(2,823,280)	$(14,455,844)	$(9,944,074)
Weighted average shares of common stock	11,622,756	9,131,576	11,399,958	8,155,213
Dilutive effect of stock options	-	-	-	-
Restricted stock vested not issued	-	-	-	-
Common stock and common stock equivalents	11,622,756	9,131,576	11,399,958	8,155,213
Loss from continuing operations per basic share	$(0.44)	$(0.30)	$(1.27)	$(0.85)
Loss from continuing operations per diluted share	$(0.44)	$(0.30)	$(1.27)	$(0.85)
Loss on discontinued operations per basic share	$-	$-	$-	$(0.37)
Loss on discontinued operations per diluted share	$-	$-	$-	$(0.37)
Net loss per basic share	$(0.44)	$(0.31)	$(1.27)	$(1.22)
Net loss per diluted share	$(0.44)	$(0.31)	$(1.27)	$(1.22)

For the three and nine months ended September 30, 2015 and 2014, the effect of conversion and exercise of the Company’s outstanding options are excluded from the calculations of dilutive net income (loss) per share as their effects would have been anti-dilutive since the Company had generated loss for the three and nine months ended September 30, 2015 and 2014.

NOTE 17 – INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period during which such rates are enacted.

The Company considers all available evidence to determine whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become realizable. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carry-forward periods), and projected taxable income in assessing the realizability of deferred tax assets. In making such judgments, significant weight is given to evidence that can be objectively verified. Based on all available evidence, in particular our three-year historical cumulative losses, recent operating losses and U.S. pre-tax loss for the three and nine months ended September 30, 2015, we recorded a valuation allowance against our U.S. net deferred tax assets. In order to fully realize the U.S. deferred tax assets, we will need to generate sufficient taxable income in future periods before the expiration of the deferred tax assets governed by the tax code.

The following represent components of the current tax expense for the three and nine months ended September 30, 2015 and 2014:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Current:				
US federal	$-	$-	$-	$-
US state	1,357	-	4,607	-
Foreign	(24,757)	-	24,995	-
Total current tax expense	$(23,400)	$-	$29,602	$-
Deferred:				
Federal	$-	$-	$-	$-
State	-	-	-	-
Foreign	-	-	-	-
Total deferred tax expense	$-	$-	$-	$-
Total income tax expense	$(23,400)	$-	$29,602	$-

Tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets at September 30, 2015 and December 31, 2014 are presented below:

	September 30, 2015	December 31, 2014
Deferred tax assets:		
Net operating loss carry forwards (offshore)	$1,692,490	$4,343,930
Net operating loss carry forwards (US)	2,728,389	1,823,432
Accruals (offshore)	99,709	-
Accrued compensation (US)	-	581,129
Stock-based compensation (US)	1,090,987	1,217,927
Investments (US)	1,680,855	599,332
Intangibles (US)	(136,187)	-
Subtotal	7,156,243	8,565,750
Less: valuation allowance	(7,156,243)	(8,565,750)
Net deferred tax asset	$-	$-
Deferred tax liabilities:	$-	$-

In each period since inception, the Company has recorded a valuation allowance for the full amount of net deferred tax assets, as the realization of deferred tax assets is uncertain. As a result, the Company has not recorded any federal or state income tax benefit in the consolidated statements of operations and comprehensive income (loss).

As of September 30, 2015, the Company had net operating loss carryforwards of $14.2 million for U.S federal purposes, $11.6 million for U.S. state purposes, and $2.8 million for Chinese income tax purposes, such losses are set to expire in 2035, 2035, and 2020 for U.S. federal, U.S. state and Chinese income tax purposes, respectively. All deferred income tax expense is offset by changes in the valuation allowance pertaining to the Company's existing net operating loss carryforwards due to the unpredictability of future profit streams prior to the expiration of the tax losses. The Company's effective tax rate differs from statutory rates of 35% for U.S. federal income tax purposes and 25% for Chinese income tax purposes and 16.5% for Hong Kong income tax purposes due to the effects of the

valuation allowance and certain permanent differences as it pertains to book-tax differences in the value of client shares received for services.

Income tax expense for the nine months ended September 30, 2015 differed from the amounts computed by applying the statutory federal income tax rate of 35% to pretax income (loss) as a result of the following:

	For the Nine Months Ended September 30, 2015		
Effective Tax Rate Reconciliation			
Income tax provision at statutory rate	$(5,049,185)	35.0	%
State income taxes, net of federal benefit	2,962	0.0	%
Foreign rate differential	2,033,685	(14.1	)%
Other Permanent diference	1,256,794	(8.7	)%
Change in Valuation Allowance	1,785,346	(12.4	)%
Total tax expense	$29,602	(0.2	)%

NOTE 18 – COLLABORATION AGREEMENT

Part of AG's business includes a collaboration agreement to establish and operate a biologic treatment center in the Jilin province of China. Under the terms of the agreement dated on December 10, 2012, AG's collaborative partner funded the development of the center and provides certain ongoing services. In exchange, the partner receives preferred repayment of all funds that were invested in the development, 60% of the net profits until all of the invested funds are repaid, and 40% of the net profits thereafter, and the rights to the physical assets at the conclusion of the agreement. We are accounting for this transaction in accordance with ASC 808 Collaborative Arrangements and have reflected all assets and liabilities of the treatment center. While a liability exists for the amounts to be repaid to the partner for the initial funding, no liability has been recognized for the partner's rights to the assets upon the conclusion of the agreement as there is no specified termination date to the agreement. As of September 30, 2015, the net carrying amount of the physical assets located at the biologic treatment center subject to transfer to the partner at the conclusion of the collaboration agreement was $316,328. For the three and nine months ended September 30, 2015, AG incurred $107,249 and $343,790, respectively, attributed to 60% of net profits to the partner arising from aforementioned collaborative arrangements, which was recorded in the cost of sales.

NOTE 19 – SEGMENT INFORMATION

As stated in Note 3, as of June 23, 2014, the Company decided to discontinue the Consulting segment. As such, since the discontinuation, the Company only has one business unit. Therefore, the Company will not be presenting segment information until such time as another segment is developed.

NOTE 20 – SUBSEQUENT EVENTS

On October 26, 2015, the Company announced results from the PLAGH Phase IIa clinical trial evaluating the safety, feasibility and anti-tumor activity of its acquired (CAR-T) immunotherapy CBM-CD20.1 targeting CD20 for the treatment of patients with advanced B-cell non-Hodgkins lymphoma (NHL). Overall objective response rate (ORR) is 80.0% (8/10) with durable responses observed. A total of ten patients were treated with CBM-CD20.1 (seven patients with diffuse large B-cell lymphoma (DLBCL) and three patients with other types of NHL). The Phase IIa results showed that CBM-CD20.1 immunotherapy was safe, well tolerated, and efficacious in the treatment of patients with advanced NHL. The data was selected for an oral presentation entitled "Treatment of CD20-directed Chimeric Antigen Receptor-modified T cells in Patients with advanced B-cell Non-Hodgkin Lymphoma: An Early Phase IIa Trial Report" at the 2015 4th International Conference on Translational Medicine in Baltimore.

On November 9, 2015, the Company announced the opening of its new state-of-the-art facility in the Zhongguanchun Life Science Park, Changping District, Beijing, China. Eight hundred square meters of the 1,400 square meter site has been equipped with four independent production lines to support clinical batch production and commercial scale manufacturing. Designed and built to GMP standards, the facility has been certified by Beijing Institute for Drug Control, accredited bodies of China National Accreditation Service (CNAS) and China Metrology Accreditation (CMA).

NOTE 21 – COMPARATIVE FIGURES

The comparative figures of 2014 represent figures for the three and nine months ended September 30, 2014. In previous periods, all the stock based compensation were included in general and administrative expense. In order to reflect the costs for each function more accurately, stock based compensation has been charged against overhead, general and administrative expense, selling and marketing expense as well as research and development expenses in accordance with function of the compensation plan participants from April 1, 2015. Certain items in these comparative figures have been reclassified to conform with the current year's presentation to facilitate comparison. Details are as follows:

	For the Three Months Ended September 30, 2014			For the Nine Months Ended September 30, 2014		
	before reclassification	reclassification	after reclassification	before reclassification	reclassification	after reclassification
Operating expenses:						
General and administrative	$2,021,382	$ (74,473)	$ 1,946,909	$5,123,210	$ (221,540)	$ 4,901,670
Research and development	737,754	74,473	812,227	1,878,731	221,540	2,100,271
Total	$2,759,136	$ -	$ 2,759,136	$7,001,941	$ -	$ 7,001,941

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

The following discussion and analysis summarizes the significant factors affecting our results of operations, financial condition and liquidity position for the three months ended September 30, 2015 and 2014, and should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this filing.

This report contains forward-looking statements. These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Factors that might affect our forward-looking statements include, among other things:

- overall economic and business conditions;
- the demand for our products and services;
- competitive factors in the industries in which we compete;
- the results of our pending and future litigation;
- the emergence of new technologies which compete with our product and service offerings;
- our cash position and cash burn rate;
- other capital market conditions, including availability of funding sources;
- the strength of our intellectual property portfolio; and
- changes in political environment, fiscal policies, government regulations in China and the U.S. related to our industries.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expe "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential" and similar expressions. These statements our current views with respect to future events and are based on assumptions and are subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We discuss many of these risks in greater detail under the heading "Risk Factors" included in other reports we file with the Securities and Exchange Commission. Also, these forward-looking statements represent our estimates and assumptions only as of the date of the document containing the applicable statement.

Unless required by law, we undertake no obligation to update or revise any forward-looking statements to reflect new information or future events or developments. Thus, you should not assume that our silence over time means that actual events are bearing out as expressed or implied in such forward-looking statements.

OVERVIEW

For purposes of this periodic report, "CBMG BVI" refers to Cellular Biomedicine Group Ltd., a British Virgin Islands corporation, which is now a wholly-owned subsidiary of the registrant, together with its business, operations,

subsidiaries and controlled entities). The “Company”, “CBMG”, “we”, “us”, “our” and similar terms refer to Cellu
Biomedicine Group, Inc. (a Delaware corporation) as a combined entity including each of its subsidiaries and
controlled companies following the merger (formerly EastBridge Investment Group Corporation), unless the context
otherwise requires. “EastBridge Sub” refers to the Company's wholly owned subsidiary EastBridge Investment Corp.

Recent Developments

On January 9, 2015, the Company entered into an agreement to acquire third generation CAR-T, anti-PD-1, CD19 and aAPC cancer immunotherapy technologies from Persongen Biotechnology Ltd (“PG”).

In January 2015 we initiated patient recruitment to support a phase II clinical study, in China, of ReJoinTM human adipose derived mesenchymal progenitor cell (“haMPC”) therapy for Cartilage Damage (“CD”) resulting from osteoarthritis (“OA”) or sports injury. The study is based on the same science that has shown significant progress in the treatment of Knee Osteoarthritis (“KOA”). Both arthroscopy and the use of magnetic resonance imaging (“MRI”) will be deployed to further demonstrate the regenerative efficacy of ReJoinTM on CD.

On February 4, 2015, the Company announced its agreement related to the acquisition of Chinese PLA General Hospital's ("PLAGH", Beijing, also known as "301 Hospital") Chimeric Antigen Receptor T cell (“CAR-T”) therapy, its recombinant expression vector CD19, CD20, CD30 and Human Epidermal Growth Factor Receptor's (EGFR or HER1) Immuno-Oncology patents applications, and Phase I clinical data of the aforementioned therapies and manufacturing knowledge. The 301 Hospital team has conducted several preliminary clinical studies of various CAR-T constructs targeting CD19-positive acute lymphocytic leukemia, CD20-positive advanced B-cell Non-Hodgkin’s lymphoma, CD30-positive Hodgkin's lymphoma and EGFR-HER1-positive advanced lung cancer, cholangiocarcinoma, pancreatic cancer, and renal cell carcinoma. Pursuant to the terms of the Transfer Agreement, PLAGH agreed to transfer to the Company all of its right, title and interest in and to certain technologies currently owned by PLAGH (including, without limitation, four technologies and their pending patent applications) that relate to genetic engineering of chimeric antigen receptor (CAR)-modified T cells and its applications (collectively, the “Technology”). In addition, PLAGH is responsible for obtaining governmental approval for the clinical trial related to the Technology, and the Company is responsible for the costs and expenses in connection therewith.

We announced interim Phase IIb trial of our ReJoinTM human adipose-derived mesenchymal progenitor cell (haMPC) therapy for Knee Osteoarthritis (KOA) on March 25, 2015, which confirmed that the primary and secondary endpoints of ReJoin TM therapy groups have all improved significantly compared to their baseline. We plan to release 48 week follow-up data in December 2015.

On March 25, 2015, the Company announced results of the Phase I clinical studies on CAR-CD19 (CBM-C19.1) and CAR-CD20 (CBM-C20.1). The Phase I trial data showed an optimistic response rate under controllable toxicities. In comparison with leading clinical research reports on CAR-CD19 therapies by peers, we believe that the efficacy profile of both CBM-C19.1 and CBM-C20.1 therapies are distinguished for the following reasons:

I. The patient selection criteria of this study is highly selective. The participants enrolled in the studies were advanced, relapsed, and refractory to other standard-of-care therapies. This selection criterion is highly distinguishable from other studies, which avoided higher risk patients. Most of these high severity patients would not have been eligible for other entities’ studies because of extramedullary involvement or because the presence of bulky tumors were deemed too risky for their trials.

II. The treatment program design of this study is very stringent.

a. Our higher risk patients did not receive conditioning chemotherapy, which is known as a beneficial facilitator of adoptive T cell therapies.
b. Moreover, our higher risk patients did not receive subsequent Hematopoietic Stem Cell transplantation (HSCT), which is also known as a beneficial facilitator of adoptive T cell therapies.

In April 2015, the Company commenced cooperation with an agent through which it started to provide technology services to a hospital located in Beijing. For the six months ended September 30, 2015, revenue of $263,152 was

derived from this service.

On May 27, 2015, the Company announced the appointment of Richard L. Wang, Ph.D., MBA, PMP as Chief Operating Officer.
Dr. Wang, a seasoned and accomplished scientist and industry professional, brings operational, project management, and R&D governance experience from multinational pharmaceutical companies, to support the Company’s research of osteoarthritis and oncology therapeutics. Dr. Wang will oversee the Company’s research collaborations, technology transfers, drug development clinical trials, regulatory affairs, production, and oversight of the Company’s multicenter operations.

At the 10th Annual World Stem Cells & Regenerative Medicine Congress in London, UK on May 21, 2015, the Company announced results of the Phase I clinical studies of CD30-directed CAR-T therapy on CD30-positive Stage III and IV Hodgkin's lymphoma patients. The results of this trial demonstrated that five out of seven patients responded to the treatment, and the therapy was demonstrated in this trial to be safe, feasible and efficacious.

On June 26, 2015, the Company completed the acquisition of Blackbird BioFinance, LLC ("Blackbird")'s University of South Florida ("USF")'s license on the next generation cancer immunotherapy vaccine CD40LGVAX, its related technologies and technical knowledge. Of the total consideration to be delivered to Blackbird for the purchased assets, $2,500,000 was delivered in cash and 28,120 shares of Company common stock (the "Closing Shares"), representing $1,050,000 of the purchase consideration (based on the 20-day volume-weighted average price of the Company's stock on the closing date), was issued and delivered to Blackbird. Another 18,747 shares (the "Holdback Shares"), representing $700,000 of the purchase consideration (based on the 20-day volume-weighted average price of the Company's stock on the closing date), will be issued and delivered to Blackbird on the sixth month anniversary of closing, subject to adjustments and satisfaction of certain conditions in line with similar transactions. Based on the terms of the license, we believe the Company will pay potentially more than $25 million in future milestones and royalty payments.

We believe this technological addition may address meaningful and sizable unmet medical needs. Based on the latest data available from NCCN Clinical Practice Guidelines in Oncology Non-Small Cell Lung Cancer ("NSCLC") (Version 4. 2014), an estimated 224,210 people in the United States were diagnosed with lung cancer in 2014, with an estimated 159,260 deaths occurring because of the disease. In China, 728,552 people were diagnosed with lung cancer in 2012, and 592,410 people in China died from lung cancer in 2012 (source: Chinese Cancer Registry Annual Report 2012 & GMCD40L Study Synopsis).

Despite the advances of targeted therapies and recent breakthroughs with immune checkpoint inhibitors, such as anti-PD1 or PDL1 monoclonal antibody treatments, there are still significant unmet medical needs in NSCLC, and the disease remains largely incurable. We believe the CD40LGVAX vaccine, in combination with an anti-PD1 monoclonal antibody, may provide synergistic and improved clinical benefits in both PDL1 positive and negative patients. We previously anticipated a phase I/II clinical trial for the CD40LGVAX vaccine combined with PD-1 antibody to commence in the second half of 2015. We currently evaluating both U.S. and non-U.S. options for furthering clinical trials for the CD40LGVAX vaccine following Moffitt Cancer Center's notification to us that it will not be continuing its sponsorship of the U.S. CD40LGVAX Trial. In Q3 we reviewed and preliminary modified the design of CD40LGVAX trial by expanding the number of patient recruitment, changing from single site to multi-sites trial and adding stratification to the trial. We are converting the CD40LGVAX Investigator Sponsor Research ("ISR") to a CBMG IND trial.

On June 26, 2015, the Russell Investments Group reconstituted its comprehensive set of U.S. indexes, the Company was selected to be included in the broad-market Russell 3000® Index. The Russell 3000® Index encompasses the 3,000 largest U.S.-traded stocks by objective, market-capitalization rankings and style attributes. This weighted index by market capitalization was constructed to provide a comprehensive barometer of the broad market and it now represents approximately 98% of the investable U.S. equity market. Membership in this index, which remains in place for one year, means automatic inclusion in the small-cap Russell 2000® Index as well as the appropriate growth and value style indexes. Russell indexes are widely used by investment managers and institutional investors for index funds and as benchmarks for active investment strategies.

In July 2015, the Company has received two new certifications from the China Food and Drug Administration (the "CFDA") for its proprietary cell and tissue preservation media kits respectively, in accordance with the CFDA's new regulations announced on June 1, 2015. These certified kits enable long-term preservation and long distance shipment of cells and tissue, without freezing them down, from and to the point of care for ready applications by physicians. The latest certifications further strengthen our Vertically Integrated Cell Manufacturing System (VICMS) to centralize the processing and supplying of autologous cell therapies, and reinforce our potential to be a world-class biotechnology company, serving large unmet medical needs.

On August 26, 2015 the Company filed new patents - “Preparation of HER1 chimeric antigen receptor and NKT cells and application” for China patent and PCT and “Preparation of CD19 chimeric antigen receptor and NKT cells and application” for China patent.

On September 26, 2015, the Company presented at the 2015 European Cancer Congress’ (“ECCO”) annual meeting held in Vienna, Austria results from the first 11 NSCLC patients in the trial outlined in the abstract, entitled Chimeric Antigen Receptor-Modified T-Cells for the Immunotherapy of Patients with HER-1 Expressing Advanced Relapsed/Refractory Non-Small Cell Lung Cancer.

On September 28, 2015, the Company announced results of the Phase I clinical studies of CAR-T EGFR-HER1 (“CBM-EGFR.1”) for the treatment of patients with EGFR expressing advanced relapsed/refractory solid tumors. Based on the results from 24 patients treated with CBM-EGFR.1 (17 patients with non-small cell lung cancer , 5 patients with cholangiocarcinoma, 1 patient with pancreatic cancer and 1 patient with renal cell carcinoma (“RCC”)), the early results showed that CBM-EGFR.1 immunotherapy was safe, well tolerated, and had positive signal of clinical activity in several indications. The data was selected for a late-breaking oral presentation entitled EGFR-Targeted Chimeric Antigen Receptor-Modified T Cells Immunotherapy for Patients With EGFR-Expressing Advanced or Relapsed/Refractory Solid Tumors at the 5th World Congress on Cancer Therapy in Atlanta, Georgia. Highlight of Phase I/II clinical trial for CBMG CAR-T products in multiple advanced, refractory/relapsing solid tumors is as follow:

First known report of positive safety and signal of clinical activity of EGFR CAR-T in multiple solid tumor indications

Most NSCLC patients treated with CBM-EGFR.1 failed EGFR-TKI therapy prior to CBM-EGFR.1 treatment

- Overall disease control rate (DCR) is 79% (19 of 24). 100% DCR in cholangiocarcinoma (5/5), 71% DCR in NSCLC (12/17)

- Objective response rate (ORR) of 25% in combined indications: 2 complete response (CR) and 1 partial response (PR) in cholangiocarcinoma, 2 PR in NSCLC and 1 PR in pancreatic cancer

The September 2015 reports on CBM-EGFR.1 therapy for late stage solid tumors have demonstrated our ability to innovate, advance boundaries between basic research and translational medicine and streamline the manufacture of CAR-T and clinical treatment. With the recent talent addition of our COO and CSO, and the maturing of working relationship with PLAGH cancer immune cell therapy resources, we plan to evaluate and prioritize our cancer clinical trial indications for commercialization using safe and most effective therapy or combination therapies. The Company believes that, when integrated with CBMG's state-of-the-art infrastructure and clinical platform, the aforementioned acquired AG, PG, 301 Hospital and USF technologies will improve our cancer immune cell therapies clinical pathway and pave the way for collaboration with renowned institutions. We plan to initiate certain cancer clinical trials upon receiving acceptance of the clinical trial designs with the principal investigators and obtaining the requisite approvals.

In the next 12 months, we aim to accomplish the following:

- Confirm the safety and tolerability profile of CBM-EGFR.1 in cholangiocarcinoma and NSCLC

- Explore the CBM-EGFR.1 opportunities in other solid tumor indications

- Seek early possibilities of conducting multi-center Phase IIb trials to validate the clinical activity from early CBM-EGFR.1 observation

- Confirm the safety and tolerability profile of CBM-CD20.1 targeting CD20 for NHL

- Explore the CBM-CD20.1 opportunities in other cancer indications

- Seek early possibilities of conducting multi-center Phase IIb trials to validate the clinical activity from early CBM-CD20.1 observation

- Evaluate potential partners to develop an immunohistochemistry based diagnostic assay to aid in the patient selection whenever needed

- Launch Phase II trials to explore the efficacy and safety of CD19 or CD20 CAR-T mono or combination therapies in chemo refractory/relapsing patients with hematological malignancies

- File new CAR-T and other patents

- Obtain approval for pending Patent Cooperation Treaty (“PCT”) patents

- Evaluate the feasibility of sponsoring a multi-sites Phase I/II clinical study to support the New Drug Application (NDA) for the U.S. CD40LGVAX trial

- Publish ReJoinTM KOA Phase IIb twelve-month data

- Evaluate feasibility of sponsoring a registration trial-like clinical study to support the New Drug Application (NDA) for an allogeneic haMPC Knee Osteoarthritis therapy (“Allo KOA”) study in the

United States

Complete preclinical GLP safety evaluation studies of haMPC for Asthma and Chronic Obstructive Pulmonary Disease (COPD)

Develop preclinical package for allogeneic haMPC therapy for COPD/Asthma clinical trial

For the nine months ended September 30, 2015 and 2014 we generated $1,885,256 and $179,120 in revenue, respectively. The revenue in the first nine months of 2015 is all from the technology service and revenue. In the same period of 2014 revenue was from sales of A-Stromal™ enzyme reagent kits. We expect our biomedicine business to generate revenues primarily from immune therapy and the development of therapies for the treatment of KOA in the next three to four years.

Our operating expenses for the nine months ended September 30, 2015 were in line with management's plans and expectations. We incurred an increase in total operating expenses of approximately $9,663,000 for the nine months ended September 30, 2015, as compared to the nine months ended September 30, 2014, which is primarily attributable to an increase in cost of sales in line with the revenue, option awards costs, professional service costs and increased input into expenditures for R&D projects.

Corporate History

Please refer to Note 1 of unaudited condensed consolidated financial statements for the corporate history.

BIOMEDICINE BUSINESS

Our biomedicine business was founded in 2009 as a newly formed specialty biomedicine company by a team of seasoned Chinese-American executives, scientists and doctors. In 2010 we established a GMP facility in Wuxi, and in 2012 we established a U.S. Food and Drug Administration ("FDA") GMP standard protocol-compliant manufacturing facility in Shanghai. Our focus has been to monetize the rapidly growing health care market in China by marketing and commercializing stem cell and immune cell therapeutics, related tools and products from our patent-protected homegrown and acquired cell technology, as well as by utilizing exclusively in-licensed and other acquired intellectual properties.

Our current treatment focal points are cancer and other degenerative diseases such as KOA, Asthma, COPD and Cartilage Defects.

Cancer. In the cancer field, our in-licensed Tumor Cell Target Dendritic Cell ("TC-DC") therapy utilizes dendritic cells that have been taught the unique "signature" of the patient's' cancer, in order to trigger an effective immune response against cancer stem cells, the root cause of cancer metastasis and recurrence. Our TC-DC product candidate has successfully completed a U.S. FDA Phase II clinical trial for the treatment of Metastatic Melanoma at the Hoag Medical Center in California. We have a process to develop human embryo-derived motor neuronal precursor cells and human embryo-derived neuronal precursor cells with high purity levels, validated by synapse formation, and have shown functional innervation with human muscle cells. Under applicable international reciprocity procedures we are utilizing data generated in a U.S. Phase II clinical trial in an analogous China-based Phase I/II Clinical Trial for the treatment of Hepatocellular Carcinoma ("HCC"), a major type of Liver Cancer. Management believes we will be able to leverage skin cancer data produced in ongoing trials in the U.S., and apply it toward advancing our product candidate for the treatment of liver cancer and other cancer-related indications. As of December 31, 2013, we have completed the HCC Phase I trial. With the advent of more advanced technologies in our portfolio, at present we do not plan on continuing the HCC trial. And with the recent build-up of our Vaccine, Tcm, TCR clonality, CAR-T and anti-PD-1 technologies we plan to evaluate and prioritize our cancer clinical trial indications for commercialization using safe and most effective therapy or combination therapies. We announced results from our Phase I trial for certain of CAR-T cancer immunotherapy programs on March 25, May 21, and late September, 2015. The Phase I trial data for the CD19, CD20 and CD30 and EGFR HER 1 constructs showed a positive response rate under controllable toxicities.

KOA. In 2013, we completed a Phase I/IIa clinical trial, in China, for our Knee Osteoarthritis ("KOA") therapy named ReJoinTM . The trial tested the safety and efficacy of intra-articular injections of autologous haMPCs in order to reduce inflammation and repair damaged joint cartilage. The 6-month follow-up clinical data showed ReJoinTM therapy to be both safe and effective.

In Q2 of 2014 we completed patient enrollment for the Phase IIb clinical trial of ReJoin™ for KOA. The multi-center study has enrolled 53 patients to participate in a randomized, single blind trial. We published 48 weeks follow-up data of Phase I/IIa on December 5, 2014. The 48 weeks data indicated that patients have reported a decrease in pain and a significant improvement in mobility and flexibility, while the clinical data shows our ReJoinTM regenerative medicine treatment to be safe. We announced interim 24 week results for ReJoinTM on March 25, 2015, which confirmed that the primary and secondary endpoints of ReJoinTM therapy groups have all improved significantly compared to their baseline. We plan to release 12 month follow-up data in late 2015. Our ReJoinTM human adipose-derived mesenchymal progenitor cell (haMPC) therapy for KOA is an interventional therapy using proprietary device, process, culture and medium:

Obtain adipose (fat) tissue from the patient using our CFDA approved medical device, the A-StromalTM Kit; and
Expand haMPCs using our proprietary culture medium (serum-free and antibiotics-free); and
formulated for ReJoinTM therapy using our proprietary formulation.

Our process is distinguishable from sole Stromal Vascular Fraction (SVF) therapy. The immunophenotype of our haMPCs exhibited multiple biomarkers such as CD29+, CD73+, CD90+, CD49d+, HLA-I+, HLA-DR-, Actin-, CD14-, CD34-, and CD45-. In contrast, SVF is merely a heterogeneous fraction including preadipocytes, endothelial cells, smooth muscle cells, pericytes, macrophages, fibroblasts, and adipose-derived stem cells (ASCs).

Cartilage Damage. In January 2015 we initiated patient recruitment to support a study, in China, of ReJoinTM human adipose derived mesenchymal progenitor cell ("haMPC") therapy for Cartilage Damage ("CD") resulting from osteoarthritis ("OA") or sports injury. The study is based on the same science that has shown significant progress in the treatment of KOA. Both arthroscopy and the use of magnetic resonance imaging ("MRI") will be deployed to further demonstrate the regenerative efficacy of ReJoinTM on CD.

Asthma. In Q1 of 2014 we began a pre-clinical study on haMPC therapy for asthma. The pre-clinical study, conducted by Shanghai First People's Hospital, a leading teaching hospital affiliated with Shanghai Jiaotong University, will evaluate the safety and efficacy of haMPCs to treat severe asthma.

COPD. Chronic Obstructive Pulmonary Disease ("COPD") refers to a group of diseases that block airflow to the lungs and make it difficult to breathe. The two most common conditions that make up COPD are chronic bronchitis and emphysema, which gradually destroys the smallest air passages (bronchioles) in the lungs. Currently the common treatments for COPD, such as use of steroids, inhalers and bronchodilator drugs, aim to control the symptoms and minimize further damage, but do not reverse the tissue damage. The major causes of COPD in China are tobacco smoking, biomass fuel use and genetic susceptibility.

Our pre-clinical COPD study is being conducted by Shanghai First People's Hospital, a leading teaching hospital affiliated with Shanghai Jiaotong University. Professor Zhou Xin, director of the hospital's respiratory department and chairperson of Respiratory Diseases Division of Shanghai Medical Association, will lead the study as Principal Investigator.

The unique lines of adult adipose-derived stem cells and the immune cell therapies enable us to create multiple cell formulations in treating specific medical conditions and diseases, as well as applying single cell types in a specific treatment protocol. Management believes that our adult adipose-derived line will become commercially viable and market-ready in China within three to four years, and will continue to grow the budding immune cell technical service revenue. In addition, we plan to assess and initiate cancer clinical trials leading to commercialization using safe and most effective therapy or combination therapies. Our facilities are certified to meet the international standards NSF/ANSI 49, ISO-14644 (or equivalent), ANSI/NCSL Z-540-1 and 10CFR21, as well as Chinese CFDA standards CNAS L0221. In addition to standard protocols, we use proprietary processes and procedures for manufacturing our cell lines, comprised of:

Banking processes that ensure cell preservation and viability;

DNA identification for stem cell ownership; and

Bio-safety testing at independently certified laboratories.

Regenerative Medicine and Cell Therapy

Regenerative medicine is the "process of replacing or regenerating human cells, tissues or organs to restore or establish normal function". Cell therapy as applied to regenerative medicine holds the promise of regenerating damaged tissues and organs in the body by rejuvenating damaged tissue and by stimulating the body's own repair mechanisms to heal previously irreparable tissues and organs. Medical cell therapies are classified into two types: allogeneic (cells from a third-party donor) or autologous (cells from one's own body), with each offering its own distinct advantages. Allogeneic cells are beneficial when the patient's own cells, whether due to disease or degeneration, are not as viable as those from a healthy donor. Similarly, in cases such as cancer, where the disease is so unique to the individual, autologous cells can offer true personalized medicine.

Regenerative medicine can be categorized into major subfields as follows:

Cell Therapy. Cell therapy involves the use of cells, whether derived from adults, children or embryos, third party donors or patients, from various parts of the body, for the treatment of diseases or injuries. Therapeutic applications may include cancer vaccines, cell based immune-therapy, arthritis, heart disease, diabetes, Parkinson's and Alzheimer's diseases, vision

impairments, orthopedic diseases and brain or spinal cord injuries. This subfield also includes the development of growth factors and serums and natural reagents that promote and guide cell development.

Tissue Engineering. This subfield involves using a combination of cells with biomaterials (also called “scaffolds”) to generate partially or fully functional tissues and organs, or using a mixture of technology in a bioprinting process. Some natural materials, like collagen, can be used as biomaterial, but advances in materials science have resulted in a variety of synthetic polymers with attributes that would make them uniquely attractive for certain applications. Therapeutic applications may include heart patch, bone re-growth, wound repair, replacement neo-urinary conduits, saphenous arterial grafts, inter-vertebral disc and spinal cord repair.

Diagnostics and Lab Services. This subfield involves the production and derivation of cell lines that may be used for the development of drugs and treatments for diseases or genetic defects. This sector also includes companies developing devices that are designed and optimized for regenerative medicine techniques, such as specialized catheters for the delivery of cells, tools for the extraction of stem cells and cell-based diagnostic tools.

All living complex organisms start as a single cell that replicates, differentiates (matures) and perpetuates in an adult through its lifetime. Cell therapy is aimed at tapping into the power of cells to prevent and treat disease, regenerate damaged or aged tissue and provide cosmetic applications. The most common type of cell therapy has been the replacement of mature, functioning cells such as through blood and platelet transfusions. Since the 1970s, bone marrow and then blood and umbilical cord-derived stem cells have been used to restore bone marrow and blood and immune system cells damaged by chemotherapy and radiation used to treat many cancers. These types of cell therapies have been approved for use world-wide and are typically reimbursed by insurance.

Over the past number of years, cell therapies have been in clinical development to attempt to treat an array of human diseases. The use of autologous (self-derived) cells to create vaccines directed against tumor cells in the body has been demonstrated to be effective and safe in clinical trials. Researchers around the globe are evaluating the effectiveness of cell therapy as a form of replacement or regeneration of cells for the treatment of numerous organ diseases or injuries, including those of the brain and spinal cord. Cell therapies are also being evaluated for safety and effectiveness to treat heart disease, autoimmune diseases such as diabetes, inflammatory bowel disease, joint diseases and cancerous diseases. While no assurances can be given regarding future medical developments, we believe that the field of cell therapy is a subset of biotechnology that holds promise to improve human health, help eliminate disease and minimize or ameliorate the pain and suffering from many common degenerative diseases relating to aging.

Recent Developments in Cancer Cell Therapy

According to the U.S. National Cancer Institute’s 2013 cancer topics research update on CAR-T-Cells, excitement is growing for immunotherapy—therapies that harness the power of a patient’s immune system to combat their disease, or what some in the research community are calling the “fifth pillar” of cancer treatment.

One approach to immunotherapy involves engineering patients’ own immune cells to recognize and attack their tumors. And although this approach, called adoptive cell transfer ("ACT"), has been restricted to small clinical trials so far, treatments using these engineered immune cells have generated some remarkable responses in patients with advanced cancer. For example, in several early-stage trials testing ACT in patients with advanced acute lymphoblastic leukemia ("ALL") who had few if any remaining treatment options, many patients’ cancers have disappeared entirely. Several of these patients have remained cancer free for extended periods.

Equally promising results have been reported in several small clinical trials involving patients with lymphoma. Although the lead investigators cautioned that much more research is needed, the results from the trials performed thus far indicate that researchers can successfully alter patients’ T cells so that they attack their cancer cells. As an example, we look to Spectrum Pharmaceutical’s Folotyn approved in September 2009 for treatment of R/R peripheral T-cell lymphoma with approval supported by a single arm trial observing an overall response rate of 27% and median duration of response of 9.4 months. In addition, CTI Therapeutics Pixuvri received a complete response letter in April 2010 in R/R aggressive NHL in which a 37% overall response rate and 5.5 month duration of response was observed.

ACT’s building blocks are T cells, a type of immune cell collected from the patient’s own blood. After collection, the T cells are genetically engineered to produce special receptors on their surface called chimeric antigen receptors ("CARs"). CARs are proteins that allow the T cells to recognize a specific protein (antigen) on tumor cells. These

engineered CAR T cells are then grown in the laboratory until they number in the billions. The expanded population of CAR T cells is then infused into the patient. After the infusion, if all goes as planned, the T cells multiply in the patient's body and, with guidance from their engineered receptor, recognize and kill cancer cells that harbor the antigen on their surfaces. This process builds on a similar form of ACT pioneered from NCI's Surgery Branch for patients with advanced melanoma. According to www.cancer.gov/.../research-updates/2013/CAR-T-Cells, in 2013 NCI's Pediatric Oncology Branch commented that the CAR T cells are much more potent than anything they can achieve with other immune-based treatments being studied. Although investigators working in this field caution that there is still much to learn about CAR T-cell therapy, the early results from trials like these have generated considerable optimism. Researchers opined that CAR T-cell therapy eventually may become a standard therapy for some B-cell malignancies like ALL and chronic lymphocytic leukemia.

The traditional cancer treatment includes surgery, chemotherapy, radiation therapy. In the last decade, we witnessed a boom in targeted therapies including monoclonal antibody and small molecule therapies, such as Iressa and Tarciva that targets EGFR activating mutations in the NSCLC, Herceptin that treats breast cancer patients with HER2 overexpression, Crizotinib that targets NSCLC patients with positive ALK fusion gene.

So far, chimeric antigen receptor T cell therapy ("CAR-T") such as CD19 CAR-T, have been tested in many hematological indications on patients that are refractory/replapsing to chemotherapy, and many of them have relapsed after stem cell transplantation. Basically these patients have very limited treatment option. CAR-T has shown good efficacy in these patients and many have lived for years.

Market for Cell-Based Therapies

In 2013, U.S. sales of products which contain stem cells or progenitor cells or which are used to concentrate autologous blood, bone marrow or adipose tissues to yield concentrations of stem cells for therapeutic use were, conservatively, valued at $236 million at the hospital level. It is estimated that the orthopedics industry used approximately 92% of the stem cell products.

The forecast is that in the United States, shipments of treatments with stem cells or instruments which concentrate stem cell preparations for injection into painful joints will fuel an overall increase in the use of stem cell based treatments re−sulting in a 61% increase to $380 million in 2014, and an increase to $5.7 billion in 2020, with key growth areas being Spinal Fusion, Sports Medicine and Osteoarthritis of the joints.

According to data published in the executive summary of the 2014 New York Stem Cell Summit Report, the U.S. specific addressable market in KOA is $83 million, estimated to grow to $1.84 billion by 2020. It is forecast that within the Orthopedic Stem Cell Market, in 2014 23% ($77 million) will be in the field of cartilage repair, rising to 56% ($1.7 billion) by 2020. According to International Journal of Rheumatic Diseases, 2011 there are over 57 million people with KOA in China. There are about 1,000 newborns with Spinal Muscular Atrophy Type I ("SMA-I") disease in China annually. The median life span of these children is less than 6 months. Adult incidence is approximately 2 million in China.

There over 30 million people in China suffering from asthma without effective therapies. Respiratory diseases account for 15% of deaths in China. China has the largest asthmatic population in the world and is one of the countries with the highest asthma mortality rate (Source: Respirology 2013, Asian Pacific Society of Respirology).

According to Respirology 2013, Asian Pacific Society of Respirology, COPD account for 15% of deaths in China and poses a high economic and social burden on families and communities in China, due to the expense of prescription drugs and the impact on quality of life, with many patients deteriorating to the point of being unable to work and a shortened life span. Based on estimates by World Health Organization (WHO) of 2.5% prevalence of COPD in China. Over 32 million people in China suffer from COPD, so the need for innovative solutions is pressing as this disease represents a significant unmet medical need.

The current data on CAR T-cell therapies, presented from various institutions including MSKCC, University of Pennsylvania, National Cancer Institute, and Fred Hutchinson Cancer Center, has been extremely positive. Recently, T cell checkpoint manipulation has brought hope to the struggling battle against cancer using immune cell therapy technologies. Merck has received fast approval for its PD-1 antibody therapy for Melanoma. Novartis CAR-T technology has made breakthroughs in treating B cell lymphoma using genetically modified T cell technology.

Approved cell therapies have been appearing on the market in recent years. In 2011, however, the industry was dealt two setbacks when Geron Corporation discontinued its embryonic program, and when Sanofi-Aventis acquired Genzyme Corporation and did not acquire the product rights relating to the allogeneic cell technology of Osiris Therapeutics, Inc., a partner of Genzyme and a leader in the field. In both cases there were difficulties navigating the U.S. regulatory requirements for product approval. Inadequate trial designs were cited in the executive summary of the 2012 New York Stem Cell Summit Report as contributing to these failures.

The number of cell therapy companies that are currently in Phase 2 and Phase 3 trials has been gathering momentum, and we anticipate that new cellular therapy products will appear on the market within the next several years.

Management believes the remaining risk in monetizing cancer immune cell therapies is concentrated in late stage clinical studies, speed-to-approval, manufacturing and process optimization.

Our Strategy

The majority of our biomedicine business is in the development stage. We intend to concentrate our business on cell therapies and in the near-term, carrying our KOA stem cell therapy and cancer immune cell therapies to commercialization.

We are developing our business in cell therapeutics and capitalizing on the increasing importance and promise that adult stem cells have in regenerative medicine. Our most advanced candidate involves adipose-derived mesenchymal stem cells to treat KOA. Based on current estimates, aside from AG's budding Tcm technical service revenue, we expect our biomedicine business to generate revenues primarily from continuous expansion of Tcm technical services and the development of therapies for the treatment of KOA within the next three to four years.

Presently we have two autologous cell therapy candidates undergoing clinical trials in China, for the treatment of KOA and CD. If and when these therapies gain regulatory approval in the PRC, we will be able to market and offer them for clinical use. Although our biomedicine business was very recently organized, our technologies have been in development for decades, and our focus is on the latest translational stages of product development, principally from the pre-clinical trial stage to regulatory approval and commercialization of new therapies.

Our strategy is to develop safe and effective cellular medicine therapies for indications that represent a large unmet need in China, based on technologies developed both in-house and obtained through acquisition, licensing and collaboration arrangements with other companies. Our near term objective is to pursue successful clinical trials in China for our KOA application, followed by our CD and Asthma therapies. We intend to utilize our comprehensive cell platform to support multiple cell lines to pursue multiple therapies, both allogeneic and autologous. We intend to apply U.S. Standard Operating Procedures ("SOPs") and protocols while complying with Chinese regulations, while owning, developing and executing our own clinical trial protocols. We plan to establish domestic and international joint ventures or partnerships to set up cell laboratories and/or research facilities, acquire technology or in-license technology from outside of China, and build affiliations with hospitals, to develop a commercialization path for our therapies, once approved. We intend to use our first-mover advantage in China, against a backdrop of enhanced regulation by the central government, to differentiate ourselves from the competition and establish a leading position in the China cell therapeutic market. We also intend to out-license our technologies to interested parties and explore the feasibility of a U.S. allogeneic KOA clinical study with the FDA.

CBMG initially plans to use its centralized manufacturing facility located in Shanghai to service multiple hospitals within 200 km of the facility. We aim to complete clinical trials for our KOA and CD therapy candidates as soon as practicable. Our goal is to first obtain regulatory permission for commercial use of the therapies for the respective hospitals in which the trials are being conducted. CBMG plans to scale up its customer base by qualifying multiple additional hospitals for the post-trial use of therapies, once approved, by following regulatory guidelines. Based on current regulation and estimates we expect our biomedicine business to generate revenues primarily from continuous expansion of Tcm technical services and the development of therapies for the treatment of KOA within the next three to four years.

With the AG acquisition we intend to monetize AG's U.S. and Chinese intellectual property for immune cell therapy preparation methodologies and patient immunity assessment by engaging with prominent hospitals to conduct pre-clinical and clinical studies in specific cancer indications. The T Cell clonality analysis technology patent, together with AG's other know-how for immunity analysis, will enable the Company to establish an immunoassay platform that is crucial for immunity evaluation of patients with immune disorders as well as cancerous diseases that are undergoing therapy.

We believe that few competitors in China are as well-equipped as we are in the clinical trial development, diversified U.S. FDA protocol compliant manufacturing facilities, regulatory compliance and policy making participation, as well as a long-term presence in the U.S. with U.S.-based management and investor base.

We intend to continue our business development efforts by adding other proven domestic and international biotechnology partners to monetize the China health care market.

In order to expedite fulfillment of patient treatment CBMG has been actively developing technologies and products with a strong intellectual properties protection, including haMPC, derived from fat tissue, for the treatment of KOA, CD, Asthma, COPD and other indications. CBMG's acquisition of AG provides an enlarged opportunity to expand the application of its cancer therapy-enabling technologies and to initiate clinical trials with leading cancer hospitals. With the AG acquisition, we will continue to seek to empower hospitals' immune cell cancer therapy development programs that help patients improve their quality of life and improve their survival rate

CBMG's proprietary and patent-protected production processes and clinical protocols enable us to produce raw material, manufacture cells, and conduct cell banking and distribution. Applying our proprietary intellectual property, we will be able to customize specialize formulations to address complex diseases and debilitating conditions.

CBMG has been developing disease-specific clinical treatment protocols. These protocols are designed for each of these proprietary cell lines to address patient-specific medical conditions. These protocols include medical assessment to qualify each patient for treatment, evaluation of each patient before and after a specific therapy, cell transplantation methodologies including dosage, frequency and the use of adjunct therapies, potential adverse effects and their proper management.

The protocols of haMPC therapy for KOA and CD have been approved by the hospitals' Institutional Review Board for clinical trials. Once the trials are completed, the clinical data will be analyzed by a qualified third party statistician and reports will be filed by the hospitals to regulatory agencies for approval for use in treating patients.

CBMG has two cGMP facilities in Shanghai and Wuxi, China that meet international standards and have been certified by the CFDA. In any precision setting, it is vital that all controlled-environment equipment meet certain design standards. To achieve this goal, our Shanghai cleanroom facility underwent an ISO-14644 cleanroom certification. Additionally, our facilities have been certified to meet the ISO-9001 Quality Management standard by SGS Group, and accredited by the American National Bureau of Accreditation ("ANBA"). These cGMP facilities make CBMG one of the few companies in China with facilities that have been certified by US- and European-based, FDA authorized ISO accreditation institutions.

In total, our cGMP facilities have over 23,000 sq. ft. of cleanroom space with the capacity for nine independent cell production lines.

The Company is constructing a GMP facility in Beijing with 16,000 square feet of space. The Company signed related tenancy agreements in April 2015. The lease term is five years, commencing from April 15, 2015 to April 14, 2020. The annual rental expense is approximate $0.3 million. The Company also entered into an agreement for Beijing GMP facility construction on May 11, 2015 and the total contract amount is $0.7 million. The construction was completed and obtained China Metrology Certification in October 2015. In the USA, it would take 5 years.

Most importantly, CBMG has a manufacturing and technology team with more than 30 years of relevant experience in China, EU, and the United States. All of these factors make CBMG a high quality cell products manufacturer in China.

Our Targeted Indications and Potential Therapies

Knee Osteoarthritis (KOA)

We have completed the Phase I/IIa clinical trial for the treatment of KOA. The trial tested the safety and efficacy of intra-articular injections of autologous haMPCs in order to reduce inflammation and repair damaged joint cartilage. The 6-month follow-up clinical data showed ReJoin TM therapy to be both safe and effective.

In Q2 2014 we completed patient enrollment for the Phase IIb clinical trial of ReJoinTM for KOA. The multi-center study has enrolled 53 patients to participate in a randomized, single blind trial. We published 48 weeks follow-up data of Phase I/IIa on December 5, 2014. The 48 weeks data indicated that patients have reported a decrease in pain and a significant improvement in mobility and flexibility, while the clinical data shows our ReJoinTM regenerative medicine treatment to be safe. We plan to release 12 month follow-up data in late 2015.

Osteoarthritis is a degenerative disease of the joints. KOA is one of the most common types of osteoarthritis. Pathological manifestation of osteoarthritis is primarily local inflammation caused by immune response and subsequent damage of joints. Restoration of immune response and joint tissues are the objective of therapies.

According to International Journal of Rheumatic Diseases, 2011, 53% of KOA patients will degenerate to the point of disability. Conventional treatment usually involves invasive surgery with painful recovery and physical therapy. As drug-based methods of management are ineffective, the same journal estimates that some 1.5 million patients with this disability will degenerate to the point of requiring artificial joint replacement surgery every year. However, only 40,000 patients will actually be able to undergo replacement surgery, leaving the majority of patients to suffer from a life-long disability due to lack of effective treatment.

haMPCs are currently being considered as a new and effective treatment for osteoarthritis, with a huge potential market. Osteoarthritis is one of the ten most disabling diseases in developed countries. Worldwide estimates are that 9.6% of men and 18.0% of women aged over 60 years have symptomatic osteoarthritis. It is estimated that the global OA therapeutics market was worth $4.4 billion in 2010 and is forecast to grow at a compound annual growth rate ("CAGR") of 3.8% to reach $5.9 billion by 2018.

In order to bring haMPC-based KOA therapy to market, our market strategy is to: (a) establish regional laboratories that comply with cGMP standards in Shanghai and Beijing that meet Chinese regulatory approval; and (b) file joint applications with Class AAA hospitals to use haMPCs to treat KOA in a clinical trial setting.

Our competitors are pursuing treatments for osteoarthritis with knee cartilage implants. However, unlike their approach, our KOA therapy is not surgically invasive – it uses a small amount (30ml) of adipose tissue obtained via liposuction from the patient, which is cultured and re-injected into the patient. The injections are designed to induce the body's secretion of growth factors promoting immune response and regulation, and regrowth of cartilage. The down-regulation of the patient's immune response is aimed at reducing and controlling inflammation which is a central cause of KOA.

We believe our proprietary method, subsequent haMPC proliferation and processing know-how will enable haMPC therapy to be a low cost and relatively safe and effective treatment for KOA. Additionally, banked haMPCs can continue to be stored for additional use in the future.

Hepatocellular Carcinoma (HCC)

In January 2013, we commenced a Phase I clinical trial with PLA 85 hospital in Shanghai, for HCC therapy. Treatment for all the patients was completed in 2013 and the study revealed the TC-DC therapy to be safe. The purpose of this trial was to evaluate the safety of an autologous immune cell therapy in primary HCC patients following resection (surgical tumor removal) and Transarterial Chemo Embolization ("TACE") Therapy, a type of localized chemotherapy technique. With the recent build-up of our Tcm, TCR clonality, CAR-T and anti-PD-1 technologies we do not plan to continue the next stage HCC clinical studies.

Immuno-oncology (I/o)

We continue to fortify our cancer breakthrough technology platform with I/o, programmed cell death and vaccine technology.

We believe our immuno-oncology platform is different from other current trials and studies being conducted in the marketplace. Our CAR-T platform is built on well-studied lenti-virial vector and second generation CAR design, this is used by most of the current trials and studies. We modify our treatment protocols to optimize the balance of safety and efficacy. For example, our patients received relatively lower number of CAR-expressing T cells (1e7/kg) comparing to those enrolled in other trials. This is especially important for clinical trials conducted in solid tumors. We believe our design is unique in the leading sequence in our CAR constructs. And we focus our effort on developing CAR-T therapies for both hematological tumors and solid tumors.

In late September, 2015 we release the first report of encouraging safety and early signal of clinical activity of EGFR CAR-T therapy in multiple indications of solid tumors with overexpression of EGFR. Although there are many promising data of CAR-T therapies in hematological cancer out in the field comprised of pediatric and adult B-ALL, NHL and HL, the CAR-T data in solid tumors is underwhelming. We believe our data provide support to allow the scientific community to believe that there is potential for CAR-T therapy in solid tumor indications as well.

Because there are many differences between hematological and solid tumors, drug penetration or infiltration into solid tumors sites is more challenging than hematological cancer. Antibody dependent cell-mediated ("ADCC") toxicity works much better in hematological cancers. Hematological cancers usually carry fewest mutations among all cancers and are usually less molecularly heterogeneous than that of solid tumors. As such, routinely hematological cancers respond better to therapeutic interventions, there are more complete, as well as partial responses. And the duration of response is usually longer.

We believe that it is more difficult to treat solid tumors. The patients are more heterogenous, making it difficult to have one drug to work effectively in the majority of the patients in any cancer indication. We believe the duration of response is shorter and patients are likely to relapse even after initial positive clinical response. We believe that

CAR-T therapy can successfully treat hematopoietic cancers because the therapy can deplete all B cells or T cells including normal and cancer cells in leukemia and lymphoma. When the stem cells are not targeted these stem cells can regenerate normal B and T cells. In contrast, there lack many effective tumor specific antigens to target in solid tumors. When the drugs kill tumor cells, they also kill the normal cells to a certain degree, leading to different degrees of toxicity. We believe that this is the reason of disappointing toxicity data from CAR-T treatment in solid tumors. In conjunction with optimizing our protocol and production procedure, we plan to work with PLAGH to validate our initial success by expanding the study to confirm the early safety and efficacy signal. We plan to move the CAR-T studies into multi center, phase 2b trials in China in a timely manner.

We are integrating state of the art translational I/o medicine strategy in selection of the certain cancer indications utilizing our different assets. We plan to incorporate the appropriate biomarker strategy to identify the right patient population that might benefit patients, to understand why patients respond and why they are refractory or relapsing. We plan to continue to grow our translational medicine team and engage key opinion leaders to meet the demand.

Cancer vaccine holds potential in combination with other effective therapies For example, Boehringer Ingleheim is partnering with CureVac http://www.curevac.com/ to develop mRNA based vaccine in combination with EGFR and HER2 TKI in advanced NSCLC patients with EGFR mutation. Our acquired CD40LGVAX has a CD40L and a GMCSF component. It recognizes NSCLC adenocarcinoma antigens. For adenocarcinoma NSCLC, anti-PD1 therapy, Nivolumab and Keytruda from Bristol Meyer Squibb and Merck respectively have shown promising clinical activity in PDL1 IHC positive patients. The PDL1 negative patient population, which comprises about 2/3 of the NSCLC population, still has significant unmet medical needs. The early phase 1 data for CD40LGVAX, showed some early signal that it might have survival benefit in adenocarcinoma NSCLC. We plan to evaluate the potential of PD1 and CD40LGVAX combo in an expanded patient population. We plan to also evaluate the potential of alternative biomarker’s enrichment that might respond to the CD40LGVAX combination therapy.

Our most recent preliminary data for EGFR CAR-T in NSCLC raised the possibility of testing its combination with CD40LGVAX in adenocarcinoma NSCLC. We plan to explore CD40LGVAX's potential value add to our I/o assets.

One of the primary difficulties in administering effective cancer therapy is in the uniqueness of the disease – no two cancers are the same. Importantly, CBMG sources both immune and cancer cells directly from the patient, and our completely autologous approach to cancer therapy means that each dose is specific to each individual, an ultimate personalized therapeutic approach.

Human Adipose-Derived Mesenchymal Progenitor Cells (haMPC)

Adult mesenchymal stem cells can currently be isolated from a variety of adult human sources, such as liver, bone marrow, and adipose (fat) tissue. We believe the advantages in using adipose tissue (as opposed to bone marrow or blood) are that it is one of the richest sources of pluripotent cells in the body, the easy and repeatable access to fat via liposuction, and the simple cell isolation procedures that can begin to take place even on-site with minor equipment needs. The procedure we are testing for KOA involves extracting a very small amount of fat using a minimally invasive extraction process which takes up to 20 minutes, and leaves no scarring. The haMPC cells are then processed and isolated on site, and injected intra articularly into the knee joint with ultrasound guidance.

These haMPC cells are capable of differentiating into bone, cartilage, tendon, skeletal muscle, and fat under the right conditions. As such, haMPCs are an attractive focus for medical research and clinical development. Importantly, we believe both allogeneic and autologously sourced haMPCs may be used in the treatment of disease. Numerous studies have provided preclinical data that support the safety and efficacy of allogeneic and autologously derived haMPC, offering a choice for those where factors such as donor age and health are an issue.

Additionally, certain disease treatment plans call for an initial infusion of these cells in the form of SVF, an initial form of cell isolation that can be completed and injected within ninety minutes of receiving lipoaspirate. The therapeutic potential conferred by the cocktail of ingredients present in the SVF is also evident, as it is a rich source for preadipocytes, mesenchymal stem cells, endothelial progenitor cells, T regulatory cells and anti-inflammatory macrophages.

Immune Cell Therapy, Adoptive T cell

Adoptive T cell therapy for cancer is a form of transfusion therapy consisting of the infusion of various mature T cell subsets with the goal of eliminating a tumor and preventing its recurrence. In cases such as cancer, where the disease is unique to the individual, the adoptive T cell therapy is a personalized treatment.

We believe that an increasing portion of healthcare spending both in China and worldwide will be directed to immune cell therapies, driven by an aging population, and the potential for immune cell therapy treatments to become a safe, effective, and cost-effective method for treating millions of cancer patients.

Cancer is a major threat to public health and the solvency of health systems worldwide. Current treatments for these diseases cannot meet medical needs. We believe that immune cell therapy is a new technology that has the potential to alleviate much of the burden of these chronic and degenerative diseases in a cost-effective manner.

Tumor Cell Specific Dendritic Cells (TC-DC)

Recent scientific findings indicate the presence of special cells in tumors that are responsible for cancer metastases and relapse. Referred to as "cancer stem cells", these cells make up only a small portion of the tumor mass. The central concept behind TC-DC therapy is to immunize against these cells. TC-DC therapy takes a sample of the patient's own

purified and irradiated cancer cells and combines them with specialized immune cells, thereby ‘educating’ the immune cells to destroy the cancer stem cells from which tumors arise. We believe the selective targeting of cells that drive tumor growth would allow for effective cancer treatment without the risks and side effects of current therapies that also destroy healthy cells in the body.

Our strategy is for CBMG, through acquisition of AG, and PG as well as University of South Florida's and PLAGH's technologies and pre-clinical and clinical data, to become an immune cell business leader in the China cancer therapy market and specialty pharmaceutical market by utilizing CBMG's attractiveness as a NASDAQ listed company to consolidate key China immune cell technology leaders with fortified intellectual property and ramp up revenue with first mover's advantage in a safe and efficient manner. The Company plans to accelerate cancer trials by using the knowledge and experience gained from the Company's ongoing KOA trials and the recent Tcm, CAR-T and PD-1 technologies. China has a bifurcated cell regulatory pathway, which is different than the singular path in the United States. Immune cell therapy is treated in China as a Class III medical technology and requires a smaller-scale trial and shorter trial period. By applying U.S. SOP and protocols and following authorized treatment plans in China, we believe we are differentiated from our competition as we believe we have first mover's advantage and a fortified barrier to entry. In addition, we have begun to review feasibility of synergistic U.S. clinical studies.

Critical Accounting Policies

We prepare our unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Our 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 the circumstances. Actual results may differ from these estimates as a result of different assumptions or conditions.

The following summarizes critical estimates made by management in the preparation of the unaudited condensed consolidated financial statements.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At September 30, 2015 and December 31, 2014, respectively, cash and cash equivalents include cash on hand and cash in the bank. At times, cash deposits may exceed government-insured limits.

Accounts Receivable

Accounts receivable represent amounts earned but not collected in connection with the Company's sales as of September 30, 2015 and December 31, 2014. Accounts receivable are carried at their estimated collectible amounts.

The Company follows the allowance method of recognizing uncollectible accounts receivable. The Company recognizes bad debt expense based on specifically identified customers and invoices that are anticipated to be uncollectable. At September 30, 2015 and December 31, 2014, an allowance was determined to not be needed as the Company has recently started generating revenues from its technology services in the Biomedicine segment in 2014. Correspondingly the Company has not recorded any bad debt expense for the periods ended September 30, 2015 and 2014, respectively.

Inventory

Inventories consist of finished goods, raw materials, work-in-process, and low value consumable materials. Inventories are initially recognized at cost and subsequently at the lower of cost and net realizable value under first-in first-out method. Finished goods are comprised of direct materials, direct labor, depreciation and manufacturing overhead. Net realizable value is the estimated selling price, in the ordinary course of business, less estimated costs to

complete and dispose. The Company regularly inspects the shelf life of prepared finished goods and, if necessary, writes down their carrying value based on their salability and expiration dates into cost of goods sold.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is provided for on the straight-line method over the estimated useful lives of the assets ranging from three to ten years and begins when the related assets are placed in service. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Betterments or renewals are capitalized when incurred. Plant, property and equipment are reviewed each year to determine whether any events or circumstances indicate that the carrying amount of the assets may not be recoverable. We assess the recoverability of the asset by comparing the projected undiscounted net cash flows associated with the related assets over the estimated remaining life against the respective carrying value.

Goodwill and Other Intangibles

Goodwill represents the excess of the cost of assets acquired over the fair value of the net assets at the date of acquisition. Intangible assets represent the fair value of separately recognizable intangible assets acquired in connection with the Company's business combinations. The Company evaluates its goodwill and other intangibles for impairment on an annual basis or whenever events or circumstances indicate that an impairment may have occurred.

Investments

The fair value of "investments" is dependent on the type of investment, whether it is marketable or non-marketable.

Marketable securities held by the Company are held for an indefinite period of time and thus are classified as available-for-sale securities. The fair value is based on quoted market prices for the investment as of the balance sheet date. Realized investment gains and losses are included in the statement of operations, as are provisions for other than temporary declines in the market value of available for-sale securities. Unrealized gains and unrealized losses deemed to be temporary are excluded from earnings (losses), net of applicable taxes, as a component of other comprehensive income (loss). Factors considered in judging whether an impairment is other than temporary include the financial condition, business prospects and creditworthiness of the issuer, the length of time that fair value has been less than cost, the relative amount of decline, and the Company's ability and intent to hold the investment until the fair value recovers.

The carrying amounts of other financial instruments, including cash, accounts payable and accrued liabilities, income tax payable and related party payable approximate fair value due to their short maturities.

Stock-Based Compensation

We periodically use stock-based awards, consisting of shares of common stock or stock options, to compensate certain officers and consultants. Awards are expensed on a straight line basis over the requisite service period based on the grant date fair value, net of estimated forfeitures, if any.

Revenue Recognition

The Company utilizes the guidance set forth in the ASC 605, regarding the recognition, presentation and disclosure of revenue in its financial statements.

For its Biomedicine segment, the Company recognizes revenue when pervasive evidence of an arrangement exists, the price is fixed and determinable, collection is reasonably assured and delivery of products or services has been rendered. The Biomedicine segment has started to generate revenues with the acquisition of AG and expects to expand revenue generating activities significantly over the next two to five years as additional therapies are developed.

Income Taxes

Income taxes are accounted for using the asset and liability method as prescribed by ASC 740 "Income Taxes". Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these 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. A valuation allowance would be provided for those deferred tax assets for which if it is more likely

than not that the related benefit will not be realized.

While we have optimistic plans for our business strategy, we determined that a full valuation allowance was necessary against all net deferred tax assets as of September 30, 2015 and December 31, 2014, given the current and expected near term losses and the uncertainty with respect to our ability to generate sufficient profits from our business model.

Results of Operations

Below is a discussion of the results of our operations for the three and nine months ended September 30, 2015 and 2014. These results are not necessarily indicative of result that may be expected in any future period. Our prospects should be considered in light of the risks, expenses and difficulties that we may encounter. We may not be successful in addressing these risks and difficulties.

Comparison of Three Months Ended September 30, 2015 to Three Months Ended September 30, 2014

On September 26, 2014, the Company acquired all of the outstanding equity of AG, as such, we are presenting consolidated pro forma information below to reflect the impacts of the business combination as if the transaction had occurred at the beginning of the earliest period presented. The descriptions in the results of operations below reflect our operating results as set forth in our Consolidated Statement of Operations filed herewith.

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014		
	CBMG	CBMG	Agreen	Pro forma
	As stated	As stated	Pro forma Adjustment	Consolidated
Net sales and revenue	$624,907	$-	$419,745	$ 419,745
Operating expenses:				
Cost of sales *	443,416	-	394,636	394,636
General and administrative *	3,467,184	1,946,909	90,886	2,037,795
Selling and marketing *	190,152	21,311	5,438	26,749
Research and development *	2,190,240	812,227	45,675	857,902
Total operating expenses	6,290,992	2,780,447	536,635	3,317,082
Operating loss	(5,666,085)	(2,780,447)	(116,890)	(2,897,337)
Other income (expense)				
Interest income	8,386	698	175	873
Other income (expense)	492,101	(260)	(49)	(309)
Total other income	500,487	438	126	564
Loss from continuing operations before taxes	(5,165,598)	(2,780,009)	(116,764)	(2,896,773)
Income taxes (expense) credit	23,400	-	-	-
Loss from Continuing operations	(5,142,198)	(2,780,009)	(116,764)	(2,896,773)
Loss on discontinued operations, net of taxes	-	(43,271)	-	(43,271)
Net loss	$(5,142,198)	$(2,823,280)	$(116,764)	$ (2,940,044)
Other comprehensive income (loss):				
Cumulative translation adjustment	(225,198)	(1,838)	-	(1,838)
Unrecognized gain on investments	(1,520,000)	(1,005,455)	-	(1,005,455)
Total other comprehensive income (loss):	(1,745,198)	(1,007,293)	-	(1,007,293)
Comprehensive income (loss)	$(6,887,396)	$(3,830,573)	$(116,764)	$ (3,947,337)
Loss per share for continuing operations:				
Basic	$(0.44)	$(0.30)	$(0.16)	$ (0.29)
Diluted	$(0.44)	$(0.30)	$(0.16)	$ (0.29)
Loss per share for discontinued operations:				

Basic	$-	$-	$-	$ -
Diluted	$-	$-	$-	$ -
Net loss per share:				
Basic	$(0.44)	$(0.31)	$(0.16)	$ (0.30)
Diluted	$(0.44)	$(0.31)	$(0.16)	$ (0.30)
Weighted average common shares outstanding:				
Basic	11,622,756	9,131,576	720,760	9,852,336
Diluted	11,622,756	9,131,576	720,760	9,852,336

* These line items include the following amounts of non-cash, stock-based compensation expense for the periods indicated:

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014		
	CBMG As stated	CBMG As stated	Agreen Pro forma Adjustment	Pro forma Consolidated
Cost of sales	42,272	-	-	-
General and administrative	1,464,764	325,550	-	325,550
Selling and marketing	66,962	-	-	-
Research and development	480,907	74,473	-	74,473
	2,054,905	400,023	-	400,023

Results of Operations

Net sales and revenue

	Net Sales and Revenues			
	2015	2014	Change	Percent
For the three months ended September 30,	$624,907	$-	$624,907	N/A

In late 2014, with the acquisition of AG we have started generating revenue from technology services. All the revenue was derived from technology services for the three months ended September 30, 2015, while there is no revenue during the same period in 2014.

Cost of Sales

	Cost of Sales			
	2015	2014	Change	Percent
For the three months ended September 30,	$443,416	$-	$443,416	N/A

The increase in cost of sales was in line with the increase in revenue from technology services. The cost was all incurred from the technology services in 2015.

General and Administrative Expenses

	General & Administrative Expenses				
	2015	2014	Change	Percent	
For the three months ended September 30,	$3,467,184	$1,946,909	$1,520,275	78	%

Increased expenses in 2015 was associated with increased corporate activities related the management and the development of our biomedicine business, was primarily attributed to below facts:

- An increase in stock-based compensation expense of $1,139,000, which primarily resulted from the new grants and higher fair value of unvested options in 2015 after the Company listed on Nasdaq in June 2014 compared with those unvested options as of September 30, 2014;
  - An increase in payroll of $174,000 in line with the headcount increase in management positions in 2015.
- An increase in depreciation and amortization of $172,000, which was mainly attributed to the knowhow and patents obtained from the acquisition of AG in third quarter 2014;
- An increase in rental expenses of $138,000, which was mainly attributed to the new lease agreement concluded for the construction of Beijing GMP; and
- A decrease in legal, accounting and other professional services of $153,000, which mainly resulted from the facts that i) the Company issued 4,500 restricted common stock in September 2014 to terminate a consulting agreement and a license/distribution agreement and incurred cost of $99,000, while no such cost in the same period 2015; ii)large legal fee incurred in 3rd quarter 2014 for the acquisition of Agreen; iii)the decline in accounting service fee as the Company no longer outsourced its US accounting function since January 2015.

Selling and Marketing Expenses

	Sales & Marketing Expenses				
	2015	2014	Change	Percent	
For the three months ended September 30,	$190,152	$21,311	$168,841	792	%

We are now increasing our sales and marketing teams in the immunotherapy business. Sales and marketing expenses increased by approximately $169,000 in the three months ended September 30, 2015 as compared to the three months ended September 30, 2014, primarily as a result of an increase in stock-based compensation expenses of $67,000; an

increase in payroll expenses of $66,000, an increase in travel expenses of $11,000 and an increase in meeting and conference expenses of $10,000.

Research and Development Expenses

	Research and Development Expenses				
	2015	2014	Change	Percent	
For the three months ended September 30,	$2,190,240	$812,227	$1,378,013	170	%

Research and development costs increased by approximately $1,378,000 in the three months ended September 30, 2015 as compared to the three months ended September 30, 2014 due primarily to an increase of our immunotherapy research and development team, which resulted in an increase in payroll expenses of $386,000; an increase in stock-based compensation expenses of $406,000 and an increase in clinical trial expenditure of $437,000.

Operating Loss

	Operating Loss				
	2015	2014	Change	Percent	
For the three months ended September 30,	$(5,666,085)	$(2,780,447)	$(2,885,638)	104	%

The increase in the operating loss for the three months ended September 30, 2015 as compared to the same period in 2014 is primarily due to changes in revenues, general and administrative expenses and research and development expenses, each of which is described above.

Total Other Income

	Other Income				
	2015	2014	Change	Percent	
For the three months ended September 30,	$500,487	$438	$500,049	114166	%

Other income for the three months ended September 30, 2015 was primarily decrease in fair value of accrued expenses for the acquisition of intangible assets of $414,000, net foreign exchange gain of 79,000 and interest income of $8,000. On June 26, 2015, the Company completed its acquisition of the certain license rights to technology and know-how from Blackbird and entered into an assignment and assumption agreement to acquire all of Blackbird's right, title and interest in and to the exclusive worldwide license to a CD40LGVAX vaccine from the University of South Florida. According to the asset purchase agreement, 28,120 shares of Company common stock were issued as part of the consideration of this transaction. In addition, 18,747 shares of Company common stock (equal to $700,000 based on the 20-day volume-weighted average price of the Company's stock on the closing date) will be delivered to Blackbird on the 6 month anniversary of the closing date upon satisfaction of certain conditions. Above shares were revalued according to the fair market value as of the balance sheet date and resulted in the other income of $414,000.

Other income for the three months ended September 30, 2014 consists primarily of interest income in our biomedicine segment.

Income Taxes (Expense) Credit

	Income Taxes (Expense) Credit			
	2015	2014	Change	Percent
For the three months ended September 30,	$23,400	$-	$23,400	N/A

While we have optimistic plans for our business strategy, we determined that a valuation allowance was necessary given the current and expected near term losses and the uncertainty with respect to our ability to generate sufficient profits from our business model. Therefore, we established a valuation allowance for all deferred tax assets. Income tax expense for three months ended September 30, 2015 represents PRC tax benefit of $24,757 and US state tax expense of $1,357.

39

Loss from Continuing Operations

	Loss from Continuing Operations			
	2015	2014	Change	Percent
For the three months ended September 30,	$(5,142,198)	$(2,780,009)	$(2,362,189)	85 %

Changes in loss from continuing operations are primarily attributable to changes in operating loss described above.

Loss on Discontinued Operations

	Loss on Discontinued Operations, Net of Tax			
	2015	2014	Change	Percent
For the three months ended September 30,	$-	$(43,271)	$43,271	(100)%

Change in loss on discontinued operations is primarily attributable to our decision to terminate our consulting business segment in 2014.

Net Loss

	Net Loss			
	2015	2014	Change	Percent
For the three months ended September 30,	$(5,142,198)	$(2,823,280)	$(2,318,918)	82 %

Changes in net loss are primarily attributable to changes in operations of our biomedicine segment and the discontinued consulting segment, each of which is described above.

Comprehensive Net Loss

	Comprehensive Net Loss			
	2015	2014	Change	Percent
For the three months ended September 30,	$(6,887,396)	$(3,830,573)	$(3,056,823)	80 %

Comprehensive net income for three months ended September 30, 2015 includes unrecognized loss on investments of approximately $1,520,000 and currency translation of approximately $225,000 combined with the changes in net income. The large unrecognized loss on investments is primarily attributed to the valuation loss for the stock investment in Arem Pacific Corporation resulting from the 10% decrease in Arem Pacific's stock valuation price during the three months ended September 30, 2015.

Comparison of Nine Months Ended September 30, 2015 to Nine Months Ended September 30, 2014

On September 26, 2014, the Company acquired all of the outstanding equity of AG, as such, we are presenting consolidated pro forma information below to reflect the impacts of the business combination as if the transaction had occurred at the beginning of the earliest period presented. The descriptions in the results of operations below reflect our operating results as set forth in our Consolidated Statement of Operations filed herewith.

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014		
	CBMG	CBMG	Agreen	Pro forma
	As stated	As stated	Pro forma Adjustment	Consolidated
Net sales and revenue	$1,885,256	$179,120	$1,198,414	$ 1,377,534
Operating expenses:				
Cost of sales *	1,335,707	92,553	880,797	973,350
General and administrative *	9,915,956	4,901,670	245,911	5,147,581
Selling and marketing *	500,393	86,806	6,351	93,157
Research and development *	4,968,352	2,100,271	113,635	2,213,906
Impairment of investments	123,428	-		-
Total operating expenses	16,843,836	7,181,300	1,246,694	8,427,994
Operating loss	(14,958,580)	(7,002,180)	(48,280)	(7,050,460)
Other income (expense)				
Interest income	29,417	1,263	318	1,581
Other income (expense)	502,921	94,357	(147)	94,210
Total other income	532,338	95,620	171	95,791
Loss from continuing operations before taxes	(14,426,242)	(6,906,560)	(48,109)	(6,954,669)
Income taxes (expense) credit	(29,602)	-	-	-
Loss from Continuing operations	(14,455,844)	(6,906,560)	(48,109)	(6,954,669)
Loss on discontinued operations, net of taxes	-	(3,037,514)	-	(3,037,514)
Net loss	$(14,455,844)	$(9,944,074)	$(48,109)	$ (9,992,183)
Other comprehensive income (loss):				
Cumulative translation adjustment	(163,353)	(8,673)	963	(7,710)
Unrecognized gain (loss) on investments	6,543,460	2,515,894	-	2,515,894
Total other comprehensive income (loss):	6,380,107	2,507,221	963	2,508,184
Comprehensive income (loss)	$(8,075,737)	$(7,436,853)	$(47,146)	$ (7,483,999)
Loss per share for continuing operations:				
Basic	$(1.27)	$(0.85)	$(0.06)	$ (0.78)
Diluted	$(1.27)	$(0.85)	$(0.06)	$ (0.78)
Loss per share for discontinued operations:				
Basic	$-	$(0.37)	$-	$ (0.34)
Diluted	$-	$(0.37)	$-	$ (0.34)
Net loss per share:				
Basic	$(1.27)	$(1.22)	$(0.06)	$ (1.12)
Diluted	$(1.27)	$(1.22)	$(0.06)	$ (1.12)
Weighted average common shares outstanding:				
Basic	11,399,958	8,155,213	742,481	8,897,694

Diluted	11,399,958	8,155,213	742,481	8,897,694

* These line items include the following amounts of non-cash, stock-based compensation expense for the periods indicated:

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014		
	CBMG As stated	CBMG As stated	Agreen Pro forma Adjustment	Pro forma Consolidated
Cost of sales	110,326	-	-	-
General and administrative	3,837,123	854,623	-	854,623
Selling and marketing	162,997	-	-	-
Research and development	1,562,509	221,540	-	221,540
	5,672,955	1,076,163	-	1,076,163

Results of Operations

Net sales and revenue

	Net Sales and Revenues				
	2015	2014	Change	Percent	
For the nine months ended September 30,	$1,885,256	$179,120	$1,706,136	953	%

In late 2014, with the acquisition of AG we have started generating revenue from technology services. All the revenue was derived from technology services for the nine months ended September 30, 2015, while revenue was solely from sales of A-StromalTM kits during the same period in 2014.

Cost of Sales

	Cost of Sales				
	2015	2014	Change	Percent	
For the nine months ended September 30,	$1,335,707	$92,553	$1,243,154	1343	%

The increase in cost of sales was in line with the increase in revenue in technology services. The cost was incurred from the technology services in 2015 rather than the cost of the A-StromalTM kits in 2014.

General and Administrative Expenses

	General & Administrative Expenses				
	2015	2014	Change	Percent	
For the nine months ended September 30,	$9,915,956	$4,901,670	$5,014,286	102	%

Increased expenses in 2015 was associated with increased corporate activities related the management and the development of our biomedicine business, was primarily attributed to below facts:

- An increase in stock-based compensation expense of $2,982,000, which primarily resulted from the new grants and higher fair value in September 2015 of unvested options after the Company listed on Nasdaq in June 2014 compared with those unvested options as of September 30, 2014;
  - An increase in payroll of $408,000 in line with the headcount increase in management positions in 2015.
- An increase in depreciation and amortization of $540,000, which was mainly attributed to the knowhow and patents obtained from the acquisition of AG in third quarter 2014;
- An increase in rental expenses of $344,000, which was mainly attributed to the new lease agreement concluded for the construction of Beijing GMP; and
  - An increase in legal and other professional services of $523,000.

Selling and Marketing Expenses

	Sales & Marketing Expenses				
	2015	2014	Change	Percent	
For the nine months ended September 30,	$500,393	$86,806	$413,587	476	%

We are now increasing our sales and marketing teams in the immunotherapy business. Sales and marketing expenses increased by approximately $414,000 in the nine months ended September 30, 2015 as compared to the same period in 2014, primarily as a result of an increase in stock-based compensation expenses of $163,000; an increase in payroll expenses of $124,000, an increase in market analysis professional fees of $53,000, an increase in travel expenses of $33,000 and an increase in meeting and conference expenses of $28,000.

42

Research and Development Expenses

	Research and Development Expenses				
	2015	2014	Change	Percent	
For the nine months ended September 30,	$4,968,352	$2,100,271	$2,868,081	137	%

Research and development costs increased by approximately $2,868,000 in the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014 due primarily to increase of our immunotherapy research and development team, which resulted in an increase in payroll expenses of $772,000; an increase in stock-based compensation expenses of $1,341,000, an increase in clinical trial expenditure of $352,000, and increase in depreciation and amortization of $139,000, an increase in travelling expense of $135,000 and an increase in rental of $107,000.

Impairment of Investments

	Impairment of investments			
	2015	2014	Change	Percent
For the nine months ended September 30,	$123,428	$-	$123,428	N/A

The impairment of investments for the nine months ended September 30, 2015 is attributed to the recognition of other than temporary impairment on the value of shares in one stock, no such expense existed in the same period in 2014.

Operating Loss

	Operating Loss				
	2015	2014	Change	Percent	
For the nine months ended September 30,	$(14,958,580)	$(7,002,180)	$(7,956,400)	114	%

The increase in operating loss for the nine months ended September 30, 2015 as compared to the same period in 2014 is primarily due to changes in revenues, general and administrative expenses and research and development expenses, each of which is described above.

Total Other Income

	Other Income				
	2015	2014	Change	Percent	
For the nine months ended September 30,	$532,338	$95,620	$436,718	457	%

Other income for the nine months ended September 30, 2015 was primarily decrease in fair value of accrued expenses for the acquisition of intangible assets of $414,000, net foreign exchange gain of $79,000 and interest income of $29,000. On June 26, 2015, the Company completed its acquisition of the certain license rights to technology and know-how from Blackbird and entered into an assignment and assumption agreement to acquire all of Blackbird's right, title and interest in and to the exclusive worldwide license to a CD40LGVAX vaccine from the University of South Florida. According to the asset purchase agreement, 28,120 shares of Company common stock were issued as part of the consideration of this transaction. In addition, 18,747 shares of Company common stock (equal to $700,000 based on the 20-day volume-weighted average price of the Company's stock on the closing date) will be delivered to Blackbird on the 6 month anniversary of the closing date upon satisfaction of certain conditions. Above shares were revalued according to the fair market value as of the balance sheet date and resulted in the other income of $414,000.

Other income for the nine months ended September 30, 2014 consists primarily of rental subsidy income and foreign exchange gains and losses on transactions in our biomedicine segment.

43

Income Taxes (Expense) Credit

	Income Taxes (Expense) Credit			
	2015	2014	Change	Percent
For the nine months ended September 30,	$(29,602)	$-	$(29,602)	N/A

While we have optimistic plans for our business strategy, we determined that a valuation allowance was necessary given the current and expected near term losses and the uncertainty with respect to our ability to generate sufficient profits from our business model. Therefore, we established a valuation allowance for all deferred tax assets. Income tax expense for nine months ended September 30, 2015 represents PRC tax of $24,995 and the US state tax of $4,607.

Loss from Continuing Operations

	Loss from Continuing Operations			
	2015	2014	Change	Percent
For the nine months ended September 30,	$(14,455,844)	$(6,906,560)	$(7,549,284)	109 %

Changes in loss from continuing operations are primarily attributable to changes in operating loss as described above.

Loss on Discontinued Operations

	Loss on Discontinued Operations, Net of Tax			
	2015	2014	Change	Percent
For the nine months ended September 30,	$-	$(3,037,514)	$3,037,514	(100)%

Change in loss on discontinued operations is primarily attributable to our decision to terminate this Consulting business segment in 2014.

Net Loss

	Net Loss			
	2015	2014	Change	Percent
For the nine months ended September 30,	$(14,455,844)	$(9,944,074)	$(4,511,770)	45 %

Changes in net loss are primarily attributable to changes in operations of our biomedicine segment as and the discontinued consulting segment, each of which is described above.

Comprehensive Net Loss

	Comprehensive Net Loss			
	2015	2014	Change	Percent
For the nine months ended September 30,	$(8,075,737)	$(7,436,853)	$(638,884)	9 %

Comprehensive net loss for nine months ended September 30, 2015 includes unrecognized gain on investments of approximately $6,543,000, partially offset by currency translation of approximately $163,000 combined with the changes in net income. The large unrecognized gain on investments is primarily attributed to the valuation gain for the stock investment in Arem Pacific Corporation resulting from the 105% increase in Arem Pacific's stock valuation price during the nine months ended September 30, 2015.

Liquidity and Capital Resources

We had working capital of $16,978,287 as of September 30, 2015 compared to $12,019,143 as of December 31, 2014. Our cash position increased to $20,106,377 at September 30, 2015 compared to $14,770,584 at December 31, 2014, as we had an increase in cash generated from financing activities due to a private placement financing in March 2015 for aggregate gross proceeds of approximately $19,600,000 through the sale of 515,786 shares of Common Stock, partially offset by an increase in cash used in operating activities.

Net cash provided by or used in operating, investing and financing activities from continuing operations was as follows:

Net cash used in operating activities was approximately $8,572,000 and $8,127,000 for the nine months ended September 30, 2015 and 2014, respectively. The following table reconciles net loss to net cash used in operating activities:

For the nine months ended September 30,	2015	2014	Change
Net loss	$(14,455,844)	$(9,944,074)	$(4,511,770)
Income statement reconciliation items	6,925,325	3,605,703	3,733,181
Changes in operating assets, net	(1,041,692)	(1,788,735)	333,484
Net cash used in operating activities	$(8,572,211)	$(8,127,106)	$(445,105)

The 2015 change in income statement reconciliation items was primarily due to the increase in stock-based compensation of $4,522,000, decrease in impairment of goodwill of $3,300,000 and decrease in stock received for services of $1,610,000 compared with same period in 2014.

Net cash used in investing activities was approximately $5,495,000 and $322,000 in the nine months ended September 30, 2015 and 2014, respectively. These amounts were primarily the result of purchases of fixed assets and intangible assets.

Cash provided by financing activities was approximately $19,444,000 and $11,088,000 in the nine months ended September 30, 2015 and 2014, respectively. These amounts were mainly attributable to the proceeds received from the issuance of common stock and option exercise.

Liquidity and Capital Requirements Outlook

Excluding any potential sponsorship in the U.S. and other regions out of China CD40LGVAX Trial, we anticipate that the Company will require approximately $18 million in cash to operate as planned in the coming 12 months. Of this amount, approximately $12 million will be used to operate our facilities and offices, including but not limited to payroll expenses, rent and other operating costs, and to fund our research and development as we continue to develop our products through the clinical study process. Approximately $0.4 million will be used to pay finder fee for previous private placement sale of equity, $1.6 million will be used to settle the remaining cash consideration of AG acquisition, $1 million will be used to settle the final instalment of intangible assets acquired and $2 million will be used to expand our physical plant and facilities in our immune cell therapy business and CAR-T research and development, although we may revise these plans depending on the changing circumstances of our biomedicine business.

We expect to rely on current cash balances that we hold to provide for these capital requirements. We do not intend to use, and will not rely on our holdings in securities to fund our operations. One of our stocks held, Wonder International Education & Investment Group Corporation (“Wonder”), is delinquent in its SEC filings for multiple

periods. We do not know whether we can liquidate our 2,057,131 shares of Wonder stock or any of our other portfolio securities, or if liquidated, whether the realized amount will be meaningful at all.

In March 2015, we had received approximately $19,600,000 from our latest private placement sale of equity. As we continue to incur losses, achieving profitability is dependent upon the successful development of our immune therapy business and commercialization of our technology in research and development phase, which is a number of years in the future. Once that occurs, we will have to achieve a level of revenues adequate to support our cost structure. We may never achieve profitability, and unless and until we do, we will continue to need to raise additional capital. Over the next 12 months ending September 30, 2016, we estimate negative operating cash flow of approximately $12 million. Management intends to fund future operations through additional private or public debt or equity offerings, and may seek additional capital through arrangements with strategic partners or from other sources.

Our medium to long term capital needs involve the further development of our biomedicine business, and may include, at management’s discretion, new clinical trials for other indications, strategic partnerships, joint ventures, acquisition of licensing rights from new or current partners and/or expansion of our research and development programs. Furthermore, as our therapies pass through the clinical trial process and if they gain regulatory approval, we expect to expend significant resources on sales and marketing of our future products, services and therapies.

In order to finance our medium to long-term plans, we intend to rely upon external financing. This financing may be in the form of equity and or debt, in private placements and/or public offerings, or arrangements with private lenders. Due to our short operating history and our early stage of development, particularly in our biomedicine business, we may find it challenging to raise capital on terms that are acceptable to us, or at all. Furthermore our negotiating position in the capital raising process may worsen as we consume our existing resources. Investor interest in a company such as ours is dependent on a wide array of factors, including the state of regulation of our industry in China (e.g. the policies of MOH and the CFDA), the U.S. and other countries, political headwinds affecting our industry, the investment climate for issuers involved in businesses located or conducted within China, the risks associated with our corporate structure, risks relating to our partners, licensed intellectual property, as well as the condition of the global economy and financial markets in general. Additional equity financing may be dilutive to our stockholders; debt financing, if available, may involve significant cash payment obligations and covenants that restrict our ability to operate as a business; our stock price may not reach levels necessary to induce option or warrant exercises; and asset sales may not be possible on terms we consider acceptable. If we are unable to raise the capital necessary to meet our medium- and long-term liquidity needs, we may have to delay or discontinue certain clinical trials, the licensing, acquisition and/or development of cell therapy technologies, and/or the expansion of our biomedicine business; or we may have to raise funds on terms that we consider unfavorable.

Off Balance Sheet Transactions

CBMG does not have any off-balance sheet arrangements except the lease and capital commitment disclosed in the unaudited condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company we are not required to provide this information.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered in this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the three months ended September 30, 2015, there was no change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting except for the below improvement:

The Company commenced launching Phase I Zhiyuan project in September 2015. This project will replace current manual controls over procurement, payment process with IT controls and enhance other controls over other processes, such as fixed asset management, expense claim, contract review etc. This project will help to improve the efficiency of the business and enhance the compliance. The Phase I work is expected to be completed in 4th quarter 2015.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On April 21, 2015, a putative class action complaint was filed against the Company in the U.S. District Court for the Northern District of California captioned Bonnano v. Cellular Biomedicine Group, Inc., 3:15-cv-01795-WHO (N.D. Ca.). The complaint also names Wei Cao, the Company's Chief Executive Officer, and Tony Liu, the Company's Chief Financial Officer, as defendants. The complaint alleges that during the class period, June 18, 2014, through April 7, 2015, the Company made material misrepresentations in its periodic reports filed with the SEC. The complaint alleges a cause of action under Section 10(b) of the Securities Exchange Act of 1934 (the "1934 Act") against all defendants and under Section 20(a) of the 1934 Act against the individual defendants. The complaint does not state the amount of the damages sought.

On June 3, 2015, defendants were served. On June 29, 2015, the Court ordered, as stipulated by the parties, that defendants are not required to respond to the initial complaint in this action until such time as a lead plaintiff and lead counsel have been appointed and a consolidated complaint has been filed. The deadline for filing motions for the appointment of lead plaintiff and selection of lead counsel was June 22, 2015. On that date, one motion was filed by the Rosen Law Firm on behalf of putative plaintiff Michelle Jackson. On August 3, 2015, having received no opposition, the Court appointed Jackson as lead plaintiff and the Rosen Law Firm as class counsel. As stipulated among the parties, Jackson filed an amended class action complaint on September 17, 2015. The Company's date to answer or move is on or before January 19, 2016, and a hearing on the anticipated motion to dismiss has been set for April 6, 2016. Discovery will be stayed pending a decision on the motion to dismiss.

The amended complaint names ten additional individuals and entities as defendants ("additional defendants"), none of whom are affiliated with the Company, and asserts an additional claim under Section 10(b) and Rule 10b-5(a) and (c) thereunder that the Company purportedly engaged in a scheme with the additional defendants to promote its securities. To date, none of the additional defendants appeared in the case.

The Company believes that the claims do not have merit and intends to vigorously defend against them. At this early stage of the proceedings it is not possible to evaluate the likelihood of an unfavorable outcome or to estimate the range of potential loss.

Other than as disclosed above, during the period covered by this report, we were not involved in any litigation that we believe could have a materially adverse effect on our financial condition or results of operations.

ITEM 1A. RISK FACTORS

During the three months ended September 30, 2015, there were no material changes to the risk factors disclosed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014 except the risks set forth below.

Our newly acquired technology platform, including our CAR-T, PD1, whether preclinical or clinical, and the cancer vaccine technologies are new approaches to cancer treatment that present significant challenges.

We have concentrated our research and development efforts on T cell immunotherapy technology, and our future success in cancer treatment is dependent on the successful development of T cell immunotherapies in general and our CAR and vaccine technologies and product candidates in particular. Our approach to cancer treatment aims to alter T cells ex vivo through genetic modification using viruses designed to reengineer the T cells to recognize specific proteins on the surface or inside cancer cells. Because this is a new approach to cancer immunotherapy and cancer treatment generally, developing and commercializing our product candidates subjects us to many challenges.

We cannot be sure that our T cell immunotherapy and vaccine technologies will yield satisfactory products that are safe and effective, scalable, or profitable. Additionally, because our technology involves the genetic modification of patient cells ex vivo using a virus, we are subject to many of the challenges and risks that gene therapies face, including regulatory requirements governing gene and cell therapy products have changed frequently.

Moreover, public perception of therapy safety issues, including adoption of new therapeutics or novel approaches to treatment, may adversely influence the willingness of subjects to participate in clinical trials, or if approved, of physicians to subscribe to the novel treatment mechanics. Physicians, hospitals and third-party payers often are slow to adopt new products, technologies and treatment practices that require additional upfront costs and training. Physicians may not be willing to undergo training to adopt this novel and personalized therapy, may decide the therapy is too complex to adopt without appropriate training and may choose not to administer the therapy. Based on these and other factors, hospitals and payers may decide that the benefits of this new therapy do not or will not outweigh its costs.

Our near term ability to generate product revenue is dependent on the success of one or more of our CD19, CD22, CD30 and HER1, as well as CD40GVAX product candidates, each of which are at an early-stage of development and will require significant additional clinical testing before we can seek regulatory approval and begin commercial sales.

Our near term ability to generate product revenue is highly dependent on our ability to obtain regulatory approval of and successfully commercialize one or more of our CD19, CD20, CD30 and HER1, as well as CD40GVAX product candidates. All of these products are in the early stages of development, have been tested in a relatively small number of patients, and will require additional clinical and nonclinical development, regulatory review and approval in each jurisdiction in which we intend to market the products, substantial investment, access to sufficient commercial manufacturing capacity, and significant marketing efforts before we can generate any revenue from product sales. Before obtaining marketing approval from regulatory authorities for the sale of our product candidates, we must conduct extensive clinical studies to demonstrate the safety, purity, and potency of the product candidates in humans. We cannot be certain that any of our product candidates will be successful in clinical studies and they may not receive regulatory approval even if they are successful in clinical studies.

If our products encounter safety or efficacy problems, developmental delays, regulatory issues, or other problems, our development plans and business could be significantly harmed. Further, competitors who are developing products with similar technology may experience problems with their products that could identify problems that would potentially harm our business.

Third parties have sponsored and conducted all clinical trials of our CD19, CD20, CD30 and HER1, as well as the CD40GVAX vaccine product candidates so far, and our ability to influence the design and conduct of such trials has been limited. We plan to assume control over the future clinical and regulatory development of the CD19, CD20, CD30 and HER1, and may do so for other product candidates, which will entail additional expenses and may be subject to delay. Any failure by a third party to meet its obligations with respect to the clinical and regulatory development of our product candidates may delay or impair our ability to obtain regulatory approval for our products and result in liability for our company.

To date, we have not sponsored any clinical trials relating to our CD19, CD20, CD30, HER1 and CD40GVAX product candidates or other product candidates. Instead, faculty members at our third-party research institution collaborators, or those institutions themselves, have sponsored all clinical trials relating to these product candidates, in each case under their own Investigational New Drug applications (“INDs”) with the respective regulatory agency. We plan to assume control of the overall clinical and regulatory development of CD19, CD20, CD30 and HER1 for future clinical trials and obtain sponsorship of the INDs or file new Company-sponsored INDs in China and/or the United States. Following the recent notification from the Moffitt Cancer Center that it will not be continuing its sponsorship of the U.S. CD40LGVAX Trial, we will evaluate other options to conducting the U.S. CD40LGVAX Trial and continuing the related IND with the Federal Drug Administration (“FDA”). Failure to obtain, or delays in obtaining, sponsorship of INDs or in filing new Company-sponsored INDs for these or any other product candidates we determine to advance could negatively affect the timing of our potential future clinical trials. Such an impact on timing could increase research and development costs and could delay or prevent obtaining regulatory approval for our most advanced product candidates, either of which could have a material adverse effect on our business.

Further, even in the event that the IND sponsorship is obtained for existing and new INDs, we did not control the design or conduct of the previous trials. It is possible that the CFDA or other regulatory agencies will not accept these previous trials as providing adequate support for future clinical trials, whether controlled by us or third parties, for any of one or more reasons, including the safety, purity, and potency of the product candidate, the degree of product characterization, elements of the design or execution of the previous trials or safety concerns, or other trial results. We may also be subject to liabilities arising from any treatment-related injuries or adverse effects in patients enrolled in these previous trials. As a result, we may be subject to unforeseen third-party claims and delays in our potential future

clinical trials. We may also be required to repeat in whole or in part clinical trials previously conducted by our third-party research institution collaborators, which will be expensive and delay the submission and licensure or other regulatory approvals with respect to any of our product candidates. Any such delay or liability could have a material adverse effect on our business.

Moreover, although we plan to assume control of the overall clinical and regulatory development of CD19, CD20, CD30 and HER1 going forward, we have so far been dependent on contractual arrangements with our third-party research institution collaborators and will continue to be until we assume control. We also expect to be dependent on our contractual arrangements with third-party research institution collaborators for ongoing and planned trials for our other product candidates until we determine to assume control of the clinical and regulatory development of those candidates. Such arrangements provide us certain information rights with respect to the previous, planned, or ongoing trials, including access to and the ability to use and reference the data, including for our own regulatory filings, resulting from such trials. If our third-party research institution collaborators breach these obligations, or if the data prove to be inadequate compared to the first-hand knowledge we might have gained had the completed trials been Company-sponsored trials, then our ability to design and conduct our planned corporate-sponsored clinical trials may be adversely affected. Additionally, the regulatory agencies may disagree with the sufficiency of our right to reference the preclinical, manufacturing, or clinical data generated by these prior investigator-sponsored trials, or our interpretation of preclinical, manufacturing, or clinical data from these clinical trials. If so, the regulatory agencies may require us to obtain and submit additional preclinical, manufacturing, or clinical data before we may begin our planned trials and/or may not accept such additional data as adequate to begin our planned trials.

Our CD19, CD20, CD30 and HER1, as well as the CD40GVAX product candidates are biologics and the manufacture of our product candidates is complex and we may encounter difficulties in production, particularly with respect to process development or scaling-out of our manufacturing capabilities. If we or any of our third-party manufacturers encounter such difficulties, our ability to provide supply of our product candidates for clinical trials or our products for patients, if approved, could be delayed or stopped, or we may be unable to maintain a commercially viable cost structure.

Our immune cell CAR-T and vaccine product candidates are biologics and the process of manufacturing our products is complex, highly- regulated and subject to multiple risks. The manufacture of our product candidates involves complex processes, including harvesting T cells from patients, genetically modifying the T cells ex vivo, multiplying the T cells to obtain the desired dose, and ultimately infusing the T cells back into a patient's body. As a result of the complexities, the cost to manufacture these biologics in general, and our genetically modified cell product candidates in particular, is generally higher than the adipose stem cell, and the manufacturing process is less reliable and is more difficult to reproduce. Our manufacturing process will be susceptible to product loss or failure due to logistical issues associated with the collection of white blood cells, or starting material, from the patient, shipping such material to the manufacturing site, shipping the final product back to the patient, and infusing the patient with the product, manufacturing issues associated with the differences in patient starting materials, interruptions in the manufacturing process, contamination, equipment or reagent failure, improper installation or operation of equipment, vendor or operator error, inconsistency in cell growth, and variability in product characteristics. Even minor deviations from normal manufacturing processes could result in reduced production yields, product defects, and other supply disruptions. If for any reason we lose a patient's starting material or later-developed product at any point in the process, the manufacturing process for that patient will need to be restarted and the resulting delay may adversely affect that patient's outcome. If microbial, viral, or other contaminations are discovered in our product candidates or in the manufacturing facilities in which our product candidates are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. Because our product candidates are manufactured for each particular patient, we will be required to maintain a chain of identity with respect to materials as they move from the patient to the manufacturing facility, through the manufacturing process, and back to the patient. Maintaining such a chain of identity is difficult and complex, and failure to do so could result in adverse patient outcomes, loss of product, or regulatory action including withdrawal of our products from the market. Further, as product candidates are developed through preclinical to late stage clinical trials towards approval and commercialization, it is common that various aspects of the development program, such as manufacturing methods, are altered along the way in an effort to optimize processes and results. Such changes carry the risk that they will not achieve these intended objectives, and any of these changes could cause our product candidates to perform differently and affect the results of planned clinical trials or other future clinical trials.

Although we do intend to develop our own manufacturing facility, and we have leased a facility in Beijing that we intend to build out to support our clinical and commercial manufacturing activities, we may, in any event, never be successful in developing our own manufacturing facility. Currently, our CAR-T product candidates are manufactured using non-scalable processes by our third-party research institution collaborators that we do not intend to use for more advanced clinical trials or commercialization. Additionally, we currently rely on outside vendors to manufacture the CD40GVAX supplies and process our Vaccine-related product candidates. We have not yet caused our product candidates to be manufactured or processed on a commercial scale and may not be able to do so for any of our product candidates. Although our manufacturing and processing approach is based upon the current approach undertaken by our third-party research institution collaborators, we do not have experience in managing the vaccine manufacturing process, and our process may be more difficult or expensive than the approaches currently in use. We will make changes as we work to optimize the manufacturing process, and we cannot be sure that even minor changes in the process will not result in significantly different CAR-T or vaccine that may not be as safe and effective as the current products deployed by our third-party research institution collaborators. As a result of these challenges, we may experience delays in our clinical development and/or commercialization plans. The manufacturing risks could delay or

prevent the completion of our clinical trials or the approval of any of our product candidates by the FDA, CFDA or other regulatory authorities, result in higher costs or adversely impact commercialization of our product candidates. In addition, we will rely on third parties to perform certain specification tests on our product candidates prior to delivery to patients. If these tests are not appropriately done and test data are not reliable, patients could be put at risk of serious harm and the FDA, CFDA or other regulatory authorities could require additional clinical trials or place significant restrictions on our company until deficiencies are remedied. We may ultimately be unable to reduce the cost of goods for our product candidates to levels that will allow for an attractive return on investment if and when those product candidates are commercialized.

We are and will continue to rely in significant part on outside scientists and their third-party research institutions for research and development and early clinical testing of our product candidates. These scientists and institutions may have other commitments or conflicts of interest, which could limit our access to their expertise and harm our ability to leverage our technology platform.

We currently have limited internal research and development capabilities and are currently conducting no independent clinical trials with our CD19, CD20, CD30, HER1 and CD40GVAX product candidates or our other product candidates. We therefore rely at present on our third-party research institution collaborators for both capabilities.

The outside scientists who conduct the clinical testing of our current product candidates, and who conduct the research and development upon which our product candidate pipeline depends, are not our employees; rather they serve as either independent contractors or the primary investigators under collaboration that we have with their sponsoring academic or research institution. Such scientists and collaborators may have other commitments that would limit their availability to us. Although our scientific advisors generally agree not to do competing work, if an actual or potential conflict of interest between their work for us and their work for another entity arises, we may lose their services. For instance, we were recently notified that the Moffitt Cancer Center, which previously sponsored the U.S. CD40LGVAX Trial and had planned to commence phase I/II trials in the second half of 2015, intends to transfer such sponsorship to the Company, and as a result we are currently evaluating the feasibility of conducting these trials ourselves or commencing the trial in the United States or elsewhere. These factors could adversely affect the timing of the clinical trials, the timing of receipt and reporting of clinical data, the timing of Company-sponsored IND filings, and our ability to conduct future planned clinical trials. It is also possible that some of our valuable proprietary knowledge may become publicly known through these scientific advisors if they breach their confidentiality agreements with us, which would cause competitive harm to, and have a material adverse effect on our business.

If we are unable to maintain our licenses, patents or other intellectual property we could lose important protections that are material to continuing our operations and our future prospects.

We operate in the highly technical field of development of regenerative and immune cellular therapies. In addition to patents, we rely in part on trademark, trade secret and protection to protect our intellectual properties comprised of proprietary know how, technology and processes. However, trade secrets are difficult to protect. We have entered and expect to continue to enter into confidentiality and intellectual property assignment agreements with our employees, consultants, outside scientific collaborators, sponsored researchers, affiliates and other advisors. These agreements generally require that the other party keep confidential and not disclose to third parties all confidential information developed by the party or made known to the party by us. These agreements may also provide that inventions conceived by the party in the course of rendering services to us will be our exclusive property. However, these agreements may be difficult to enforce, or can be breached and may not effectively protect our intellectual property rights.

In addition to contractual measures, we try to protect the confidential nature of our proprietary information by compartmentalize our intellectual properties as well as using other security measures. Such physical and technology measures may not provide adequate protection for our proprietary information. For example, our security measures may not prevent an employee or consultant with authorized access from misappropriating our trade secrets and providing them to a competitor, and the recourse we have available against such misconduct may be inadequate to adequately protect our interests. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time consuming, and the outcome is unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets. Furthermore, others may independently develop our proprietary information in a manner that could prevent legal recourse by us. If any of our confidential or proprietary information, including our trade secrets and know how, were to be disclosed or misappropriated, or if a competitor independently developed any such information, our competitive position could be harmed.

We will not seek to protect our intellectual property rights in all jurisdictions throughout the world and we may not be able to adequately enforce our intellectual property rights even in the jurisdictions where we seek protection.

Filing, prosecuting and defending patents on our product candidates in all countries and jurisdictions throughout the world would be impracticable and cost prohibitive, and our intellectual property rights in some countries could be less extensive than those in the People's Republic of China or the United States, assuming that rights are obtained in these jurisdiction. In addition, the laws of some foreign countries may not protect all of our intellectual properties.

If we are unable to comply with China's National Health and Family Planning Commission's new stem cell regulation we could lose certain important prior clinical studies that are material to continuing our operations and our future prospects.

Our ability to generate product revenue is highly dependent on our ability to obtain regulatory approval of and successfully commercialize one or more of our stem cell clinical studies in China. On August 21, 2015, China's National Health and Family Planning Commission issued the nation's first-ever trial regulation over the stem cell therapy. The regulation stipulates only top level stated-owned hospitals can be candidates and become eligible for the clinical trial after passing special evaluations by health authorities. The specific list of authorized hospitals has not been published. Researchers who want to do clinical studies will need to register with the health ministry with documentation showing that there are sufficient animal studies to support trials in humans and that they are using certified cell lines verified by independent evaluation. We do not know if the hospitals where we have conducted clinical studies will be included in the list of authorized hospitals or can become eligible after passing special evaluations by health authorities. We do not know if our animal studies documentation will be approved to support trials in humans. We also do not know if our cell lines will be accepted by the health authorities. These factors could adversely affect the timing of the clinical trials, the timing of receipt and reporting of clinical data, the timing of Company-sponsored IND filings, and our ability to conduct future planned clinical trials, and any of the above could have a material adverse effect on our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

All unregistered sales and issuances of equity securities for the three months ended September 30, 2015 were previously disclosed in a Form 8-K or Form 10-Q filed with the SEC.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibits

Exhibit Number	Description
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Executive Officer.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Financial Officer.
32.1	Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CELLULAR BIOMEDICINE GROUP, INC.
(Registrant)

Date: November 13, 2015

By: /s/ Wei (William) Cao
Wei (William) Cao
Chief Executive Officer (Principal Executive Officer)

By: /s/ Bizuo (Tony) Liu
Bizuo (Tony) Liu
Chief Financial Officer (Principal Financial and Accounting Officer)