Cellular Biomedicine Group, Inc.
Form 10-Q
August 09, 2016

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

FORM 10-Q

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

For the quarterly period ended June 30, 2016

OR

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 No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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 Accelerated filer
Non-accelerated filer Smaller reporting company

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

As of August 1, 2016, there were 14,102,228 shares of common stock, par value $.001 per share issued and outstanding.

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

CELLULAR BIOMEDICINE GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
AS OF JUNE 30, 2016 AND DECEMBER 31, 2015

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $47,470,196 | $14,884,597 |
| Accounts receivable, less allowance for doubtful amounts of $10,782 and $nil as of June 30, 2016 and December 31, 2015, respectively | 330,860 | 630,332 |
| Other receivables | 245,073 | 271,344 |
| Inventory | 313,837 | 390,886 |
| Prepaid expenses | 811,403 | 367,050 |
| Taxes recoverable | - | 150,082 |
| Total current assets | 49,171,369 | 16,694,291 |
| Investments | 11,211,137 | 5,379,407 |
| Property, plant and equipment, net | 3,204,157 | 2,768,900 |
| Goodwill | 7,678,789 | 7,678,789 |
| Intangibles, net | 15,018,223 | 15,949,100 |
| Long-term prepaid expenses and other assets | 1,256,973 | 989,935 |
| Total assets (1) | $87,540,648 | $49,460,422 |
| Liabilities and Stockholders' Equity | | |
| Liabilities: | | |
| Accounts payable | $136,355 | $260,886 |
| Accrued expenses | 457,392 | 845,087 |
| Taxes payable | 30,000 | - |
| Other current liabilities | 1,574,592 | 1,913,284 |
| Total current liabilities | 2,198,339 | 3,019,257 |
| Deferred tax liabilities | 288,830 | - |
| Other non-current liabilities | 25,636 | 76,229 |
| Total liabilities (1) | 2,512,805 | 3,095,486 |
| Commitments and Contingencies (note 12) | | |

| | | |
|---|---|---|
| Stockholders' equity: | | |
| Preferred stock, par value $.001, 50,000,000 shares authorized; none issued and outstanding as of June 30, 2016 and December 31, 2015, respectively | - | - |
| Common stock, par value $.001, 300,000,000 shares authorized; 14,099,228 and 11,711,645 issued and outstanding as of June 30, 2016 and December 31, 2015, respectively | 14,099 | 11,711 |
| Additional paid in capital | 148,830,297 | 103,807,651 |
| Accumulated deficit | (68,745,706) | (57,338,311) |
| Accumulated other comprehensive income (loss) | 4,929,153 | (116,115) |
| Total stockholders' equity | 85,027,843 | 46,364,936 |
| Total liabilities and stockholders' equity | $87,540,648 | $49,460,422 |

(1) The Company’s consolidated assets as of June 30, 2016 and December 31, 2015 included $6,547,364 and $6,115,073, 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 as of June 30, 2016 and December 31, 2015, respectively. These assets include cash and cash equivalents of $1,496,939 and $1,821,883; accounts receivable of $328,146 and $337,345; other receivables of $129,187 and $136,621; inventory of $89,154 and $180,973; prepaid expenses of $587,679 and $250,123; property, plant and equipment, net, of $1,694,303 and $1,145,924; intangibles of $1,750,343 and $1,892,551; and long-term prepaid expenses and other assets of $471,613 and $349,653. The Company’s consolidated liabilities as of June 30, 2016 and December 31, 2015 included $1,112,662 and $1,478,160, respectively, of liabilities of the VIEs whose creditors have no recourse to the Company. These liabilities include accounts payable of $83,531 and $38,004; other payables of $748,250 and $914,817; payroll accrual of $270,325 and $464,510; and other non-current liabilities of $10,556 and $60,829. See further description in Note 3, Variable Interest Entities.

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

CELLULAR BIOMEDICINE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Net sales and revenue | $71,599 | $656,959 | $560,090 | $1,260,349 |
| Operating expenses: | | | | |
| Cost of sales | 323,587 | 398,229 | 826,780 | 892,291 |
| General and administrative | 3,072,647 | 3,768,535 | 5,848,572 | 6,448,772 |
| Selling and marketing | 39,480 | 161,219 | 218,234 | 310,241 |
| Research and development | 2,972,855 | 1,322,692 | 5,371,217 | 2,778,112 |
| Impairment of investments | - | - | - | 123,428 |
| Total operating expenses | 6,408,569 | 5,650,675 | 12,264,803 | 10,552,844 |
| Operating loss | (6,336,970) | (4,993,716) | (11,704,713) | (9,292,495) |
| Other income (expense): | | | | |
| Interest income | 18,290 | 5,920 | 35,340 | 21,031 |
| Other income (expense) | 7,646 | 13,523 | 23,966 | 10,820 |
| Total other income | 25,936 | 19,443 | 59,306 | 31,851 |
| Loss before taxes | (6,311,034) | (4,974,273) | (11,645,407) | (9,260,644) |
| Income taxes credit (provision) | (886,248) | (52,202) | 238,012 | (53,002) |
| Net loss | $(7,197,282) | $(5,026,475) | $(11,407,395) | $(9,313,646) |
| Other comprehensive income (loss): | | | | |
| Cumulative translation adjustment | (271,438) | 42,236 | (255,365) | 61,845 |
| Unrealized gain (loss) on investments, net of tax | (11,115,884) | 10,631,731 | 5,300,633 | 8,063,460 |
| Total other comprehensive income (loss): | (11,387,322) | 10,673,967 | 5,045,268 | 8,125,305 |
| Comprehensive gain (loss) | $(18,584,604) | $5,647,492 | $(6,362,127) | $(1,188,341) |
| Net loss per share : | | | | |
| Basic | $(0.52) | $(0.44) | $(0.89) | $(0.83) |
| Diluted | $(0.52) | $(0.44) | $(0.89) | $(0.83) |
| Weighted average common shares outstanding: | | | | |

| | | | | |
|---|---|---|---|---|
| Basic | 13,737,722 | 11,531,497 | 12,810,894 | 11,286,712 |
| Diluted | 13,737,722 | 11,531,497 | 12,810,894 | 11,286,712 |

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

CELLULAR BIOMEDICINE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

| | For the Six Months Ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $(11,407,395) | $(9,313,646) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 1,349,137 | 928,531 |
| Stock based compensation expense | 2,412,261 | 3,618,050 |
| Other than temporary impairment on investments | - | 123,428 |
| Realized losses from sale of investments | - | 5,178 |
| Inventory provision | 105,919 | - |
| Allowance for doubtful account | 10,782 | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 275,333 | (304,173) |
| Other receivables | 20,521 | (222,716) |
| Inventory | (25,309) | (27,839) |
| Prepaid expenses | (457,032) | (8,427) |
| Taxes recoverable | 150,082 | - |
| Other current assets | - | 110,347 |
| Long-term prepaid expenses and other assets | (259,624) | (73,031) |
| Accounts payable | (124,531) | (320,305) |
| Accrued expenses | (387,695) | 112,026 |
| Advances payable to related party | - | (30,216) |
| Other current liabilities | (152,605) | 88,991 |
| Taxes payable | 30,000 | (173,739) |
| Deferred tax liabilities | (242,267) | - |
| Other non-current liabilities | (50,049) | (212,265) |
| Net cash used in operating activities | (8,752,472) | (5,699,806) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceed from sale of investments, net of issuance cost paid | - | 1,480 |
| Purchases of intangibles | - | (4,385,940) |
| Purchases of assets | (1,161,568) | (224,826) |
| Net cash used in investing activities | (1,161,568) | (4,609,286) |

| | | |
|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net proceeds from the issuance of common stock | 42,437,374 | 18,964,849 |
| Proceeds from exercise of stock options | 175,399 | 234,599 |
| Net cash provided by financing activities | 42,612,773 | 19,199,448 |
| | | |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | (113,134) | (9,856) |
| | | |
| INCREASE IN CASH AND CASH EQUIVALENTS | 32,585,599 | 8,880,500 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 14,884,597 | 14,770,584 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $47,470,196 | $23,651,084 |
| | | |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| | | |
| Cash paid for income taxes | $(6,705) | $(226,855) |
| | | |
| Non-cash investing activities | | |
| Acquisition of intangible assets through issuance of the Company's stock | $- | $1,096,399 |

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

CELLULAR BIOMEDICINE GROUP, INC.
FOR THE THREE MONTHS ENDED JUNE 30, 2016 AND 2015
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 platforms: (i) Immune Cell therapy for treatment of a broad range of cancers using : Chimeric Antigen Receptor T cell (CAR-T), cancer vaccine, and T Central Memory Cell (Tcm) technology, 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 completed Phase IIb autologous haMPC KOA clinical study and published its promising results. Led by Shanghai Renji Hospital, one of the largest teaching hospitals in China, we launched Phase I clinical trial of an off-the-shelf allogeneic haMPC (AlloJoinTM) therapy for KOA. We have completed patient recruitment for Phase I clinical studies of KOA on August 5, 2016. We also initiated multiple dose preclinical studies in a Chronic Obstructive Pulmonary Disease ("COPD") animal model, and plan to initiate manufacturing of (AlloJoinTM) product for KOA preclinical and clinical studies in the United States.

Our initial target market is Greater China. We believe that the results of our research, the acquired knowhow and clinical trial results 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 acquisition of the University of South Florida’s license on the next generation GVAX vaccine (CD40LGVAX) and its related standard operational procedures (SOPs), we have expanded our immuno-oncology portfolio significantly. We plan to use the knowledge we obtained from the previous phase l clinical study conducted in the US by Moffitt center to support an investigator sponsored trial to evaluate the potential synergistic effect of the combination of CD40LGVAX with anti-PD1 checkpoint inhibitors, to treat late stage non-small cell lung cancer (NSCLC) adenocarcinoma patients. 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 recent build-up of multiple cancer therapeutic technologies, we have prioritized our clinical efforts on developing CAR-T based therapies for multiple programs in multiple indications along with Cancer vaccine in NSCLC, and not actively pursuing the fragmented technical services opportunities. We are striving to build a highly competitive research and development function, a translational medicine team, along with a cell production function, to support the development of multiple assets in several cancer indications. These efforts will allow us to boost the Company's Immuno-Oncology presence, and pave the way for future partnerships.

Corporate History

Cellular Biomedicine Group, Inc., (formerly known as EastBridge Investment Group Corporation) was incorporated in the State of Delaware and its corporate headquarters to 19925 Stevens Creek Blvd., Suite 100 in Cupertino, California. The Company is focusing its 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.

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 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, 2015 included in our Annual Report on Form 10-K for the year ended December 31, 2015. Operating results for the three and six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

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 June 30, 2016 and the results of operations for the three and six months ended June 30, 2016 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 June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). Financial Instruments—Credit Losses (Topic 326) amends guideline on reporting credit losses for assets held at amortized cost basis and available-for-sale debt securities. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available-for-sale debt securities, credit losses should be measured in a manner similar to current GAAP, however Topic 326 will require that credit losses be presented as an allowance rather than as a write-down. ASU 2016-13 affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this ASU will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are currently evaluating the impact of the adoption of ASU 2016-13 on our consolidated financial statements.

In April 2016, the FASB issued ASU No. 2016-09, “Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”), which simplifies several aspects of the accounting for employee share-based payment transactions. The areas for simplification in ASU 2016-09 include the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this ASU will be effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. Early adoption is permitted. We are currently evaluating the impact of the adoption of ASU 2016-09 on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)” (“ASU 2016-02”). The amendments in this update create Topic 842, Leases, and supersede the leases requirements in Topic 840, Leases. Topic 842 specifies the accounting for leases. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. The main difference between Topic 842 and Topic 840 is the recognition of lease assets and lease liabilities for those leases classified as operating leases under Topic 840. Topic 842 retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous leases guidance. The result of retaining a distinction between finance leases and operating leases is that under the lessee accounting model in Topic 842, the effect of leases in the statement of comprehensive income and the statement of cash flows is largely unchanged from previous GAAP. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for public business entities. Early application of the amendments in ASU 2016-02 is permitted. We are currently in the process of evaluating the impact of the adoption of ASU 2016-02 on our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”). The amendments in this update require all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments in this update also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition the amendments in this update eliminate the requirement for to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public entities. For public business entities, the amendments in ASU 2016-01 are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Except for the early application guidance discussed in ASU 2016-01, early adoption of the amendments in this update is not permitted. We do not expect the adoption of ASU 2016-01 to have a material impact on our consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes” (“ASU 2015-17”). Topic 740, Income Taxes, requires an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. Deferred tax liabilities and assets are classified as current or noncurrent based on the classification of the related asset or liability for financial reporting. Deferred tax liabilities and assets that are not related to an asset or liability for financial reporting are classified according to the expected reversal date of the temporary difference. To simplify the presentation of deferred income taxes, the amendments in ASU 2015-17 require that deferred income tax liabilities and assets be classified as noncurrent in a classified statement of financial position. For public business entities, the amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. We do not expect the adoption of ASU 2015-17 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 do not expect the adoption of ASU No. 2015-11 to have a material impact 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. Further to ASU 2014-09 and ASU 2015-14, the FASB issued ASU No. 2016-08, “Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)” (“ASU 2016-08”) in March 2016, ASU No. 2016-10, “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing” (“ASU 2016-10”) in April 2016, and ASU No. 2016-12, “Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients” (“ASU 2016-12”), respectively. The amendments in ASU 2016-08 clarify the implementation guidance on principal versus agent considerations, including indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. ASU 2016-10 clarifies guideline related to identifying performance obligations and licensing implementation guidance contained in the new revenue recognition standard. The updates in ASU 2016-10 include targeted improvements based on input the FASB received from the Transition Resource Group for Revenue Recognition and other stakeholders. It seeks to proactively address areas in which diversity in practice potentially could arise, as well as to reduce the cost and complexity of applying certain aspects of the guidance both at implementation and on an ongoing basis. ASU 2016-12 addresses narrow-scope improvements to the guidance on collectibility, non-cash consideration, and completed contracts at transition. Additionally, the amendments in this ASU provide a practical expedient for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. The effective date and transition requirements for ASU 2016-08, ASU 2016-10 and ASU 2016-12 are the same as ASU 2014-09. We are currently in the process of evaluating the impact of the adoption of ASU 2014-09, ASU 2016-08, ASU 2016-10 and ASU 2016-12 on our consolidated financial statements.

NOTE 3 – 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.

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 Reports on Form 10-K for the years ended December 31, 2015 and 2014. The Company has not provided any guarantees related to CBMG Shanghai and no creditors of CBMG Shanghai have recourse to the general credit of the Company.

As the primary beneficiary of CBMG Shanghai, the Company consolidates in its financial statements the financial position, results of operations, and cash flows of CBMG Shanghai, and all intercompany balances and transactions between the Company and CBMG Shanghai 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 June 30, 2016 and December 31, 2015 are as follows:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Assets | | |
| Cash | $1,496,939 | $1,821,883 |
| Accounts receivable | 328,146 | 337,345 |
| Other receivables | 129,187 | 136,621 |
| Inventory | 89,154 | 180,973 |
| Prepaid expenses | 587,679 | 250,123 |
| Total current assets | 2,631,105 | 2,726,945 |
| Property, plant and equipment, net | 1,694,303 | 1,145,924 |
| Intangibles | 1,750,343 | 1,892,551 |
| Long-term prepaid expenses and other assets | 471,613 | 349,653 |
| Total assets | $6,547,364 | $6,115,073 |
| Liabilities | | |
| Accounts payable | $83,531 | $38,004 |
| Other payables | 748,250 | 914,817 |
| Payroll accrual | 270,325 | 464,510 |
| Total current liabilities | $1,102,106 | $1,417,331 |
| Other non-current liabilities | 10,556 | 60,829 |
| Total liabilities | $1,112,662 | $1,478,160 |

NOTE 4 – INVENTORY

As of June 30, 2016 and December 31, 2015, inventory consisted of the following:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Raw materials | $288,976 | $357,896 |
| Semi-finished goods | 15,277 | 15,346 |
| Finished goods | 9,584 | 17,644 |
| | $313,837 | $390,886 |

Provision for inventories is as below:

| | Three months ended June 30, | Six months ended June 30, |
|---|---|---|

| | 2016 | 2015 | 2016 | 2015 |
|---|---|---|---|---|
| Balance at the beginning of the period | $123,848 | $- | $123,848 | $- |
| Addition | 110,126 | - | 110,145 | - |
| Exchange difference | (4,207) | - | (4,226) | - |
| Balance at the end of the period | $229,767 | $- | $229,767 | $- |

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NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

As of June 30, 2016 and December 31, 2015, property, plant and equipment, carried at cost, consisted of the following:

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Office equipment | $66,035 | $24,526 |
| Manufacturing equipment | 3,252,280 | 2,680,805 |
| Computer equipment | 163,243 | 150,698 |
| Leasehold improvements | 2,255,597 | 1,417,997 |
| Construction work in process | 21,931 | 680,740 |
| | 5,759,086 | 4,954,766 |
| Less: accumulated depreciation | (2,554,929) | (2,185,866) |
| | $3,204,157 | $2,768,900 |

For the three and six months ended June 30, 2016, depreciation expense was $222,960 and $440,698, respectively, as compared to $144,100 and $298,909 for the three and six months ended June 30, 2015, respectively.

NOTE 6 – INVESTMENTS

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

| June 30, 2016 | Cost | Gross Unrealized Gains/(losses) | 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 | $- | $- | $(221,964) | $29,424 |
| Equity position in Arem Pacific Corporation | 5,030,000 | 6,090,000 | - | - | 11,120,000 |
| Equity position in Wonder International Education & Investment Group Corporation | 61,713 | - | - | - | 61,713 |
| Total | $5,343,101 | $6,090,000 | $- | $(221,964) | $11,211,137 |

| December 31, 2015 | Cost | Gross Unrealized Gains/(losses) | 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 | 170,000 | - | - | 5,200,000 |
| Equity position in Wonder International Education & Investment Group Corporation | 61,713 | - | - | - | 61,713 |
| Total | $5,343,101 | $170,000 | $- | $(133,694) | $5,379,407 |

There was no net proceeds from sale of investments for the three months ended June 30, 2016 and 2015. Net proceeds from sale of investments for the six months ended June 30, 2016 and 2015 was $ nil and $1,480, respectively.

There was no net realized losses from sale of investments for the three months ended June 30, 2016 and 2015. Net realized losses from sale of investments for the six months ended June 30, 2016 and 2015 was $ nil and $5,178, respectively.

The unrealized holding gain (loss) for the investments, net of tax that were recognized in other comprehensive income for the three and six months ended June 30, 2016 was $(11,115,884) and $5,300,633, respectively, as compared to $10,631,731 and $8,063,460 for the three and six months ended June 30, 2015, respectively.

The Company tracks each investment with an unrealized loss and evaluate 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. There was no other-than-temporary impairment of investments for the three months ended June 30, 2016 and 2015. Other-than-temporary impairment of investments for the six months ended June 30, 2016 and 2015 was $ nil and $123,428, respectively.

NOTE 7 – 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 limited trading of the three stocks traded in OTC market.

Assets measured at fair value within Level 2 on a recurring basis as of June 30, 2016 and December 31, 2015 are summarized as follows:

| | As of June 30, 2016 | | |
|---|---|---|---|
| | Fair Value Measurements at Reporting Date Using: | | |
| | Quoted Prices in Active Markets for Identical Assets | Significant Other Observable Inputs | Significant Unobservable Inputs |
| Total | (Level 1) | (Level 2) | (Level 3) |

Assets:

| | | | | |
|---|---|---|---|---|
| Equity position in Alpha Lujo, Inc. | $29,424 | $- | $29,424 | $- |
| Equity position in Arem Pacific Corporation | 11,120,000 | - | 11,120,000 | - |
| Equity position in Wonder International Education & Investment Group Corporation | 61,713 | - | 61,713 | - |
| | $11,211,137 | $- | $11,211,137 | $- |

As of December 31, 2015

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. | $117,694 | $- | $117,694 | $- |
| Equity position in Arem Pacific Corporation | 5,200,000 | - | 5,200,000 | - |
| Equity position in Wonder International Education & Investment Group Corporation | 61,713 | - | 61,713 | - |
| | $5,379,407 | $- | $5,379,407 | $- |

No shares were acquired in the six months ended June 30, 2016 and 2015.

As of June 30, 2016 and December 31, 2015, the Company holds 8,000,000 shares in Arem Pacific Corporation, 2,942,350 shares in Alpha Lujo, Inc. and 2,057,131 shares in Wonder International Education and Investment Group Corporation, respectively. All available-for-sale investments held by the Company at June 30, 2016 and December 31, 2015 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 8 – 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 June 30, 2016 and December 31, 2015, intangible assets, net consisted of the following:

Patents & knowhow & license

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Cost basis | $17,645,730 | $17,686,700 |
| Less: accumulated amortization | (2,670,836) | (1,790,045) |
| | $14,974,894 | $15,896,655 |

Software

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Cost basis | $89,064 | $90,951 |
| Less: accumulated amortization | (45,735) | (38,506) |
| | $43,329 | $52,445 |

| | | |
|---|---|---|
| Total intangibles, net | $15,018,223 | $15,949,100 |

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 six months ended June 30, 2016 was $454,528 and $908,439, respectively, and amortization expense for the three and six months ended June 30, 2015 was $345,189 and $629,622, respectively.

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

| Years ending June 30, | Amount |
|---|---|
| 2017 | $1,782,167 |
| 2018 | 1,776,375 |
| 2019 | 1,771,868 |
| 2020 | 1,770,776 |

| | |
|---|---|
| 2021 and thereafter | 7,917,037 |
| | $15,018,223 |

NOTE 9 – LEASES

The Company leases facilities under non-cancellable operating lease agreements. These facilities are located in the United States, Hong Kong and China. 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 six months ended June 30, 2016 was approximately $276,884 and $575,683, respectively, as compared to $272,113 and $503,222 for the three and six months ended June 30, 2015, respectively.

As of June 30, 2016, the Company has the following future minimum lease payments due under the foregoing lease agreements:

| Years ending June 30, | Amount |
|---|---|
| 2017 | $890,790 |
| 2018 | 516,170 |
| 2019 | 486,418 |
| 2020 | 424,063 |
| 2021 and thereafter | 652,861 |
| | $2,970,302 |

NOTE 10 – RELATED PARTY TRANSACTIONS

The Company advanced petty cash to officers for business travel purpose. As of June 30, 2016 and December 31, 2015, other receivables due from officers for business travel purpose was $ nil and $19,214, respectively.

NOTE 11 – 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 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) will be delivered to Blackbird at closing, thus 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) would be delivered to Blackbird on the 6 month anniversary of the closing date upon satisfaction of certain conditions according to the agreements. Above shares were issued in November 2015.

On February 4, 2016, the Company conducted an initial closing of a financing transaction (the “Financing”), pursuant to which it sold an aggregate of 263,158 shares of the Company’s common stock, par value $0.001 per share to Wuhan Dangdai Science & Technology Industries Group Inc. (the “Investor”) at $19.00 per share, for total gross proceeds of approximately $5,000,000. The Investor agreed to purchase, in one or more subsequent closings, up to an additional 2,006,842 shares on or before April 15, 2016, for a potential aggregate additional raise of $38,130,000. The Company had received the proceeds of $5,000,000 on February 4, 2016.

On April 15, 2016, the Company completed the second and final closing of the Financing with the Investor, pursuant to which the Company sold to the Investor 2,006,842 shares of the Company’s Common Stock, for approximately $38,130,000 in gross proceeds. The aggregate gross proceeds from both closings in the Financing totaled approximately $43,130,000. In the aggregate, 2,270,000 shares of Common Stock were issued in the Financing.

In connection with the above Financing, the Company agreed to pay a finder's fee equal to 5% of the gross proceeds comprised of (i) $657,628 from the gross proceeds of the Financing and (ii) 78,888 restricted shares of Common Stock based on the per share purchase price in the Financing of $19 per share. On April 28, 2016, 78,888 shares of common stock were issued to the finder, which was recorded against the equity.

During the three and six months ended June 30, 2016, the Company expensed $957,782 and $2,049,816 associated with unvested option awards and $188,416 and $362,445 associated with restricted common stock issuances, respectively. During the three and six months ended June 30, 2015, the Company expensed $1,816,456 and $3,517,364 associated with unvested options awards and $82,137 and $100,687 associated with restricted common stock issuances, respectively.

During the three and six months ended June 30, 2016, options for 2,350 and 28,735 underlying shares were exercised on a cash basis, 2,350 and 28,735 shares of the Company's common stock were issued accordingly. During the three and six months ended June 30, 2015, options for 67,623 and 75,523 underlying shares were exercised on a cash basis, 67,623 and 75,523 shares of the Company's common stock were issued accordingly.

During the three and six months ended June 30, 2016, 9,960 shares of the Company's restricted common stock were issued respectively. During the three and six months ended June 30, 2015, 901 shares of the Company's restricted common stock were issued.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Service Agreement with Wei (William) Cao

The Company entered into a consulting agreement with Wei (William) Cao, the former CEO and a former director, which became effective as of February 7, 2016 and terminates on February 7, 2018, pursuant to which Wei Cao would advise the Executive on merger and acquisition and other strategic opportunities, participate in the Company's internal scientific review and actively work with the Company's Scientific Advisory Board and provide other consulting services. Compensation related to the consulting services are disclosed in 10-K filed on March 11, 2016. On May 25, 2016 Wei Cao notified the Company of his intention to terminate the Service Agreement on August 7, 2016.

Service Agreement with Wen Tao (Steve) Liu

The Company entered into a consulting agreement with Wen Tao (Steve) Liu, a director of the Company, which is effective as of February 7, 2016 and terminate on February 7, 2018, pursuant to which Wen Tao Liu would advise the Company on strategic opportunities and China hospital resource management as directed by the CEO, maintain the Company's Cupertino office and provide other consulting services etc. Compensation related to the consulting services are disclosed in Exhibit 99.1 of the quarterly report on Form 10-Q for the three-month ending March 31, 2016.

Capital commitments

As of June 30, 2016, the capital commitments of the Company are summarized as follows:

| | June 30, 2016 |
|---|---|

| | |
|---|---|
| Contracts for acquisition of plant and equipment being or to be executed | $400,815 |

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 named Wei Cao, the Company's Chief Executive Officer, and Tony Liu, the Company's Chief Financial Officer, as defendants. The complaint alleged 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 alleged 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 did 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. On January 19, 2016, the Company filed a motion to dismiss. Plaintiff submitted a response on March 1, 2016 and oral argument on the motion to dismiss took place on April 20, 2016. The decision on the motion to dismiss is pending as of the filing date of this Form 10-Q. Discovery will be stayed pending the 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. The amended complaint does not assert any claims against Mr. Liu.

On January 19, 2016, the Company filed a motion to dismiss, which was argued on April 20, 2016. On May 20, 2016, the Court granted the motion to dismiss with leave to amend. On June 6, 2016, Plaintiffs filed a Second Amended Complaint, and on June 30, 2016, the Company filed a motion to dismiss. Oral argument on the motion will be held August 17, 2016.

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.

Other than legal proceedings disclosed in this section, we are currently not involved in any litigation that we believe could have a materially adverse effect on our financial condition or results of operations.

NOTE 13 – 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 of these plans. The compensation cost that has been charged against income related to stock options for the three and six months ended June 30, 2016 was $957,782 and $2,049,816, respectively, and for the three and six months ended June 30, 2015 was $1,816,456 and $3,517,364, respectively. The compensation cost that has been charged against income related to restricted stock awards for the three and six months ended June 30, 2016 $188,416 and $362,445, respectively, and for the three and six months ended June 30, 2015 was $82,137 and $100,687.

As of June 30, 2016, there was $8,298,854 all unrecognized compensation cost related to an aggregate of 744,691 of non-vested stock option awards and $1,399,748 related to an aggregate of 69,256 of non-vested restricted stock awards. These costs are expected to be recognized over a weighted-average period of 1.66 years for the stock options awards and 1.46 years for the restricted stock awards.

During the three months ended June 30, 2016, the Company issued options under the 2013 Plan and 2014 Plan of an aggregate of 183,000 shares of the Company’s common stock to officers, directors and employees. The grant date fair value of these options was $2,499,760 using Black-Scholes option valuation models with the following assumptions: grant date stock price $14.24 to $20.29, volatility 89.86% to 90.03%, expected life 6.0 years, and risk-free rate of 1.32% to 1.4%. The Company is expensing these options on a straight-line basis over the requisite service period.

During the six months ended June 30, 2016, the Company issued options under the 2013 Plan and 2014 Plan of an aggregate of 233,743 shares of the Company's common stock to officers, directors and employees. The grant date fair value of these options was $3,042,661 using Black-Scholes option valuation models with the following assumptions: grant date stock price $14.14 to $40.00, volatility 89.66% to 90.03%, expected life 6.0 years, and risk-free rate of 1.31% to 1.65%. The Company is expensing these options on a straight-line basis over the requisite service period.

During the three months ended June 30, 2015, the Company issued options under the 2013 Plan and 2014 Plan of an aggregate of 159,000 shares of the Company's common stock to officers, directors and employees. The grant date fair value of these options was $3,785,624 using Black-Scholes option valuation models with the following assumptions: grant date stock price $23.54 to $37.4, volatility 89.63% to 91.56%, expected life 6.0 years, and risk-free rate of 1.49% to 1.78%. The Company is expensing these options on a straight-line basis over the requisite service period.

During the six months ended June 30, 2015, the Company issued an aggregate of 634,279 options under the 2013 Plan and 2014 Plan to officers, directors and employees. The grant date fair value of these options was $12,172,344 using Black-Scholes option valuation models with the following assumptions: exercise price equal to the grant date stock price of $5.00 to $37.40, volatility 89.63% to 99.27%, expected life 6.0 years, and risk-free rate of 1.39% to 1.81%. 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 June 30, 2016 and December 31, 2015 and for the six months ended June 30, 2016:

| | Number of Options | Weighted- Average Exercise Price | Weighted- Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at December 31, 2015 | 1,952,648 | $12.42 | 7.8 | $17,701,962 |
| Grants | 233,743 | 20.17 | | |
| Forfeitures | (358,509) | 20.49 | | |
| Exercises | (28,735) | 6.10 | | |
| Outstanding at June 30, 2016 | 1,799,147 | $11.93 | 7.6 | $116,854 |
| Vested and exercisable at June 30, 2016 | 1,054,456 | $7.59 | 7.1 | $4,640,453 |

| Exercise Price | Number of Options Outstanding | Exercisable |
|---|---|---|
| $3.00 - $4.95 | 276,430 | 276,430 |
| $5.00 - $9.19 | 654,134 | 532,915 |
| $12.91 + | 868,583 | 245,111 |
| | 1,799,147 | 1,054,456 |

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 six months ended June 30, 2016 and 2015 was $175,399 and $ 234,599.

NOTE 14 – NET 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 June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Net loss | $(7,197,282) | $(5,026,475) | $(11,407,395) | $(9,313,646) |
| Weighted average shares of common stock | 13,737,722 | 11,531,497 | 12,810,894 | 11,286,712 |
| Dilutive effect of stock options | - | - | - | - |
| Restricted stock vested not issued | - | - | - | - |
| Common stock and common stock equivalents | 13,737,722 | 11,531,497 | 12,810,894 | 11,286,712 |
| Net loss per basic share | $(0.52) | $(0.44) | $(0.89) | $(0.83) |
| Net loss per diluted share | $(0.52) | $(0.44) | $(0.89) | $(0.83) |

For the three and six months ended June 30, 2016 and 2015, 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 six months ended June 30, 2016 and 2015.

NOTE 15 – 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 six months ended June 30, 2016, 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.

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 June 30, 2016, the Company had net operating loss carryforwards of $9.1 million for U.S federal purposes, $7.1 million for U.S. state purposes, and $6.7 million for Chinese income tax purposes, such losses are begin to expire in 2034, 2034, and 2021 for U.S. federal, U.S. state and Chinese income tax purposes, respectively. Deferred income tax expense is a result of recognizing tax benefit of current period loss due to other comprehensive income recorded this quarter. The Company's effective tax rate differs from statutory rates of 35% for U.S. federal income tax purposes, 15% to 25% for Chinese income tax purpose 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.

Pursuant to the Corporate Income Tax Law of the PRC, all of the Company's PRC subsidiaries are liable to PRC Corporate Income Taxes ("CIT") at a rate of 25% except for Cellular Biomedicine Group Ltd. (Shanghai) ("CBMG Shanghai"). According to Guoshuihan 2009 No. 203, if an entity is certified as an "advanced and new technology enterprise", it is entitled to a preferential income tax rate of 15%. CBMG Shanghai obtained the certificate of "advanced and new technology enterprise" dated October 30, 2015 with an effective period of three years and the provision for PRC corporate income tax for CBMG Shanghai is calculated by applying the income tax rate of 15% in calendar year 2015.

NOTE 16 – 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 Collaborate Agreement dated December 10, 2012 (the "Collaboration Agreement"), AG's collaborative partner (the "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. With our recent build-up of multiple cancer therapeutic technologies, we have prioritized our clinical efforts on developing CAR-T technologies, Vaccine, Tcm and TCR clonality technologies, and not actively pursuing the fragmented technical services opportunities

In June 2016, the Company entered into a cooperation termination agreement (the "Termination Agreement") with the Partner. According to the Termination Agreement, the Company will pay $0.3 million (RMB2 million equivalent) to settle all the liabilities with the Partner and retain the ownership of all the assets under the Collaborative Agreement. The Company recorded a liability of $0.3 million due to the Partner for the three months and six months period ended June 30, 2016.

NOTE 17 – SEGMENT INFORMATION

The Company is engaged in the development of new treatments for cancerous and degenerative diseases utilizing proprietary cell-based technologies, which have been organized as one reporting segment since they have similar nature and economic characteristics. The Company's chief operating decision maker, the Chief Executive Officer, receives and reviews the result of the operation for all major cell platforms as a whole when making decisions about allocating resources and assessing performance of the Company. In accordance with FASB ASC 280-10, the Company is not required to report the segment information.

NOTE 18 – SUBSEQUENT EVENTS

On July 8, 2016, the board of directors of the Company elected Dr. Hansheng Zhou as a nonexecutive director of the Company, effective immediately. The Board will nominate Dr. Zhou to be elected as a Class I director at the 2016 annual meeting of shareholders of the Company for a three year term.

Pursuant to the Board's standard compensation policy for nonexecutive directors, Dr. Zhou is entitled to a monthly fee of $1,667 and has also been granted a nonqualified stock option to purchase 5,300 shares of the Company's common stock, par value $0.001, under the Company's 2014 Equity Incentive Plan with an exercise price of $16 per share and full vesting on the one year anniversary of the grant.

On August 5, 2016 the Company completed patient treatment for its Phase I trial to evaluate the safety and efficiancy of AlloJoinTM, and off-the-shelf allofenic adipose-derived progenitor cell (haMPC) therapy for the treatment of

KOA. Patients will be monitored over the next 12 months for safety, as well as efficiency signs.

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 and six months ended June 30, 2016 and 2015, and should be read in conjunction with our unaudited 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 government regulations in China, the United States and other countries 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 ref 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 Cellular 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

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 rights, titles and interests 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. On July 29, 2016, China Patent Office granted our patent application on genetically engineered anti-CD20 Chimeric Antigen Receptor-positive NKT cells, its production and application.

We announced interim Phase IIb trial results for our ReJoinTM haMPC therapy for 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 released positive 48-week follow-up data in January 2016.

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.

From April 2015, the Company commenced cooperation with agents/hospitals through which it started to provide immune-cell therapy technology consulting services to hospitals located in Beijing, Shandong, Anhui and Shanghai. For the year ended December 31, 2015, revenue of $0.5 million 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 oversees 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 license from University of South Florida ("USF") 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), was issued and delivered to Blackbird in November 2015. 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 individuals were diagnosed with lung cancer in 2012, and 592,410 individuals in China died of 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 are 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 the third quarter of 2015, we reviewed and 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, 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 production of CAR-T and clinical treatment. With the 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, 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 principal investigators and obtaining the requisite approvals.

On November 9, 2015, the Company announced the opening of its new state-of-the-art facility in the PKUCare Industrial 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 the Beijing Institute for Drug Control, accredited bodies of the China National Accreditation Service (CNAS) and China Metrology Accreditation (CMA). With this expansion into Beijing, the Company now operates three GMP facilities in China that will house nine independent production lines with the capacity to host more than 200,000 individual cell sources.

In January 2016, we launched a Phase I clinical trial of an off-the-shelf allogeneic haMPC AlloJoin™ therapy for KOA (the “KOA Phase I Trial”).On March 23, 2016, the Company filed a Form S-3 Registration Statement (the “S-3 Registration Statement”) with the SEC, which was declared effective on June 17, 2016. The S-3 Registration Statement contains three prospectuses:

Offering Prospectus. A base prospectus which covers the offering, issuance and sale by us of up to $150,000,000 of our common stock, preferred stock, debt securities, warrants, rights and/or units;

Resale Prospectus. A prospectus to be used for the resale by the selling stockholders of up to 3,824,395 shares of the Common Stock; and

Sales Agreement Prospectus. A sales agreement prospectus covering the offering, issuance and sale by the registrant of up to a maximum aggregate offering price of $50,000,000 of the Common Stock that may be issued and sold under a sales agreement with Cantor Fitzgerald & Co.

On August 5, 2016 we completed patient treatment for its Phase I trial to evaluate the safety and efficiany of AlloJoinTM, and off-the shelf allogenic adipose-derived progenitor cell (haMPC) therapy for the treatment of KOA. Patients will be monitored over the next 12 months for safety, as well as efficiany signs.

In the next 12 months, we aim to accomplish the following, though there can be no assurances that we will be able to accomplish any of these goals:

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 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;

Evaluate feasibility of initiating 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);

Provide update on Cartilage Damage clinical study;

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

Continue to seek advanced technologies to bolster our CAR-T China market position;

Bolster R&D resources to fortify our intellectual properties portfolio and scientific development;

Improve liquidity and fortify our balance sheet by courting institutional investors;

Evaluate new regenerative medicine technology platform for other indications;

Explore new CAR-T international collaboration and /or partnership; and

Evaluate expansion of our cell manufacturing capacity and additional capabilities.

For the six months ended June 30, 2016 and 2015, we generated $560,090 and $1,260,349 in revenue, respectively. The revenue are all from our technology consulting service. With our recent build-up of multiple cancer therapeutic technologies, we have prioritized our clinical efforts on developing CAR-T technologies, Vaccine, Tcm and TCR clonality technologies, and not actively pursuing the fragmented technical services opportunities. 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 five to eight years.

We incurred an increase in total operating expenses of approximately $1.7 million for the six months ended June 30, 2016, as compared to the six months ended June 30, 2015, which is primarily attributable to increased input into

expenditures for R&D projects.

Corporate History

Please refer to Note 1 of our unaudited condensed consolidated financial statements for our 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. In October 2015, we opened a GMP facility in Beijing. Our focus has been to serve 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, with the recent build-up of multiple cancer therapeutic technologies, we have prioritized our clinical efforts on CAR-T, technologies, Vaccine, Tcm and TCR clonality technologies, and not actively pursuing the fragmented technical services opportunities. We are integrating CBMG's state-of-the art infrastructure and clinical platform with the technologies platform 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 regulatory approval. 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 and released positive Phase IIb 48 week follow-up data in January 2016, which shows the primary and secondary endpoints of ReJoin® therapy group having all improved significantly compared to their baseline, which has confirmed some of the Company's Phase I/IIa results. 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;

Expand haMPCs using our proprietary culture medium (serum-free and antibiotics-free); and

Formulated for ReJoinTM therapy using our proprietary formulation.

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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).

In January 2016, we launched the allogeneic KOA Phase I Trial in China. On August 5, 2016 we completed patient treatment for its Phase I trial to evaluate the safety and efficiany of AlloJoinTM, and off-the shelf allogenic adipose-derived progenitor cell (haMPC) therapy for the treatment of KOA. Patients will be monitored over the next 12 months for safety, as well as efficiany signs.

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. We announced interim Phase IIb trial results for our ReJoinTM haMPC therapy for 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 released positive 48-week follow-up data in January 2016.

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. 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.. 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, 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, and 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 several hematological indications on patients that are refractory/replapsing to chemotherapy, and many of them have relapsed after stem cell transplantation. All of hese patients had very limited treatment option prior to CAR-T therapy. CAR-T has shown positive clinical efficacy in many of these patients. Some of have them lived for years post CAR-T treatment.

In July 2016, Juno Therapeutics, Inc. reported the death of patients enrolled in the U.S. Phase II clinical trial of JCAR015 for the treatment of relapsed or refractory B cell acute lymphoblastic leukemia (B-ALL). The US FDA put the trial on hold and lifted the hold within a week after Juno provided satisfactory explanation and solution. Juno believes that the patient deaths were caused by the use of Fludarabine preconditioning and they will use only cyclophosphamide pre-conditioning in the future enrollment. The Company believes that its study is distinguishable from Juno Therapeutics and plans to continue to monitor any toxicities associated with the study.

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 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 Centers for Disease Control and Prevention. Prevalence of doctor-diagnosed arthritis and arthritis-attributable activity limitation United States. 2010-2012, Osteoarthritis (OA) is a chronic disease that is characterized by degeneration of the articular cartilage, hyperosteogeny, and ultimately, joint destruction that can affect all of the joints. According to Dillon CF, Rasch EK, Gu Q et al. Prevalence of knee osteoarthritis in the United States: Arthritis Data from the Third National Health and Nutrition Examination Survey 1991-94. J Rheumatol. 2006, the incidence of OA is 50% among people over age 60 and 90% among people over age 65. KOA accounts for the majority of total OA conditions and in adults, OA is the second leading cause of work disability and the disability incidence is high (53%). The costs of OA management have grown exponentially over recent decades, accounting for up to 1% to 2.5% of the gross national product of countries with aging populations, including the U.S., Canada, the UK, France, and Australia. According to the American Academy of Orthopedic Surgeons (AAOS), the only pharmacologic therapies recommended for OA symptom management are non-steroidal anti-inflammatory drugs (NSAIDs) and tramadol (for patients with symptomatic osteoarthritis). Moreover, there is no approved disease modification therapy for OA in the world. Disease progression is a leading cause of hospitalization and ultimately requires joint replacement surgery. In 2009, the U.S. spent over $42 billion on replacement surgery for hip and knee joints alone. International regulatory guidelines on clinical investigation of medicinal products used in the treatment of OA were updated in 2015, and clinical benefits (or trial outcomes) of a disease modification therapy for KOA has been well defined and recommended. Medicinal products used in the treatment of osteoarthritis need to provide both a symptom relief effect for at least 6 months and a structure modification effect to slow cartilage degradation by at least 12 months. Symptom relief is generally measured by a composite questionnaire Western Ontario and McMaster Universities Osteoarthritis Index (WOMAC) score, and structure modification is measured by MRI, or radiographic image as accepted by international communities. The Company uses the WOMAC as primary end point to

demonstrate symptom relief, and MRI to assess structure and regeneration benefits as a secondary endpoint.

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, cartilage repair in 2014 will be 23% ($77 million) and will rise 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 over 30 million people in China suffering from asthma without effective therapies. According to Respirology 2013, Asian Pacific Society of Respirology, China has the largest asthmatic population in the world and is one of the countries with the highest asthma mortality rate.

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, we expect our biomedicine business to generate revenues primarily through 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 is relatively new, 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 are exploring 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 revenue primarily from 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 three cGMP facilities in Beijing, 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. We intend to continue to evaluate the expansion of our cell manufacturing capacity and additional capabilities.

Most importantly, our most experienced team members have 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 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 ReJoinTM therapy to be both safe and effective.

In the second quarter of 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 announced positive Phase IIb 48-week follow-up data in January 2016.

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.

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) compared 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 are focusing our effort on developing CAR-T therapies for both hematological tumors and solid tumors.

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, effective tumor specific antigens found to be less 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 generally this has been the reason for disappointing toxicity data from CAR-T treatment in solid tumors. In conjunction with optimizing our protocol and production procedures, we plan to work with PLAGH to validate our initial success with treating solid tumors by expanding the study to confirm 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.

In September 2015, we released 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.

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, through the acquisition of AG and the technologies and pre-clinical and clinical data of University of the South Florida and PLAGH, 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, CAR-T and Tcm technologies. Immune cell therapies have not been codified by any of the Chinese regulatory agencies. China has a bifurcated regulatory pathway, which is different than the singular path in the United States. Immune cell therapy is considered in China as a Class III medical technology and it remains unclear if it will be offered U.S.FDA-liked Fast Track designation as maintenance therapy in subjects with advanced cancer who have limited options following surgery and front-line platinum/taxane chemotherapy to improve their progression-free survival. 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 began to review the feasibility of performing synergistic U.S. clinical studies.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, our management evaluates the estimates, including those related to revenue recognition, accounts receivable, inventory, long-lived assets, goodwill and other intangibles, investments, stock-based compensation, and income taxes. Of the accounting estimates we routinely make relating to our critical accounting policies, those estimates made in the process of: determining the valuation of accounts receivable, inventory, long-lived assets, and goodwill and other intangibles; measuring share-based compensation expense; preparing investment valuations; and establishing income tax valuation allowances and liabilities are the estimates most likely to have a material impact on our financial position and results of operations. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. However, because these estimates inherently involve judgments and uncertainties, there can be no assurance that actual results will not differ materially from those estimates.

During the three and six months ended June 30, 2016, we believe that there have been no significant changes to the items that we disclosed as our critical accounting policies and estimates in the “Critical Accounting Policies and

Estimates" section of Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, except for as below:

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. As of June 30, 2016 and December 31, 2015, the goodwill is $7,678,789, which all derived from the acquisition of Agreen.

As stipulated in ASC 350-20-35-3A, an entity may assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. During the reporting period, the Company ceased its cooperation with the Jihua Hospital (its largest customer) and several agents and was not actively pursuing the fragmented technical services opportunities since the second quarter of 2016, net sales and revenue for the three months ended June 30, 2016 significantly decreased accordingly. It considered as triggering event indicating the goodwill impairment test was required at end of the reporting period. The Company therefore proceeded with "Step 1" goodwill impairment test based on ASC 350-20-35-4 thru 35-8A. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. The Company is now prioritizing cancer therapeutic, and focusing the clinical efforts on developing CAR-T technologies, Vaccine, Tcm, and TCR clonality technologies, all long-lived assets (including goodwill) are considered as an asset group under the same reporting unit for the Company's research and development activities purpose. The Company's market capitalization as at the balance sheet date would fairly reflect the fair value of the Company's research and development efforts so as to provide an indication of whether the goodwill is subject to the impairment loss. Our market capitalization exceeds the carrying amount of net assets (including goodwill) of the Company, we considered first step of goodwill impairment test passed and no second step of goodwill impairment test shall be performed to measure the amount of impairment loss. No impairment loss of goodwill is considered to be required as of June 30, 2016.

Other intangibles mainly consists of knowhow, technologies, patent, licenses acquired and purchased software. The Company reviews the carrying value of long-lived assets to be held and used, including other intangible assets subject to amortization, when events and circumstances warrants such a review. As aforementioned, all long-lived assets (including other intangibles) are considered as an asset group under the same reporting unit for the Company's research and development activities purpose. Our market capitalization exceeds the carrying amount of net assets (including other intangibles) of the Company, no impairment of other intangibles is considered to be required as of June 30, 2016.

The Company is an expanding company with a short operating history, accordingly, the Company faces some potential events and uncertainties encountered by companies in the earlier stages of development and expansion, such as: (1) continuing market acceptance for our product extensions and our services; (2) changing competitive conditions, technological advances or customer preferences that could harm sales of our products or services; (3) maintaining effective control of our costs and expenses. If the Company is not able to meet the challenge of building our businesses and managing our growth, the likely result would be slowed growth, lower margins, additional operational costs and lower income, and a risk of impairment charge of intangibles in future filings.

Results of Operations

Below is a discussion of the results of our operations for the three and six months ended June 30, 2016 and 2015. 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 June 30, 2016 to Three Months Ended June 30, 2015

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 June 30, 2016 | Three Months Ended June 30, 2015 |
|---|---|---|
| Net sales and revenue | $71,599 | $656,959 |
| Operating expenses: | | |
| Cost of sales | 323,587 | 398,229 |
| General and administrative | 3,072,647 | 3,768,535 |
| Selling and marketing | 39,480 | 161,219 |
| Research and development | 2,972,855 | 1,322,692 |
| Total operating expenses | 6,408,569 | 5,650,675 |
| Operating loss | (6,336,970) | (4,993,716) |
| Other income (expense) | | |
| Interest income | 18,290 | 5,920 |
| Other income (expense) | 7,646 | 13,523 |
| Total other income | 25,936 | 19,443 |
| Loss before taxes | (6,311,034) | (4,974,273) |
| Income taxes credit (provision) | (886,248) | (52,202) |
| Net loss | $(7,197,282) | $(5,026,475) |
| Other comprehensive income (loss): | | |
| Cumulative translation adjustment | (271,438) | 42,236 |
| Unrealized gain (loss) on investments, net of tax | (11,115,884) | 10,631,731 |
| Total other comprehensive income (loss): | (11,387,322) | 10,673,967 |
| Comprehensive gain (loss) | $(18,584,604) | $5,647,492 |
| Net loss per share: | | |
| Basic | $(0.52) | $(0.44) |
| Diluted | $(0.52) | $(0.44) |

| | | |
|---|---|---|
| Weighted average common shares outstanding: | | |
| Basic | 13,737,722 | 11,531,497 |
| Diluted | 13,737,722 | 11,531,497 |

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

| | Three Months Ended June 30, 2016 | Three Months Ended June 30, 2015 |
|---|---|---|
| Cost of sales | (40,790) | 32,977 |
| General and administrative | 903,781 | 1,456,531 |
| Selling and marketing | (43,776) | 48,420 |
| Research and development | 326,983 | 342,115 |
| | 1,146,198 | 1,880,043 |

Note: Negative balances in above expenses mainly resulted from the true-up of forfeited options during the period.

Results of Operations

Net sales and revenue

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the three months ended June 30, | $71,599 | $656,959 | $(585,360) | (89)% |

All the revenue was derived from cell therapy technology service for the three months ended June 30, 2016 and 2015. The decrease in revenue is the result of prioritizing cancer therapeutic technologies, and focusing our clinical efforts on developing CAR-T technologies, Vaccine, Tcm, and TCR clonality technologies. Such decrease in revenue was also attributable to the fact that the Company ceased its cooperation with the Jihua Hospital and several agents and were not actively pursuing the fragmented technical services opportunities in the second quarter of 2016.

Cost of Sales

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the three months ended June 30, | $323,587 | $398,229 | $(74,642) | (19)% |

The cost of sales decreased in line with the sales. As fixed costs, such as rental and staff costs etc., accounts for the majority of the cost of sales, the cost of sales didn’t decrease as much as sales.

General and Administrative Expenses

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the three months ended June 30, | $3,072,647 | $3,768,535 | $(695,888) | (18)% |

Decreased expenses in 2016 was primarily attributed to the facts below:

o
A decrease in stock-based compensation expense of $553,000, which primarily resulted from: i) forfeiture of the options in connection with the resignation of Wei Cao as the CEO of the Company in February 2016 and as director in May 2016. For further details please refer to Item 1 Note 13-Commitments and Contingencies - Service Agreement with Wei (William) Cao as reported in the Company’s quarterly report on Form 10-Q for the three-month ended March 31, 2016; ii) the issuance of a large amount of options in the first quarter of 2013, most of which vested over 3 years.

With the end of vesting periods, the stock-based compensation expense decreased significantly in the second quarter of 2016.

o

A decrease in rental expense of $100,000, which primarily resulted from the ramping of the new Beijing GMP facility in January 2016.The related rental expense was recorded in cost of sales and R&D expenses instead of general and administrative expense; and

o

A decrease in legal, audit and other professional fees of $142,000 as the Company received more consulting services related to public relationship and investor communication during the same period in 2015.

Selling and Marketing Expenses

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the three months ended June 30, | $39,480 | $161,219 | $(121,739) | (76)% |

The selling and marketing expenses decreased mainly attributed to the decline of stock-based compensation of $92,000. This mainly resulted from the fact that one sales vice president resigned in April 2016 and part of her options were forfeited.

Research and Development Expenses

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the three months ended June 30, | $2,972,855 | $1,322,692 | $1,650,163 | 125% |

Research and development costs increased by approximately $1,650,000 in the three months ended June 30, 2016 as compared to the three months ended June 30, 2015. The increase was primarily attributed to the facts below:

o
An increase in payroll expenses of $645,000 in line with the increase of our immunotherapy research and development team; the total headcount of our R&D team increased from 45 as of June 30, 2015 to 74 as of June 30, 2016;
o
An increase in depreciation and amortization of $201,000, which was mainly attributed to the technology obtained from 301 Hospital in June 2015 and newly purchased equipment for immunotherapy research and development;
o
An increase in clinical trial expenditure of $388,000;
o
An increase in raw material consumption of $119,000 and
o
An increase in rental expense of $109,000.

Operating Loss

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the three months ended June 30, | $(6,336,970) | $(4,993,716) | $(1,343,254) | 27% |

The increase in the operating loss for the three months ended June 30, 2016 as compared to the same period in 2015 was primarily due to changes in revenues and research and development expenses, each of which is described above.

Total Other Income

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the three months ended June 30, | $25,936 | $19,443 | $6,493 | 33% |

Other income for the three months ended June 30, 2016 was primarily interest income of $18,000 and foreign exchange gain of $9,000. Other income for the three months ended June 30, 2015 was primarily interest income of $6,000 and subsidy income of $9,000.

Income Taxes Credit (Provision)

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the three months ended June 30, | $(886,248) | $(52,202) | $(834,046) | 1598% |

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 deferred tax assets other than the extent of the benefit from other comprehensive income. Income tax expense for three months ended June 30, 2016 mainly represents deferred income tax as a result of recognizing tax benefit of current period loss due to other comprehensive income recorded this quarter. Income tax expense for three months ended June 30, 2015 represents PRC tax of $49,752 and US state tax of $2,450.

Net Loss

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the three months ended June 30, | $(7,197,282) | $(5,026,475) | $(2,170,807) | 43% |

Changes in net loss are primarily attributable to changes in operations of our biomedicine segment which are described above.

Comprehensive Gain (Loss)

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the three months ended June 30, | $(18,584,604) | $5,647,492 | $(24,232,096) | (429)% |

Comprehensive net loss for three months ended June 30, 2016 includes unrealized net loss on investments of approximately $11,116,000 and a currency translation net loss of approximately $271,000 combined with the changes in net income. The unrealized loss on investments was primarily attributed to the valuation loss for the stock investment in Arem Pacific Corporation. The stock of Arem Pacific Corporation (ARPC) held by us are illiquid restricted shares that are very thinly traded on the OTC Markets.

Comparison of Six Months Ended June 30, 2016 to Six Months Ended June 30, 2015

The descriptions in the results of operations below reflect our operating results as set forth in our Consolidated Statement of Operations filed herewith.

| | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|---|---|
| Net sales and revenue | $560,090 | $1,260,349 |
| Operating expenses: | | |
| Cost of sales | 826,780 | 892,291 |
| General and administrative | 5,848,572 | 6,448,772 |
| Selling and marketing | 218,234 | 310,241 |
| Research and development | 5,371,217 | 2,778,112 |
| Impairment of investments | - | 123,428 |
| Total operating expenses | 12,264,803 | 10,552,844 |
| Operating loss | (11,704,713) | (9,292,495) |
| Other income (expense) | | |
| Interest income | 35,340 | 21,031 |
| Other income (expense) | 23,966 | 10,820 |
| Total other income | 59,306 | 31,851 |
| Loss before taxes | (11,645,407) | (9,260,644) |
| Income taxes credit (provision) | 238,012 | (53,002) |
| Net loss | $(11,407,395) | $(9,313,646) |
| Other comprehensive income (loss): | | |
| Cumulative translation adjustment | (255,365) | 61,845 |
| Unrealized gain (loss) on investments, net of tax | 5,300,633 | 8,063,460 |
| Total other comprehensive income (loss): | 5,045,268 | 8,125,305 |
| Comprehensive gain (loss) | $(6,362,127) | $(1,188,341) |
| Net loss per share: | | |
| Basic | $(0.89) | $(0.83) |
| Diluted | $(0.89) | $(0.83) |
| Weighted average common shares outstanding: | | |
| Basic | 12,810,894 | 11,286,712 |
| Diluted | 12,810,894 | 11,286,712 |

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

| | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|---|---|
| Cost of sales | (3,751) | 68,055 |
| General and administrative | 1,353,562 | 2,372,360 |
| Selling and marketing | 3,985 | 96,035 |
| Research and development | 1,058,465 | 1,081,601 |
| | 2,412,261 | 3,618,051 |

Note: Negative balance in above expenses mainly resulted from the true-up of forfeited options during the period.

Results of Operations

Net sales and revenue

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the six months ended June 30, | $560,090 | $1,260,349 | $(700,259) | (56)% |

All the revenue was derived from cell therapy technology service for the six months ended June 30, 2016 and 2015. The decrease in revenue is the result of prioritizing cancer therapeutic technologies, and focusing our clinical efforts on developing CAR-T technologies, Vaccine, Tcm and TCR clonality technologies. Such decrease in revenue was also attributable to the fact that the Company ceased its cooperation with the Jihua Hospital and several agents and were not actively pursuing the fragmented technical services opportunities in the second quarter of 2016.

Cost of Sales

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the six months ended June 30, | $826,780 | $892,291 | $(65,511) | (7)% |

The cost of sales decreased in line with the sales. As fixed costs, such as rental and staff costs etc., accounts for a majority of the cost of sales, the cost of sales didn’t decrease as much as sales.

General and Administrative Expenses

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the six months ended June 30, | $5,848,572 | $6,448,772 | $(600,200) | (9)% |

Decreased expenses in 2016 was primarily attributed to below facts:

o
A decrease in stock-based compensation expense of $1,019,000, which primarily resulted from: i) forfeiture of the options in connection with the resignation of Wei Cao as the CEO of the Company in February 2016 and as director in May 2016. For further details please refer to Item 1 Note 13-Commitments and Contingencies - Service Agreement with Wei (William) Cao as reported in the Company’s quarterly report on Form 10-Q for the three-month ended March 31, 2016; ii) the issuance of a large amount of options in the first quarter of 2013, most of which vested over 3 years.

With the end of vesting periods, the stock-based compensation expense decreased significantly from the first half of 2016.

o An increase in legal, audit and other professional fees of $224,000 related to the Company's S3 and S8 filing in the first half 2016;

o An increase in insurance fees of $102,000 related to increase in premium of Director and Officer liability insurance; and

o An increase in director fees of $81,000.

Selling and Marketing Expenses

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the six months ended June 30, | $218,234 | $310,241 | $(92,007) | (30)% |

The selling and marketing expenses decreased was mainly attributed to the decrease in stock-based compensation of $92,000. This mainly resulted from the fact that one sales vice president resigned in April 2016 and part of her options were forfeited.

Research and Development Expenses

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the six months ended June 30, | $5,371,217 | $2,778,112 | $2,593,105 | 93% |

Research and development costs increased by approximately $2,593,000 in the six months ended June 30, 2016 as compared to the six months ended June 30, 2015. The increase was primarily attributed to the facts below:

- An increase in payroll expenses of $1,017,000 in line with the increase of our immunotherapy research and development team. Total headcount of our R&D team increased from 45 as of June 30, 2015 to 74 as of June 30, 2016;
- An increase in depreciation and amortization of $342,000, which was mainly attributed to the technology obtained from 301 Hospital in June 2015 and newly purchased equipment for immunotherapy research and development;
- An increase in clinical trial expenditure of $698,000;
- An increase in raw material consumption of $150,000;
- An increase in rental expense of $108,000; and
- An increase in travelling expense of $107,000.

Impairment of Investments

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the six months ended June 30, | $- | $123,428 | $(123,428) | (100)% |

The impairment of investments for the six months ended June 30, 2015 is attributed to the recognition of other than temporary impairment on the value of shares in one investment, no such expense existed in the same period in 2016.

Operating Loss

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| For the six months ended June 30, | $(11,704,713) | $(9,292,495) | $(2,412,218) | 26% |

The increase in the operating loss for the six months ended June 30, 2016 as compared to the same period in 2015 is primarily due to changes in revenues and research and development expenses, each of which is described above.

Total Other Income

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the six months ended June 30, | $59,306 | $31,851 | $27,455 | 86% |

Other income for the six months ended June 30, 2016 was primarily interest income of $35,000 and foreign exchange gain of $24,000. Other income for the six months ended June 30, 2015 was primarily interest income of $21,000, subsidy income of $16,000, net of the disposal loss of investment stock of $5,000.

Income Taxes Credit (Provision)

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the six months ended June 30, | $238,012 | $(53,002) | $291,014 | (549)% |

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 deferred tax assets other than the extent of the benefit from other comprehensive income. Income tax expense for six months ended June 30, 2016 mainly represents deferred income tax as a result of recognizing tax benefit of current period loss due to other comprehensive income recorded. Income tax for six months ended June 30, 2015 represents PRC tax of $49,752 and the US state tax of $3,250.

Net Loss

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the six months ended June 30, | $(11,407,395) | $(9,313,646) | $(2,093,749) | 22% |

Changes in net loss are primarily attributable to changes in operations of our biomedicine segment which are described above.

Comprehensive Loss

| | 2016 | 2015 | Change | Percent |
|---|---|---|---|---|
| For the six months ended June 30, | $(6,362,127) | $(1,188,341) | $(5,173,786) | 435% |

Comprehensive net loss for six months ended June 30, 2016 includes unrealized net gain on investments of approximately $5,301,000 and a currency translation net loss of approximately $255,000 combined with the changes in net income. The unrealized gain on investments was primarily attributed to the valuation gain for the stock investment in Arem Pacific Corporation. The stock of Arem Pacific Corporation (ARPC) held by us are illiquid restricted shares. ARPC is a very thinly traded OTC company.

Liquidity and Capital Resources

We had working capital of $46,973,030 as of June 30, 2016 compared to $13,675,034 as of December 31, 2015. Our cash position increased to $47,470,196 at June 30, 2016 compared to $14,884,597 at December 31, 2015, as we had cash generated from financing activities due to a private placement financing in February and April 2016 for gross proceeds of approximately $43 million through the sale of 2,270,000 shares of Common Stock, partially offset by cash used in operating and investment 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 $8,752,000 and $5,700,000 for the six months ended June 30, 2016 and 2015, respectively. The following table reconciles net loss to net cash used in operating activities:

| For the six months ended June 30, | 2016 | 2015 | Change |
|---|---|---|---|
| Net loss | $(11,407,395) | $(9,313,646) | $(2,093,749) |
| Non cash transactions | 3,878,099 | 4,675,187 | (797,088) |
| Changes in operating assets, net | (1,223,176) | (1,061,347) | (161,829) |

| | | | |
|---|---|---|---|
| Net cash used in operating activities | $(8,752,472) | $(5,699,806) | $(3,052,666) |

The 2016 change in non-cash transaction was primarily due to the decrease in share based compensation of $1,206,000 compared with same period in 2015.

Net cash used in investing activities was approximately $1,162,000 and $4,609,000 in the six months ended June 30, 2016 and 2015, respectively. These amounts were primarily the result of purchases of fixed assets and intangible assets.

Cash provided by financing activities was approximately $42,613,000 and $19,199,000 in the six months ended June 30, 2016 and 2015, respectively. These amounts were mainly attributable to the proceeds received from the issuance of common stock.

Liquidity and Capital Requirements Outlook

Excluding any potential sponsorship in any U.S. clinical trials, and other regions out of China CD40LGVAX Trial, we anticipate that the Company will require approximately $24 million in cash to operate as planned in the coming 12 months. Of this amount, approximately $19 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 $4 million will be used as capital expenditure in machinery, equipment and facilities to expand 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, Arem Pacific Corporation, has a declared effective S-1 prospectus relates to the resale of up to 13,694,711 shares of their common stock, inclusive of the 8,000,000 shares held by the Company. However, the shares offered by this prospectus may only be sold by the selling stockholders at $0.05 per share until the shares are quoted on the OTCQB® tier of OTC Markets or an exchange. Another 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 8,000,000 shares of Arem Pacific stock or the 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.

On April 15, 2016, the Company completed the second and final closing of a transaction with Wuhan Dangdai Science & Technology Industries Group Inc., pursuant to which the Company sold to the Investor 2,006,842 shares of the Company’s common stock, par value $0.001 per share, for approximately $38,130,000 in gross proceeds. As previously disclosed in a Current Report on Form 8-K filed on February 10, 2016, the Company conducted the initial closing of the Financing on February 4, 2016. The aggregate gross proceeds from both closings in the Financing totaled approximately $43,130,000. In the aggregate, 2,270,000 shares of Common Stock were issued in the Financing. On March 22, 2016, the Company filed a registration statement on Form S-3 and the Company may offer and sell from time to time, in one or more series, any of the securities of the Company, for total gross proceeds up to $150,000,000. 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. 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.

Contractual Obligations

A summary of the Company’s contractual obligations was included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015. The Company’s contractual obligations and other commercial commitments did not change materially between December 31, 2015 and June 30, 2016.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Company's business. The Company's exposure to these risks and the financial risk management policies and practices used by the Company to manage these risks are described below.

Interest Rate Risk

The Company's interest rate risk arises primarily from cash deposited at banks and the Company doesn't have any interest-bearing long-term payable/ borrowing, therefore the exposure to interest rate risk is limited.

Credit Risk

The Company's credit risk is primarily attributable to accounts receivable and other receivables. The Company's management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

In respect of accounts receivable and other receivables, individual credit evaluations are performed on all customers and the Company requires credit over a certain amount. These evaluations focus on a customer's history of making payments when due and its current ability to pay, and may also take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Company requires customers to pay within 30 to 120 days from the date of billing. Normally, the Company does not obtain collateral from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Company has significant exposure to individual customers. The Company launched technology services in late 2014 and debtors are of high concentration in the start-up stage. As of June 30, 2016 and December 31, 2015, 96% and 92% of the total accounts receivables were due from the Company's two largest customers respectively.

Currency Risk

The Company is exposed to currency risk primarily from sales and purchases which give rise to receivables, payables that are denominated in a foreign currency (mainly RMB). The Company has adopted USD as its functional currency, thus the fluctuation of exchange rates between RMB and USD exposes the Company to currency risk.

The following table details the Company's exposure as of June 30, 2016 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in USD translated using the spot rate as of June 30, 2016. Differences resulting from the translation of the financial statements of entities into the Company's presentation currency are excluded.

| | Exposure to foreign currencies (Expressed in USD) |
|---|---|
| | As of June 30, 2016 |

| | RMB | USD |
|---|---|---|
| Cash and cash equivalents | 929,681 | 1,214,748 |
| Other current liabilities | - | (112,713) |
| Net exposure arising from recognised assets and liabilities | 929,681 | 1,102,035 |

The following table indicates the instantaneous change in the Company's net loss that would arise if foreign exchange rates to which the Company has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

| | As of June 30, 2016 | |
|---|---|---|
| | increase/(decrease) in foreign exchange rates | Effect on net loss (Expressed in USD) |
| RMB (against USD) | 5% | (8,618) |
| | -5% | 8,618 |

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Company's subsidiaries' net loss measured in the respective functional currencies, translated into USD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Company which expose the Company to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Company which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of subsidiaries into the Company's presentation currency.

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 June 30, 2016, 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.

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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 named Wei Cao, the Company's Chief Executive Officer, and Tony Liu, the Company's Chief Financial Officer, as defendants. The complaint alleged 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 alleged 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 did 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 amended complaint names ten additional individuals and entities as defendants ("additional defendants"), none of whom were affiliated with the Company, and asserted 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. The amended complaint did not assert any claims against Mr. Liu.

On January 19, 2016, the Company filed a motion to dismiss, which was argued on April 20, 2016. On May 20, 2016, the Court granted the motion to dismiss with leave to amend. On June 6, 2016, Plaintiffs filed a Second Amended Complaint, and on June 30, 2016, the Company filed a motion to dismiss. Oral argument on the motion will be held August 17, 2016.

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 June 30, 2016, 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, 2015 except the risk set forth below.

Our relationship with our controlled VIE entity, CBMG Shanghai, through the VIE agreements, is subject to various operational and legal risks.

Management believes current record holders of the VIE's registered capital, Messrs. Chen Mingzhe and Wei Cao, have no interest in acting contrary to the VIE agreements. However, if Messrs. Chen or Cao as shareholders of the VIE entity were to reduce or eliminate their ownership of the registered capital of the VIE entity, or if Mr. Cao ceases to serve as a director and/or officer of the other CBMG entities, their interests may diverge from that of CBMG and they may seek to act in a manner contrary to the VIE agreements (for example by controlling the VIE entity in such a way that is inconsistent with the directives of CBMG management and the board; or causing non-payment by the VIE entity of services fees). If such circumstances were to occur the WFOE would have to assert control rights through the powers of attorney and other VIE agreements, which would require legal action through the PRC judicial system. We believe based on the advice of local counsel that the VIE agreements are valid and in compliance with PRC laws presently in effect. However, there is a risk that the enforcement of these agreements may involve more extensive procedures and costs to enforce, in comparison to direct equity ownership of the VIE entity. Notwithstanding the foregoing, if the applicable PRC laws were to change or are interpreted by authorities in the future in a manner which challenges or renders the VIE agreements ineffective, the WFOE's ability to control and obtain all benefits (economic or otherwise) of ownership of the VIE entity could be impaired or eliminated. In the event of such future changes or new interpretations of PRC law, in an effort to substantially preserve our rights we may have to either amend our VIE agreements or enter into alternative arrangements which comply with PRC laws as interpreted and then in effect.

On May 1, 2016, Mr. Cao resigned from our Board and ceased to serve as a director of the Company.

The Company's technical services revenue may become subject to tightened regulation that may affect the Company's financial condition.

Currently we are generating technical services revenue comprised of preparation of subset T Cell and clonality assay platform technology for treatment of cancers by our hospital partners. Our revenue is therefore subject to the risk of progressive regulatory actions by the PRC government in the area of immunotherapy. As China has not yet codified any specific regulations to govern the development and application of immune cell therapies, the outcome of any potential Chinese regulatory action is difficult to assess or quantify. From time to time there may also be adverse publicity relating to the practice of immunotherapy treatments in China, which due to the sensitive and experimental nature of the treatment, may trigger further governmental scrutiny. Any progressive regulatory action in China arising out of such scrutiny may adversely affect the Company's financial condition or cash flows.

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

In connection with the Financing disclosed in the Company's current report on Form 8-K filed on April, 20, 2016, the Company issued 78,888 restricted shares of common stock to the finder.

The issuance was made in reliance on the exemption from registration provided by Regulation S under the Securities Act of 1933, as amended (the "Securities Act").

During the three months ended June 30, 2016, 9,960 shares of the Company's restricted common stock were issued to the Company's employees and consultants. The issuance was made in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act.
All other unregistered sales and issuances of equity securities for the three months ended June 30, 2016 that are required to be disclosed herein were previously disclosed in a Form 8-K 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. |
| 99.1 | Agreement on Termination of Cooperation with Jilin Luhong Real Estate Development Co., Ltd. |
| 99.2 | Lease agreement of office building located at Room E2301 and 1125, Zone A, 2/F, Wuxi (Huishan) Life Science & Technology Industrial Park, 1619 Huishan Avenue, Wuxi, the P.R.C. |
| 99.3 | Lease agreement of office building located at Zone B, 2/F, Building No.7, Block C, Wuxi (Huishan) Life Science & Technology Industrial Park, 1699 Huishan Avenue, Wuxi, the P.R.C. |
| 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: August 8, 2016 By: /s/ Bizuo (Tony) Liu
Bizuo (Tony) Liu
Chief Executive Officer, Chief Financial Officer and Secretary
(Principal Executive Officer and Principal Financial and Accounting Officer)