SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Cellular Biomedicine Group, Inc.

Form: 10-K

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2015

OR

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

For the transition period from _____ to _____

Commission File Number: 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)

Securities registered pursuant to Section 12(b) of the Exchange Act:
Common Stock, par value $.001 per share

Securities registered pursuant to Section 12(g) of the Exchange Act:
None

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ❑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (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 Act). ❑ Yes ☑ No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter – $296,012,116 as of June 30, 2015.

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date: As of February 29, 2016, there were 11,983,688 shares of common stock, par value $.001 per share issued and outstanding.

Documents Incorporated By Reference –None

CELLULAR BIOMEDICINE GROUP, INC.
FORM 10-K ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015
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Cautionary Note Regarding Forward-looking Statements and Risk Factors

This annual report on Form 10-K of the Company may contain forward-looking statements which reflect the Company's current views with respect to future events and financial performance. The words "believe," "expect," "anticipate," "intends," "estimate," "forecast," "project," and similar expressions identify forward-looking statements. All statements other than statements of historical fact are statements that could be deemed to be forward-looking statements, including plans, strategies and objectives of management for future operations; proposed new products, services, developments or industry rankings; future economic conditions or performance; belief; and assumptions underlying any of the foregoing. Such "forward-looking statements" are subject to risks and uncertainties set forth from time to time in the Company's SEC reports and include, among others, the Risk Factors set forth under Item 1A below.

The risks included herein are not exhaustive. This annual report on Form 10-K filed with the SEC include additional factors which could impact the Company's business and financial performance. Moreover, the Company operates in a rapidly changing and competitive environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors. Further, it is not possible to assess the impact of all risk factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Readers are cautioned not to place undue reliance on such forward-looking statements as they speak only of the Company's views as of the date the statement was made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. BUSINESS.

As used in this annual 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.

Overview

Cellular Biomedicine Group, Inc. is a biomedicine company, principally engaged in the development of new treatments for cancerous and degenerative diseases utilizing proprietary cell-based technologies. Our technology includes two major cell platforms: (i) Immune Cell therapy for treatment of a broad range of cancers using Vaccine, T Cells Receptor ("TCR") clonality analysis technology, and T Central Memory Cell ("Tcm") preparation methodologies, Chimeric Antigen Receptor T cell ("CAR-T"), 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 have launched Phase I clinical trial of an off-the-shelf allogeneic haMPC (AlloJoinTM) therapy for KOA .We have also initiated preclinical studies in Asthma and Chronic Obstructive Pulmonary Disease ("COPD").

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

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

Corporate History

Cellular Biomedicine Group, Inc., a Delaware corporation (formerly known as EastBridge Investment Group Corporation), was originally incorporated in the State of Arizona on June 25, 2001. The Company's principal activity through June 30, 2005 was to manufacture mobile entertainment products.

In 2005, the Company decided to exit the mobile entertainment market and dedicate its activities to providing investment related services in Asia, with a strong focus on high GDP growth countries, such as China. The Company concentrated its efforts in the Far East (Hong Kong, mainland China, Australia) and in the United States and sought to provide consulting services necessary for small to medium-size companies to obtain capital to grow their business, either to become public companies in the United States or to find joint venture partners or raise capital to expand their businesses

On February 6, 2013, and as further described below, we completed a merger to acquire Cellular Biomedicine Group Ltd.:

In connection with the Merger, effective on March 5, 2013, the Company (formerly named "EastBridge Investment Group Corporation") changed its name to "Cellular Biomedicine Group, Inc." In addition in March 2013 we changed our corporate headquarters to 530 University Avenue, #17, Palo Alto, California 94301.

From February 6, 2013 to June 23, 2014, we operated the Company in two separate reportable segments: (i) Biomedicine Cell Therapy ("Biomedicine"); and (ii) Financial Consulting ("Consulting"). The Consulting segment was conducted through EastBridge Sub. On June 23, 2014, the Company announced the discontinuation of the Consulting segment as it no longer fit into management's long-term strategy and vision. The Company is continuing to focus 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 at AG's served hospital, Jilin Hospital.

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

Merger with Cellular Biomedicine Group Ltd.

On November 13, 2012, EastBridge Investment Group Corporation ("EastBridge" or "Parent") and CBMG Acquisition Limited, a British Virgin Islands company and the Company's wholly-owned subsidiary (" Merger Sub") entered into an Agreement and Plan of Merger ("Merger Agreement") by and among EastBridge, Merger Sub and Cellular Biomedicine Group Ltd., a British Virgin Islands company (" CBMG BVI"), as amended on January 15, 2013, January 31, 2013 and February 6, 2013, pursuant to which the parties agreed that Merger Sub shall merge with and into CBMG BVI, with CBMG BVI as the surviving entity. The transactions under the Merger Agreement as amended are referred to as the "Merger". The Merger was subject to customary closing conditions, including, among other things, (a) approval by the shareholders of CBMG BVI, (b) resignations of the departing directors and officers of EastBridge, Merger Sub and CBMG BVI, and (c) execution of certain ancillary agreements, including, but not limited to, executive employment agreements with EastBridge, compliance certificates, lock up agreement and opinions of counsel, as referenced in Article VII of the Merger Agreement.

On December 20, 2012 CBMG BVI obtained shareholder approval by holding an extraordinary general meeting of the shareholders, in which holders of a majority of its capital stock approved the merger pursuant to British Virgin Islands law. Since the Merger was structured as a triangular merger in which a wholly owned merger subsidiary of EastBridge merged with CBMG BVI, no stockholder approval on the part of the EastBridge stockholders was required under Delaware law. We note that although EastBridge issued in excess of 20% of its shares in the merger, since its shares are not listed on a national exchange, no stockholder approval requirement applied to this transaction under any exchange rules."

On February 5, 2013, the registrant formed a new Delaware subsidiary named EastBridge Investment Corp. (" EastBridge Sub"). Pursuant to a Contribution Agreement by and between the registrant and EastBridge Sub dated February 5, 2013 (the "Contribution Agreement"), the registrant contributed all assets and liabilities related to its consulting services business, to its newly formed subsidiary, EastBridge Investment Corp., from and after which it continued to conduct the consulting services business and operations of EastBridge at the subsidiary level.

On February 6, 2013 (the "Effective Date"), the Parties executed all documents and filed the Plan of Merger with the registrar of the British Virgin Islands. Upon consummation of the Merger on the Effective Date, CBMG BVI shareholders were issued 3,638,932 shares of common stock, par value $0.001 per share, of EastBridge (the "EastBridge Common Stock") constituting approximately 70% of the outstanding stock of EastBridge on a fully-diluted basis and the EastBridge stockholders retained 30% of the Company on a fully-diluted basis. Specifically, each of CBMG BVI's ordinary shares ("CBMG Ordinary Shares") was converted into the right to receive 0.020019 of a share of EastBridge Common Stock.

Reorganization and Share Exchange

Effective January 18, 2013, the Company completed its reincorporation from the State of Arizona to the State of Delaware (the "Reincorporation"). In connection with the Reincorporation, the Company exchanged every 100 shares of the Arizona entity for 1 share of the successor Delaware entity, with the same effect as a 1:100 reverse stock split, which became effective on January 31, 2013. All share and per share information in this Annual Report (including in the above paragraph), unless otherwise specified, reflects this reverse split.

Recent Developments

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

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

We announced interim Phase IIb trial results for our ReJoin™ haMPC therapy for KOA on March 25, 2015, which confirmed that the primary and secondary endpoints of ReJoin ™ therapy groups have all improved significantly compared to their baseline. We released positive 48-week follow-up data in January 2016.

In January 2016, we launched a Phase I clinical trial of an off-the-shelf allogeneic haMPC AlloJoin™ therapy for KOA.

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 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:

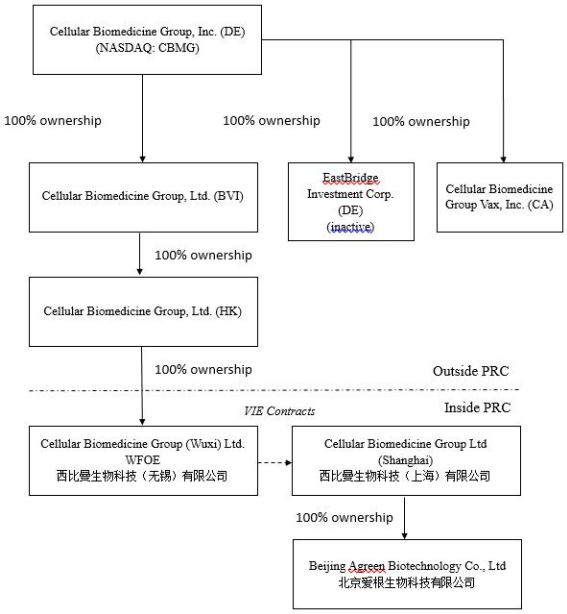
- Confirm the safety and tolerability profile of CBM-EGFR.1 in cholangiocarcinoma and NSCLC;
- Explore the CBM-EGFR.1 opportunities in other solid tumor indications;
- Seek early possibilities of conducting multi-center Phase IIb trials to validate the clinical activity from early CBM-EGFR.1 observation;
- 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 sponsoring a registration trial-like clinical study to support the *New Drug Application* (NDA) for an allogeneic haMPC Knee Osteoarthritis therapy (“Allo KOA”) study in the United States;
- Complete preclinical GLP safety evaluation studies of haMPC for Asthma and Chronic Obstructive Pulmonary Disease (COPD);
- 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;
- File registration for our 2014 Stock Option Plan; and
- Improve liquidity by registering the shares sold in previous private placements and further fortify our balance sheet by courting institutional investors.

For the years ended December 31, 2015, 2014 and 2013, we generated $2.5 million, $0.6 million and $0.2 million in revenue, respectively. The revenue since July 2014 is all from our technology consulting service. Before July 2014, our revenue was mainly from sales of A-Stromal™ enzyme reagent kits. We expect our biomedicine business to generate revenues primarily from immune therapy and the development of therapies for the treatment of KOA in the next three to four years.

Our operating expenses for year ended December 31, 2015 were in line with management’s plans and expectations. We incurred an increase in total operating expenses of approximately $10 million for the year ended December 31, 2015, as compared to the year ended December 31, 2014, which is primarily attributable to an increase in cost of sales in line with the revenue, option awards costs, professional service costs and increased input into expenditures for R&D projects.

Corporate Structure

Our current corporate structure is illustrated in the following diagram:



Following the completion of our merger on February 6, 2013, we had the following subsidiaries (including a controlled VIE entity):

CBMG BVI, a British Virgin Islands corporation, is a holding company and a wholly-owned subsidiary of Cellular Biomedicine Group, Inc. (NASDAQ: CBMG), a Delaware corporation. We operate our biomedicine business through CBMG BVI and its subsidiary and controlled (VIE) company.

Cellular Biomedicine Group HK Limited, a Hong Kong company limited by shares, is a holding company and wholly owned subsidiary of CBMG BVI.

Cellular Biomedicine Group Ltd. (Wuxi), license number 320200400034410 (the "WFOE") is a wholly foreign-owned entity that is 100% owned by Cellular Biomedicine Group HK Limited. This entity's legal name in China is , which directly translates to "Xi Biman Biological Technology (Wuxi) Co. Ltd." WFOE controls and holds ownership rights in the business, assets and operations of Cellular Biomedicine Group Ltd. (Shanghai) ("CBMG Shanghai") through variable interest entity (VIE) agreements. We conduct certain biomedicine business activities through WFOE, including lab kit production and research.

Cellular Biomedicine Group Ltd. (Shanghai) license number 310104000501869 ("CBMG Shanghai"), is a PRC domestic corporation, which we control and hold ownership rights in, through WFOE and the above-mentioned VIE agreements. This entity's legal name in China is , which directly translates to "Xi Biman Biotech (Shanghai) Co., Ltd." We conduct certain biomedicine business activities through our controlled VIE entity, CBMG Shanghai, including clinical trials and certain other activities requiring a domestic license in the PRC. Mr. Chen Mingzhe and Mr. Cao Wei (our President, Chief Operating Officer and director) together are the record holders of all of the outstanding registered capital of CBMG Shanghai. Mr. Chen and Mr. Cao are also directors of CBMG Shanghai constituting the entire management of the same. Mr. Chen and Mr. Cao receive no compensation for their roles as managers of CBMG Shanghai.

Beijing Agreen Biotechnology Co., Ltd is a PRC domestic corporation and wholly owned subsidiary of CBMG Shanghai.

Eastbridge Investment Corporation ("Eastbridge Sub"), a Delaware corporation, is a wholly owned subsidiary of the Company.

Cellular Biomedicine Group VAX, Inc. ("CBMG VAX"), a California corporation, is a wholly owned subsidiary of the Company.

Variable Interest Entity (VIE) Agreements

Through our wholly foreign-owned entity and 100% subsidiary, Cellular Biomedicine Group Ltd. (Wuxi), we control and have ownership rights by means of a series of VIE agreements with CBMG Shanghai. The following is a description of each of these VIE agreements:

Exclusive Business Cooperation Agreement. Through the WFOE, we are a party to an exclusive business cooperation agreement dated September 17, 2012 with CBMG Shanghai, which provides that (i) the WFOE shall exclusively provide CBMG Shanghai with complete technical support, business support and related consulting services; (ii) without prior written consent of the WFOE, CBMG Shanghai may not accept the same or similar consultancy and/or services from any third party, nor establish any similar cooperation relationship with any third party regarding same matters during the term of the agreement; (iii) CBMG Shanghai shall pay the WFOE service fees as calculated based on the time of service rendered by the WFOE multiplying the corresponding rate, plus an adjusted amount decided by the board of the WFOE; and (iv) CBMG Shanghai grants to the WFOE an irrevocable and exclusive option to purchase, at its sole discretion, any or all of CBMG Shanghai's assets at the lowest purchase price permissible under PRC laws. The term of the agreement is 10 years, provided however the agreement may extended at the option of the WFOE. Since this agreement permits the WFOE to determine the service fee at its sole discretion, the agreement in effect provides the WFOE with rights to all earnings of the VIE.

Loan Agreement. Through the WFOE, we are a party to a loan agreement with CBMG Shanghai, Cao Wei and Chen Mingzhe dated September 17, 2012, in accordance with which the WFOE agreed to provide an interest-free loan to CBMG Shanghai. The term of the loan is 10 years, which may be extended upon written consent of the parties. The method of repayment of CBMG Shanghai shall be at the sole discretion of the WFOE, including but not limited to an acquisition of CBMG Shanghai in satisfaction of its loan obligations.

Exclusive Option Agreement with Cao Wei. Through the WFOE, we are a party to an option agreement with CBMG Shanghai and Cao Wei dated May 28, 2012, in accordance with which: (i) Cao Wei irrevocably granted the WFOE an irrevocable and exclusive right to purchase, or designate another person to purchase the entire equity interest in CBMG Shanghai as then held by him, at an aggregate purchase price to be determined; and (ii) any proceeds obtained by Cao Wei through the above equity transfer in CBMG Shanghai shall be used for the payment of the loan provided by the WFOE under the aforementioned Loan Agreement.

Exclusive Option Agreement with Chen Mingzhe. Through the WFOE, we are a party to an exclusive option agreement with CBMG Shanghai and Chen Mingzhe dated May 28, 2012, under which: (i) Chen Mingzhe irrevocably granted the WFOE an irrevocable and exclusive right to purchase, or designate another person to purchase the entire equity interest in CBMG Shanghai for an aggregate purchase price to be determined; and (ii) any proceeds obtained by Chen Mingzhe through the above equity transfer in CBMG Shanghai shall be used for the payment of the loan provided by the WFOE under the aforementioned Loan Agreement.

Power of Attorney from Cao Wei. Through the WFOE we are the recipient of a power of attorney executed by Cao Wei on October 10, 2012, in accordance with which Cao Wei authorized the WFOE to act on his behalf as his exclusive agent with respect to all matters concerning his equity interest in CBMG Shanghai, including without limitation to attending the shareholder meetings of CBMG Shanghai, exercising voting rights and designating and appointing senior executives of CBMG Shanghai.

Power of Attorney from Chen Mingzhe. Through the WFOE we are the recipient of a power of attorney executed by Chen Mingzhe on September 17, 2012, in accordance with which Chen Mingzhe authorized the WFOE to act on his behalf as his exclusive agent with respect to all matters concerning his equity interest in CBMG Shanghai, including without limitation to attending the shareholders meetings of CBMG Shanghai, exercising voting rights and designating and appointing senior executives of CBMG Shanghai.

Equity Interest Pledge Agreement with Cao Wei. Through the WFOE, we are a party to an equity interest pledge agreement with CBMG Shanghai and Cao Wei dated May 28, 2012, in accordance with which: (i) Cao Wei pledged to the WFOE the entire equity interest he holds in CBMG Shanghai as security for payment of the consulting and service fees by CBMG Shanghai under the Exclusive Business Cooperation Agreement; (ii) Cao Wei and CBMG Shanghai submitted all necessary documents to ensure the registration of the Pledge of the Equity Interest with the State Administration for Industry and Commerce ("SAIC"), and the pledge became effective on January 24, 2013; (iii) on the occurrence of any event of default, unless it has been successfully resolved within 20 days after the delivery of a rectification notice by the WFOE, the WFOE may exercise its pledge rights at any time by a written notice to Cao Wei.

Equity Interest Pledge Agreement with Chen Mingzhe. Through the WFOE we are a party to an equity interest pledge agreement with CBMG Shanghai and Chen Mingzhe dated May 28, 2012, in accordance with which: (i) Chen Mingzhe pledged to the WFOE the entire equity interest he holds in CBMG Shanghai as security for payment of the consulting and service fees by CBMG Shanghai under the Exclusive Business Cooperation Agreement; (ii) Chen Mingzhe and CBMG Shanghai submitted all necessary documents to ensure the registration of the Pledge of the Equity Interest with SAIC, and the pledge became effective on January 24, 2013; (iii) on the occurrence of any event of default, unless it has been successfully resolved within 20 days after the delivery of a rectification notice by the WFOE, the WFOE may exercise its pledge rights at any time by a written notice to Chen Mingzhe.

Our relationship with our controlled VIE entity, CBMG Shanghai, through the VIE agreements, is subject to various operational and legal risks. Management believes the Mr. Chen and Mr. Cao as record holders of the VIE's registered capital have no interest in acting contrary to the VIE agreements. However, if Mr. Chen and 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. While we believe the VIE agreements are legally enforceable in the PRC, there is a risk that enforcement of these agreements may involve more extensive procedures and costs to enforce, in comparison to direct equity ownership of the VIE entity. We believe based on the advice of local counsel that the VIE agreements are valid and in compliance with PRC laws presently in effect. 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.

For further discussion of risks associated with the above, please see the section below titled "Risks Related to Our Structure."

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 monetize the rapidly growing health care market in China by marketing and commercializing stem cell and immune cell therapeutics, related tools and products from our patent-protected homegrown and acquired cell technology, as well as by utilizing exclusively in-licensed and other acquired intellectual properties.

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

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

KOA. In 2013, we completed a Phase I/IIa clinical trial, in China, for our Knee Osteoarthritis ("KOA") therapy named ReJoin ™ . The trial tested the safety and efficacy of intra-articular injections of autologous haMPCs in order to reduce inflammation and repair damaged joint cartilage. The 6-month follow-up clinical data showed ReJoin™ 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 ReJoin™ regenerative medicine treatment to be safe. We announced interim 24 week results for ReJoin™ 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 ReJoin™ 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-Stromal ™ Kit; and
- Expand haMPCs using our proprietary culture medium (serum-free and antibiotics-free); and
- formulated for ReJoin™ therapy using our proprietary formulation.

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

Cartilage Damage. In January 2015, we initiated patient recruitment to support a study, in China, of ReJoinTM human adipose derived mesenchymal progenitor cell ("haMPC") therapy for Cartilage Damage ("CD") resulting from osteoarthritis ("OA") or sports injury. The study is based on the same science that has shown significant progress in the treatment of KOA. Both arthroscopy and the use of magnetic resonance imaging ("MRI") will be deployed to further demonstrate the regenerative efficacy of ReJoinTM on CD. We announced interim Phase IIb trial results for our ReJoin™ haMPC therapy for KOA on March 25, 2015, which confirmed that the primary and secondary endpoints of ReJoin ™ 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, and will continue to grow the budding immune cell technical service revenue. In addition, we plan to assess and initiate cancer clinical trials leading to commercialization using safe and most effective therapy or combination therapies. Our facilities are certified to meet the international standards NSF/ANSI 49, ISO-14644 (or equivalent), ANSI/NCSL Z-540-1 and 10CFR21, as well as Chinese CFDA standards CNAS L0221. In addition to standard protocols, we use proprietary processes and procedures for manufacturing our cell lines, comprised of:

- Banking processes that ensure cell preservation and viability;
- DNA identification for stem cell ownership; and
- Bio-safety testing at independently certified laboratories.

Regenerative Medicine and Cell Therapy

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

Regenerative medicine can be categorized into major subfields as follows:

- Cell Therapy. Cell therapy involves the use of cells, whether derived from adults, 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 many hematological indications on patients that are refractory/replapsing to chemotherapy, and many of them have relapsed after stem cell transplantation. Basically these patients have very limited treatment option. CAR-T has shown good efficacy in these patients and many have lived for years.

Market for Cell-Based Therapies

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

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

According to data published in the executive summary of the 2014 New York Stem Cell Summit Report, the U.S. specific addressable market in KOA is $83 million, estimated to grow to $1.84 billion by 2020. It is forecast that within the Orthopedic Stem Cell Market, 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 are about 1,000 newborns with Spinal Muscular Atrophy Type I ("SMA-I") disease in China annually. The median life span of these children is less than 6 months. Adult incidence is approximately 2 million in China.

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

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

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

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

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

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

Our Strategy

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

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

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

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

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

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

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

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

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

CBMG has 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.

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 ReJoin ™ therapy to be both safe and effective.

In the second quarter 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 ReJoin™ 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.

Hepatocellular Carcinoma (HCC)

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

Immuno-oncology (I/o)

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

We believe our immuno-oncology platform is different from other current trials and studies being conducted in the marketplace. Our CAR-T platform is built on well-studied lenti-virial vector and second generation CAR design, this is used by most of the current trials and studies. We modify our treatment protocols to optimize the balance of safety and efficacy. For example, our patients received relatively lower number of CAR-expressing T cells (1e7/kg) 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 Tcm, CAR-T and PD-1 technologies. China has a bifurcated cell regulatory pathway, which is different than the singular path in the United States. Immune cell therapy is treated in China as a Class III medical technology and requires a smaller-scale trial and shorter trial period. By applying U.S. SOP and protocols and following authorized treatment plans in China, we believe we are differentiated from our competition as we believe we have first mover’s advantage and a fortified barrier to entry. In addition, we began to review the feasibility of performing synergistic U.S. clinical studies.

Intellectual Property

We have built our intellectual property portfolio with a view towards protecting our freedom of operation in China within our specialties in the cellular biomedicine field. Our portfolio contains patents, trade secrets, and know-how. Our technology can be grouped based on origin of progenitor or stem cells into adipose, umbilical cord, bone marrow and embryo.

The production of stem cells for therapeutic use requires the ability to purify and isolate these cells to an extremely high level of purity. Accordingly, our portfolio is geared toward protecting our proprietary process of purification, cell processing and related steps in stem cell production. The combination of our patents and trade secrets protects various aspects of our cell line production methods and methods of use, including methods of purification, extraction, freezing, preservation, processing and use in treatment.

For our haMPC therapy:

- We believe our intellectual property portfolio for haMPC is well-built and abundant. It covers aspects of adipose stem cell medicine production, including acquisition of human adipose tissue, preservation, and storage, tissue, processing, stem cell purification, expansion, and banking, formulation for administration, and administration methods.

- Our portfolio also includes adipose derived cellular medicine formulations and their applications in the potential treatment of degenerative diseases and autoimmune diseases, including osteoarthritis, rheumatoid arthritis, as well as potential applications to anti-aging.

- Our haMPC intellectual property portfolio:

    - provides coverage of all steps in the production process;
    - enables achievement of high yields of Stromal Vascular Fraction (SVF), i.e. stem cells derived from adipose tissue extracted by liposuction;
    - makes adipose tissue acquisition convenient and useful for purposes of cell banking; and
    - employs preservation techniques enabling long distance shipment of finished cell medicine products.

For our Tcm, CAR-T and PD-1 cancer immune cell therapy:

- Our recent amalgamation of technologies from AGand PLAGH in the cancer cell therapy is comprehensive and well-rounded. It comprises of T cell clonality, 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, several preliminary clinical studies of various CAR-T constructs targeting CD19-positive acute lymphoblastic leukemia, CD20-positive lymphoma, CD30-positive Hodgkin's lymphoma and EGFR-HER1-positive advanced lung cancer, and Phase I/II clinical data of the aforementioned therapies and manufacturing knowledge.

In addition, our intellectual property portfolio covers various aspects of other therapeutic categories including umbilical cord-derived huMPC therapy, bone marrow-derived hbMPC therapy.

In addition, our clinical trial protocols are proprietary, and we rely upon trade secret laws for protection of these protocols.

We intend to continue to vigorously pursue patent protection of the technologies we develop, both in China and under the Patent Cooperation Treaty ("PCT"). Additionally, we require all of our employees to sign proprietary information and invention agreements, and compartmentalize our trade secrets in order to protect our confidential information.

Patents

The following is a brief list of our patents as of December 31, 2015, patent applications and work in process:

	China Patents	U.S. Patents	EU Patents	Other International Patents	PCT
Work in Process	6	-	-	-	-
Patents Filed, Pending	23	2	2	2	4
Granted	18	1	-	-	-
Total	47	3	2	2	4

Generally, our patents cover technology, methods, design and composition of and relating to medical device kits used in collecting autologous cell specimens, cryopreservation of cells, purification, use of stem cells in a range of potential therapies, adipose tissue extraction, cell preservation and transportation, gene detection and quality control.

Manufacturing

We manufacture stem cells for purposes of our own research, testing and clinical trials, however we are equipped to scale up and reproduce our manufacturing capacity to meet any future needs relating to commercial production. CBMG has two GMP clean-room facilities in Shanghai and Wuxi, China that meet international standards and have been certified by the Chinese CFDA. Our facilities are operated by a manufacturing and technology team with more than 30 years of relevant experience in China, EU, and the U.S.

In any precision setting, it is vital that all controlled-environment equipment meet certain design standards. To achieve this goal, our Shanghai cleanroom facility undergoes a top-to-bottom yearly calibration and validation, and has received and maintained an equivalent 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 ANBA. These GMP facilities make CBMG the only company in China with facilities that have been certified by US- and Europe-based, FDA-authorized ISO accreditation institutions.

In November, 2015 we added a 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 Beijing, Shanghai and Wuxi. Our facilities house a total of nine independent production lines with the capacity to host more than 200,000 individual cell sources.

We have built cell preparation and inspection laboratories that enable the following mode of human body immune cell in-vitro culture service to be provided: make cell preparation for human body venous blood samples, after completion of the cell preparation, deliver the immune cell agents to the customer; and provide immune function evaluation for the patients in Jilin and several other hospitals in China.

Planned Capital Expenditures

We believe we can expand our cryogenic storage capacity in the near term but may require additional cell lines to handle growing demand anticipated in the next few years. We duplicate the adipose cell storage between our Wuxi and Shanghai facilities for geographical diversification and risk mitigation. We might equip additional facilities according to future demands.

Competition

Many companies operate in the cellular biomedicine field. In 2010, the FDA approved the first cell therapy for Dendreon Corporation to apply an autologous cellular immunotherapy for the treatment of a certain type of prostate cancer. In May 2012 the Canadian authorities approved the first stem cell drug and granted Osiris Therapeutics' manufactured stem cell product for use in the pediatric graft-versus-host disease. To date there are over thirty publicly listed and several private cellular biomedicine focused companies outside of China with varying phases of clinical trials addressing a variety of diseases. We compete with these companies in bringing cellular therapies to the market. However, our focus is to develop a core business in the China market. This difference in focus places us in a different competitive environment from other western companies with respect to fund raising, clinical trials, collaborative partnerships, and the markets in which we compete.

The PRC central government has a focused strategy to enable China to compete effectively in certain designated areas of biotechnology and the health sciences. Because of the aging population in China, China's Ministry of Science and Technology ("MOST") has targeted stem cell development as high priority field, and development in this field has been intense in the agencies under MOST. For example, the 973 Program has funded a number of stem cell research projects such as differentiation of human embryonic germ cells and the plasticity of adult stem cells. Currently China has a highly fragmented cellular medicine landscape. Shenzhen Beike Biotechnology Co. Ltd. ("Beike") and Union Stem Cell & Gene Engineering Co., Ltd. ("Union Stem Cell") are two large stem cell companies in China. To the best of our knowledge, none of the Chinese companies are utilizing our proposed international manufacturing protocol and our unique technologies in conducting what we believe will be fully compliant CFDA-sanctioned clinical trials to commercialize cell therapies in China. Our management believes that it is difficult for most of these Chinese companies to turn their results into translational stem cell science or commercially successful therapeutic products using internationally acceptable standards.

We compete globally with respect to the discovery and development of new cell based therapies, and we also compete within China to bring new therapies to market. The biotechnology industry, namely in the areas of cell processing and manufacturing, clinical development of cellular therapies and cell collection, processing and storage, are characterized by rapidly evolving technology and intense competition. Our competitors worldwide include pharmaceutical, biopharmaceutical and biotechnology companies, as well as numerous academic and research institutions and government agencies engaged in drug discovery activities or funding, in the U.S., Europe and Asia. Many of these companies are well-established and possess technical, research and development, financial, and sales and marketing resources significantly greater than ours. In addition, many of our smaller potential competitors have formed strategic collaborations, partnerships and other types of joint ventures with larger, well established industry competitors that afford these companies potential research and development and commercialization advantages in the technology and therapeutic areas currently being pursued by us. Academic institutions, governmental agencies and other public and private research organizations are also conducting and financing research activities which may produce products directly competitive to those being commercialized by us. Moreover, many of these competitors may be able to obtain patent protection, obtain government (e.g. FDA) and other regulatory approvals and begin commercial sales of their products before us.

Our primary competitors in the field of stem cell therapy for osteoarthritis, and other indications include Beike, Cytori Therapeutics Inc., TiGenix NV, NeoStem, Inc. and others. Among our competitors, to our knowledge, the only ones based in and operating in Greater China are Beike, Lorem Vascular, which has partnered with Cytori to commercialize Cytori Cell Therapy for the cardiovascular, renal and diabetes markets in China and Hong Kong, and OLife Bio, a Medi-Post Joint Venture who plans to initiate clinical trial in China in 2016. Our primary competitors in the field of cancer immune cell therapies include pharmaceutical, biotechnology companies such as Northwest Biotherapeutics, Inc., Juno Therapeutics, Inc., Kite Pharma, Inc., CARSgen, Sorrento Therapeutics, Inc. and others. Among our competitors, the ones based in and operating in Greater China are BeiGene, Limited, CARsgen and China Oncology Focus Limited, which has licensed Sorrento's anti-PD-L1 monoclonal antibody for Greater China. Other western big pharma and biotech companies in the cancer immune cell therapies space are starting to make inroads into China by partnering or seeking to partner with local companies.

Additionally, in the general area of cell-based therapies for osteoarthritis ailments, we potentially compete with a variety of companies, most of whom are specialty medical products or biotechnology companies. Some of these, such as Baxter, Johnson & Johnson, Medtronic and Miltenyi Biotec, are well-established and have substantial technical and financial resources compared to ours. However, as cell-based products are only just emerging as viable medical therapies, many of our most direct competitors are smaller biotechnology and specialty medical products companies. These include Vericel Corporation, Regeneus Ltd., Advanced Cell Technology, Inc., Cytomedix, Inc., Arteriocyte Medical Systems, Inc., Athersys, Inc., Bioheart, Inc., Cytori Therapeutics, Inc., Genzyme Corporation, Harvest Technologies Corporation, Mesoblast, Osiris Therapeutics, Inc., Pluristem, Inc. and others.

Some of our competitors also work with adipose-derived stem cells. To the best of our knowledge, none of these companies are currently utilizing the same technologies as ours to treat KOA, nor to our knowledge are any of these companies conducting government-approved clinical trials in China.

Some of our targeted disease applications may compete with drugs from traditional pharmaceutical or Traditional Chinese Medicine companies. We believe that our chosen targeted disease applications are not effectively in competition with the products and therapies offered by traditional pharmaceutical or Traditional Chinese Medicine companies.

We believe we have a strategic advantage over our competitors based on our ability meet cGMP regulatory requirements, a capability which we believe is possessed by few to none of our competitors in China, in an industry in which meeting exacting standards and achieving extremely high purity levels is crucial to success. In addition, in comparison to the broader range of cellar biomedicine firms, we believe we have the advantages of cost and expediency, and a first mover advantage with respect to commercialization of cell therapy products and treatments in the Greater China market.

Employees

As of December 31, 2015, the total enrollment of full time employees of CBMG is 126. Among these 126 professionals, 17 have PhD degrees, 40 have postgraduate degrees and 55 have undergraduate degrees. In other words, 89% of our employees are highly educated. As a biotech company, 98 out of our 126 employees own medical or biological scientific credentials and qualifications.

Facilities

Our corporate headquarters are located at 19925 Stevens Creek Blvd., Suite 100 in Cupertino, California. We currently pay rent in the amount of $1,270 per month. In addition, we lease an aggregate of approximately 46,000 square feet of space to house our administration, research and manufacturing facilities in Maryland, US, Wuxi, Beijing and Shanghai, China, and pay rent of approximately $74,000 per month for these facilities. We intend to expand our GMP facility in Wuxi in 2016 with an aggregate 22,862 square feet of space. As a result, annual rental cost is expected to be raised by $78,000.

Certain Tax Matters

Following the completion of our merger with EastBridge Investment Group Corporation (Delaware) on February 6, 2013, CBMG and its controlled subsidiaries (the "CBMG Entities") became a Controlled Foreign Corporation (CFC) under U.S. Internal Revenue Code Section 957. As a result, the CBMG Entities are subject to anti-deferral provisions within the U.S. federal income tax system that were designed to limit deferral of taxable earnings otherwise achieved by putting profit in low taxed offshore entities. While the CBMG Entities are subject to review under such provisions, the CBMG Entities' earnings are from an active business and should not be deemed to be distributions made to its U.S. parent company.

Pursuant to the Corporate Income Tax Law of the PRC, all of the Company's PRC subsidiaries are liable to PRC 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 2015 (2014: 25%; 2013: 25%).

BIOMEDICINE REGULATION

PRC Regulation

Our cellular medicine business operates in a highly regulated environment. In China, aside from provincial and local licensing authorities, hospitals and their internal ethics and utilization committees, and a system of institutional review boards ("IRBs") which in many cases have members appointed by provincial authorities, the stem cell industry is principally regulated by the MOH and the CFDA, of the central government. "Medical technologies", as the term is defined under PRC law, are regulated by the Chinese Medical Doctors Association ("CMDA"), the Chinese Medical Hospitals Association, the Chinese Medical Association of Medicine, and the Chinese Medical Association of Oral Medicine.

Generally, our industry is divided into two broad classifications – medical technologies and drugs. According to Policy published by the MOH in Sept 2009, cell therapies based on stem cells and immune cells are classified as a Class III Medical Technology, resulting in a regulatory process that is less vigorous than that for chemical and biological drugs which require preclinical data and three phases of clinical trials. Instead, Class III therapies typically require only safety phase and efficacy phase clinical studies. Since that time, the MOH had been looking to regulate cell therapies based on the source of origin of the cells: autologous cells (patient's own cells) or allogeneic cells (from other donors). In 2011, the MOH reiterated that therapies using *somatic cells* (i.e. internal organs, skin, bones, blood and connective tissue, which includes immune cells) and *autologous stem cell* therapies are to be treated as a Class III Medical Technology, which generally IRB review, plus a two phase trial to test for safet and efficacy. The MOH further stated that allogeneic stem cell therapies are to be classified as drugs, which require more stringent clinical trials, a pre-clinical study, more stringent IRB review, and a three-phase clinical trial.

In December 2011, the PRC central government declared a national moratorium which prevents any company from actually marketing and implementing cell therapies, while the central government considers and constructs a new set of rules and determines lines of authority among government agencies to regulate this new industry. We note however, that the moratorium appears to apply to cell therapeutics, and not immunotherapy, which may not necessarily affect the development of our cancer therapy candidate. We also note that the moratorium bars marketing and implementation of products, treatments and therapies, but does not prevent the advancement of research, studies or development of potential products, treatments or therapies. Accordingly, we interpret the moratorium as a bar on marketing and use, but not a prohibition on conducting clinical trials, although we believe the practical effect of the moratorium has been to temporarily slow or halt applications for new clinical trials based on stem cell technology. Furthermore, in the first quarter of 2013 the MOH formally accepted our clinical trial applications for KOA.

The central government has declared stem cell technology to be a part of China's national long-term scientific and technological development plan from 2006 to 2020. The government has also announced its intention to release new laws to regulate our industry, which are soon anticipated to be codified into law.

In the first quarter of 2013, China's MOH and the CFDA released proposed draft regulations governing the management of stem cell clinical trials, and quality control for stem cell preparations and pre-clinical research. As of the date of this current report, according to these proposed regulations (which so far have not been codified), all proposed clinical trials on stem cells would be:

- Subject to prior review by the ethics committees of participating hospitals;
- Sponsors would be required to submit informed consent forms, a safety evaluation, research protocols and information concerning the qualifications of the principal investigators;
- Sponsors would be required to submit information concerning the production of the investigational stem cell products; and
- Only hospitals certified by the MOH and affiliates would be allowed to serve as sites for such trials.

On August 21, 2015, China's National Health and Family Planning Commission issued the nation's first-ever trial regulation over the stem cell therapy. The regulation stipulates only top level stated-owned hospitals can be candidates and become eligible for the clinical trial after passing special evaluations by health authorities. The specific list of authorized hospitals has not been published. Researchers who want to do clinical studies will need to register with the health ministry with documentation showing that there are sufficient animal studies to support trials in humans and that they are using certified cell lines verified by independent evaluation. We believe that the hospitals where we have conducted clinical studies will be included in the list of authorized hospitals or can become eligible after passing special evaluations by health authorities. We believe our animal studies documentation will be approved to support trials in humans. We also believe that our cell lines will be accepted by the health authorities.

Borrowing from U.S. clinical trial protocols and practices, CBMG has collected patient's informed consents, documented research protocols, and has assembled a well-qualified team of specialists and principal investigators. CBMG is prepared to submit information concerning the production of the investigational stem cell products from our CFDA- and ISO-certified facility in Shanghai.

We believe our operations are structured and prepared to meet the highest regulatory standards applied worldwide across our industry, and accordingly we believe CBMG is well-positioned to become a leading stem cell clinical trial sponsor within China. We also believe that the PRC government's move toward more stringent regulatory standards raised the barriers to entry for our industry, and provide advantages to certain firms including ours which are capable of meeting elevated standards. However, we cannot predict the exact impact the August 2015 regulation may have on our business. Nonetheless, we are continuing to advance our work relating to our KOA and Cartilage Defect clinical trials.

PRC Operating Licenses

Our business operations in China are subject to customary regulation and licensing requirements under regulatory agencies including the local Administration for Industry and Commerce, General Administration of Quality Supervision, Inspection and Quarantine, and the State Administration of Taxation, for each of our business locations. Additionally, our clean room facilities and the use of reagents is also regulated by local branches of the Ministry of Environmental Protection. We are in good standing with respect to each of our business operating licenses.

U.S. Government Regulation

The health care industry is one of the most highly regulated industries in the United States. The federal government, individual state and local governments, as well as private accreditation organizations, oversee and monitor the activities of individuals and businesses engaged in the development, manufacture and delivery of health care products and services. Federal laws and regulations seek to protect the health, safety, and welfare of the citizens of the United States, as well as to prevent fraud and abuse associated with the purchase of health care products and services with federal monies. The relevant state and local laws and regulations similarly seek to protect the health, safety, and welfare of the states' citizens and prevent fraud and abuse. Accreditation organizations help to establish and support industry standards and monitor new developments.

HCT/P Regulations

Manufacturing facilities that produce cellular therapies are subject to extensive regulation by the U.S. FDA. In particular, U.S. FDA regulations set forth requirements pertaining to establishments that manufacture human cells, tissues, and cellular and tissue-based products ("HCT/Ps"). Title 21, Code of Federal Regulations, Part 1271 (21 CFR Part 1271) provides for a unified registration and listing system, donor-eligibility, current Good Tissue Practices ("cGTP"), and other requirements that are intended to prevent the introduction, transmission, and spread of communicable diseases by HCT/Ps. While we currently have no plans to conduct these activities within the United States, these regulations may be relevant to us if in the future we become subject to them, or if parallel rules are imposed on our operations in China.

We currently collect, process, store and manufacture HCT/Ps, including manufacturing cellular therapy products. We also collect, process, and store HCT/Ps. Accordingly, we comply with cGTP and cGMP guidelines that apply to biological products. Our management believes that certain other requirements pertaining to biological products, such as requirements pertaining to premarket approval, do not currently apply to us because we are not currently investigating, marketing or selling cellular therapy products in the United States If we change our business operations in the future, the FDA requirements that apply to us may also change.

Certain state and local governments within the United States also regulate cell-processing facilities by requiring them to obtain other specific licenses. Certain states may also have enacted laws and regulations, or may be considering laws and regulations, regarding the use and marketing of stem cells or cell therapy products, such as those derived from human embryos. While these laws and regulations should not directly affect our business, they could affect our future business. Presently we are not subject to any of these state law requirements, because we do not conduct these regulated activities within the United States.

Pharmaceutical and Biological Products

In the United States, pharmaceutical and biological products, including cellular therapies, are subject to extensive pre- and post-market regulation by the FDA. The Federal Food, Drug, and Cosmetic Act ("FD&C Act"), and other federal and state statutes and regulations, govern, among other things, the research, development, testing, manufacture, storage, recordkeeping, approval, labeling, promotion and marketing, distribution, post-approval monitoring and reporting, sampling, and import and export of pharmaceutical products. Biological products are approved for marketing under provisions of the Public Health Service Act, or PHS Act. However, because most biological products also meet the definition of "drugs" under the FD&C Act, they are also subject to regulation under FD&C Act provisions. The PHS Act requires the submission of a biologics license application ("BLA"), rather than a New Drug Application ("NDA"), for market authorization. However, the application process and requirements for approval of BLAs are similar to those for NDAs, and biologics are associated with similar approval risks and costs as drugs. Presently we are not subject to any of these requirements, because we do not conduct these regulated activities within the United States. However, these regulations may be relevant to us should we engage in these activities in the United States in the future.

CONSULTING SERVICES BUSINESS

Cellular Biomedicine Group, Inc., a Delaware corporation (formerly known as EastBridge Investment Group Corporation), was originally incorporated in the State of Arizona on June 25, 2001 under the name ATC Technology Corporation. ATC Technology Corporation changed its corporate name to EastBridge Investment Group Corporation in September 2005 and shifted its business to providing finance-related services in Asia, with a focus on China. On February 5, 2013, the Company formed a new Delaware subsidiary named EastBridge Investment Corp. ("EastBridge Sub"). Pursuant to a Contribution Agreement by and between the Company and EastBridge Sub dated February 5, 2013, the Company contributed all assets and liabilities related to its consulting services business, and all related business and operations, to its newly formed subsidiary, EastBridge Investment Corp.

On June 23, 2014, the Company announced the discontinuation of the Consulting segment as it no longer fits into management's long-term strategy and vision. The Company is focusing its resources on becoming a biotechnology company bringing therapies to improve the health of patients in China.

Dispositions of Client Shares

Among the shares received by EastBridge Sub as compensation for services, as of December 31, 2015, the Company had sold 200,000 shares of Wonder International Education and Investment Group Corporation/Wenda Education on the open market.

WHERE YOU CAN FIND MORE INFORMATION

You are advised to read this Form 10-K in conjunction with other reports and documents that we file from time to time with the SEC. In particular, please read our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K that we file from time to time. You may obtain copies of these reports directly from us or from the SEC at the SEC's Public Reference Room at 100 F. Street, N.E. Washington, D.C. 20549, and you may obtain information about obtaining access to the Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains information for electronic filers at its website http://www.sec.gov.

ITEM 1A. Risk Factors

RISKS RELATED TO OUR COMPANY

We have a limited operating history and expect significant operating losses for the next few years.

We are a company with a limited operating history and have incurred substantial losses and negative cash flow from operations through the year ended December 31, 2015. Our cash flow from operations may not be consistent from period to period, our biomedicine business has not yet generated substantial revenue, and we may continue to incur losses and negative cash flow in future periods, particularly within the next several years.

Our biomedicine product development programs are based on novel technologies and are inherently risky.

We are subject to the risks of failure inherent in the development of products based on new biomedical technologies. The novel nature of these cell-based therapies creates significant challenges in regard to product development and optimization, manufacturing, government regulation, third party reimbursement, and market acceptance, including the challenges of:

- Educating medical personnel regarding the application protocol;
- Sourcing clinical and commercial supplies for the materials used to manufacture and process our Tcm product candidates;
- Developing a consistent and reliable process, while limiting contamination risks regarding the application protocol;
- Conditioning patients with chemotherapy in conjunction with delivering Tcm treatment, which may increase the risk of adverse side effects;
- Obtaining regulatory approval, as the Chinese Food and Drug Administration, or CFDA, and other regulatory authorities have limited experience with commercial development of cell-based therapies, and therefore the pathway to regulatory approval may be more complex and require more time than we anticipate; and
- Establishing sales and marketing capabilities upon obtaining any regulatory approval to gain market acceptance of a novel therapy.

These challenges may prevent us from developing and commercializing products on a timely or profitable basis or at all.

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

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

We may be unable to obtain or maintain patent protection for our products and product candidates, which could have a material adverse effect on our business.

Our commercial success will depend, in part, on obtaining and maintaining patent protection for new technologies, product candidates, products and processes and successfully defending such patents against third party challenges. To that end, we file or acquire patent applications, and have been issued patents, that are intended to cover certain methods and uses relating to stem cells and cancer immune cell therapies.

The patent positions of biotechnology companies can be highly uncertain and involve complex legal, scientific and factual questions and recent court decisions have introduced significant uncertainty regarding the strength of patents in the industry. Moreover, the legal systems of some countries do not favor the aggressive enforcement of patents and may not protect our intellectual property rights to the same extent as they would, for instance, under the laws of the United States. Any of the issued patents we own or license may be challenged by third parties and held to be invalid, unenforceable or with a narrower or different scope of coverage that what we currently believe, effectively reducing or eliminating protection we believed we had against competitors with similar products or technologies. If we ultimately engage in and lose any such patent disputes, we could be subject to competition and/or significant liabilities, we could be required to enter into third party licenses or we could be required to cease using the disputed technology or product. In addition, even if such licenses are available, the terms of any license requested by a third party could be unacceptable to us.

The claims of any current or future patents that may issue or be licensed to us may not contain claims that are sufficiently broad to prevent others from utilizing the covered technologies and thus may provide us with little commercial protection against competing products. Consequently, our competitors may independently develop competing products that do not infringe our patents or other intellectual property. To the extent a competitor can develop similar products using a different chemistry, our patents and patent applications may not prevent others from directly competing with us. Product development and approval timelines for certain products and therapies in our industry can require a significant amount of time (i.e. many years). As such, it is possible that any patents that may cover an approved product or therapy may have expired at the time of commercialization or only have a short remaining period of exclusivity, thereby reducing the commercial advantages of the patent. In such case, we would then rely solely on other forms of exclusivity which may provide less protection to our competitive position.

Litigation relating to intellectual property is expensive, time consuming and uncertain, and we may be unsuccessful in our efforts to protect against infringement by third parties or defend ourselves against claims of infringement.

To protect our intellectual property, we may initiate litigation or other proceedings. In general, intellectual property litigation is costly, time-consuming, diverts the attention of management and technical personnel and could result in substantial uncertainty regarding our future viability, even if we ultimately prevail. Some of our competitors may be able to sustain the costs of such litigation or other proceedings more effectively than can we because of their substantially greater financial resources. The loss or narrowing of our intellectual property protection, the inability to secure or enforce our intellectual property rights or a finding that we have infringed the intellectual property rights of a third party could limit our ability to develop or market our products and services in the future or adversely affect our revenues. Furthermore, any public announcements related to such litigation or regulatory proceedings could adversely affect the price of our common stock. Third parties may allege that the research, development and commercialization activities we conduct infringe patents or other proprietary rights owned by such parties. This may turn out to be the case even though we have conducted a search and analysis of third-party patent rights and have determined that certain aspects of our research and development and proposed products activities apparently do not infringe on any third-party Chinese patent rights. If we are found to have infringed the patents of a third party, we may be required to pay substantial damages; we also may be required to seek from such party a license, which may not be available on acceptable terms, if at all, to continue our activities. A judicial finding or infringement or the failure to obtain necessary licenses could prevent us from commercializing our products, which would have a material adverse effect on our business, operating results and financial condition.

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

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

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

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

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

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

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

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

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

Further, even in the event that the IND sponsorship is obtained for existing and new INDs, we did not control the design or conduct of the previous trials. It is possible that the CFDA or other regulatory agencies will not accept these previous trials as providing adequate support for future clinical trials, whether controlled by us or third parties, for any of one or more reasons, including the safety, purity, and potency of the product candidate, the degree of product characterization, elements of the design or execution of the previous trials or safety concerns, or other trial results. We may also be subject to liabilities arising from any treatment-related injuries or adverse effects in patients enrolled in these previous trials. As a result, we may be subject to unforeseen third-party claims and delays in our potential future clinical trials. We may also be required to repeat in whole or in part clinical trials previously conducted by our third-party research institution collaborators, which will be expensive and delay the submission and licensure or other regulatory approvals with respect to any of our product candidates. Any such delay or liability could have a material adverse effect on our business.

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

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

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

Although we do intend to develop our own manufacturing facility, and we have leased a facility in Beijing that we intend to build out to support our clinical and commercial manufacturing activities, we may, in any event, never be successful in developing our own manufacturing facility. Currently, our CAR-T product candidates are manufactured using non-scalable processes by our third-party research institution collaborators that we do not intend to use for more advanced clinical trials or commercialization. Additionally, we currently rely on outside vendors to manufacture the CD40GVAX supplies and process our Vaccine-related product candidates. We have not yet caused our product candidates to be manufactured or processed on a commercial scale and may not be able to do so for any of our product candidates. Although our manufacturing and processing approach is based upon the current approach undertaken by our third-party research institution collaborators, we do not have experience in managing the vaccine manufacturing process, and our process may be more difficult or expensive than the approaches currently in use. We will make changes as we work to optimize the manufacturing process, and we cannot be sure that even minor changes in the process will not result in significantly different CAR-T or vaccine that may not be as safe and effective as the current products deployed by our third-party research institution collaborators. As a result of these challenges, we may experience delays in our clinical development and/or commercialization plans. The manufacturing risks could delay or prevent the completion of our clinical trials or the approval of any of our product candidates by the FDA, CFDA or other regulatory authorities, result in higher costs or adversely impact commercialization of our product candidates. In addition, we will rely on third parties to perform certain specification tests on our product candidates prior to delivery to patients. If these tests are not appropriately done and test data are not reliable, patients could be put at risk of serious harm and the FDA, CFDA or other regulatory authorities could require additional clinical trials or place significant restrictions on our company until deficiencies are remedied. We may ultimately be unable to reduce the cost of goods for our product candidates to levels that will allow for an attractive return on investment if and when those product candidates are commercialized.

We rely heavily on third parties to conduct clinical trials on our product candidates.

We presently are party to, and expect that we will be required to enter into, agreements with hospitals and other research partners to perform clinical trials for us and to engage in sales, marketing and distribution efforts for our products and product candidates we may acquire in the future. We may be unable to establish or maintain third-party relationships on a commercially reasonable basis, if at all. In addition, these third parties may have similar or more established relationships with our competitors or other larger customers. Moreover, the loss for any reason of one or more of these key partners could have a significant and adverse impact on our business. If we are unable to obtain or retain third party sales and marketing vendors on commercially acceptable terms, we may not be able to commercialize our therapy products as planned and we may experience delays in or suspension of our marketing launch. Our dependence upon third parties may adversely affect our ability to generate profits or acceptable profit margins and our ability to develop and deliver such products on a timely and competitive basis.

Outside scientists and their third-party research institutions on whom we rely for research and development and early clinical testing of our product candidates may have other commitments or conflicts of interest, which could limit our access to their expertise and harm our ability to leverage our technology platform.

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

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

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

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

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

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

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

If we are unable to protect the confidentiality of trade secrets, our competitive position could be impaired.

A significant amount of our technology, particularly with respect to our proprietary manufacturing processes, is unpatented and is held in the form of trade secrets. We expend significant efforts to protect these trade secrets, including the use of confidentiality and proprietary information agreement, and knowledge segmentation among our staff. Even so, improper use or disclosure of our confidential information could occur and in such cases adequate remedies may not exist. The inadvertent disclosure of our trade secrets could impair our competitive position.

PRC intellectual property law requires us to compensate our employees for the intellectual property that they may help to develop.

We have entered and expect to continue to enter into confidentiality and intellectual property assignment agreements with most of our employees, consultants, outside scientific collaborators, sponsored researchers, affiliates and other advisors. These agreements generally require that the other party keep confidential and not disclose to third parties all confidential information developed by the party or made known to the party by us. These agreements may also provide that inventions conceived by the party in the course of rendering services to us will be our exclusive property. However, these agreements may be difficult to enforce, or can be breached and may not effectively protect our intellectual property rights.

The PRC laws codify a "reward/award" policy which entitles employees to certain levels of compensation and bonus from their service invention-creations for which their employers filed for patent protection. In the absence of any contractual understanding, the *Implementing Rules of the Patent Law* require a minimum compensation and bonus to such employees as below: bonus: (i) for each invention patent, a one-time reward of no less than 3,000 RMB, or (ii) for each utility model or design patent, a one-time reward of no less than 1,000 RMB, and compensation: (i) for each invention patent and utility model, at least 2% of annual operating profits derived from the use of the patent, (ii) for each design patent, at least 0.2% of annual operating profits derived from the use of the design patent, and (iii) at least 10% of royalties received from the licensing the patent to a third party.

Although our bylaws allow for us to issue bonuses to our employees, we have not contractually limited the amount of compensation that we may pay them for filing patents for their ideas, developments, discoveries or inventions. As such, should any of our employees and consultants who have not contractually agreed otherwise seek to enforce these rights, we may be required to pay the statutorily mandated minimum to our employees as required by this law. Our product candidates are still in the clinical trial stage and as of the date of this annual report, we have not derived any revenue from our product-related patents. However, if and when we commercialize our product candidates or therapies, or if we are required to pay our employees any compensation for patents relating to our technical services, such compensation could be substantial and may harm our business prospects, financial condition and results of operations.

Our technologies are at early stages of discovery and development, and we may fail to develop any commercially acceptable or profitable products.

We have yet to develop any therapeutic products that have been approved for marketing, and we do not expect to become profitable within the next several years, but rather expect our biomedicine business to incur additional and increasing operating losses. Before commercializing any therapeutic product in China, we may be required to obtain regulatory approval from the MOH CFDA, local regulatory authorities, and/or individual hospitals, and outside China from equivalent foreign agencies after conducting extensive preclinical studies and clinical trials that demonstrate that the product candidate is safe and effective.

We may elect to delay or discontinue studies or clinical trials based on unfavorable results. Any product developed from, or based on, cell technologies may fail to:

- survive and persist in the desired location;
- provide the intended therapeutic benefit;
- engraft or integrate into existing tissue in the desired manner; or
- achieve therapeutic benefits equal to, or better than, the standard of treatment at the time of testing.

In addition, our therapeutic products may cause undesirable side effects. Results of preclinical research in animals may not be indicative of future clinical results in humans.

Ultimately if regulatory authorities do not approve our products or if we fail to maintain regulatory compliance, we would be unable to commercialize our products, and our business and results of operations would be harmed. Even if we do succeed in developing products, we will face many potential obstacles such as the need to develop or obtain manufacturing, marketing and distribution capabilities. Furthermore, because transplantation of cells is a new form of therapy, the marketplace may not accept any products we may develop.

Most potential applications of our technology are pre-commercialization, which subjects us to development and marketing risks.

We are in a relatively early stage on the path to commercialization with many of our products. Successful development and market acceptance of our products is subject to developmental risks, including failure to achieve innovative solutions to problems during development, ineffectiveness, lack of safety, unreliability, failure to receive necessary regulatory clearances or approvals, approval by hospital ethics committees and other governing bodies, high commercial cost, preclusion or obsolescence resulting from third parties' proprietary rights or superior or equivalent products, competition, and general economic conditions affecting purchasing patterns. There is no assurance that we or our partners will successfully develop and commercialize our products, or that our competitors will not develop competing products, treatments or technologies that are less expensive or superior. Failure to successfully develop and market our products would have a substantial negative effect on our results of operations and financial condition.

Market acceptance of new technology such as ours can be difficult to obtain.

New and emerging cell therapy and cell banking technologies may have difficulty or encounter significant delays in obtaining market acceptance in some or all countries around the world due to the novelty of our cell therapy and cell banking technologies. Therefore, the market adoption of our cell therapy and cell banking technologies may be slow and lengthy with no assurances that the technology will be successfully adopted. The lack of market adoption or reduced or minimal market adoption of cell therapy and cell banking technologies may have a significant impact on our ability to successfully sell our future product(s) or therapies within China or in other countries. Our strategy depends in part on the adoption of the therapies we may develop by state-owned hospital systems in China, and the allocation of resources to new technologies and treatment methods is largely dependent upon ethics committees and governing bodies within the hospitals. Even if our clinical trials are successful, there can be no assurance that hospitals in China will adopt our technology and therapies as readily as we may anticipate.

Future clinical trial results may differ significantly from our expectations.

While we have proceeded incrementally with our clinical trials in an effort to gauge the risks of proceeding with larger and more expensive trials, we cannot guarantee that we will not experience negative results with larger and much more expensive clinical trials than we have conducted to date. Poor results in our clinical trials could result in substantial delays in commercialization, substantial negative effects on the perception of our products, and substantial additional costs. These risks are increased by our reliance on third parties in the performance of many of the clinical trial functions, including the clinical investigators, hospitals, and other third party service providers.

We face risks relating to the cell therapy industry, clinical development and commercialization.

Cell therapy is still a developing field and a significant global market for our services has yet to emerge. Our cellular therapy candidates are based on novel cell technologies that are inherently risky and may not be understood or accepted by the marketplace. The current market principally consists of providing manufacturing of cell and tissue-based therapeutic products for clinical trials and processing of stem cell products for therapeutic programs.

The degree of market acceptance of any future product candidates will depend on a number of factors, including:

- the clinical safety and effectiveness of the product candidates, the availability of alternative treatments and the perceived advantages of the particular product candidates over alternative treatments;
- the relative convenience and ease of administration of the product candidates;
- our ability to separate the product candidates from the ethical controversies and political barriers associated with stem cell product candidates derived from human embryonic or fetal tissue;
- ethical concerns that may arise regarding our commercial use of stem cells, including adult stem cells, in the manufacture of the product candidates;
- the frequency and severity of adverse events or other undesirable side effects involving the product candidates or the products or product candidates of others that are cell-based; and
- the cost of the products, the reimbursement policies of government and third-party payors and our ability to obtain sufficient third-party coverage or reimbursement.

If clinical trials of our technology fail to demonstrate safety and efficacy to the satisfaction of the relevant regulatory authorities, including the PRC's State Food and Drug Administration and the Ministry of Health, or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of such product candidates.

Currently, a regulatory structure has not been established to standardize the approval process for products or therapies based on the technology that exists or that is being developed in our field. Therefore we must conduct, at our own expense, extensive clinical trials to demonstrate the safety and efficacy of the product candidates in humans, and then archive our results until such time as a new regulatory regime is put in place. If and when this new regulatory regime is adopted it may be easier or more difficult to navigate than CBMG may anticipate, with the following potential barriers:

- regulators or institutional review boards may not authorize us or our investigators to commence clinical trials or conduct clinical trials at a prospective trial site;
- clinical trials of product candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs that we expect to be pursuing;

- the number of patients required for clinical trials of product candidates may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate, or participants may drop out of these clinical trials at a higher rate than we anticipate;

- third party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner or at all;

- we might have to suspend or terminate clinical trials of our product candidates for various reasons, including a finding that the participants are being exposed to unacceptable health risks;

- regulators or institutional review boards may require that we or our investigators suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements;

- the cost of clinical trials of our product candidates may be greater than anticipated;

- we may be subject to a more complex regulatory process, since cell-based therapies are relatively new and regulatory agencies have less experience with them as compared to traditional pharmaceutical products;

- the supply or quality of our product candidates or other materials necessary to conduct clinical trials of these product candidates may be insufficient or inadequate; and

- our product candidates may have undesirable side effects or other unexpected characteristics, causing us or our investigators to halt or terminate the trials.

We may be unable to generate interest or meaningful revenue in out-license our Intellectual Property.

The results of preclinical studies may not correlate with the results of human clinical trials. In addition, early stage clinical trial results do not ensure success in later stage clinical trials, and interim trial results are not necessarily predictive of final trial results.

To date, we have not completed the development of any products through regulatory approval. The results of preclinical studies in animals may not be predictive of results in a clinical trial. Likewise, the outcomes of early clinical trials may not be predictive of the success of later clinical trials. New information regarding the safety and efficacy of such product candidates may be less favorable than the data observed to date. AG's budding technical service revenue in the Jilin Hospital should not be relied upon as evidence that later or larger-scale clinical trials will succeed. In addition, even if the trials are successfully completed, we cannot guarantee that the CFDA will interpret the results as we do, and more trials could be required before we submit our product candidates for approval. To the extent that the results of the trials are not satisfactory to the CFDA or other foreign regulatory authorities for support of a marketing application, approval of our product candidates may be significantly delayed, or we may be required to expend significant additional resources, which may not be available to us, to conduct additional trials in support of potential approval of our product candidates.

If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

We may experience difficulties in patient enrollment in our clinical trials for a variety of reasons. The timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the study until its conclusion. The enrollment of patients depends on many factors, including:

- the patient eligibility criteria defined in the protocol;
- the size of the patient population required for analysis of the trial's primary endpoints;
- the proximity of patients to study sites;
- the design of the trial;
- our ability to recruit clinical trial investigators with the appropriate competencies and experience;
- our ability to obtain and maintain patient consents; and
- the risk that patients enrolled in clinical trials will drop out of the trials before completion.

In addition, our clinical trials may compete with other clinical trials for product candidates that are in the same therapeutic areas as our product candidates, and this competition may reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Since the number of qualified clinical investigators is limited, we expect to conduct some of our clinical trials at the same clinical trial sites that some of our competitors use, which will reduce the number of patients who are available for our clinical trials in such clinical trial site. Moreover, because our product candidates represent a departure from more commonly used methods for cancer treatment, potential patients and their doctors may be inclined to use conventional therapies, such as chemotherapy and or traditional Chinese medicine, rather than enroll patients in any future clinical trial.

Upon commencing clinical trials, delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our product candidates.

We are exposed to general liability, non-clinical and clinical liability risks which could place a substantial financial burden upon us, should lawsuits be filed against us .

Our business exposes us to potential liability risks that are inherent in the testing, manufacturing and marketing of our therapies and product candidates. We expect that such claims are likely to be asserted against us at some point. In addition, the use in our clinical trials of our therapies and products and the subsequent sale of these therapies or product candidates by us or our potential collaborators may cause us to bear a portion of or all product liability risks. We currently have $3.4 million in insurance coverage relating to inventory, property plant and equipment and office premises. The Company also purchased in insurance covering personal injury, medical expenses and several clinical trials. However, any claim under such insurance policies may be subject to certain exceptions, and may not be honored fully, in part, in a timely manner, or at all, and may not cover the full extent of liability we may actually face. Therefore, a successful liability claim or series of claims brought against us could have a material adverse effect on our business, financial condition and results of operations.

We currently have no product marketing and sales organization and have no experience in marketing such products. If we are unable to establish product marketing and sales capabilities or enter into agreements with third parties to market and sell our product candidates, we may generate less product revenue than expected.

We currently have no product sales, marketing or distribution capabilities and have no experience in marketing products. We intend to develop an in-house product marketing organization and sales force, which will require significant capital expenditures, management resources and time. We will have to compete with other pharmaceutical and biotechnology companies to recruit, hire, train and retain marketing and sales personnel.

If we are unable or decide not to establish internal sales, marketing and distribution capabilities, we will pursue collaborative arrangements regarding the sales and marketing of our products, however, there can be no assurance that we will be able to establish or maintain such collaborative arrangements, or if we are able to do so, that they will have effective sales forces. Any revenue we receive will depend upon the efforts of such third parties, which may not be successful. We may have little or no control over the marketing and sales efforts of such third parties and our revenue from product sales may be lower than if we had commercialized our product candidates ourselves. We also face competition in our search for third parties to assist us with the sales and marketing efforts of our product candidates. There can be no assurance that we will be able to develop in-house sales and distribution capabilities or establish or maintain relationships with third-party collaborators to commercialize any product in China or overseas.

Laws and the regulatory infrastructure governing cellular biomedicine in China are relatively new and less established in comparison to the U.S. and other countries; accordingly regulation may be less stable and predictable than desired, and regulatory changes may disrupt our commercialization process.

Regulation of the medical field in China including pharmaceuticals, medical technologies, and medical practice, is relatively new and less established compared to the U.S. and in many other countries. In addition, the practice of and research relating to cell therapeutics has emerged in China very recently, and the government has not yet decided how the industry shall be regulated. Accordingly, we expect that the regulatory environment in China will be comparatively less predictable, and if the government changes any of its policies relating to our industry, or changes in the manner in which rules are applied or interpreted, our commercialization process may be disrupted or delayed, which would adversely affect our results and prospects.

Coverage and reimbursement may be limited or unavailable in certain market segments for our product candidates, which could make it difficult for us to sell our product candidates profitably.

Successful sales of our product candidates, if approved, depend on the availability of adequate coverage and reimbursement from third-party payers. In addition, because our product candidates represent new approaches to the treatment of cancer, we cannot accurately estimate the potential revenue from our product candidates.

Patients who are provided medical treatment for their conditions generally rely on third-party payers to reimburse all or part of the costs associated with their treatment. Adequate coverage and reimbursement from governmental healthcare programs and commercial payers is critical to new product acceptance. In China, government authorities decide which drugs and treatments they will cover and the amount of reimbursement. Obtaining coverage and reimbursement approval of a product from a government or other third-party payer is a time-consuming and costly process that could require us to provide to the payer supporting scientific, clinical and cost-effectiveness data for the use of our products. Even if we obtain coverage for a given product, the resulting reimbursement payment rates might not be adequate for us to achieve or sustain profitability or may require co-payments that patients find unacceptably high. Patients are unlikely to use our product candidates unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of our product candidates. If we obtain approval in one or more jurisdictions outside of China for our product candidates, we will be subject to rules and regulations in those jurisdictions. In some foreign countries, particularly those in the EU, the pricing of biologics is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after obtaining marketing approval of a product candidate. In addition, market acceptance and sales of our product candidates will depend significantly on the availability of adequate coverage and reimbursement from third-party payers for our product candidates and may be affected by existing and future health care reform measures. The continuing efforts of the government, insurance companies, managed care organizations and other payers of healthcare services to contain or reduce costs of healthcare and/or impose price controls may adversely affect:

- the demand for our product candidates, if we obtain regulatory approval;
- our ability to set a price that we believe is fair for our products;
- our ability to generate revenue and achieve or maintain profitability;
- the level of taxes that we are required to pay; and
- the availability of capital.

Any reduction in reimbursement from any government programs may result in a similar reduction in payments from private payers, which may adversely affect our future profitability.

Technological and medical developments or improvements in conventional therapies could render the use of cell therapy and our services and planned products obsolete.

Advances in other treatment methods or in disease prevention techniques could significantly reduce or entirely eliminate the need for our cell therapy services, planned products and therapeutic efforts. There is no assurance that cell therapies will achieve the degree of success envisioned by us in the treatment of disease. Nor is there any assurance that new technological improvements or techniques will not render obsolete the processes currently used by us, the need for our services or our planned products. Additionally, technological or medical developments may materially alter the commercial viability of our technology or services, and require us to incur significant costs to replace or modify equipment in which we have a substantial investment. We are focused on novel cell therapies, and if this field is substantially unsuccessful, this could jeopardize our success or future results. The occurrence of any of these factors may have a material adverse effect on our business, operating results and financial condition.

We face significant competition from other Chinese biotechnology and pharmaceutical companies, and our operating results will suffer if we fail to compete effectively.

There is intense competition and rapid innovation in the Chinese cell therapy industry, and in the cancer immunotherapy space in particular. Our competitors may be able to develop other herbal medicine, compounds or drugs that are able to achieve similar or better results. Our potential competitors are comprised of traditional Chinese medicine companies, major multinational pharmaceutical companies, established and new biotechnology companies, specialty pharmaceutical companies, state-owned enterprises, universities and other research institutions. Many of our competitors have substantially greater scientific, financial, technical and other resources, such as larger research and development staff and experienced marketing and manufacturing organizations and well-established sales forces. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies or are well funded by venture capitals. Mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated in our competitors. Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in these industries. Our competitors, either alone or with collaborative partners, may succeed in developing, acquiring or licensing on an exclusive basis drug or biologic products that are more effective, safer, more easily commercialized or less costly than our product candidates or may develop proprietary technologies or secure patent protection that we may need for the development of our technologies and products. We believe the key competitive factors that will affect the development and commercial success of our product candidates are efficacy, safety, tolerability, reliability, and convenience of use, price and reimbursement.

Even if we obtain regulatory approval of our product candidates, the availability and price of our competitors' products could limit the demand and the price we are able to charge for our product candidates. We may not be able to implement our business plan if the acceptance of our product candidates is inhibited by price competition or the reluctance of doctors to switch from existing methods of treatment to our product candidates, or if doctors switch to other new drug or biologic products or choose to reserve our product candidates for use in limited circumstances.

We may be unable to attract or retain key employees for our business if our share-based or other compensation programs cease to be viewed as competitive and valuable benefits.

To be competitive, we must attract, retain, and motivate executives and other key employees. Hiring and retaining qualified executives, scientists, technical staff, and professional staff are critical to our business, and competition for experienced employees can be intense. To help attract, retain, and motivate key employees, we use share-based and other performance-based incentive awards such as stock options, restricted stock units (RSUs) and cash bonuses. If our share-based or other compensation programs cease to be viewed as competitive and valuable benefits, our ability to attract, retain, and motivate key employees could be weakened, which could harm our results of operations.

There is a scarcity of experienced professionals in the field of cell therapy and we may not be able to retain key officers or employees or hire new key officers or employees needed to implement our business strategy and develop our products. If we are unable to retain or hire key officers or employees, we may be unable to grow our biomedicine business or implement our business strategy, and the Company may be materially and adversely affected.

Given the specialized nature of cell therapy and the fact that it is a young field, there is an inherent scarcity of experienced personnel in the field. The Company is substantially dependent on the skills and efforts of current senior management, as well as recently acquired AG management and personnel, for their management, operations and the implementation of their business strategy. As a result of the difficulty in locating qualified new management, the loss or incapacity of existing members of management or unavailability of qualified management or as replacements for management who resign or are terminated could adversely affect the Company's operations. The future success of the Company also depends upon our ability to attract and retain additional qualified personnel (including medical, scientific, technical, commercial, business and administrative personnel) necessary to support our anticipated growth, develop our business, perform our contractual obligations to third parties and maintain appropriate licensure, on acceptable terms. There can be no assurance that we will be successful in attracting or retaining personnel required by us to continue to grow our operations. The loss of a key employee, the failure of a key employee to perform in his or her current position or our inability to attract and retain skilled employees, as needed, could result in our inability to grow our biomedicine business or implement our business strategy, or may have a material adverse effect on our business, financial condition and operating results.

We may fail to successfully integrate our acquired businesses, operations and assets in the expected time frame, which may adversely affect the combined company's future results.

We believe that our recent acquisitions, including our CAR-T, PD1, and VAX technologies, will result in certain benefits, including certain manufacturing, sales and distribution and operational efficiencies. However, to realize these anticipated benefits, our existing business and the acquired technologies must be successfully combined. We may be unable to effectively integrate the acquired technologies into our organization, make the acquired technologies profitable, and may not succeed in managing the acquired technologies. The process of integration of an acquired technologies may subject us to a number of risks, including:

- Failure to successfully manage relationships with hospitals, patients and suppliers;
- Demands on management related to the increase in complexity of the company after the acquisition;
- Diversion of management and scientists' attention;
- Potential difficulties integrating and harmonizing large scale multi-site clinical trials;
- Difficulties in the assimilation and retention of employees;
- Exposure to legal claims for activities of the acquired technologies; and
- Incurrence of additional expenses in connection with the integration process.

If the acquired technologies is not successfully integrated into our company, our business, financial condition and results of operations could be materially adversely affected, as well as our professional reputation. Furthermore, if we are unable to successfully integrate the acquired technologies, or if there are delays in implementing clinical trials using the acquired technologies, the anticipated benefits of the acquisition may not be realized fully or at all or may take longer to realize than expected. Successful integration of the acquired technologies will depend on our ability to manage large scale cancer clinical trials and to realize opportunities in monetizing these technologies.

We will need to grow the size of our organization, and we may experience difficulties in managing this growth.

We added 30 employees in the recent AG acquisition. As our development and commercialization plans and strategies develop, and as we continue to expand operation as a public company, we expect to grow our personnel needs in the managerial, operational, sales, marketing, financial and other departments. Future growth would impose significant added responsibilities on members of management, including:

- identifying, recruiting, integrating, maintaining and motivating additional employees;
- managing our internal development efforts effectively, including the clinical trials and CFDA review process for our product candidates, while complying with our contractual obligations to contractors and other third parties; and
- improving our operational, financial and management controls, reporting systems and procedures.

Our future financial performance and our ability to commercialize our product candidates will depend, in part, on our ability to effectively manage any future growth, and our management may also have to divert a disproportionate amount of its attention away from day-to-day activities in order to devote a substantial amount of time to managing these growth activities.

We currently rely, and for the foreseeable future will continue to rely, in substantial part on certain independent organizations such as contract research organizations and hospitals to provide certain services comprised of regulatory approval and clinical management. There can be no assurance that the services of independent organizations will continue to be available to us on a timely basis when needed, or that we can find qualified replacements. In addition, if we are unable to effectively manage our outsourced activities or if the quality or accuracy of the services provided by the independent organizations is compromised for any reason, our clinical trials may be extended, delayed or terminated, and we may not be able to obtain regulatory approval of our product candidates or otherwise advance our business. If we are not able to effectively expand our organization by hiring new employees, we may not be able to successfully implement the tasks necessary to further develop and commercialize our product candidates and, accordingly, may not achieve our research, development and commercialization goals.

We may form or seek strategic alliances or enter into licensing arrangements in the future, and we may not realize the benefits of such alliances or licensing arrangements.

We may form or seek strategic alliances, create joint ventures or collaborations or enter into licensing arrangements with third parties that we believe will complement or augment our development and commercialization efforts with respect to our product candidates and any future product candidates that we may develop. Any of these relationships may require us to incur non-recurring and other charges, increase our near and long-term expenditures, issue securities that dilute our existing stockholders or disrupt our management and business. In addition, we face significant competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for our product candidates because they may be deemed to be at too early of a stage of development for collaborative effort and third parties may not view our product candidates as having the requisite potential to demonstrate safety and efficacy. If we license products or businesses, we may not be able to realize the benefit of such transactions if we are unable to successfully integrate them with our existing operations and company culture. We cannot be certain that, following a strategic transaction or license, we will achieve the revenue or specific net income that justifies such transaction. Any delays in entering into new strategic partnership agreements related to our product candidates could delay the development and commercialization of our product candidates in certain geographies for certain indications, which would harm our business prospects, financial condition and results of operations.

We, our strategic partners and our customers conduct business in a heavily regulated industry. If we or one or more of our strategic partners or customers fail to comply with applicable current and future laws and government regulations, our business and financial results could be adversely affected.

The healthcare industry is one of the most highly regulated industries. Federal governments, individual state and local governments and private accreditation organizations may oversee and monitor all the activities of individuals and businesses engaged in the delivery of health care products and services. Therefore, current laws, rules and regulations could directly or indirectly negatively affect our ability and the ability of our strategic partners and customers to operate each of their businesses.

In addition, as we expand into other parts of the world, we will need to comply with the applicable laws and regulations in such foreign jurisdictions. We have not yet thoroughly explored the requirements or feasibility of such compliance. It is possible that we may not be permitted to expand our business into one or more foreign jurisdictions.

Although we intend to conduct our business in compliance with applicable laws and regulations, the laws and regulations affecting our business and relationships are complex, and many aspects of such relationships have not been the subject of judicial or regulatory interpretation. Furthermore, the cell therapy industry is the topic of significant government interest, and thus the laws and regulations applicable to us and our strategic partners and customers and to their business are subject to frequent change and/or reinterpretation and there can be no assurance that the laws and regulations applicable to us and our strategic partners and customers will not be amended or interpreted in a manner that adversely affects our business, financial condition, or operating results.

We anticipate that we will need substantial additional financing in the future to continue our operations; if we are unable to raise additional capital, as and when needed, or on acceptable terms, we may be forced to delay, reduce or eliminate one or more of our product or therapy development programs, cell therapy initiatives or commercialization efforts and our business will harmed.

Our current operating plan will require significant levels of additional capital to fund, among other things, the continued development of our cell therapy product or therapy candidates and the operation, and expansion of our manufacturing operations to our clinical development activities.

In the second quarter of 2014, we completed patient enrollment for the Phase IIb clinical trial of ReJoin ™ for KOA. We published the Phase IIb 48 week data in January 2016. In January 2015, we initiated patient recruitment to support a study of ReJoin™ human adipose derived mesenchymal progenitor cell (haMPC) therapy for Cartilage Damage (CD) resulting from osteoarthritis (OA) or sports injury. We have also launched pre-clinical study on COPD in October 2014.

If these trials are successful, we will require significant additional investment capital over a multi-year period in order to conduct subsequent phases, gain approval for these therapies by the MOH and CFDA, and to commercialize these therapies, if ever. Subsequent phases may be larger and more expensive than the Phase I trials. In order to raise the necessary capital, we will need to raise additional money in the capital markets, enter into collaboration agreements with third parties or undertake some combination of these strategies. If we are unsuccessful in these efforts, we may have no choice but to delay or abandon the trials.

The amount and timing of our future capital requirements also will likely depend on many other factors, including:

- the scope, progress, results, costs, timing and outcomes of our other cell therapy product or therapy candidates;
- our ability to enter into, or continue, any collaboration agreements with third parties for our product or therapy candidates and the timing and terms of any such agreements;
- the timing of and the costs involved in obtaining regulatory approvals for our product or therapy candidates, a process which could be particularly lengthy or complex given the lack of precedent for cell therapy products in China; and
- the costs of maintaining, expanding and protecting our intellectual property portfolio, including potential litigation costs and liabilities.

To fund clinical studies and support our future operations, we would likely seek to raise capital through a variety of different public and/or private financings vehicles. This could include, but not be limited to, the use of loans or issuances of debt or equity securities in public or private financings. If we raise capital through the sale of equity, or securities convertible into equity, it would result in dilution to our then existing stockholders. Servicing the interest and principal repayment obligations under debt facilities could divert funds that would otherwise be available to support clinical or commercialization activities. In certain cases, we also may seek funding through collaborative arrangements, that would likely require us to relinquish certain rights to our technology or product or therapy candidates and share in the future revenues associated with the partnered product or therapy.

Ultimately, we may be unable to raise capital or enter into collaborative relationships on terms that are acceptable to us, if at all. Our inability to obtain necessary capital or financing to fund our future operating needs could adversely affect our business, results of operations and financial condition.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and operating results.

It may be time consuming, difficult and costly for us to develop and implement the additional internal controls, processes and reporting procedures required by the Sarbanes-Oxley Act. We may need to hire additional financial reporting, internal auditing and other finance staff in order to develop and implement appropriate additional internal controls, processes and reporting procedures.

If we fail to comply in a timely manner with the requirements of Section 404 of the Sarbanes-Oxley Act regarding internal controls over financial reporting or to remedy any material weaknesses in our internal controls that we may identify, such failure could result in material misstatements in our financial statements, cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our common stock.

In connection with our on-going assessment of the effectiveness of our internal control over financial reporting, we may discover "material weaknesses" in our internal controls as defined in standards established by the Public Company Accounting Oversight Board ("PCAOB"). A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The PCAOB defines "significant deficiency" as a deficiency that results in more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected.

During the year ended December 31, 2015, we believe we have made improvements in our internal control and have remediated the deficiencies identified in 2014. In the event that future material weaknesses are identified, we will attempt to employ qualified personnel and adopt and implement policies and procedures to address any material weaknesses we identify. However, the process of designing and implementing effective internal controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company.

Any failure to complete our assessment of our internal control over financial reporting, to remediate any material weaknesses that we may identify or to implement new or improved controls, or difficulties encountered in their implementation, could harm our operating results, cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements. Any such failure could also adversely affect the results of the periodic management evaluations of our internal controls and, in the case of a failure to remediate any material weaknesses that we may identify, would adversely affect the annual management reports regarding the effectiveness of our internal control over financial reporting that are required under Section 404 of the Sarbanes-Oxley Act. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

Our profitability may be adversely affected by the risks in obtaining a return on some or all of our investment in portfolio stock, which comprise 11% of our assets.

A substantial portion of our assets are comprised of securities we received as compensation for services through our legacy consulting business, by which we acquired certain shares of stock in the companies we advised. These shares are not traded on any national exchange or marketplace and therefore are highly illiquid, and it is uncertain if an active market for such securities will ever develop. Additionally, some of these companies have or may in the future fail to comply with their obligations under the Securities Act or the Exchange Act, which may affect our ability to sell such securities to satisfy our working capital needs and other liquidity requirements. Even assuming we can sell the securities, there is no assurance that we will be able to sell such shares at a value that will recover our investment. There is no assurance that an alternative exit strategy will be readily available to realize the fair value of such securities. As a result, we may lose some or all of our investment. In the fiscal year ended December 31, 2015, we reviewed our investment portfolio and determined that, due to the failure of certain portfolio companies to comply with their periodic reporting obligations under Section 13 or Section 15(d) of the Exchange Act, such investments have been impaired. Accordingly, we have recorded an other than temporary impairment charge of approximately $123,000 for these investments that were deemed permanent in impairment of investments in 2015. Future fluctuations in the value and liquidity of these securities could result in additional realized loss.

RISKS RELATED TO OUR STRUCTURE

The laws and regulations governing the therapeutic use of stem cells in China are evolving. New PRC laws and regulations may impose conditions or requirements which could materially and adversely affect our business.

As the cell therapy industry is at an early stage of development in China, new laws and regulations may be adopted in the future to address new issues that arise from time to time. Although China published the stem cell policy in August 2015, substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to the cell therapy industry. There can be no assurance that the PRC government authorities will not issue new laws or regulations that impose conditions or requirements with which we cannot comply. Noncompliance could materially and adversely affect our business, results of operations and financial condition.

CFDA's regulations may limit our ability to develop, license, manufacture and market our products, therapies and/or services.

Some or all of our operations in China will be subject to oversight and regulation by the government regulations, among other things, cover the inspection of and controls over testing, manufacturing, safety and environmental considerations, efficacy, labeling, advertising, promotion, record keeping and sale and distribution of pharmaceutical products. Such government regulations may increase our costs and prevent or delay the licensing, manufacturing and marketing of any of our products or services. In the event we seek to license, manufacture, sell or distribute new products or services, we likely will need approvals from certain government agencies such as the CFDA and MOH. The future growth and profitability of any operations in China would be contingent on obtaining the requisite approvals. There can be no assurance that we will obtain such approvals. In 2004, the CFDA implemented new guidelines for the licensing of pharmaceutical products. All existing manufacturers with licenses were required to apply for cGMP certifications. According to *Good Manufacturing Practices for Pharmaceutical Products (revised edition 2010)* , or the New GMP Rules promulgated by the MOH of the PRC on January 17, 2011 which became effective on March 1, 2011, all the newly constructed manufacturing facilities of drug manufacture enterprises in China shall comply with the requirements of the New GMP Rules, which are stricter than the original GMP standards. In addition, delays, product recalls or failures to receive approval may be encountered based upon additional government regulation, legislative changes, administrative action or changes in governmental policy and interpretation applicable to the Chinese pharmaceutical industry. Our pharmaceutical activities also may subject us to government regulations with respect to product prices and other marketing and promotional related activities. Government regulations may substantially increase our costs for developing, licensing, manufacturing and marketing any products or services, which could have a material adverse effect on our business, operating results and financial condition. The CFDA and other regulatory authorities in China have implemented a series of new punitive and stringent measures regarding the pharmaceuticals industry to redress certain misconducts in the industry and certain deficiencies in public health reform policies. Given the nature and extent of such new enforcement measures, the aggressive manner in which such enforcement is being conducted and the fact that newly-constituted local level branches are encouraged to impose such punishments and fines, there is the possibility of large scale and significant penalties being levied on manufacturers. These new measures may include fines, restriction and suspension of operations and marketing and other unspecified penalties. This new regulatory environment has added significantly to the risks of our businesses in China and may have a material adverse effect on our business, operating results and financial condition.

Our operations are subject to risks associated with emerging markets.

The Chinese economy is not well established and is only recently emerging and growing as a significant market for consumer goods and services. Accordingly, there is no assurance that the market will continue to grow. Perceived risks associated with investing in China, or a general disruption in the development of China's markets could materially and adversely affect the business, operating results and financial condition of the Company.

A substantial portion of our assets are currently located in the PRC, and investors may not be able to enforce federal securities laws or their other legal rights.

A substantial portion of our assets are located in the PRC. As a result, it may be difficult for investors in the U.S. to enforce their legal rights, to effect service of process upon certain of our directors or officers or to enforce judgments of U.S. courts predicated upon civil liabilities and criminal penalties against any of our directors and officers located outside of the U.S.

The PRC government has the ability to exercise significant influence and control over our operations in China.

In recent years, the PRC government has implemented measures for economic reform, the reduction of state ownership of productive assets and the establishment of corporate governance practices in business enterprises. However, many productive assets in China are still owned by the PRC government. In addition, the government continues to play a significant role in regulating industrial development by imposing business regulations. It also exercises significant control over the country's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

There can be no assurance that China's economic, political or legal systems will not develop in a way that becomes detrimental to our business, results of operations and financial condition. Our activities may be materially and adversely affected by changes in China's economic and social conditions and by changes in the policies of the government, such as measures to control inflation, changes in the rates or method of taxation and the imposition of additional restrictions on currency conversion.

Additional factors that we may experience in connection with having operations in China that may adversely affect our business and results of operations include:

- our inability to enforce or obtain a remedy under any material agreements;
- PRC restrictions on foreign investment that could impair our ability to conduct our business or acquire or contract with other entities in the future;
- restrictions on currency exchange that may limit our ability to use cash flow most effectively or to repatriate our investment;
- fluctuations in currency values;
- cultural, language and managerial differences that may reduce our overall performance; and
- political instability in China.

Cultural, language and managerial differences may adversely affect our overall performance.

We have experienced difficulties in assimilating cultural, language and managerial differences with our subsidiaries in China. Personnel issues have developed in consolidating management teams from different cultural backgrounds. In addition, language translation issues from time to time have caused miscommunications. These factors make the management of our operations in China more difficult. Difficulties in coordinating the efforts of our U.S.-based management team with our China-based management team may cause our business, operating results and financial condition to be materially and adversely affected.

We may not be able to enforce our rights in China given certain features of its legal and judicial system.

China's legal and judicial system may negatively impact foreign investors. The legal system in China is evolving rapidly, and enforcement of laws is inconsistent. It may be impossible to obtain swift and equitable enforcement of laws or enforcement of the judgment of one court by a court of another jurisdiction. China's legal system is based on civil law or written statutes and a decision by one judge does not set a legal precedent that must be followed by judges in other cases. In addition, the interpretation of Chinese laws may vary to reflect domestic political changes.

Since a portion of our operations are presently based in China, service of process on our business and officers may be difficult to effect within the United States. Also, some of our assets are located outside the United States and any judgment obtained in the United States against us may not be enforceable outside the United States.

There are substantial uncertainties regarding the interpretation and application to our business of PRC laws and regulations, since many of the rules and regulations that companies face in China are not made public. The effectiveness of newly enacted laws, regulations or amendments may be delayed, resulting in detrimental reliance by foreign investors. New laws and regulations that apply to future businesses may be applied retroactively to existing businesses. We cannot predict what effect the interpretations of existing or new PRC laws or regulations may have on our business.

Our operations in China are subject to government regulation that limit or prohibit direct foreign investment, which may limit our ability to control operations based in China.

The PRC government has imposed regulations in various industries, including medical research and the stem cell industry, that limit foreign investors' equity ownership or prohibit foreign investments altogether in companies that operate in such industries. We are currently structured as a U.S. corporation (Delaware) with subsidiaries and controlled entities in China. As a result of these regulations and the manner in which they may be applied or enforced, our ability to control our existing operations based in China may be limited or restricted.

If the relevant Chinese authorities find us or any business combination to be in violation of any laws or regulations, they would have broad discretion in dealing with such violation, including, without limitation: (i) levying fines; (ii) revoking our business and other licenses; (iii) requiring that we restructure our ownership or operations; and (iv) requiring that we discontinue any portion or all of our business.

We may suffer losses if we cannot utilize our assets in China.

The Company's Shanghai and Wuxi laboratory facilities were originally intended for stem cell research and development, but has been equipped to provide comprehensive cell manufacturing, collection, processing and storage capabilities to provide cells for clinical trials. The lease for this facility expires in 2015 and the Company is considering its options with respect to extending this lease to allow for manufacturing for clinical trials in Asia. If the Company does not determine to renew the lease due to limitations on its utility under the new regulatory initiatives in China or otherwise, the Company may incur certain expenses in connection with returning the premises to the landlord. Management believes it will be able to renew all leases without difficulty.

Restrictions on currency exchange may limit our ability to utilize our cash flow effectively.

Our interests in China will be subject to China's rules and regulations on currency conversion. In particular, the initial capitalization and operating expenses of the VIE (CBMG Shanghai) are funded by our WFOE, Cellular Biomedicine Group Ltd. (Wuxi). In China, the State Administration for Foreign Exchange (the "SAFE"), regulates the conversion of the Chinese Renminbi into foreign currencies and the conversion of foreign currencies into Chinese Renminbi. Currently, foreign investment enterprises are required to apply to the SAFE for Foreign Exchange Registration Certificates, or IC Cards of Enterprises with Foreign Investment. Foreign investment enterprises holding such registration certificates, which must be renewed annually, are allowed to open foreign currency accounts including a "basic account" and "capital account." Currency translation within the scope of the "basic account," such as remittance of foreign currencies for payment of dividends, can be effected without requiring the approval of the SAFE. However, conversion of currency in the "capital account," including capital items such as direct investments, loans, and securities, require approval of the SAFE. According to the *Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises* promulgated on August 29, 2008, or the SAFE Notice 142, to apply to a bank for settlement of foreign currency capital, a foreign invested enterprise shall submit the documents certifying the uses of the RMB funds from the settlement of foreign currency capital and a detailed checklist on use of the RMB funds from the last settlement of foreign currency capital. It is stipulated that only if the funds for the settlement of foreign currency capital are of an amount not more than US$50,000 and are to be used for enterprise reserve, the above documents may be exempted by the bank. This SAFE Notice 142, along with the recent practice of Chinese banks of restricting foreign currency conversion for fear of "hot money" going into China, limits and may continue to limit our ability to channel funds to the VIE entities for their operation. There can be no assurance that the PRC regulatory authorities will not impose further restrictions on the convertibility of the Chinese currency. Future restrictions on currency exchanges may limit our ability to use our cash flow for the distribution of dividends to our stockholders or to fund operations we may have outside of China, which could materially adversely affect our business and operating results.

Fluctuations in the value of the Renminbi relative to the U.S. dollar could affect our operating results.

We prepare our financial statements in U.S. dollars, while our underlying businesses operate in two currencies, U.S. dollars and Chinese Renminbi. It is anticipated that our Chinese operations will conduct their operations primarily in Renminbi and our U.S. operations will conduct their operations in dollars. At the present time, we do not expect to have significant cross currency transactions that will be at risk to foreign currency exchange rates. Nevertheless, the conversion of financial information using a functional currency of Renminbi will be subject to risks related to foreign currency exchange rate fluctuations. The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions and supply and demand in local markets. As we have significant operations in China, and will rely principally on revenues earned in China, any significant revaluation of the Renminbi could materially and adversely affect our financial results. For example, to the extent that we need to convert U.S. dollars we receive from an offering of our securities into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar could have a material adverse effect on our business, financial condition and results of operations.

CFDA's regulations may limit our ability to develop, license, manufacture and market our products and services.

Some or all of our operations in China will be subject to oversight and regulation by the CFDA and MOH. Government regulations, among other things, cover the inspection of and controls over testing, manufacturing, safety and environmental considerations, efficacy, labeling, advertising, promotion, record keeping and sale and distribution of pharmaceutical products. Such government regulations may increase our costs and prevent or delay the licensing, manufacturing and marketing of any of our products or services. In the event we seek to license, manufacture, sell or distribute new products or services, we likely will need approvals from certain government agencies such as the future growth and profitability of any operations in China would be contingent on obtaining the requisite approvals. There can be no assurance that we will obtain such approvals.

In 2004, the CFDA implemented new guidelines for the licensing of pharmaceutical products. All existing manufacturers with licenses were required to apply for the Good Manufacturing Practices ("cGMP") certifications. According to *Good Manufacturing Practices for Pharmaceutical Products (revised edition 2010)* , or the New GMP Rules promulgated by the Ministry of Health of the PRC on January 17, 2011 which became effective on March 1, 2011, all the newly constructed manufacturing facilities of drug manufacture enterprises in China shall comply with the requirements of the New GMP Rules, which are stricter than the original GMP standards.

In addition, delays, product recalls or failures to receive approval may be encountered based upon additional government regulation, legislative changes, administrative action or changes in governmental policy and interpretation applicable to the Chinese pharmaceutical industry. Our pharmaceutical activities also may subject us to government regulations with respect to product prices and other marketing and promotional related activities. Government regulations may substantially increase our costs for developing, licensing, manufacturing and marketing any products or services, which could have a material adverse effect on our business, operating results and financial condition.

The CFDA and other regulatory authorities in China have implemented a series of new punitive and stringent measures regarding the pharmaceuticals industry to redress certain past misconducts in the industry and certain deficiencies in public health reform policies. Given the nature and extent of such new enforcement measures, the aggressive manner in which such enforcement is being conducted and the fact that newly-constituted local level branches are encouraged to issue such punishments and fines, there is the possibility of large scale and significant penalties being levied on manufacturers. These new measures may include fines, restriction and suspension of operations and marketing and other unspecified penalties. This new regulatory environment has added significantly to the risks of our businesses in China and may have a material adverse effect on our business, operating results and financial condition.

Some of the laws and regulations governing our business in China are vague and subject to risks of interpretation.

Some of the PRC laws and regulations governing our business operations in China are vague and their official interpretation and enforcement may involve substantial uncertainty. These include, but are not limited to, laws and regulations governing our business and the enforcement and performance of our contractual arrangements in the event of the imposition of statutory liens, death, bankruptcy and criminal proceedings. Despite their uncertainty, we will be required to comply.

New laws and regulations that affect existing and proposed businesses may be applied retroactively. Accordingly, the effectiveness of newly enacted laws, regulations or amendments may not be clear. We cannot predict what effect the interpretation of existing or new PRC laws or regulations may have on our business.

In addition, pursuant to China's Administrative Measures on the Foreign Investment in Commercial Sector, foreign enterprises are permitted to establish or invest in wholly foreign-owned enterprises or joint ventures that engage in wholesale or retail sales of pharmaceuticals in China subject to the implementation of relevant regulations. However, no specific regulations in this regard have been promulgated to date, which creates uncertainty. If specific regulations are not promulgated, or if any promulgated regulations contain clauses that cause an adverse impact to our operations in China, then our business, operating results and financial condition could be materially and adversely affected.

The laws and regulations governing the therapeutic use of stem cells in China are evolving. New PRC laws and regulations may impose conditions or requirements which could materially and adversely affect our business.

As the cell therapy industry is at an early stage of development in China, new laws and regulations may be adopted in the future to address new issues that arise from time to time. As a result, substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to the cell therapy industry. There is no way to predict the content or scope of future Chinese regulation. There can be no assurance that the PRC government authorities will not issue new laws or regulations that impose conditions or requirements with which we cannot comply. Noncompliance could materially and adversely affect our business, results of operations and financial condition.

The PRC government does not permit direct foreign investment in stem cell research and development businesses. Accordingly, we operate these businesses through local companies with which we have contractual relationships but in which we do not have direct equity ownership.

PRC regulations prevent foreign companies from directly engaging in stem cell-related research, development and commercial applications in China. Therefore, to perform these activities, we conduct much of our biomedicine business operations in China through a domestic variable interest entity, or VIE, a Chinese domestic company controlled by the Chinese employees of the Company. Our contractual arrangements may not be as effective in providing control over these entities as direct ownership. For example, the VIE could fail to take actions required for our business or fail to conduct business in the manner we desire despite their contractual obligation to do so. These companies are able to transact business with parties not affiliated with us. If these companies fail to perform under their agreements with us, we may have to rely on legal remedies under PRC law, which may not be effective. In addition, we cannot be certain that the individual equity owners of the VIE would always act in our best interests, especially if they have no other relationship with us.

Although other foreign companies have used VIE structures similar to ours and such arrangements are not uncommon in connection with business operations of foreign companies in China in industry sectors in which foreign direct investments are limited or prohibited, recently there has been greater scrutiny by the business community of the VIE structure and, additionally, the application of a VIE structure to control companies in a sector in which foreign direct investment is specifically prohibited carries increased risks.

In addition, the Ministry of Commerce ("MOFCOM"), promulgated the *Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* in August 2011, or the MOFCOM Security Review Rules, to implement the *Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* promulgated on February 3, 2011, or Circular No. 6. The MOFCOM Security Review Rules came into effect on September 1, 2011 and replaced the *Interim Provisions of the Ministry of Commerce on Matters Relating to the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* promulgated by MOFCOM in March 2011. According to these circulars and rules, a security review is required for mergers and acquisitions by foreign investors having *"national defense and security"* concerns and mergers and acquisitions by which foreign investors may acquire the *"de facto control"* of domestic enterprises having *"national security"* concerns. In addition, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review, the MOFCOM will look into the substance and actual impact of the transaction. The MOFCOM Security Review Rules further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that our business falls into the scope subject to the security review, and there is no requirement for foreign investors in those mergers and acquisitions transactions already completed prior to the promulgation of Circular No. 6 to submit such transactions to MOFCOM for security review. The enactment of the MOFCOM National Security Review Rules specifically prohibits circumvention of the rules through VIE arrangement in the area of foreign investment in business of national security concern. Although we believe that our business, judging from its scale, should not cause any concern for national security review at its current state, there is no assurance that MOFCOM would not apply the same concept of anti-circumvention in the future to foreign investment in prohibited areas through VIE structure, the same way that our investment in China was structured.

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.

Failure to comply with the U.S. Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

We are subject to the U.S. Foreign Corrupt Practices Act, which generally prohibits U.S. companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Foreign companies, including some that may compete with us, are not subject to these prohibitions. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices occur from time-to-time in the PRC. There can be no assurance, however, that our employees or other agents will not engage in such conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

If we make equity compensation grants to persons who are PRC citizens, they may be required to register with SAFE. We may also face regulatory uncertainties that could restrict our ability to adopt equity compensation plans for our directors and employees and other parties under PRC laws.

On April 6, 2007, SAFE issued the "Operating Procedures for Administration of Domestic Individuals Participating in the Employee Stock Ownership Plan or Stock Option Plan of An Overseas Listed Company, also known as "Circular 78." It is not clear whether Circular 78 covers all forms of equity compensation plans or only those which provide for the granting of stock options. For any plans which are so covered and are adopted by a non-PRC listed company, such as our company, after April 6, 2007, Circular 78 requires all participants who are PRC citizens to register with and obtain approvals from SAFE prior to their participation in the plan. In addition, Circular 78 also requires PRC citizens to register with SAFE and make the necessary applications and filings if they participated in an overseas listed company's covered equity compensation plan prior to April 6, 2007. We believe that the registration and approval requirements contemplated in Circular 78 will be burdensome and time consuming.

If it is determined that any of our equity compensation plans are subject to Circular 78, failure to comply with such provisions may subject us and participants of our equity incentive plan who are PRC citizens to fines and legal sanctions and may possibly prevent us from being able to grant equity compensation to our PRC employees. In that case, our ability to compensate our employees and directors through equity compensation would be hindered and our business operations may be adversely affected.

The labor contract law and its implementation regulations may increase our operating expenses and may materially and adversely affect our business, financial condition and results of operations.

As the PRC Labor Contract Law, or Labor Contract Law, and the Implementation Regulation for the PRC Labor Contract Law, or Implementation Regulation, have been enforced for only a relatively short period of time, substantial uncertainty remains as to its potential impact on our business, financial condition and results of operations. The implementation of the Labor Contract Law and the Implementation Regulation may increase our operating expenses, in particular our human resources costs and our administrative expenses. In addition, as the interpretation and implementation of these regulations are still evolving, we cannot assure you that our employment practices will at all times be deemed to be in full compliance with the law. In the event that we decide to significantly modify our employment or labor policy or practice, or reduce the number of our sales professionals, the labor contract law may limit our ability to effectuate the modifications or changes in the manner that we believe to be most cost-efficient or otherwise desirable, which could materially and adversely affect our business, financial condition and results of operations. If we are subject to severe penalties or incur significant liabilities in connection with labor disputes or investigations, our business and results of operations may be adversely affected. In the event that we decide to significantly modify our employment or labor policy or practice, or reduce our professional staff, the labor contract law may limit our ability to effectuate the modifications or changes in the manner that we believe to be most cost-efficient or otherwise desirable, which could materially and adversely affect our business, financial condition and results of operations.

If relations between the United States and China worsen, our stock price may decrease and we may have difficulty accessing the U.S. capital markets.

At various times during recent years, the United States and China have had disagreements over trade, economic and other policy issues. Controversies may arise in the future between these two countries. Any political or trade controversies between the United States and China could adversely affect the market price of our common stock and our and our clients' ability to access U.S. capital markets.

PRC regulations of loans to PRC entities and direct investment in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiary.

We may transfer funds to our PRC subsidiary or finance our PRC subsidiary by means of shareholder loans or capital contributions upon completion of this offering. Any loans from us to our PRC subsidiary, which is a foreign-invested enterprise, cannot exceed statutory limits based on the difference between the registered capital and the investment amount of such subsidiary, and shall be registered with the State Administration of Foreign Exchange, or SAFE, or its local counterparts. Any capital contributions we make to our PRC subsidiary shall be approved by the Ministry of Commerce or its local counterparts. We may not be able to obtain these government registrations or approvals on a timely basis, if at all. If we fail to receive such registrations or approvals, our ability to provide loans or capital contributions to our PRC subsidiary in a timely manner may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

In addition, registered capital of a foreign-invested company settled in RMB converted from foreign currencies may only be used within the business scope approved by the applicable governmental authority and may not be used for equity investments in China. Foreign-invested companies may not change how they use such capital without SAFE's approval, and may not in any case use such capital to repay RMB loans if proceeds of such loans have not been utilized. Violations of these regulations may result in severe penalties. See "PRC Regulation—Regulations on Foreign Exchange." Also, the Circular on Issuers concerning Strengthening the Administration of Foreign Exchange Business, which was promulgated by SAFE in 2010, requires banks and local counterparts of SAFE to examine closely the authenticity of the settlement of net proceeds from offshore offerings and whether the net proceeds are settled in the manner described in offering documents. These regulations may significantly limit our ability to transfer the net proceeds from this offering and subsequent offerings or financings to our PRC subsidiary, which may adversely affect our liquidity and our ability to fund and expand our business in China.

We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiary and our PRC subsidiary's ability to distribute profits to us, if our PRC resident shareholders beneficial owners fail to comply with relevant PRC foreign exchange rules.

The Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Offshore Special Purpose Vehicles, often known as Circular 75, was issued by SAFE in 2005. Circular 75 requires PRC residents to register with the local SAFE branch in connection with their establishment or control of any offshore special purpose vehicle for the purpose of overseas equity financing involving a roundtrip investment whereby the offshore special purpose vehicle acquires or controls onshore assets or equity interests held by the PRC residents. In addition, such PRC residents must update their SAFE registrations when the offshore special purpose vehicle undergoes material events, including events relating to increases or decreases in investment amount, transfers or exchanges of shares, mergers or divisions, long-term equity or debt investments or external guarantees. Subsequent regulations further clarified that PRC subsidiaries of an offshore company governed by the SAFE regulations are required to coordinate and supervise the completion of the SAFE registrations in a timely manner by the offshore holding company's shareholders who are PRC residents. If these shareholders fail to comply, the PRC subsidiaries are required to report to the local SAFE branches and may be prohibited from making any distributions to the offshore special purpose company, and the offshore special purpose company may also be prohibited from making additional capital contribution to its subsidiaries in China.

We cannot provide any assurance that all of our shareholders and beneficial owners who are PRC residents have fully complied or will obtain or update any applicable registrations or have fully complied or will fully comply with other requirements required by Circular 75 or other related rules in a timely manner. For example, some of our PRC resident employees who participated in our 2011 Share Incentive Plan have excised their options. These shareholders have not completed their registration with SAFE or its local branch together with our PRC resident employees who participate in our share incentive plans. However, if SAFE or its local branch determine that the registrations under Circular 75 are necessary for these PRC resident shareholders, we cannot assure you that these PRC resident shareholders will successfully obtain SAFE registrations under Circular 75. The failure or inability of such individuals to comply with the registration requirement may subject us to fines or legal sanctions, restrictions on our cross-border investment activities or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

We and/or our Hong Kong subsidiary may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-PRC shareholders and have a material adverse effect on our results of operations and the value of your investment.

The Enterprise Income Tax Law provides that an enterprise established outside China whose "de facto management body" is located in China is considered a "PRC resident enterprise" and will generally be subject to the uniform 25% enterprise income tax on its global income. Under the implementation rules of the Enterprise Income Tax Law, "de facto management body" is defined as the organizational body which effectively manages and controls the production and business operation, personnel, accounting, properties and other aspects of operations of an enterprise."

Pursuant to the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, issued by the State Administration of Taxation in 2009, a foreign enterprise controlled by PRC enterprises or PRC enterprise groups is considered a PRC resident enterprise if all of the following conditions are met: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within the PRC. Although the notice states that these standards only apply to offshore enterprises that are controlled by PRC enterprises or PRC enterprise groups, such standards may reflect the general view of the State Administration of Taxation in determining the tax residence of foreign enterprises.

We believe that neither our company nor our Hong Kong subsidiary is a PRC resident enterprise because neither our company nor our Hong Kong subsidiary meets all of the conditions enumerated. For example, board and shareholders' resolutions of our company and our Hong Kong subsidiary are adopted in Hong Kong and the minutes and related files are kept in Hong Kong. However, if the PRC tax authorities were to disagree with our position, our company and/or our Hong Kong subsidiary may be subject to PRC enterprise income tax reporting obligations and to a 25% enterprise income tax on our global taxable income, except for our income from dividends received from our PRC subsidiary, which may be exempt from PRC tax. If we and/or our Hong Kong subsidiary are treated as a PRC resident enterprise, the 25% enterprise income tax may adversely affect our ability to satisfy any of our cash needs.

In addition, if we were to be classified as a PRC "resident enterprise" for PRC enterprise income tax purpose, dividends we pay to our non-PRC enterprise shareholders and gains derived by our non-PRC shareholders from the sale of our shares and ADSs may be become subject to a 10% PRC withholding tax. In addition, future guidance may extend the withholding tax to dividends we pay to our non-PRC individual shareholders and gains derived by such shareholders from transferring our shares and ADSs. In addition to the uncertainty in how the new "resident enterprise" classification could apply, it is also possible that the rules may change in the future, possibly with retroactive effect. If PRC income tax were imposed on gains realized through the transfer of our ADSs or ordinary shares or on dividends paid to our non-resident shareholders, the value of your investment in our ADSs or ordinary shares may be materially and adversely affected.

Any limitation on the ability of our PRC subsidiary to make payments to us, or the tax implications of making payments to us, could have a material adverse effect on our ability to conduct our business or our financial condition.

We are a holding company, and we rely principally on dividends and other distributions from our PRC subsidiary for our cash needs, including the funds necessary to pay dividends to our shareholders or service any debt we may incur. Current PRC regulations permit our PRC subsidiary to pay dividends only out of its accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiary is required to set aside at least 10% of its after tax profits each year, if any, to fund certain statutory reserve funds until the aggregate amount of such reserve funds reaches 50% of its registered capital. Apart from these reserves, our PRC subsidiary may allocate a discretionary portion of its after-tax profits to staff welfare and bonus funds at its discretion. These reserves and funds are not distributable as cash dividends. Furthermore, if our PRC subsidiary incurs debt, the debt instruments may restrict its ability to pay dividends or make other payments to us. We cannot assure you that our PRC subsidiary will generate sufficient earnings and cash flows in the near future to pay dividends or otherwise distribute sufficient funds to enable us to meet our obligations, pay interest and expenses or declare dividends.

Distributions made by PRC companies to their offshore parents are generally subject to a 10% withholding tax under the Enterprise Income Tax Law. Pursuant to the Enterprise Income Tax Law and the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by our PRC subsidiary to our Hong Kong subsidiary would generally be reduced to 5%, provided that our Hong Kong subsidiary is the beneficial owner of the PRC sourced income. Our PRC subsidiary has not obtained approval for a withholding tax rate of 5% from the local tax authority and does not plan to obtain such approval in the near future as we have not achieved profitability. However, the Notice on How to Understand and Determine the Beneficial Owners in a Tax Agreement, also known as Circular 601, promulgated by the State Administration of Taxation in 2009, provides guidance for determining whether a resident of a contracting state is the "beneficial owner" of an item of income under China's tax treaties and similar arrangements. According to Circular 601, a beneficial owner generally must be engaged in substantive business activities. An agent or conduit company will not be regarded as a beneficial owner and, therefore, will not qualify for treaty benefits. For this purpose, a conduit company is a company that is set up for the purpose of avoiding or reducing taxes or transferring or accumulating profits. Although our PRC subsidiary is wholly owned by our Hong Kong subsidiary, we will not be able to enjoy the 5% withholding tax rate with respect to any dividends or distributions made by our PRC subsidiary to its parent company in Hong Kong if our Hong Kong subsidiary is regarded as a "conduit company."

In addition, if CBMG HK were deemed to be a PRC resident enterprise, then any dividends payable by CBMG HK to CBMG Delaware Corporation may become subject to PRC dividend withholding tax.

Restrictions on the remittance of RMB into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and the remittance of currency out of China. We receive substantially all of our revenues in RMB and substantially all of our cash inflows and outflows are denominated in RMB. Under our current corporate structure, our revenues are primarily derived from dividend payments from our subsidiary in China after it receives payments from the VIE under various service and other contractual arrangements. We may convert a portion of our revenues into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our ordinary shares, if any. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiary to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy its foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval as long as certain routine procedural requirements are fulfilled. Therefore, our PRC subsidiary is allowed to pay dividends in foreign currencies to us without prior SAFE approval by following certain routine procedural requirements. However, approval from or registration with competent government authorities is required where the RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including the U.S. shareholders.

Our financial condition and results of operations could be materially and adversely affected if recent value added tax reforms in the PRC become unfavorable to our PRC subsidiary or VIE.

In 2012, China introduced a value added tax, or VAT, to replace the previous 5% business tax. Our PRC subsidiary and the VIE have been subject to VAT at a base rate of 6% since September 1, 2012. The VIE's subsidiary has been subject to VAT at a base rate of 6% since July 1, 2013. The rules related to VAT are still evolving and the timing of the promulgation of the final tax rules or related interpretation is uncertain. Our financial condition and results of operations could be materially and adversely affected if the interpretation and enforcement of these tax rules become materially unfavorable to our PRC subsidiary and VIE.

Failure to comply with PRC regulations regarding the registration requirements for stock ownership plans or stock option plans may subject PRC plan participants or us to fines and other legal or administrative sanctions.

Under SAFE regulations, PRC residents who participate in an employee stock ownership plan or stock option plan in an overseas publicly listed company are required to register with SAFE or its local branch and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly listed company, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise or sale of stock options. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

We and our PRC resident employees who participate in our share incentive plans are subject to these regulations as our company is publicly listed in the United States. The Company and our PRC resident option grantees have yet to complete compliance with these regulations. We or our PRC resident option grantees may be subject to fines and other legal or administrative sanctions. See "PRC Regulation—Regulations on Employee Stock Options Plans."

Fluctuation in the value of the RMB may have a material adverse effect on the value of your investment.

The value of the RMB against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and China's foreign exchange policies, among other things. On July 21, 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the U.S. dollar, and the RMB appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. The PRC government has allowed the RMB to appreciate slowly against the U.S. dollar again, and it has appreciated more than 10% since June 2010. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future. In addition, there remains significant international pressure on the PRC government to adopt a substantial liberalization of its currency policy, which could result in further appreciation in the value of the RMB against the U.S. dollar. In 2015, due to the slow-down of China economic growth rate and environment, RMB depreciated against the U.S. dollar from third quarter. Recently, the RMB depreciated over 6% in the past 12 months.

Our revenues and costs are mostly denominated in RMB, and a significant portion of our financial assets are also denominated in RMB, whereas our reporting currency is the U.S. dollar. Any significant depreciation of the RMB may materially and adversely affect our revenues, earnings and financial position as reported in U.S. dollars. To the extent that we need to convert U.S. dollars we received from this offering into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert our RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us.

PRC laws and regulations establish more complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

A number of PRC laws and regulations, including the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors adopted by six PRC regulatory agencies in 2006, or the M&A Rules, the Anti-monopoly Law, and the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by the Ministry of Commerce in August 2011, or the Security Review Rules, have established procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time consuming and complex. These include requirements in some instances that the Ministry of Commerce be notified in advance of any change of control transaction in which a foreign investor takes control of a PRC domestic enterprise, or that the approval from the Ministry of Commerce be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review or security review.

The Security Review Rules were formulated to implement the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, also known as Circular 6, which was promulgated in 2011. Under these rules, a security review is required for mergers and acquisitions by foreign investors having "national defense and security" concerns and mergers and acquisitions by which foreign investors may acquire the "de facto control" of domestic enterprises have "national security" concerns. In addition, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review, the Ministry of Commerce will look into the substance and actual impact of the transaction. The Security Review Rules further prohibits foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions.

There is no requirement for foreign investors in those mergers and acquisitions transactions already completed prior to the promulgation of Circular 6 to submit such transactions to the Ministry of Commerce for security review. As we have already obtained the "de facto control" over our affiliated PRC entities prior to the effectiveness of these rules, we do not believe we are required to submit our existing contractual arrangements to the Ministry of Commerce for security review.

However, as these rules are relatively new and there is a lack of clear statutory interpretation on the implementation of the same, there is no assurance that the Ministry of Commerce will not apply these national security review-related rules to the acquisition of equity interest in our PRC subsidiary. If we are found to be in violation of the Security Review Rules and other PRC laws and regulations with respect to the merger and acquisition activities in China, or fail to obtain any of the required approvals, the relevant regulatory authorities would have broad discretion in dealing with such violation, including levying fines, confiscating our income, revoking our PRC subsidiary's business or operating licenses, requiring us to restructure or unwind the relevant ownership structure or operations. Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, financial condition and results of operations. Further, if the business of any target company that we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company either by equity or asset acquisition, capital contribution or through any contractual arrangement. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and any required approval processes, including approval from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or Circular 698, issued by the State Administration of Taxation in December 2009 with retroactive effect from January 1, 2008, where a non-PRC resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate of less than 12.5% or (ii) does not impose income tax on foreign income of its residents, the non-PRC resident enterprise, being the transferor, must report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

In 2011, the State Administration of Taxation released SAT Public Notice (2011) No. 24 to clarify several issues related to Circular 698. According to this notice, the term "effective tax" refers to the effective tax on the gain derived from disposition of the equity interests of an overseas holding company, and the term "does not impose income tax" refers to the cases where the gain derived from disposition of the equity interests of an overseas holding company is not subject to income tax in the jurisdiction where the overseas holding company is a resident.

There is uncertainty as to the application of Circular 698. For example, while the term "Indirect Transfer" is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or made any formal declaration as to the process and format for reporting an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. Circular 698 may be determined by the tax authorities to be applicable to previous investments by non-PRC resident investors in our company, if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our existing non-PRC resident investors may be at risk of being taxed under Circular 698 and may be required to expend valuable resources to comply with Circular 698 or to establish that we should not be taxed under Circular 698, which may have a material adverse effect on our financial condition and results of operations or such non-PRC resident investors' investments in us. We have conducted and may conduct acquisitions involving corporate structures, and historically our shares were transferred by certain then shareholders to our current shareholders. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

We face certain risks relating to the real properties that we lease.

We primarily lease office and manufacturing space from third parties for our operations in China. Any defects in lessors' title to the leased properties may disrupt our use of our offices, which may in turn adversely affect our business operations. For example, certain buildings and the underlying land are not allowed to be used for industrial or commercial purposes without relevant authorities' approval, and the lease of such buildings to companies like us may subject the lessor to pay premium fees to the PRC government. We cannot assure you that the lessor has obtained all or any of approvals from the relevant governmental authorities. In addition, some of our lessors have not provided us with documentation evidencing their title to the relevant leased properties. We cannot assure you that title to these properties we currently lease will not be challenged. In addition, we have not registered any of our lease agreements with relevant PRC governmental authorities as required by PRC law, and although failure to do so does not in itself invalidate the leases, we may not be able to defend these leases against bona fide third parties.

As of the date of this prospectus, we are not aware of any actions, claims or investigations being contemplated by government authorities with respect to the defects in our leased real properties or any challenges by third parties to our use of these properties. However, if third parties who purport to be property owners or beneficiaries of the mortgaged properties challenge our right to use the leased properties, we may not be able to protect our leasehold interest and may be ordered to vacate the affected premises, which could in turn materially and adversely affect our business and operating results.

Our significant deposits in certain banks in China may be at risk if these banks go bankrupt or otherwise do not have the liquidity to pay us during our deposit period.

As of December 31, 2015, we had approximately $15 million in cash and bank deposits, such as time deposits, with large domestic banks in China. Our remaining cash, cash equivalents and short-term investments were held by financial institutions in the United States and Hong Kong. The terms of these deposits are, in general, up to twelve months. Historically, deposits in Chinese banks were viewed as secure due to the state policy on protecting depositors' interests. However, the new Bankruptcy Law that came into effect in 2007 contains an article expressly stating that the State Council may promulgate implementation measures for the bankruptcy of Chinese banks based on the Bankruptcy Law, so the law contemplates the possibility that a Chinese bank may go bankrupt. In addition, foreign banks have been gradually permitted to operate in China since China's accession to the World Trade Organization and have become strong competitors of Chinese banks in many respects, which may have increased the risk of bankruptcy or illiquidity for Chinese banks, including those in which we have deposits. In the event of bankruptcy or illiquidity of any one of the banks which holds our deposits, we are unlikely to claim our deposits back in full since we are unlikely to be classified as a secured creditor based on PRC laws.

Our auditor, like other independent registered public accounting firms operating in China, is not permitted to be subject to inspection by Public Company Accounting Oversight Board, and consequently investors may be deprived of the benefits of such inspection.

Our auditor, the independent registered public accounting firm that issued the audit reports included elsewhere in this prospectus, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and applicable professional standards. Our auditor is located in China and the PCAOB is currently unable to conduct inspections on auditors in China without the approval of the PRC authorities. Therefore, our auditor, like other independent registered public accounting firms operating in China, is currently not inspected by the PCAOB.

In May 2013, the PCAOB announced that it has entered into a Memorandum of Understanding (“MOU”) on Enforcement Cooperation with the China Securities Regulatory Commission (the “CSRC”) and the Ministry of Finance (the “MOF”). The MOU establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations in both countries’ respective jurisdictions. More specifically, it provides a mechanism for the parties to request and receive from each other assistance in obtaining documents and information in furtherance of their investigative duties. In addition to developing enforcement MOU, the PCAOB has been engaged in continuing discussions with the CSRC and MOF to permit joint inspections in China of audit firms that are registered with the PCAOB and audit Chinese companies that trade on U.S. exchanges.

Inspections of other firms that the PCAOB has conducted outside of China have identified deficiencies in those firms’ audit procedures and quality control procedures, and such deficiencies may be addressed as part of the inspection process to improve future audit quality. The inability of the PCAOB to conduct inspections of independent registered public accounting firms operating in China makes it more difficult to evaluate the effectiveness of our auditor’s audit procedures or quality control procedures, and to the extent that such inspections might have facilitated improvements in our auditor’s audit procedures and quality control procedures, investors may be deprived of such benefits.

RISKS RELATED TO OUR COMMON STOCK

If we fail to meet all applicable Nasdaq Global Market requirements and Nasdaq determines to delist our common stock, the delisting could adversely affect the market liquidity of our common stock, impair the value of your investment, adversely affect our ability to raise needed funds and subject us to additional trading restrictions and regulations.

On June 18, 2014, our common stock began trading on the Nasdaq Global Market. If we fail to satisfy the continued listing requirements of The NASDAQ Global Market, such as the corporate governance requirements or the minimum closing bid price requirement, The NASDAQ Stock Market (or NASDAQ) may take steps to de-list our common stock. Such a de-listing would likely have a negative effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so. In the event of a de-listing, we would take actions to restore our compliance with NASDAQ's listing requirements, but we can provide no assurance that any such action taken by us would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock, prevent our common stock from dropping below the NASDAQ minimum bid price requirement or prevent future non-compliance with NASDAQ's listing requirements.

If we fail to meet all applicable Nasdaq requirements and Nasdaq delists our securities from trading on its exchange, we expect our securities could be quoted on the Over-The-Counter Bulletin Board ("OTCBB") or the "pink sheets." If this were to occur, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;

- reduced liquidity for our securities;

- a determination that our common stock is "penny stock" which will require brokers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;

- a limited amount of news and analyst coverage; and

- a decreased ability to issue additional securities or obtain additional financing in the future.

Furthermore, The National Securities Markets Improvement Act of 1996 ("NSMIA"), which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to as "covered securities." Because our common stock is listed on Nasdaq, they are covered securities for the purpose of NSMIA. If our securities were no longer listed on Nasdaq and therefore not "covered securities", we would be subject to regulation in each state in which we offer our securities.

We do not intend to pay cash dividends .

We do not anticipate paying cash dividends on our common stock in the foreseeable future. We may not have sufficient funds to legally pay dividends. Even if funds are legally available to pay dividends, we may nevertheless decide in our sole discretion not to pay dividends. The declaration, payment and amount of any future dividends will be made at the discretion of the board of directors, and will depend upon, among other things, the results of our operations, cash flows and financial condition, operating and capital requirements, and other factors our board of directors may consider relevant. There is no assurance that we will pay any dividends in the future, and, if dividends are declared, there is no assurance with respect to the amount of any such dividend.

Our operating history and lack of profits could lead to wide fluctuations in our share price. The market price for our common shares is particularly volatile given our status as a relatively unknown company with a small and thinly traded public float.

The market for our common shares is characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will continue to be more volatile than a seasoned issuer for the indefinite future. The volatility in our share price is attributable to a number of factors. First, as noted above, our common shares are sporadically and thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our stockholders may disproportionately influence the price of those shares in either direction. The price for our shares could, for example, decline precipitously in the event that a large number of our common shares are sold on the market without commensurate demand, as compared to a seasoned issuer which could better absorb those sales without adverse impact on its share price. Secondly, we are a speculative or "risky" investment due to our limited operating history and lack of profits to date. As a consequence of this enhanced risk, more risk-adverse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a seasoned issuer. Many of these factors are beyond our control and may decrease the market price of our common shares, regardless of our operating performance. We cannot make any predictions or projections as to what the prevailing market price for our common shares will be at any time, including as to whether our common shares will sustain their current market prices, or as to what effect that the sale of shares or the availability of common shares for sale at any time will have on the prevailing market price.

ITEM 2. PROPERTIES.

Our corporate headquarters are located at 19925 Stevens Creek Blvd., Suite 100, Cupertino, California. We currently pay rent in the amount of $1,270 per month on a month-to-month basis.

In addition, we lease an aggregate of approximately 46,000 square feet of space to house our administration, research and manufacturing facilities in Maryland, US, Wuxi, Beijing and Shanghai, China, and pay rent of approximately USD $74,000 per month for these facilities. We intend to expand our GMP facility in Wuxi in 2016 with an aggregate 22,862 square feet of space, annual rental cost is expected to be raised by $78,000.

ITEM 3. 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 has been set for April 20, 2016. Discovery will be stayed pending a decision on the motion to dismiss.

The amended complaint names ten additional individuals and entities as defendants ("additional defendants"), none of whom are affiliated with the Company, and asserts an additional claim under Section 10(b) and Rule 10b-5(a) and (c) thereunder that the Company purportedly engaged in a scheme with the additional defendants to promote its securities. The amended complaint does not assert any claims against Mr. Liu.

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.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is quoted on the Nasdaq Global Market under the symbol "CBMG." Our stock was formerly quoted under the symbol “EBIG.”

As of February 29, 2016, there were 11,983,688 shares of common stock of the Company outstanding and there were approximately 1,700 stockholders of record of the Company's common stock.

The following table sets forth for the periods indicated the high and low bid quotations for the Company's common stock. These quotations represent inter-dealer quotations, without adjustment for retail markup, markdown or commission and may not represent actual transactions.

	High	Low
Fiscal Year 2015		
First Quarter (January – March 2015)	$ 49.00	$ 12.93
Second Quarter (April – June 2015)	$ 41.73	$ 21.41
Third Quarter (July – September 2015)	$ 38.74	$ 16.00
Fourth Quarter (October – December 2015)	$ 25.20	$ 15.90
Fiscal Year 2014		
First Quarter (January – March 2014)	$ 5.59	$ 5.00
Second Quarter (April – June 2014)	$ 15.25	$ 4.51
Third Quarter (July – September 2014)	$ 35.45	$ 14.27
Fourth Quarter (October – December 2014)	$ 19.20	$ 11.52

Effective January 18, 2013, the Company completed its reincorporation from the State of Arizona to the State of Delaware (the “Reincorporation”). In connection with the Reincorporation, shares of the former Arizona entity were exchanged into shares of the Delaware entity at a ratio of 100 Arizona shares for each 1 Delaware share, resulting in the same effect as a 1:100 reverse stock split. The Reincorporation became effective on January 31, 2013. Please refer to the Current Report on Form 8-K, filed by the Company on January 25, 2013. All values have been retroactively adjusted.

Dividends

We did not declare any cash dividends for the years ended December 31, 2015, 2014 and 2013. Our Board of Directors does not intend to declare any dividends in the near future. The declaration, payment and amount of any future dividends will be made at the discretion of the Board of Directors, and will depend upon, among other things, the results of our operations, cash flows and financial condition, operating and capital requirements, and other factors as the Board of Directors considers relevant. There is no assurance that future dividends will be paid, and if dividends are paid, there is no assurance with respect to the amount of any such dividend.

Equity Compensation Plans

2009 Stock Option Plan

During the first quarter of 2009, the Company's Board of Directors approved and adopted the 2009 Stock Option Plan (the "Plan") and designated 100,000 of its common stock for issuance under the Plan to employees, directors or consultants for the Company through either the issuance of shares or stock option grants. Under the terms of the Plan, stock option grants shall be made with exercise prices not less than 100% of the fair market value of the shares of common stock on the grant date. There are 4,593 shares available for issuance under this plan as of December 31, 2015.

2011 Incentive Stock Option Plan (as amended)

During the last quarter of 2011, the Company's Board of Directors approved and adopted the 2011 Incentive Plan (the "2011 Plan") and designated 300,000 of its no par common stock for issuance under the 2011 Plan to employees, directors or consultants for the Company through either the issuance of shares or stock option grants. Under the terms of the 2011 Plan, stock option grants were authorized to be made with exercise prices not less than 100% of the fair market value of the shares of common stock on the grant date. On November 30, 2012, the Company's Board of Directors approved the Amended and Restated 2011 Incentive Stock Option Plan (the "Restated Plan"), which amended and restated the 2011 Plan to provide for the issuance of up to 780,000 (increasing up to 1% per year) shares of common stock. The Restated Plan was approved by our stockholders on January 17, 2013. There are 4,831 shares available for issuance under this plan as of December 31, 2015.

2013 Stock Incentive Plan

On August 29, 2013, the Company's Board of Directors adopted the Cellular Biomedicine Group, Inc. 2013 Stock Incentive Plan (the "2013 Plan") to attract and retain the best available personnel, to provide additional incentive to Employees, Directors and Consultants and to promote the success of the Company's business. The 2013 Plan was approved by our stockholders on December 9, 2013. There are 2,500 shares available for issuance under this plan as of December 31, 2015.

The following summary describes the material features of the 2013 Plan. The summary, however, does not purport to be a complete description of all the provisions of the 2013 Plan. The following description is qualified in its entirety by reference to the Plan.

Description of the 2013 Plan

The purpose of the 2013 Plan is to attract and retain the best available personnel, to provide additional incentive to employees, directors and consultants and to promote the success of the Company's business. The Company has reserved up to one million (1,000,000) of the authorized but unissued or reacquired shares of common stock of the Company. The Board or its appointed administrator has the power and authority to grant awards and act as administrator thereunder to establish the grant terms, including the grant price, vesting period and exercise date.

Each sale or award of shares under the 2013 Plan is made pursuant to the terms and conditions provided for in an award agreement (an " Award Agreement") entered into by the Company and the individual recipient. The number of shares covered by each outstanding Award Agreement shall be proportionately adjusted for (a) any increase or decrease in the number of issued shares of common stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the common stock, or similar transaction affecting the common stock or (b) any other increase or decrease in the number of issued shares of common stock effected without receipt of consideration by the Company.

Under the 2013 Plan, the Board or its administrator have the authority to: (i) to select the employees, directors and consultants to whom awards may be granted from time to time hereunder; (ii) to determine whether and to what extent awards are granted; (iii) to determine the number of shares or the amount of other consideration to be covered by each award granted; (iv) to approve forms of Award Agreements for use under the 2013 Plan; (v) to determine the terms and conditions of any award granted; (vi) to establish additional terms, conditions, rules or procedures to accommodate the rules or laws of applicable foreign jurisdictions and to afford grantees favorable treatment under such rules or laws; provided, however, that no award shall be granted under any such additional terms, conditions, rules or procedures with terms or conditions which are inconsistent with the provisions of the 2013 Plan; (vii) to amend the terms of any outstanding award granted under the 2013 Plan, provided that any amendment that would adversely affect the grantee's rights under an outstanding award shall not be made without the grantee's written consent; (viii) to construe and interpret the terms of the 2013 Plan and awards, including without limitation, any notice of award or Award Agreement, granted pursuant to the 2013 Plan; (ix) to take such other action, not inconsistent with the terms of the 2013 Plan, as the administrator deems appropriate.

The awards under the 2013 Plan other than Incentive Stock Options ("ISOs") may be granted to employees, directors and consultants. ISOs may be granted only to Employees of the Company, a parent or a subsidiary. An employee, director or consultant who has been granted an award may, if otherwise eligible, be granted additional awards. Awards may be granted to such employees, directors or consultants who are residing in foreign jurisdictions as the administrator may determine from time to time. Options granted under the 2013 Plan will be subject to the terms and conditions established by the administrator. Under the terms of the 2013 Plan, the exercise price of the options will not be less than the fair market value (as determined under the 2013 Plan) of our common stock at the time of grant. Options granted under the 2013 Plan will be subject to such terms, including the exercise price and the conditions and timing of exercise, as may be determined by the administrator and specified in the applicable award agreement. The maximum term of an option granted under the 2013 Plan will be ten years from the date of grant. Payment in respect of the exercise of an option may be made in cash, by certified or official bank check, by money order or with shares, pursuant to a "cashless" or "net issue" exercise, by a combination thereof, or by such other method as the administrator may determine to be appropriate and has been included in the terms of the option.

The 2013 Plan may be amended, suspended or terminated by the Board, or an administrator appointed by the Board, at any time and for any reason.

2014 Stock Incentive Plan

On September 22, 2014, the Company's Board of Directors adopted the Cellular Biomedicine Group, Inc. 2014 Stock Incentive Plan (the "2014 Plan") covering 1.2 million shares to attract and retain the best available personnel, to provide additional incentive to Employees, Directors and Consultants and to promote the success of the Company's business. The 2014 Plan was approved by our stockholders on November 7, 2014. There are 486,571 shares available for issuance under this plan as of December 31, 2015.

The following summary describes the material features of the 2014 Plan. The summary, however, does not purport to be a complete description of all the provisions of the 2014 Plan. The following description is qualified in its entirety by reference to the Plan.

Description of the 2014 Plan

The purpose of the 2014 Plan is to attract and retain the best available personnel, to provide additional incentive to employees, directors and consultants and to promote the success of the Company's business. The Company has reserved up to 1.2 million (1,200,000) of the authorized but unissued or reacquired shares of common stock of the Company. The Board or its appointed administrator has the power and authority to grant awards and act as administrator thereunder to establish the grant terms, including the grant price, vesting period and exercise date.

Each sale or award of shares under the 2014 Plan is made pursuant to the terms and conditions provided for in an award agreement (an " Award Agreement") entered into by the Company and the individual recipient. The number of shares covered by each outstanding Award Agreement shall be proportionately adjusted for (a) any increase or decrease in the number of issued shares of common stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the common stock, or similar transaction affecting the common stock or (b) any other increase or decrease in the number of issued shares of common stock effected without receipt of consideration by the Company.

Under the 2014 Plan, the Board or its administrator have the authority to: (i) to select the employees, directors and consultants to whom awards may be granted from time to time hereunder; (ii) to determine whether and to what extent awards are granted; (iii) to determine the number of shares or the amount of other consideration to be covered by each award granted; (iv) to approve forms of Award Agreements for use under the 2014 Plan; (v) to determine the terms and conditions of any award granted; (vi) to establish additional terms, conditions, rules or procedures to accommodate the rules or laws of applicable foreign jurisdictions and to afford grantees favorable treatment under such rules or laws; provided, however, that no award shall be granted under any such additional terms, conditions, rules or procedures with terms or conditions which are inconsistent with the provisions of the 2014 Plan; (vii) to amend the terms of any outstanding award granted under the 2014 Plan, provided that any amendment that would adversely affect the grantee's rights under an outstanding award shall not be made without the grantee's written consent; (viii) to construe and interpret the terms of the 2014 Plan and awards, including without limitation, any notice of award or Award Agreement, granted pursuant to the 2014 Plan; (ix) to take such other action, not inconsistent with the terms of the 2014 Plan, as the administrator deems appropriate.

The awards under the 2014 Plan other than Incentive Stock Options ("ISOs") may be granted to employees, directors and consultants. ISOs may be granted only to Employees of the Company, a parent or a subsidiary. An employee, director or consultant who has been granted an award may, if otherwise eligible, be granted additional awards. Awards may be granted to such employees, directors or consultants who are residing in foreign jurisdictions as the administrator may determine from time to time. Options granted under the 2014 Plan will be subject to the terms and conditions established by the administrator. Under the terms of the 2014 Plan, the exercise price of the options will not be less than the fair market value (as determined under the 2013 Plan) of our common stock at the time of grant. Options granted under the 2014 Plan will be subject to such terms, including the exercise price and the conditions and timing of exercise, as may be determined by the administrator and specified in the applicable award agreement. The maximum term of an option granted under the 2014 Plan will be ten years from the date of grant. Payment in respect of the exercise of an option may be made in cash, by certified or official bank check, by money order or with shares, pursuant to a "cashless" or "net issue" exercise, by a combination thereof, or by such other method as the administrator may determine to be appropriate and has been included in the terms of the option.

The 2014 Plan may be amended, suspended or terminated by the Board, or an administrator appointed by the Board, at any time and for any reason.

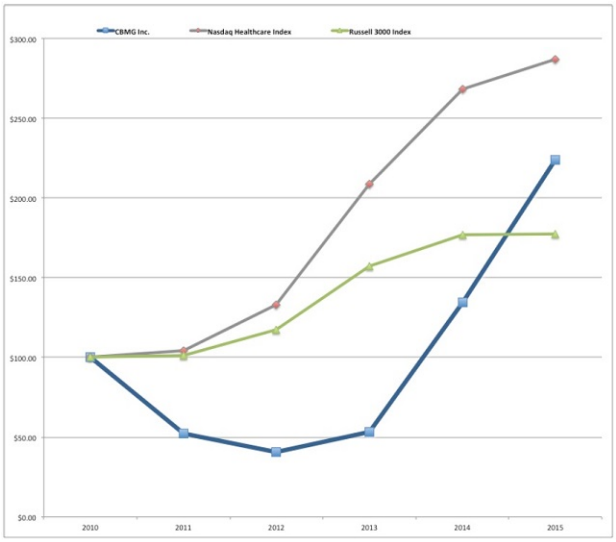
All Equity Compensation Plans

The following table presents securities authorized for issuance under the Company's equity compensation plans, as of December 31, 2015:

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (#)	Weighted-average exercise price of outstanding options, warrants and rights ($)	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by stockholders	2,030,648	$ 11.94	498,495
Equity compensation plans not approved by stockholders	-	-	-
Total	2,030,648	$ 11.94	498,495

Stock Performance Graph

The line graph that follows compares the cumulative total stockholder return on our shares of common stock with the cumulative total return of the Nasdaq Healthcare Index and the Russell 3000 Index Index for the five years ended December 31 2015. The graph and table assume that $100 was invested on the last day of trading for the fiscal year 2010 in each of our shares of common stock, the Nasdaq Healthcare Index, and the Russell 3000 Index, and that no CBMG dividends were paid. Cumulative total stockholder returns for our shares of common stock, Nasdaq Healthcare Index, and the Russell 3000 Index are based on our fiscal year, which is the same as the calendar year.



	2010	2011	2012	2013	2014	2015
CBMG Inc.	$ 100.00	$ 52.08	$ 40.63	$ 53.13	$ 134.48	$ 223.85
Nasdaq Healthcare Index (^IXHC)	$ 100.00	$ 104.51	$ 132.98	$ 208.83	$ 268.28	$ 286.68
Russell 3000 Index (RUA)	$ 100.00	$ 101.03	$ 117.61	$ 157.07	$ 176.79	$ 177.64
				1	2	3

Notes
1. CBMG merged with Eastbridge Investment Group Corp. (OTCQB: EBIG), a consulting company on February 6, 2013. Trading symbol changed to CBMG on March 5, 2013
2. CBMG uplisted from OTCQB to Nasdaq on June 26, 2014
3. CBMG included as part of the Russell 3000 index on June 16, 2015

Transfer Agent

The Company's transfer agent and Registrar for the common stock is Corporate Stock Transfer, Inc. located in Denver, Colorado.

Recent Sales of Unregistered Securities

All unregistered sales and issuances of equity securities for the year ended December 31, 2015 were previously disclosed in a Form 8-K or Form 10-Q filed with the SEC.

ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth certain of our selected consolidated financial data as of the dates and for the years indicated. Historical results are not necessarily indicative of the results to be expected for any future period.

The following selected consolidated financial information was derived from our fiscal year end consolidated financial statements. The following information should be read in conjunction with those statements and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." and Form 8-K/A filed on December 6, 2013. Our summary consolidated statement of operations and comprehensive loss data for the fiscal years ended December 31, 2013, 2014 and 2015 and our summary consolidated balance sheet data as of December 31, 2014 and 2015, as set forth below, are derived from, and are qualified in their entirety by reference to, our audited consolidated financial statements, including the notes thereto, which are included in this Annual Report. The summary balance sheet data as of December 31, 2013, set forth below are derived from our audited consolidated financial statements which are not included herein. .Our summary unaudited consolidated statement of operations and comprehensive loss data for the fiscal years ended December 31, 2012 and 2011 and our summary consolidated balance sheet data as of December 31, 2012 and 2011, as set forth below, are derived from Form 8-K/A filed on December 6, 2013.

Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.

CELLULAR BIOMEDICINE GROUP, INC.
CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS

	For the Year Ended December 31,				
	2015	2014	2013	2012	2011
Summary Consolidated statement of operations and comprehensive loss data:					
Net sales and revenue	$ 2,505,423	$ 564,377	$ 204,914	$ 273,620	$ 198,489
Operating expenses:					
Cost of sales	1,880,331	242,215	296,212	194,264	99,694
General and administrative	13,068,255	7,875,413	9,162,172	3,455,444	1,282,029
Selling and marketing	709,151	314,894	58,275	471,420	140,728
Research and development	7,573,228	3,146,499	2,041,872	3,214,289	228,462
Impairment of investments	123,428	1,427,840	-		
Total operating expenses	23,354,393	13,006,861	11,558,531	7,335,417	1,750,913
Operating loss	(20,848,970)	(12,442,484)	(11,353,617)	(7,061,797)	(1,552,424)
Other income (expense):					
Interest income	42,220	15,043	1,294	1,788	1,457
Other income (expense)	630,428	71,982	(6,196)	28,492	(42,106)
Total other income (expense)	672,648	87,025	(4,902)	30,280	(40,649)
Loss from continuing operations before taxes	(20,176,322)	(12,355,459)	(11,358,519)	(7,031,517)	(1,593,073)
Income taxes (expense) credit	728,601	-	-	-	-
Loss from continuing operations	(19,447,721)	(12,355,459)	(11,358,519)	(7,031,517)	(1,593,073)
Loss on discontinued operations, net of taxes	-	(3,119,152)	(2,438,514)	-	-
Net loss	$ (19,447,721)	$ (15,474,611)	$ (13,797,033)	$ (7,031,517)	$ (1,593,073)
Other comprehensive income (loss):					
Cumulative translation adjustment	(307,950)	15,254	78,650	13,705	36,620
Unrecognized gain (loss) on investments	(1,376,540)	1,611,045	(198,200)	-	-
Total other comprehensive income (loss):	(1,684,490)	1,626,299	(119,550)	13,705	36,620
Comprehensive loss	$ (21,132,211)	$ (13,848,312)	$ (13,916,583)	$ (7,017,812)	$ (1,556,453)
Net loss per share :					
Basic	$ (1.70)	$ (1.79)	$ (2.38)	$ (2.24)	$ (1.15)
Diluted	$ (1.70)	$ (1.79)	$ (2.38)	$ (2.24)	$ (1.15)
Weighted average common shares outstanding:					
Basic	11,472,306	8,627,094	5,792,888	3,134,833	1,389,000
Diluted	11,472,306	8,627,094	5,792,888	3,134,833	1,389,000

	As of December 31,				
	2015	2014	2013	2012	2011
Summary Consolidated balance sheet data:					
Cash and cash equivalents	$ 14,884,597	$ 14,770,584	$ 7,175,215	$ 4,144,896	$ 4,413,971
Current working capital (1)	13,675,034	12,019,143	5,373,355	3,754,386	2,287,969
Total assets	49,460,422	43,685,102	17,596,726	6,751,627	5,802,367
Other non-current liabilities	76,229	452,689	-	-	-
Stockholders' equity	46,364,936	39,156,091	15,395,073	6,156,394	2,811,478

(1) The Company was originally incorporated in the State of Arizona on June 25, 2001 under the name ATC Technology Corporation. ATC Technology Corporation changed its corporate name to EastBridge Investment Group Corporation in September 2005 and changed its business focus to providing investment related services in Asia. On November 13, 2012, EastBridge Investment Group Corporation, an Arizona corporation ("EastBridge"), CBMG Acquisition Limited, a British Virgin Islands company and the Company's wholly-owned subsidiary ("Merger Sub") and Cellular Biomedicine Group Ltd. ("CBMG BVI"), a British Virgin Islands company, entered into a Merger Agreement, pursuant to which CBMG BVI was the surviving entity in a merger with Merger Sub whereby CBMG BVI became a wholly-owned subsidiary of the Company (the "Merger"). The Merger was consummated on February 6, 2013 (the "Closing Date"). In connection with the Merger, effective March 5, 2013, the Company (formerly named "EastBridge Investment Group Corporation") changed its name to "Cellular Biomedicine Group, Inc." CBMG BVI was the accounting acquirer and resulted in a reverse merger. The consolidated balance sheet data as of December 31, 2012 and 2011 and the consolidated statement of operation and comprehensive income data for the year then ended represents the historical financial data of the acquirer - CBMG BVI.

(2) Current working capital is the difference between total current assets and total current liabilities.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

As of February 6, 2013, in connection with the Merger, Cellular Biomedicine Group, Ltd. became the accounting acquirer thus resulting in a reverse merger for accounting purposes. Therefore, the accompanying financial statements are on a consolidated basis subsequent to February 6, 2013, but only reflect the operations of Cellular Biomedicine Group, Ltd. prior to the date of acquisition.

The following is management's discussion and analysis of certain significant factors that have affected our financial position and operating results during the periods included in the accompanying consolidated financial statements, as well as information relating to the plans of our current management. This report includes forward-looking statements. Generally, the words "believes," "anticipates," "may," "will," "should," "expect," "intend," "estimate," "continue," and similar expressions or the negative thereof or comparable terminology are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, including the matters set forth in this report or other reports or documents we file with the Securities and Exchange Commission from time to time, which could cause actual results or outcomes to differ materially from those projected. Undue reliance should not be placed on these forward-looking statements which speak only as of the date hereof. We undertake no obligation to update these forward-looking statements.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the related notes thereto and other financial information included in Item 8 of this Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

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

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

Cash and Cash Equivalents

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

Accounts Receivable

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

The Company follows the allowance method of recognizing uncollectible accounts receivable. The Company recognizes bad debt expense based on specifically identified customers and invoices that are anticipated to be uncollectable. At December 31, 2015 and 2014, no allowance was provided as the Company has started generating revenues from its technology services in the Biomedicine segment in late 2014. Correspondingly, the Company has not recorded any bad debt expense for the year ended December 31, 2015, 2014 and 2013, respectively.

Inventory

Inventories consist of raw materials, work-in-process, semi-finished goods and finished goods. Inventories are initially recognized at cost and subsequently at the lower of cost and net realizable value under first-in first-out method. Finished goods are comprised of direct materials, direct labor, depreciation and manufacturing overhead. Net realizable value is the estimated selling price, in the ordinary course of business, less estimated costs to complete and dispose. The Company regularly inspects the shelf life of prepared finished goods and, if necessary, writes down their carrying value based on their salability and expiration dates into cost of goods sold.

Property, Plant and Equipment

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

Goodwill and Other Intangibles

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

As of December 31, 2015, the goodwill is $7,678,789, which all derived from the acquisition of Agreen on September 26, 2014. During the reporting periods, there is no triggering event indicating the impairment of goodwill as of December 31, 2015. The Company performed impairment testing at the reporting unit level according to ASC 350-20-35. Our market capitalization exceeds the carrying amount of the goodwill as of December 31, 2015 and no impairment is considered to be required as of December 31, 2015.

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. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. No impairment is considered to be required as of December 31, 2015.

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.

Fair Value of Financial Instruments

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining the fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain unobservable assumptions and projections in determining the fair value assigned to such assets.

All transfers between fair value hierarchy levels are recognized by the Company at the end of each reporting period. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investment in those instruments.

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

Investments

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

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

Stock-Based Compensation

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

Revenue Recognition

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

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

Income Taxes

Income taxes are accounted for using the asset and liability method as prescribed by ASC 740 “Income Taxes”. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance would be provided for those deferred tax assets for which if it is more likely than not that the related benefit will not be realized.

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

As of February 6, 2013, the Company (formerly "EastBridge Investment Group Corporation") merged with Cellular Biomedicine Group, Ltd., with Cellular Biomedicine Group, Ltd. being the accounting acquirer thus resulting in a reverse merger for accounting purposes. Accordingly, our accompanying financial statements are reported on a consolidated basis subsequent to February 6, 2013, but reflect solely the operations of Cellular Biomedicine Group, Ltd. (a British Virgin Islands corporation) prior to the date of acquisition. Except where indicated, the following analysis compares the results of operations of the consolidated company for the years ended December 31, 2015, with the results of operations of Cellular Biomedicine Group, Ltd. for the years ended December 31, 2014 and 2013. Please refer to Note 2 of our financial statements for further details regarding the basis of presentation.

Recent Accounting Pronouncements

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

In February 2016, the FASB issued Accounting Standards Update ("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 September 2015, the FASB issued ASU No. 2015-16, "Business Combination (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments" ("ASU 2015-16"). The amendments in this update require that the acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The acquirer is required to also record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. In addition an entity is required to present separately on the face of the income statement or disclose in the notes to the financial statements the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments in ASU 2015-16 should be applied prospectively to adjustments to provisional amounts that occur after the effective date of ASU 2015-16 with earlier application permitted for financial statements that have not been issued. We do not expect the adoption of ASU 2015-16 to have a material impact on our consolidated financial statements.

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

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

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis” (“ASU 2015-02”). The amendments in this update affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. ASU 2015-02 is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. We do not expect the adoption of ASU No. 2015-02 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. We are currently in the process of evaluating the impact of the adoption of ASU 2014-09 on our consolidated financial statements.

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

Comparison of Year Ended December 31, 2015 to Years Ended December 31, 2014 and 2013

Although the descriptions in the results of operations below reflect our operating results as set forth in our Consolidated Statement of Operations filed herewith, we are presenting consolidated pro forma information below to reflect the impacts of the business combination as if the transaction had occurred at the beginning of the earliest period presented.

	Year Ended December 31, 2015	Year Ended December 31, 2014			Year Ended December 31, 2013		
	CBMG	CBMG	Agreen	Pro forma	CBMG	Agreen	Pro forma
	As stated	As stated	Pro forma Adjustment	Consolidated	As stated	Pro forma Adjustment	Consolidated
Net sales and revenue	$ 2,505,423	$ 564,377	$ 1,198,414	$ 1,762,791	$ 204,914	$ 1,075,692	$ 1,280,606
Operating expenses:							
Cost of sales *	1,880,331	242,215	880,797	1,123,012	296,212	872,937	1,169,149
General and administrative *	13,068,255	7,875,413	245,911	8,121,324	9,162,172	304,027	9,466,199
Selling and marketing *	709,151	314,894	6,351	321,245	58,275	9,709	67,984
Research and development *	7,573,228	3,146,499	113,635	3,260,134	2,041,872	214,752	2,256,624
Impairment of investments	123,428	1,427,840	-	1,427,840	-	-	-
Total operating expenses	23,354,393	13,006,861	1,246,694	14,253,555	11,558,531	1,401,425	12,959,956
Operating loss	(20,848,970)	(12,442,484)	(48,280)	(12,490,764)	(11,353,617)	(325,733)	(11,679,350)
Other income (expense)							
Interest income	42,220	15,043	318	15,361	1,294	310	1,604
Other income (expense)	630,428	71,982	(147)	71,835	(6,196)	(13,381)	(19,577)
Total other income (expense)	672,648	87,025	171	87,196	(4,902)	(13,071)	(17,973)
Loss from continuing operations before taxes	(20,176,322)	(12,355,459)	(48,109)	(12,403,568)	(11,358,519)	(338,804)	(11,697,323)
Income taxes (expense) credit	728,601	-	-	-	-	-	-
Loss from Continuing operations	(19,447,721)	(12,355,459)	(48,109)	(12,403,568)	(11,358,519)	(338,804)	(11,697,323)
Loss on discontinued operations, net of taxes	-	(3,119,152)	-	(3,119,152)	(2,438,514)	-	(2,438,514)
Net loss	$ (19,447,721)	$ (15,474,611)	$ (48,109)	$ (15,522,720)	$ (13,797,033)	$ (338,804)	$ (14,135,837)
Other comprehensive income (loss):							
Cumulative translation adjustment	(307,950)	15,254	963	16,217	78,650	(9,627)	69,023
Unrecognized gain (loss) on investments	(1,376,540)	1,611,045	-	1,611,045	(198,200)	-	(198,200)
Total other comprehensive income (loss):	(1,684,490)	1,626,299	963	1,627,262	(119,550)	(9,627)	(129,177)
Comprehensive income (loss)	$ (21,132,211)	$ (13,848,312)	$ (47,146)	$ (13,895,458)	$ (13,916,583)	$ (348,431)	$ (14,265,014)
Loss per share for continuing operations:							
Basic	$ (1.70)	$ (1.43)	$ (0.09)	$ (1.35)	$ (1.96)	$ (0.45)	$ (1.79)
Diluted	$ (1.70)	$ (1.43)	$ (0.09)	$ (1.35)	$ (1.96)	$ (0.45)	$ (1.79)
Loss per share for discontinued operations:							
Basic	$ -	$ (0.36)	$ -	$ (0.34)	$ (0.42)	$ -	$ (0.37)
Diluted	$ -	$ (0.36)	$ -	$ (0.34)	$ (0.42)	$ -	$ (0.37)
Net loss per share:							
Basic	$ (1.70)	$ (1.79)	$ (0.09)	$ (1.69)	$ (2.38)	$ (0.45)	$ (2.16)
Diluted	$ (1.70)	$ (1.79)	$ (0.09)	$ (1.69)	$ (2.38)	$ (0.45)	$ (2.16)
Weighted average common shares outstanding:							
Basic	11,472,306	8,627,094	555,335	9,182,429	5,792,888	753,522	6,546,410
Diluted	11,472,306	8,627,094	555,335	9,182,429	5,792,888	752,522	6,545,410

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

	Year Ended December 31, 2015	Year ended Ended December 31, 2014			Year ended Ended December 31, 2013		
	CBMG As stated	CBMG As stated	Agreen Pro forma Adjustment	Pro forma Consolidated	CBMG As stated	Agreen Pro forma Adjustment	Pro forma Consolidated
Cost of sales	144,200	28,972	-	28,972	-	-	-
General and administrative	4,948,375	1,991,047	-	1,991,047	4,229,107	-	4,229,107
Selling and marketing	188,579	34,299	-	34,299	605	-	605
Research and development	2,311,283	474,567	-	474,567	151,366	-	151,366
	7,592,437	2,528,885	-	2,528,885	4,381,078	-	4,381,078

Segments

The Company operated two reporting segments until June 23, 2014 when the Company decided to discontinue the Consulting segment. The majority of all assets are contained in Biomedicine segment with the majority of the operations located in the People's Republic of China. The accounting principles applied at the operating segment level in determining gross profit are the same as those applied at the consolidated financial statement level. Management and the Board evaluates performance and allocates resources based on net sales, gross profit and working capital in each of the reporting segments.

Results of Operations:

Revenues

				2015 versus 2014		2014 versus 2013	
	2015	2014	2013	Change	Percent	Change	Percent
Year ended December 31,	$ 2,505,423	$ 564,377	$ 204,914	$ 1,941,046	344%	$ 359,463	175%

Fiscal Year Ended December 31, 2015, Compared to Fiscal Year Ended December 31, 2014

In late 2014, with the acquisition of AG, we started generating revenue from immune-cell therapy technology consulting services. We commenced providing similar immune-cell therapy technology consulting services to several agents/hospitals located in Beijing, Shanghai, Jinin and Anhui, which also constricted to the increase in revenue. All the revenue was derived from technology consulting services for year ended December 31, 2015.

Fiscal Year Ended December 31, 2014, Compared to Fiscal Year Ended December 31, 2013

In 2014, with the acquisition of Agreen, we started generating revenue from technology consulting services in addition to the units of the A-Stromal ™ kits, while 2013 revenues were solely from sales of A-Stromal ™ kits.

Cost of Sales

				2015 versus 2014		2014 versus 2013	
	2015	2014	2013	Change	Percent	Change	Percent
Year ended December 31,	$ 1,880,331	$ 242,215	$ 296,212	$ 1,638,116	676%	$ (53,997)	(18)%

Fiscal Year Ended December 31, 2015, Compared to Fiscal Year Ended December 31, 2014

The increase in cost of sales was primarily attributable to the increase in revenue from technology consulting services and the inventory provision of $129,000 made in 2015 (2014:zero). The cost was all incurred from the technology consulting services in 2015.

Fiscal Year Ended December 31, 2014, Compared to Fiscal Year Ended December 31, 2013

The decrease in cost of sales was attributable to the A-Stromal™ kits sold. These kits were developed in late 2012 and early 2013 and over time, we discovered improved efficiencies and reduced the cost of production for each kit. We have also started selling cell therapy treatments, and as more treatments become approved we will expect costs to be reflective of the treatments rather than the cost of the A-Stromal™ kits.

General and Administrative Expenses

				2015 versus 2014		2014 versus 2013	
	2015	2014	2013	Change	Percent	Change	Percent
Year ended December 31,	$ 13,068,255	$ 7,875,413	$ 9,162,172	$ 5,192,842	66%	$ (1,286,759)	(14)%

Fiscal Year Ended December 31, 2015, Compared to Fiscal Year Ended December 31, 2014

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

- An increase in stock-based compensation expense of $3,744,000, which primarily resulted from the new grants and higher fair value of unvested options in 2015 after the Company listed on Nasdaq in June 2014 compared with those unvested options as of December 31, 2014;
- An increase in payroll of $314,000 in line with the headcount increase in management in 2015.;
- An increase in depreciation and amortization of $235,000, which was mainly attributed to the knowhow and patents obtained from the acquisition of AG in third quarter 2014;
- An increase in rental, property management and utility expenses of $466,000, which was mainly attributed to the new lease agreement concluded for the construction of Beijing GMP;
- An increase in travelling expenses of $166,000; and
- An increase in legal and other professional services of $101,000.

Fiscal Year Ended December 31, 2014, Compared to Fiscal Year Ended December 31, 2013

General and administrative expenses decreased in fiscal 2014 as compared to fiscal 2013 mainly due to the following:

- Expenses associated with increased corporate activities related to the effects of our Merger in 2013:
  - A decrease in legal, professional and accounting services of $1,022,000;
  - A decrease in investor relations expense of $1,503,000, which mainly due to the Company issued 342,360 shares of common stock to specific stockholders and expensed $1,694,682 in connection with these issuances as the Company did not achieve ten Phase II clinical trials by March 31, 2013 in accordance with the terms and conditions of certain private placement agreements entered into by private investors in CBMG BVI and assumed by the Company; partially offset by

- An increase in payroll expenses of $330,000;
- An increase in depreciation expense of $264,000;
- An increase in loss on disposal of asset of $222,000
- An increase in other expenses of $139,000;
- An increase in travel expense of $179,000; and
- An increase in rent expense of $116,000.

Sales and Marketing Expenses

				2015 versus 2014		2014 versus 2013	
	2015	2014	2013	Change	Percent	Change	Percent
Year ended December 31,	$ 709,151	$ 314,894	$ 58,275	$ 394,257	125%	$ 256,619	440%

Fiscal Year Ended December 31, 2015, Compared to Fiscal Year Ended December 31, 2014

We are now increasing our sales and marketing teams in the immunotherapy business. Sales and marketing expenses increased by approximately $394,000 for the year ended December 31, 2015 as compared to the same period in 2014, primarily as a result of an increase in stock-based compensation expenses of $154,000, an increase in payroll expenses of $202,000, an increase in market analysis and other professional fees of $68,000 and an increase in travel expenses of $57,000, which partially offset by the decrease in conference expenses of $116,000. The Company sponsored China BioTherapy conference in 2014, while there was no such activity in 2015, which resulted in the decline of meeting and conference expenses.

Fiscal Year Ended December 31, 2014, Compared to Fiscal Year Ended December 31, 2013

Sales and marketing expenses increased in 2014 due to an increase of $145,000 in promotional and sponsorship fees for the China BioTherapy conference, $39,000 in payroll expense, $34,000 in stock-based compensation, $31,000 in travel & entertainment expense, and $8,000 in other expenses.

Research and Development Expenses

				2015 versus 2014		2014 versus 2013	
	2015	2014	2013	Change	Percent	Change	Percent
Year ended December 31,	$ 7,573,228	$ 3,146,499	$ 2,041,872	$ 4,426,729	141%	$ 1,104,627	54%

Fiscal Year Ended December 31, 2015, Compared to Fiscal Year Ended December 31, 2014

Research and development costs increased by approximately $4,427,000 for year ended December 31, 2015 as compared to same period 2014 due primarily to increase of our immunotherapy research and development team, which resulted in an increase in payroll expenses of $1,246,000; an increase in stock-based compensation expenses of $1,834,000, an increase in clinical trial expenditure of $432,000, and increase in depreciation and amortization of $353,000, an increase in travelling expense of $216,000, an increase in raw material of $130,000 and an increase in rental of $127,000.

Fiscal Year Ended December 31, 2014, Compared to Fiscal Year Ended December 31, 2013

Research and development expenses increased in 2014. The primary reason for the increase was that we had undertaken significant activities surrounding the development of our biomedicine intellectual property, including the implementation of Phase IIb clinical trials for KOA in the first quarter of 2014 and kick-off the clinical trial for CD in the middle of 2014. In addition, the stock-based compensation increased by approximately $323,000 for the year ended December 31, 2014 compared with same period in 2013.

Impairment of Investments

				2015 versus 2014		2014 versus 2013	
	2015	2014	2013	Change	Percent	Change	Percent
Year ended December 31,	$ 123,428	$ 1,427,840	$ -	$ (1,304,412)	(91)%	$ 1,427,840	0%

Fiscal Year Ended December 31, 2015, Compared to Fiscal Year Ended December 31, 2014

The impairment of investments for the year ended December 31, 2014 was attributed to the recognition of other than temporary impairment on the value of shares in one stock. In 2015, with the further decline of its fair value, additional impairment of $123,000 was provided against this stock.

Fiscal Year Ended December 31, 2014, Compared to Fiscal Year Ended December 31, 2013

Impairment of investments in 2014 was attributed to the recognition of other than temporary impairment on the value of shares in one stock and no such expense existed in 2013.

Operating Income (Loss)

	2015	2014	2013	2015 versus 2014 Change	2015 versus 2014 Percent	2014 versus 2013 Change	2014 versus 2013 Percent
Year ended December 31,	$ (20,848,970)	$ (12,442,484)	$ (11,353,617)	$ (8,406,486)	68%	$ (1,088,867)	10%

The increase in the operating loss for 2015 as compared to 2014 and 2013 was primarily due to changes in revenues, cost of sales, general and administrative expenses and research and development expenses, each of which was described above.

Other Income (Expense)

	2015	2014	2013	2015 versus 2014 Change	2015 versus 2014 Percent	2014 versus 2013 Change	2014 versus 2013 Percent
Year ended December 31,	$ 672,648	$ 87,025	$ (4,902)	$ 585,623	673%	$ 91,927	(1875)%

Fiscal Year Ended December 31, 2015, Compared to Fiscal Year Ended December 31, 2014

Changes in other income for the year ended December 31, 2015 was primarily a decrease in fair value of accrued expenses for the acquisition of intangible assets of $346,000, government subsidy income of $233,000 and interest income of $42,000. On June 26, 2015, the Company completed its acquisition of the certain license rights to technology and know-how from Blackbird and entered into an assignment and assumption agreement to acquire all of Blackbird's right, title and interest in and to the exclusive worldwide license to a CD40LGVAX vaccine from the University of South Florida. According to the Asset Purchase Agreement, by and among the Company, Blackbird and its principals, 28,120 shares of Company common stock were issued as part of the consideration of this transaction. In addition, 18,747 shares of Company common stock (equal to $700,000 based on the 20-day volume-weighted average price of the Company's stock on the closing date) will be delivered to Blackbird on the 6 month anniversary of the closing date upon satisfaction of certain conditions. Those shares were finally issued in November 2015 with unanimous consent of the Board. Above shares were revalued according to the fair market value as of issuance date and resulted in the other income of $346,000.

Other income for year ended December 31, 2014 consisted primarily of lease subsidy income, foreign exchange gains and losses on transactions in our biomedicine segment.

Fiscal Year Ended December 31, 2014, Compared to Fiscal Year Ended December 31, 2013

Other income (expense) was primarily the receipt of a lease subsidy granted by local government in 2014 of approximately $60,000 combined with foreign currency gain and interest income. While in 2013, the expense was primarily due to foreign currency loss of approximately $6,000, offset partially by interest income of approximately $1,000.

Income Tax (Expenses) Credit

	2015	2014	2013	2015 versus 2014 Change	2015 versus 2014 Percent	2014 versus 2013 Change	2014 versus 2013 Percent
Year ended December 31,	$ 728,601	$ -	$ -	$ 728,601	0%	$ -	0%

Fiscal Year Ended December 31, 2015, Compared to Fiscal Year Ended December 31, 2014

Income tax expense in 2015 mainly included the current income tax credit of $733,000 as tax losses incurred in U.S. group companies for year ended December 31, 2015.

Fiscal Year Ended December 31, 2014, Compared to Fiscal Year Ended December 31, 2013

While we had optimistic plans for our business strategy, we determined that a valuation allowance was necessary given the current and expected near term losses and the uncertainty with respect to our ability to generate sufficient profits from our business model. Therefore, we established a valuation allowance for all deferred tax assets.

Loss from Continuing Operations

				2015 versus 2014		2014 versus 2013	
	2015	2014	2013	Change	Percent	Change	Percent
Year ended December 31,	$ (19,447,721)	$ (12,355,459)	$ (11,358,519)	$ (7,092,262)	57%	$ (996,940)	9%

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

Loss from Discontinued Operations

				2015 versus 2014		2014 versus 2013	
	2015	2014	2013	Change	Percent	Change	Percent
Year ended December 31,	$ -	$ (3,119,152)	$ (2,438,514)	$ 3,119,152	(100)%	$ (680,638)	28%

Fiscal Year Ended December 31, 2015, Compared to Fiscal Year Ended December 31, 2014

Change in loss on discontinued operations was attributable to our decision to terminate this Consulting business segment in 2014 and therefore there was no profit or loss from discontinued operations in 2015.

Fiscal Year Ended December 31, 2014, Compared to Fiscal Year Ended December 31, 2013

Change in loss from discontinued operations was primarily attributable to our decision to terminate this Consulting business segment, as no meaningful revenues were generated in 2014 as compared to 2013. The largest change was the reduction of revenues generated decreased by approximately $2,200,000 in 2014 compared with 2013. The impairment of goodwill associated with the 2013 merger decreased by approximately $959,000. Other income and expense decreased by approximately $320,000 related to interest paid from the 2013 merger agreement. The income tax provision decreased by approximately $294,000.

Net Loss

				2015 versus 2014		2014 versus 2013	
	2015	2014	2013	Change	Percent	Change	Percent
Year ended December 31,	$ (19,447,721)	$ (15,474,611)	$ (13,797,033)	$ (3,973,110)	26%	$ (1,677,578)	12%

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

Comprehensive Loss

	2015	2014	2013	2015 versus 2014 Change	2015 versus 2014 Percent	2014 versus 2013 Change	2014 versus 2013 Percent
Year ended December 31,	$ (21,132,211)	$ (13,848,312)	$ (13,916,583)	$ (7,283,899)	53%	$ 68,271	0%

Fiscal Year Ended December 31, 2015, Compared to Fiscal Year Ended December 31, 2014

Comprehensive loss for the year ended December 31, 2015 included an unrecognized loss on investments of approximately $1,377,000, and a currency translation net loss of approximately $308,000 combined with the changes in net income. The unrecognized loss on investments was primarily attributed to the valuation loss for the stock investment in Arem Pacific Corporation.

Fiscal Year Ended December 31, 2014, Compared to Fiscal Year Ended December 31, 2013

Comprehensive loss for 2014 was primarily reduced to unrecognized gain on shares of stocks of approximately $1,611,000, partially offset by currency translation of approximately $15,000 combined with the changes in net income.

Share-Based Compensation

Share-based compensation totaled $7.6 million in 2015 ($2.5 million in 2014 and $4.4 million in 2013). Share-based compensation was included in cost of sales and operating expenses.

As of December 31, 2015, unrecognized share-based compensation costs and the weighted average periods over which the costs are expected to be recognized were as follows:

	Shares	Unrealised Share-Based Compensation Costs	Weighted Average Period
Non-vested stock options	1,092,204	$ 12,977,214	1.68 year
Non-vested restricted stock	78,000	$ 1,744,171	1.79 year

LIQUIDITY AND CAPITAL RESOURCES

We had working capital of $ 13,675,034 as of December 31, 2015 compared to $12,019,143 as of December 31, 2014. Our cash position increased to $14,884,597 at December 31, 2015 compared to $14,770,584 at December 31, 2014, as we had an increase in cash generated from financing activities due to a private placement financing in 2015 for aggregate net proceeds of approximately $18,965,000, partially offset by an increase in cash used in operating and investing activities.

Net cash provided by or used in operating, investing and financing activities from continuing operations were as follows (in thousands):

Net cash used in operating activities was approximately $11,751,000, $10,300,000 and $8,455,000 for the years ended December 31, 2015, 2014 and 2013, respectively. The following table reconciles net loss to net cash used in operating activities:

For year ended December 31,	2015	2014	2013	2015 versus 2014 Change	2014 versus 2013 Change
Net loss	$ (19,447,721)	$ (15,474,611)	$ (13,797,033)	$ (3,973,110)	$ (1,677,578)
Income statement reconciliation items	9,595,098	7,100,381	6,126,978	2,494,717	973,403
Changes in operating assets, net	(1,898,475)	(1,346,662)	(785,309)	(551,813)	(561,353)
Net cash used in operating activities	$ (11,751,098)	$ (9,720,892)	$ (8,455,364)	$ (2,030,206)	$ (1,265,528)

The 2015 change in operating assets and liabilities was primarily due to an increase in accounts receivables, long-term prepaid expenses combined with decreased tax payables and non-current liabilities partially offset by an increase in accrued expenses. The 2014 change in operating assets and liabilities was primarily due to an increase in prepaid expenses and long-term prepaid expenses combined with decreased other current liabilities partially offset by increase in accrued expenses while the change in 2013 was primarily due to a decrease in accrued expenses.

Net cash used in investing activities was approximately$7,702,000, $1,806,000 and $153,000 for the years ended December 31, 2015, 2014 and 2013, respectively. These amounts were the result of acquisition of business, purchases of fixed assets and intangible assets.

Cash provided by financing activities was approximately $19,647,000, $19,110,000 and $11,597,000 for the years ended December 31, 2015, 2014 and 2013, 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 the U.S. and other regions out of China CD40LGVAX Trial, we anticipate that the Company will require approximately $27.8 million in cash to operate as planned in the coming 12 months. Of this amount, approximately $21.1 million will be used to operate our facilities and offices, including but not limited to payroll expenses, rent and other operating costs, and to fund our research and development as we continue to develop our products through the clinical study process. Approximately $0.4 million will be used to pay a finder's fee for previous private placement sale of equity, $6.3 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, Wonder International Education & Investment Group Corporation (“Wonder”), is delinquent in its SEC filings for multiple periods. We do not know whether we can liquidate our 2,057,131 shares of Wonder stock or any of our other portfolio securities, or if liquidated, whether the realized amount will be meaningful at all.

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 million. 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 raise of $43.13 million. 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

We do not have any off-balance sheet arrangements except the lease and capital commitment described in "Contracted Obligations" below.

Contractual Obligations

We have various contractual obligations that will affect our liquidity. The following table sets forth our contractual obligations as of December 31, 2015.

	Payments due by period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Capital Commitment	$ 193,373	$ 193,373	-	-	-
Operating Lease Obligations	$ 3,049,009	$ 1,015,863	$ 960,401	$ 680,235	$392,510
Total	$ 3,242,382	$ 1,209,236	$ 960,401	$ 680,235	$392,510

ITEM 7A. 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 from late 2014 and debtors are of high concentration in the start-up stage. As of December 31, 2015, 92% of the total accounts receivables were due from the Company's two largest customers.

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 December 31, 2015 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 December 31, 2015. 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 December 31, 2015	
	RMB	USD
Cash and cash equivalents	3,905,460	382,222
Net exposure arising from recognised assets and liabilities	3,905,460	382,222

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 December 31, 2015		
	Increase/(decrease) in foreign exchange rates		Effect on net loss (Expressed in USD)
RMB (against USD)	5	%	176,162
	-5	%	(176,162)

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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Attached hereto and filed as a part of this Annual Report on Form 10-K are our Consolidated Financial Statements, beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

In June 2014, the Company announced the discontinuation of the Consulting segment, which was operating in the United States. Since then, the Company became a pure-play biotechnology company and its primary operations are in People's Republic of China. Accordingly, on April 24, 2015, with the approval of its Audit Committee, the Company accepted the resignation of BDO USA, LLP ("BDO USA") as its independent registered public accounting firm and engaged BDO China Shu Lun Pan Certified Public Accountants LLP ("BDO China") as its new independent registered public accounting firm.

During the period from August 26, 2013 (the date BDO USA was engaged) through the date of filing of the Form 8-K dated April 28, 2015 to report the above mentioned change of accountant, the Company has not had any disagreements with BDO USA on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures, which disagreements, if not resolved to BDO USA's satisfaction, would have caused BDO USA to make reference in connection with BDO USA's opinion to the subject matter of the disagreement in their reports on the Company's consolidated financial statements. In addition during such periods and through the date of filing of the Form 8-K, there were no "reportable events" as the term is described in Item 304(a)(1)(v) of Regulation S-K, except certain material weaknesses in the internal controls over financial reporting as disclosed in the Form 10-K for the fiscal year ended December 31, 2013, BDO USA's reports on the Company's consolidated financial statements as of and for the fiscal years ended December 31, 2014 and 2013 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles, except that the report for the year ended December 31, 2013 contained a going concern modification.

BDO China was a component auditor in 2014 to audit CBMG's significant business components, and was involved in assessing the application of accounting principles and audit issues. In addition, BDO China provided audit services to the Company in connection with its business combination with Beijing Agreen Biotechnology Co., Ltd. Except as set forth above, during the years ended December 31, 2013 and 2014 and through the subsequent interim period prior to the Company's engagement of BDO China, the Company did not consult with BDO China on either (1) the application of accounting principles to a specified transaction, either completed or proposed, (2) the type of audit opinion that may be rendered on the Company's financial statements; or (3) any matter that was either the subject of a disagreement, as defined in Item 304(a)(1)(iv) of Regulation S-K, or a reportable event, as defined in item 304(a)(1)(v) of Regulation S-K. In addition, except as set forth above, BDO China did not provide any written or oral advice to the Company that BDO China concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Our disclosure controls and procedures are designed to ensure that material information relating to us, including our consolidated subsidiaries, is made known to our principal executive officer and principal financial officer by others within our organization. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2015 to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2015.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2015. Our internal control over financial reporting as of December 31, 2015, has been audited by BDO China, an independent registered public accounting firm, as stated in their report, which is included herein.

Changes in Internal Control over Financial Reporting

During the year ended December 31, 2015, there were no changes in our internal control over financial reporting that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

The Company commenced its Phase I Zhiyuan project in September 2015. This project will replace current manual controls over procurement, payment processes with IT controls and enhance other controls over other processes, such as expense claim, contract review etc. This project will help to improve the efficiency of the business and enhance compliance. All approval processes could be traced in the new system and users could track the progress and status of each application. Documentation is also enhanced. The Phase I work has been completed in November 2015. The Company plans to launch Phase II Zhiyuan project in 2016, which will focus on enhancing the asset management processes, project management processes and other processes.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Directors and Executive Officers

Set forth below is information regarding the Company's current directors and executive officers as of the date of this report. The executive officers serve at the pleasure of the Board of Directors.

The directors are divided into three classes and serve three year terms, as follows:

Class	Term
Class I	Class I directors serve for a term of three years, and are elected by the stockholders at the beginning of each term. The full 3-year term for Class I directors extends from the date of the 2013 Annual Meeting of stockholders to the date of the 2016 annual meeting.
Class II	Class II directors serve for a term of three years, and are elected by the stockholders at the beginning of each term. The full 3-year term for Class II directors extends from the date of the 2014 annual meeting to the date of the 2017 annual meeting.
Class III	Class III directors serve for a term of three years, and are elected by the stockholders at the beginning of each term. The full 3-year term for Class III directors extends from the date of the 2015 annual meeting to the date of the 2018 annual meeting.

There are no family relationships between any of our directors or executive officers. There is no arrangement or understanding between any of the directors or officers of the Company and any other person pursuant to which any director or officer was or is to be selected as a director or officer, and there is no arrangement, plan or understanding as to whether non-management stockholders will exercise their voting rights to continue to elect the current directors to the Company's Board. There are also no arrangements, agreements or understandings between non-management stockholders that may directly or indirectly participate in or influence the management of the Company's affairs. There are no agreements or understandings for any officer or director to resign at the request of another person, and none of the officers or directors are acting on behalf of, or will act at the direction of, any other person.

Name	Age	Position	Term
Wen Tao (Steve) Liu	60	Director	Class III
Wei (William) Cao	57	Director	Class III
Tony (Bizuo) Liu	51	Chief Executive Officer, Chief Financial Officer and Secretary	Class II
Chun Kwok Alan Au (2)(3)	44	Independent Director	Class II
Guotong Xu(2)	58	Independent Director	Class II
Gerardus A. Hoogland	60	Non-independent Director	Class I
David Bolocan (1)(2)	51	Independent Director	Class I
Terry A. Belmont (1)(3)	70	Chairman of the Board and Independent Director	Class I
Nadir Patel (1)(3)	46	Independent Director	Class III
Richard Wang	54	Chief Operating Officer	N/A
Yihong Yao	48	Chief Scientific Officer	N/A

(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Nominating and Corporate Governance Committee

The following is a brief description of the business experience during the past five years of each of the above-named persons:

Bizuo (Tony) Liu, Chief Executive Officer, Chief Financial Officer and Secretary

Tony Liu has served as the Company's Chief Executive Officer since February 2016 and Chief Financial Officer and Secretary since January 2014.He has also served as Director of the Company from February 2013 to January 2014. Since January 2013, Mr. Liu has served as the Corporate Vice President at Alibaba Group, handling Alibaba's overseas investments. Since joining Alibaba in 2009, Mr. Liu has severed in various positions including Corporate Vice President at B2B corporate investment, corporate finance, and General Manager for a global ecommerce platform. From July 2011 to December 2012, he served as CFO for HiChina, a subsidiary of Alibaba, an internet infrastructure service provider. Prior to joining Alibaba, Mr. Liu spent 19 years at Microsoft Corporation where he served a variety of finance leadership roles. He was the General Manager at Corporate Strategy looking after Microsoft China investment strategy and Microsoft corporate strategic planning process. Mr. Liu was a leader in Microsoft corporate finance organization during the 1990s as Corporate Accounting Director. Mr. Liu earned a B.S. degree in Physics from Suzhou University, Suzhou, China and has completed MBA/MIS course work at Seattle Pacific University. Mr. Liu obtained his Washington State CPA certificate in 1992.

In considering Mr. Liu's eligibility to serve on the Board, the Board considered Mr. Liu's leadership, extensive accounting and financial control background, as well as multinational corporate executive management experience in diverse industries.

Wei (William) Cao, Director

From late September, 2013 to February 6, 2016 Mr. Cao served as the Company's Chief Executive Officer. Mr. Cao served as our President and Chief Operating Officer from February 2013 until September 29, 2013, when he was appointed as our Chief Executive Officer. He continued to serve as our Chief Executive Officer until February 2016. Mr. Cao has served as a director on our Board since February 2013. Prior to this, from August 2010 to February 2013, Dr. Cao served as President, COO and director of Cellular Biomedicine Group Ltd. (our predecessor corporation). From August 2006 until July 2010, Dr. Cao served as general manager and chairman of Affymetrix China, a Company in the genetic analysis industry. Dr. Cao has over 30 years of professional experience in scientific research, product development and startups. He served as Technical Manager for Bayer Diagnostics Asia Pacific region (now Siemens), General Manager of GenoMultix Ltd. and President of Wuxi New District Hospital. Dr. Cao has extensive research experience in the immune-pharmacology field at Harvard Medical School and Stanford University Medical Center. Dr. Cao holds a Bachelor's degree in Medicine from Fudan University Medical College, Shanghai China, and a Ph.D. in Pharmacology from Medical College of Virginia, Richmond Virginia. He is the inventor named in 26 patents in the field of genetic analysis and stem cell technology, especially adipose derived stem cell preparation and its disease treatment applications. In considering Dr. Cao's eligibility to serve on the Board, the Board considered Dr. Cao's scientific background and experience in the biotech industry.

Wen Tao (Steve) Liu, Director

From late September, 2013 to February 6, 2016, Dr. Liu served as Executive Chairman of the Board. Dr. Liu also acted as our Chief Executive Officer from February 2013 to September 29, 2013, when he then took the role of President – North America, focusing on the Company's business strategy in Canada and the United States, until May 1, 2014 Mr. Liu has served as a director since February 2013. Prior to this, Dr. Liu served as CEO of Cellular Biomedicine Group Ltd. (our predecessor corporation) since March 2012. Dr. Liu has 29 years of professional career experience in bringing new products from inception to mass market, encompassing the biomedical, clean energy and semiconductors industries. Dr. Liu has led large organizations as well as entrepreneurial companies with a proven track record of delivering shareholder value. He is experienced in multi-cultural business environments and has gained respect and trust from customers, colleagues and industry leaders. Dr. Liu served as President and CEO of Seeo Inc. from July 2010 to February 2012, where he led a team of scientists and entrepreneurs for the commercialization of solid state lithium ion battery for electric vehicles and smart grid applications. From 2003 to 2009, he was President and CEO of Shanghai Huahong NEC Electronics Company. From 1989 to 2002, he was Vice President and GM of Peregrine Semiconductor, Vice President and GM of Integrated Device Technology, and Managing Director of Quality Semiconductor Australia. Mr. Liu served at Cypress Semiconductor in various engineering roles from 1984 to 1989. Mr. Liu earned a Bachelor's degree in Chemistry from Nanjing University, Nanjing China. He holds a Master and Doctorate in Chemistry from Rensselaer Polytechnic Institute, Troy, New York. In considering Dr. Liu's eligibility to serve on the Board, the Board considered Dr. Liu's prior experience as a leader and executive officer and his educational background.

Chun Kwok Alan Au - Director

Alan was served as a member of our Board since November 2014. He also sits on the Board's Compensation Committee and Nomination Committee.

Alan has over 15 years of experience across healthcare investment banking, private equity and venture capital investments in Asia/China, and started his advisory roles with healthcare players since early 2013. He is now Partner at GT Healthcare Group, a private equity fund focusing on cross border healthcare investments, and Partner of TUS-Lifetree Capital Partners, focusing on Chinese healthcare private equity investments. Alan is also an Adviser to Simcere Pharmaceutical Group, a leading pharma company in China, and also a member of the Board, Audit Committee and Compensation Committee of China Nepstar Chain Drugstore Ltd. (NYSE: NPD). Besides, he also serves as a panel member for the Entrepreneur Support Scheme (ESS Program) of the Innovation and Technology Fund of the Hong Kong SAR Government.

From 2013 to 2015, Alan was Venture Partner of Ally Bridge Group, a cross border biotech investment fund focusing on bringing cutting edge technologies from the US into China. Alan was Head of Asia Healthcare Investment Banking of Deutsche Bank Group, advising healthcare IPOs and M&A in the region. Prior to that, he was Executive Director at JAFCO Asia Investment Group, responsible for healthcare investments in China from 2008 to 2010, and Investment Director at Morningside Group, responsible for healthcare investments in Asia from 2000 to 2005. From 1995 to 1999, Mr. Au worked at KPMG and KPMG Corporate Finance Ltd., responsible for regional M&A transactions and financial advisory services.

Alan is a Certified Public Accountant in the U.S. and holds the Chartered Financial Analyst (CFA) designation. He is an associate member of the Hong Kong Institute of Financial Analysts and member of the American Institute of Certified Public Accountants. Alan received his Bachelor's degree in Psychology from the Chinese University of Hong Kong, and a Master's degree in Management from Columbia Business School in New York. In considering Mr. Au's eligibility to serve on the Board, the Board considered Mr. Au's investment banking and capital market experience, as well as healthcare and pharmaceutical industry specific expertise.

Guotong Xu, M.D., Ph.D., - Director

Dr. Xu has served as an Independent Director of the Company since November 2014.

Dr. Xu has been a Professor of Ophthalmology and Regenerative Medicine since 2008, Dean of Tongji University School of Medicine and a Director of Stem Cell Bank of TUSM, an important base or a center for stem cell research and clinical application in China.

Mr. Xu was the Deputy Dean of Tongji University School of Medicine from 2008 to 2010. After he trained as post-doctor in Alcon Lab and NEI/NIH, he was appointed as a Research Assistant Professor in the Department of Anatomy and Cell Biology at University of North Texas Health Science Center. Dr. Xu organized the first large scale International Stem Cell Symposium in collaboration with ISSCR in 2007. Following that, he and his colleagues initiated the establishment of Chinese Society for Stem Cell Biology, and severed as the first president. He is also an active member in the establishment of the State Stem Cell & Regenerative Medicine Strategic Alliance, and severs as a council member. Dr. Xu is also an Associate Editor for Chinese Journal of Cell and Stem Cell. More important, he is one of the few scientists in China who serves as the PI for two China National Major Projects (973 programs).

Dr. Xu has a PhD in pharmacology from University of North Texas Health Science Center, MD and Master of Medicial Scieces both from Peking Union Medical College, Chinese Academy of Medical Sciences, and a bachelor degree from Harbin Medical University in 1982. In considering Mr. Xu's eligibility to serve on the Board, the Board considered Mr. Xu's medical discipline, his broad academic and research background, as well as his stem cell research and clinical application involvement in China.

David Bolocan – Director

Mr. Bolocan has served as an Independent Director since September 2013. Mr. Bolocan has over 20 years of experience in retail banking and payments, with extensive expertise in deposit product development, pricing, marketing, advertising, distribution, customer segmentation, lifecycle management, and portfolio management. Mr. Bolocan is currently a managing director for Argus Information and Advisory Services, LLC and leads the Retail Banking Solutions group which includes the Deposit Accounts Payment Study and retail banking client delivery groups. Prior to joining Argus Mr. Bolocan held senior executive roles at SunTrust (Head of Consumer Deposit Products), JPM Chase (Head of Small Business Credit Products, Pricing and Analytics), MBNA/Bank of America (CMO of Small Business Lending), and consulting positions at Mercer Management Consulting, Mitchell Madison Group, and AlixPartners. Mr. Bolocan received an MS/MBA from the MIT Sloan School of Management and a BA from Harvard University in Computer Science and Economics. In considering Mr. Bolocan's eligibility to serve on the Board, the Board considered Mr. Bolocan's extensive experience in the management of large complex businesses, as well as his financial expertise.

Terry A. Belmont – Chairman of the Board and Director

Mr. Belmont has been serving CBMG as an Independent Director since December 2013 and as Vice Chairman of the Board from March 2015 to January 2016, when he was elected to serve as Chairman of the Board.

Mr. Belmont has over 35 years of experience in leading major medical centers and healthcare entities with multi-campus responsibilities. Before he retired from his CEO position at University of California, Irvine Health in June 2015, Mr. Belmont had lead the transition of this medical center into a leading regional and nationally recognized healthcare system. Among his notable accomplishments at UC Irvine Health, Mr. Belmont added the state of the art Douglas Hospital as part of UC Irvine Medical Center, a 7 story clinical laboratory building, the establishment or outpatient centers throughout the Orange County Region, the development of affiliated healthcare networks to serve the entire region and, most importantly, partnered with the leadership of the School of Medicine in significantly improving the medical center's quality of care reputation throughout the United States.

From 2006 to 2009 Mr. Belmont served as CEO of Long Beach Memorial Medical Center and Miller Children's Hospital. He has also served as president and chief executive officer in St. Joseph Hospital of Orange, Pacific Health Resources, California Hospital Medical Center and HealthForward. He continues to participate in several healthcare organizations in improving continuity of care in various California communities.

Mr. Belmont's community involvement has included board positions with the March of Dimes, Orange County World Affairs Council, Southern California College of Optometry, American Heart Association and Children's Fund. He also served on the Board of Trustees of the University of Redlands. He was also a founding board member of Pacificare Health Systems, which was acquired by United Healthcare in early 2000. Mr. Belmont received his master's in public health with a major in hospital administration from UC Berkeley, and a bachelor's in business from the University of Redlands. In considering Mr. Belmont's eligibility to serve on the Board, the Board considered Mr. Belmont's business acumen in the healthcare industry.

Gerardus A. Hoogland - Director

Mr. Hoogland has served as a Director of the Company since December 2013. Mr. Hoogland has over 20 years of experience in managing international pharmaceutical companies and providing consulting services to companies in the pharmaceutical and healthcare industries. Since July 2013, he has served as Chief Executive Officer of HealthCrest AG, an investment and consulting company based in Zug, Switzerland. Prior to joining HealthCrest, Mr. Hoogland was the Executive Director and board member of Litha Healthcare Ltd., a healthcare company listed on Johannesburg Stock Exchange from July 2012 to July 2013. In 1997, Mr. Hoogland founded Pharmaplan Pty Ltd., a premier specialty pharmaceutical company located in South Africa, and was the company's Chief Executive Officer from 1997 to July 2012. From 1996 to 1997, Mr. Hoogland has served as director of United Pharmaceutical Distributors (Pty) Ltd, which is located in South Africa. In 1994, Mr. Hoogland founded United Pharmaceutical Marketing Pty Ltd and was the company's Chief Executive Officer from 1994 to 1995. From 1993 to 1994, Mr. Hoogland was Chief Executive Officer of Schering (SA) Pty Ltd and overall manager of both Schering's pharmaceutical and agrochemical divisions in Southern Africa. From 1987 to 1993, Mr. Hoogland was Chief Executive Officer of Schering (New Zealand) Ltd and overall manager plus lead de facto Marketing & Sales Director in Schering AG's New Zealand subsidiary.

Mr. Hoogland received his Medical Doctor degree from University of Amsterdam, his Propeduse Law degree from Eramus Universiteit, and his Mater of Business Administration degree from Institute d'Administration des Affaries (INSEAD). In considering Mr. Hoogland's eligibility to serve on the Board, the Board considered Mr. Hoogland's medical expertise as well as business acumen in the pharmaceutical and healthcare segments .

Nadir Patel – Director

Mr. Patel has served as an Independent Director of the Company since January 2014. Mr. Patel is a senior Canadian diplomat currently serving in India. He previously held the position of Chief Financial Officer for Canada's Department of Foreign Affairs, Trade and Development, which included the responsibilities of strategic planning, corporate finance and operations, risk management and performance. Mr. Patel has previously served as Canada's Consul General in Shanghai, promoting trade and investment between Canada and China, as well as Canada's Chief Air Negotiator where he negotiated bilateral treaties on behalf of the Canadian government. Mr. Patel also serves on the Board of Governors of the International Development Research Centre (and on its Audit and Finance Committee), as well as the Advisory Board of Wilfrid Laurier University's School of Business and Economics. He has a Master of Business Administration (MBA) from New York University's Stern School of Business, the London School of Economics and Political Science, and the HEC Paris School of Management. In considering Mr. Patel's eligibility to serve on the Board, the Board considered his financial expertise, international experience, and knowledge of corporate governance practices through his past participation on public sector boards.

Richard Wang – Chief Operating Officer

Mr. Wang has been Chief Operating Officer of the Company since May 2015. Mr. Wang held the position of senior site leader of GSK R&D in Shanghai, China, since 2013, and also held the position of Senior Director and Head of Operations of GSK R&D since 2011. Mr. Wang has been an experienced leader, manager and scientist in pharmaceutical R&D organizations of several multinational companies both in the US and latest in China for the past 21 years. From 2007 to 2011, Mr. Wang was the Director, Head of Strategic Alliance (Asia), and Portfolio and Operation Management of Innovation Center China & Global Oncology, AstraZeneca Global R&D in Shanghai, China. From 2004 to 2007, Mr. Wang was Associate Director, Discovery Portfolio and Early Development Project Management, R&D Operations Pharmaceutical Research Institute, Bristol-Myers Squibb, in Wallingford, Connecticut. He holds a bachelor's degree in Cell Biology from University of Science & Technology of China, a PhD in Molecular Biology from University of Maryland, Baltimore, and an MBA from Xavier University.

Yihong Yao – Chief Scientific Officer

Mr. Yao has been Chief Scientific Officer since August 2015. Mr. Yao brings nearly twenty years of experience in the life sciences industry and academia with strong expertise in clinical biomarker discovery and development, strategy and personalized medicine. From 2005 until his appointment as Chief Scientific Officer, Mr. Yao served in various senior scientific positions at MedImmune, including most recently as director and head of pharmacogenomics and bioinformatics in the department of Translational Sciences from 2011 to July 2015. From 2001 to 2005, Mr.Yao served as Senior Scientist, Translational Science at Abbott Bioresearch Center. He holds a bachelor's degree in Biochemistry from Fudan University, Shanghai, China, a master's degree in Bioinformatics from Boston University, and a PhD in Molecular Biology and Biochemistry from the University of Kansas, and he was a postdoctoral fellow at Johns Hopkins University School of Medicine.

Board Committees

On February 20, 2013, the Board authorized formation of an audit committee, compensation committee and nominating committee and on March 12, 2013 adopted charters. Our independent directors have been appointed to these committees as follows:

Name	Audit Committee	Compensation Committee	Nominating & Corporate Governance Committee
Nadir Patel	Chair		X
Terry A. Belmont	X		Chair
David Bolocan	X	Chair	
Chun Kwok Alan Au		X	X
Guotong Xu		X	

Members of our management are associated with other firms involved in a range of business activities. Consequently, there are potential inherent conflicts of interest in their acting as officers and directors of our company. Although the officers and directors are engaged in other business activities, we anticipate they will devote an important amount of time to our affairs.

Our officers and directors are now and may in the future become shareholders, officers or directors of other companies, which may be formed for the purpose of engaging in business activities similar to ours. Accordingly, additional direct conflicts of interest may arise in the future with respect to such individuals acting on behalf of us or other entities. Moreover, additional conflicts of interest may arise with respect to opportunities which come to the attention of such individuals in the performance of their duties or otherwise. Currently, we do not have a right of first refusal pertaining to opportunities that come to their attention and may relate to our business operations.

Our officers and directors are, so long as they are our officers or directors, subject to the restriction that all opportunities contemplated by our plan of operation which come to their attention, either in the performance of their duties or in any other manner, will be considered opportunities of, and be made available to us and the companies that they are affiliated with on an equal basis. A breach of this requirement will be a breach of the fiduciary duties of the officer or director. If we or the companies with which the officers and directors are affiliated both desire to take advantage of an opportunity, then said officers and directors would abstain from negotiating and voting upon the opportunity. However, all directors may still individually take advantage of opportunities if we should decline to do so. Except as set forth above, we have not adopted any other conflict of interest policy with respect to such transactions.

Audit Committee

The Audit Committee consists of Messrs. David Bolocan, Terry A. Belmont and Nadir Patel (serving as Chairman), each of whom are "independent" as defined under section 5605 (a)(2) of the NASDAQ Listing Rules. In addition, the Board has determined that each member of the Audit Committee qualifies as an "audit committee financial expert" as defined in the rules of the Securities and Exchange Commission (SEC). The Audit Committee operates pursuant to a charter, which can be viewed on our website at www.cellbiomedgroup.com (under "Investors"). The Audit Committee is expected to convene regular meetings following the Annual Meeting. The role of the Audit Committee is to:

- oversee management's preparation of our financial statements and management's conduct of the accounting and financial reporting processes;
- oversee management's maintenance of internal controls and procedures for financial reporting;
- oversee our compliance with applicable legal and regulatory requirements, including without limitation, those requirements relating to financial controls and reporting;
- oversee the independent auditor's qualifications and independence;
- oversee the performance of the independent auditors, including the annual independent audit of our financial statements;
- discharge such duties and responsibilities as may be required of the Audit Committee by the provisions of applicable law, rule or regulation.

A copy of the charter of the Audit Committee is available on our website at www.cellbiomedgroup.com (under "Investors").

Compensation Committee

The Compensation Committee consists of Chun Kwok Alan Au and Guotong Xu and David Bolocan acting as Chairman, each of whom are "independent" as defined in section 5605(a)(2) of the NASDAQ Listing Rules. The Compensation Committee is expected to convene regular meetings after the Annual Meeting. The role of the Compensation Committee is to:

- develop and recommend to the Board the annual compensation (base salary, bonus, stock options and other benefits) for our President/Chief Executive Officer;
- review, approve and recommend to the Board the annual compensation (base salary, bonus and other benefits) for all of our executives;
- review, approve and recommend to the Board the aggregate number of equity awards to be granted to employees below the executive level;
- ensure that a significant portion of executive compensation is reasonably related to the long-term interest of our stockholders; and
- prepare certain portions of our annual Proxy Statement, including an annual report on executive compensation.

A copy of the charter of the Compensation Committee is available on our website at www.cellbiomedgroup.com (under "Investors").

The Compensation Committee may form and delegate a subcommittee consisting of one or more members to perform the functions of the Compensation Committee. The Compensation Committee may engage outside advisers, including outside auditors, attorneys and consultants, as it deems necessary to discharge its responsibilities. The Compensation Committee has sole authority to retain and terminate any compensation expert or consultant to be used to provide advice on compensation levels or assist in the evaluation of director, President/Chief Executive Officer or senior executive compensation, including sole authority to approve the fees of any expert or consultant and other retention terms. In addition, the Compensation Committee considers, but is not bound by, the recommendations of our Chief Executive Officer or President with respect to the compensation packages of our other executive officers.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee, or the "Governance Committee", shall consist of Messrs. Chun Kwok Alan Au, Nadir Patel and Terry Belmont serving as Chairman, each of whom are "independent" as defined in section 5605(a)(2) of the NASDAQ Listing Rules. The Governance Committee is expected to convene regular meetings following the Annual Meeting. The role of the Governance Committee is to:

- evaluate from time to time the appropriate size (number of members) of the Board and recommend any increase or decrease;
- determine the desired skills and attributes of members of the Board and its committees, taking into account the needs of the business and listing standards;
- establish criteria for prospective members, conduct candidate searches, interview prospective candidates, and oversee programs to introduce the candidate to us, our management, and operations;
- review planning for succession to the position of Chairman of the Board and Chief Executive Officer and other senior management positions;
- annually recommend to the Board persons to be nominated for election as directors and appointment as members of committees;

•adopt or develop for Board consideration corporate governance principles and policies; and
review and report to the Board on the effectiveness of corporate governance procedures and the Board as a governing body, including conducting an annual self-assessment of the Board and its standing committees.

•periodically review and report to the Board on the effectiveness of corporate governance procedures and the Board as a governing body, including conducting an annual self-assessment of the Board and its standing committees.

A copy of the charter of the Governance Committee is available on our website at www.cellbiomedgroup.com (under "Investors").

Director Qualifications and Diversity

The Board seeks independent directors who represent a diversity of backgrounds and experiences that will enhance the quality of the Board's deliberations and decisions. Candidates should have substantial experience with one or more publicly traded companies or should have achieved a high level of distinction in their chosen fields. The Board is particularly interested in maintaining a mix that includes individuals who are active or retired executive officers and senior executives, particularly those with experience in biomedicine, medical and drug regulation in China, intellectual property, early-stage companies, research and development, strategic planning, business development, compensation, finance, accounting and banking.

In evaluating nominations to the Board of Directors, the Governance Committee also looks for certain personal attributes, such as integrity, ability and willingness to apply sound and independent business judgment, comprehensive understanding of a director's role in corporate governance, availability for meetings and consultation on Company matters, and the willingness to assume and carry out fiduciary responsibilities. The Governance Committee took these specifications into account in formulating and re-nominating its present Board members.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who beneficially own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of beneficial ownership and reports of changes in beneficial ownership of our common stock. The rules promulgated by the SEC under Section 16(a) of the Exchange Act require those persons to furnish us with copies of all reports filed with the Commission pursuant to Section 16(a). The information in this section is based solely upon a review of Forms 3, Forms 4, and Forms 5 received by us.

We believe that all of the Company's executive officers, directors and 10% stockholders have timely complied with their filing requirements during the year ended December 31, 2015, except that Richard Wang and Yihong Yao inadvertently did not timely file one SEC Form 3 in 2015; Terry Belmont inadvertently reported late two acquisitions of stock option in 2014 and one disposal of common stock that transpired in 2015; Yihong Yao inadvertently reported late one acquisition of common stock in 2015; Andrew Chan inadvertently reported late one acquisition of common stock and one disposal of common stock that transpired in 2015; Wen Tao Liu inadvertently reported late one acquisition of stock options, one acquisition of common stock and one disposal of common stock that transpired in 2015; Tony Liu inadvertently reported late four acquisitions of stock options that transpired in 2015; William Cao inadvertently reported late three acquisitions of stock options, two acquisitions of common stock and six disposals of common stock that transpired in 2015; and Nadir Patel inadvertently did not timely report two acquisitions of stock options in 2014 and one acquisition of stock options in 2015.

Code of Business Conduct and Ethics

We have adopted a code of ethics which applies to all our directors, officers and employees and comprises written standards that are reasonably designed to deter wrongdoing and to promote the behavior described in Item 406 of Regulation S-K promulgated by the SEC. A copy of our "Code of Business Conduct and Ethics for Officers, Directors and Employees" is available on our website at www.cellbiomedgroup.com (under "About Us: Company Overview"). In the event that we make any amendments to, or grant any waivers of, a provision of our Code of Business Conduct and Ethics for Officers, Directors and Employees that applies to the principal executive officer, principal financial officer or principal accounting officer that requires disclosure under applicable SEC rules, we intend to disclose such amendment or waiver and the reasons therefor in a Form 8-K or in our next periodic report.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth for the years ended December 31, 2015, 2014, and 2013 compensation awarded to, paid to, or earned by, Steve Liu (our former President and Chairman of the Board), William Cao (our former CEO), Bizuo (Tony) Liu (our current CEO and CFO), Andy Chan (our former CFO, Senior Vice President, Corporate Business Development), Richard L Wang (our current COO) and Yihong Yao (our current CSO).

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Wen Tao (Steve) Liu, Director, Former President and Chairman of the Board	2015	150,000	-	-	697,860	-	-	-	847,860
	2014	200,004	-	37,727	-	-	-	-	237,731
	2013	168,750	33,750	-	472,770	-	-	-	675,270
Wei (William) Cao, Director, Former Chief Executive Officer	2015	247,717	-	-	4,723,010	-	-	-	4,970,727
	2014	225,000	-	-	-	-	-	-	225,000
	2013	172,917	34,583	-	664,335	-	-	-	871,835
Bizuo (Tony) Liu, Chief Financial Officer and Director	2015	226,750	-	-	3,507,780	-	-	-	3,734,530
	2014	155,491	-	-	1,141,712	-	-	-	1,297,203
	2013	-	-	-	-	-	-	-	-
Andrew Chan, Senior Vice President, Corporate Business Development	2015	228,338	61,217	-	-	-	-	-	289,555
	2014	220,006	-	46,200	209,625	-	-	-	475,831
	2013	166,667	33,333	-	210,120	-	-	-	410,120
Richard L. Wang, Chief Operating Officer	2015	128,461	-	590,800	659,100	-	-	-	1,378,361
	2014	-	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-	-
Yihong Yao, Chief Scientific Officer	2015	116,045	-	613,865	490,000	-	-	-	1,219,910
	2014	-	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-	-

Executive Employment Agreements

At the closing of the merger with CBMG BVI, the Company entered into executive employment agreements with each of Wen Tao (Steve) Liu, Wei (William) Cao and Andrew Chan (the "New Officers") dated February 6, 2013 (each an "Employment Agreement," collectively, the "Employment Agreements"). As of August 30, 2013, the Employment Agreements were amended to revise the salaries of the New Officers to: Wen Tao (Steve) Liu: $225,000; Wei (William) Cao: $200,000; and Andrew Chan: $200,000. On September 29, 2013, in connection with their change in positions, the Board further adjusted the salaries of Mr. Liu and Mr. Cao to $200,000 and $225,000, respectively. The New Officers are also eligible to participate in the Company's Amended and Restated 2011 Incentive Stock Option Plan (the "Plan") and receive an option grant thereunder for the purchase of common stock of the Company at the discretion of the board of directors of the Company (the "Board"). The term of the New Officers' employment agreements are effective as of February 6, 2013 and continue for three years thereafter. After the three year term, if the New Officers continue to be employed, they will be employed on an at-will basis and their agreements shall automatically renew for successive one year terms, until and unless their employment is terminated.

If during the initial three year period following February 6, 2013, the New Officers are terminated for any reason other than death, disability, Cause (as defined in their Employment Agreements) or for no good reason, the Company shall be obligated to: (i) pay a severance amount equal to one times the New Officer's base salary; (ii) accelerate and vest in full the New Officer's stock options; (iii) subject to the New Officer's election to receive COBRA, pay for the executive's COBRA premiums during the twelve month period commencing with continuation coverage for the month in which the date of termination occurs.

If any New Officer's employment is terminated by the Company, upon or within two years following the date of a Change in Control (as defined in the Employment Agreement), the Company will (i) pay the New Officer a severance amount equal to two times the New Officer's base salary; (ii) accelerate and vest the New Officer's stock options effective immediately upon the date of termination within the two year period following the occurrence of a Change in Control; and (iii) subject to the New Officer's election to receive COBRA, pay for the New Officer's COBRA premiums during the twelve month period commencing with continuation coverage for the month in which the date of termination occurs.

In connection with Tony Liu's appointment as Chief Financial Officer in January 2014, the Company entered into an employment agreement with Mr. Liu on substantially the same terms as the New Officer Employment Agreements, except that, Mr. Liu will receive an annual base salary of $210,000.

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

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

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

In January 2016, the Company and each of Wei (William) Cao and Wen Tao (Steve) Liu mutually agreed not to renew their employment agreements at the end of their respective terms.

EastBridge Sub Employment Agreements with Norman Klein and Keith Wong

In connection with their termination of the prior employment agreements with the Company, on February 5, 2013, Messrs. Klein and Wong entered into a Deferred Compensation Agreement with the Company, pursuant to which the Company agreed to: (i) pay Messrs. Klein and Wong certain accrued unpaid cash compensation of $459,300 and $676,839, respectively; and (ii) pay on August 31, 2013, pay to Messrs. Klein and Wong cash bonus payments of $152,577 and $204,723, respectively.

Effective as of February 6, 2013, Norman Klein and Keith Wong's employment agreements with the Company were terminated. On February 6, 2013, EastBridge Sub entered into employment agreements with Norman Klein and Keith Wong (each a "Subsidiary Employment Agreement," collectively, the "Subsidiary Employment Agreements").

Pursuant to Mr. Wong's Subsidiary Employment Agreement with EastBridge Sub, Mr. Wong is entitled to an annual base salary of $240,000.

Pursuant to Mr. Klein's Subsidiary Employment Agreement with EastBridge Sub, Mr. Klein is entitled to an annual base salary of $180,000. Messrs. Wong and Klein were also eligible to participate in and receive awards under the Company's incentive stock plan.

The Subsidiary Employment Agreements were effective as of February 6, 2013 and were to continue for three years thereafter unless earlier terminated.

In connection with the discontinuation of the Company's consulting business, effective July 31, 2014, the Company terminated its employment agreements with Messrs. Klein and Wong and terminated their services as officers of Eastbridge Sub. On the same date, the Company entered into severance agreements with Messrs. Klein and Wong. Pursuant to the terms of the agreements, the Company agreed to pay severance of $360,000 and $480,000 to Messrs. Klein and Wong, respectively, as well as an additional lump sum of $4,200 and $12,480, respectively, to cover the equivalent costs of retaining two years of medical coverage under the Company's current medical plan for Messrs. Klein and Wong.

Compensation Discussion And Analysis

2015 LISTED OFFICERS

Wen Tao (Steve) Liu - Executive Chairman of the Board, (term as Chairman expired in February 2016)
Wei (William) Cao - Chief Executive Officer (resigned as Chief Executive Officer effective February 2016)
Bizuo (Tony) Liu - Chief Financial Officer and Secretary (also appointed as Chief Executive Officer effective February 2016)
Richard Wang – Chief Operating Officer
Yihong Yao – Chief Scientific Officer

This section explains how the Compensation Committee of the Board of Directors oversees our executive compensation programs and discusses the compensation earned by CBMG's listed officers, as presented in the tables below under "Executive Compensation".

Executive Summary

BUSINESS PERFORMANCE AND PAY

2015 was a growth year for CBMG, reflected in our top-line growth and the acquisition of USF's GVAX and PLAGH's CAR-T cancer immune-cell technologies.

	2015	2014	Change
Revenue	$2.51 million	$0.56 million	Up 344%
Gross Margin	24.9%	57.1%	Down 32.2 points
Operating Income (Loss)	($20.8 million)	($12.4 million)	Down 68%
Net Income (Loss)	($20 million)	($15.5 million)	Down 29.4%
Earnings/ (Loss) Per Share	$ -1.74	$ -1.79	Up 2.9%

For fiscal year ended December 31, 2015, we achieved net revenue of $2.51 million, up 344% from 2014, operating loss of $20.8 million, down 68% from 2014, and diluted loss per share of $1.74, an improvement of 2.9% from 2014. Our TCM immune cell consultation & technical services business continued to grow in 2015. Operationally we added over 60 staffs and moved deeper into the cancer vaccine and immune cell therapy market by acquiring vaccine technology from the United States and CAR-T technology from China. Total Shareholder Return (TSR) is a measure of the performance of the Company stock over time. It combines stock price appreciation and dividends paid, if any, to show the total return to the shareholder expressed as an annualized percentage. The Company's TSR was 153% for 2014 and 66.5% for 2015, substantially higher than the Nasdaq Healthcare Index's 28.5% and 6.9%, and Russell 3000 Index's 12.6% and 0.48%, respectively. Because our Stock and Option grants and awards are based on the grant date and cannot be accrued in accordance with U.S. GAAP the 2013 earned awards are included in 2014 and the 2014 earned awards are reported in 2015.

We used the Black Scholes model for our stock options grant valuation. Specifically we used the following assumptions in our modeling for the 2015 issued options:

- Expected volatility – 88.41% to 99.27%; and
- Risk-free rate of return – 1.39% to 1.92% ; and
- Dividend yield –zero; and
- Time to exercise – six years.

In addition, we did not consider non-transferability but used a 15% risk of forfeiture for employees and advisors and zero percent for Directors and Officers.

Because the majority of our executive compensation is tied to performance and TSR, our Executive Chairman, Chief Executive Officer and Chief Financial Officer each saw an increase in compensation in 2015 as compared to 2014. The annual total compensation, based on the 2015 performance, resulted in a year-over-year increase in compensation for our listed officers. In addition, in 2015 we started granting restricted stock units (RSUs) to our listed officers, which better align their compensation with the long-term interests of CBMG stockholders by focusing our executive officers on TSR. We believe the compensation structure and the stock awards in the talent acquisition of our Chief Operating Officer and Chief Scientific Officer in 2015 are commensurate with industry standard in the highly in-demand immune cell therapy and executives with substantial big pharma experience.

Stockholder Engagement and "Say on Pay" Vote

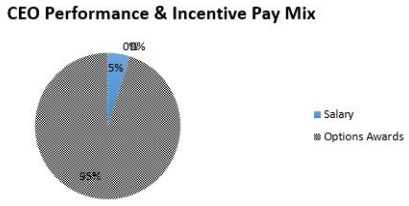
At our annual meeting of stockholders in 2014, our shareholders approved by advisory vote the Company's compensation to its executives and determined to conduct advisory votes every three years. As such, we plan to next provide shareholders with a non-binding advisory vote on executive compensation at our 2017 annual meeting of stockholder. The Compensation Committee plans to take into consideration the percentage of votes cast "For" our advisory "say on pay" resolution in 2017. The Board believes that "say on pay" "For" results can be an affirmation of the structural soundness of our executive compensation programs. Therefore, no significant changes have been made to the executive compensation program for 2016.

2015 Compensation of Our Listed Officers

PERFORMANCE AND INCENTIVE PAY FOR 2015

CBMG has a long-standing commitment to pay-for-performance that we implement by providing the majority of compensation through arrangements that are designed to hold our executive officers accountable for business results and reward them for strong corporate performance and creation of value for our stockholders. Our executive compensation programs are periodically adjusted over time so that they support our business goals and promote long-term growth of the company.

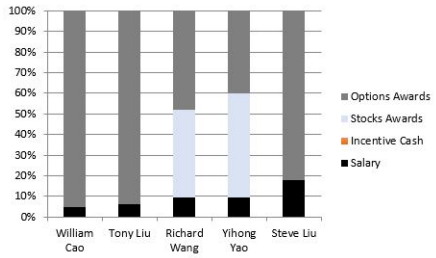
As illustrated below, approximately 95% of targeted total direct compensation for Mr. Cao in 2015 was performance-based, consisting of approximately 95% equity, and 0% annual incentive cash. Only 5% of his compensation, in the form of base salary, was fixed, ensuring a strong link between his targeted total direct compensation and the company result.



The majority of executive compensation for our listed officers is delivered through programs that link pay realized by executive officers with operational result and with TSR. As noted above, equity-based compensation consists of variable performance-based stock options and RSUs, which aligns compensation with the long-term interests of CBMG's stockholders by focusing our listed officers on TSR. As a result, total compensation for each listed officer varies with both individual performance and CBMG's performance in achieving financial and non- financial objectives.

The following chart shows the allocation of the listed officers' total direct compensation paid or granted for 2015, reflecting the extent to which their total direct compensation consists of performance-based compensation.

2015 Total Direct Compensation Chart



The majority of executive compensation for our listed officers is delivered through programs that link pay realized by executive officers with both operational results and TSR. As noted above, equity-based compensation consists of variable performance- based stock options and RSUs, which aligns compensation with the long-term interests of CBMG's stockholders by focusing our listed officers on TSR. As a result, total compensation for each listed officer varies with both individual performance and CBMG's performance in achieving financial and non- financial objectives established by our Compensation Committee.

2015 INCENTIVE COMPENSATION PAYOUTS

Although the 2014 goal attainment for the Chief Executive Officer and Chief Financial Officer were 94.8% and 91.6% respectively, there were no incentive cash paid out to the listed officers in 2014 as majority of the focus for our developmental pre-revenue company was on TSR and the officers chose to align their incentive with TSR by receiving such compensation in Stock and Option Awards.

Following the end of fiscal 2015, the Compensation Committee has been reviewing and certifying the annual incentive plan performance results. Once this evaluation has been completed, it will determine the final payouts.

The table below summarizes the 2015 performance goals criteria which the Compensation Committee uses to evaluate the listed officers' performance and determine their incentive compensation payouts.

Category	2015 Goals
Financials	Growth in Top Line and Gross Margin, management of approved budget, and maintenance of ample working capital
Corporate Development	Develop strategic partnership and acquisition of complementary technologies
Product Development	Manage Clinical Trials execution

2015 CASH COMPENSATION

As reflected in the table below, Mr. Cao and Mr. Tony Liu's salary were increased to reflect the industry standard, while Mr. Steve Liu's salary was reduced to reflect reduced responsibilities.

	2015 Base Salary ($)	2014 Base Salary ($)	Change 2015 vs 2014
William Cao	247,717	225,000	10%
Tony Liu	226,750	155,491	46%
Richard Wang	128,461	NA	NA
Yihong Yao	116,045	NA	NA
Steve Liu	150,000	200,004	-25%

CHANGES TO COMPENSATION PROGRAM

Early 2016 saw major setback of the capital market, our stock price volatility and a much depressed biotech industry segment. The Compensation Committee plans to monitor our compensation program, its structure and its individual components to ensure we provide a competitive executive compensation scheme commensurate to retain and attract talented leaders to bolster our continued journey to advance our clinical trials and to bring our cell therapies to commercialization.

Compensation of Directors

Prior to the Merger, the Company compensated directors through options to purchase common stock as consideration for their joining our Board and/or providing continued services as a director. Directors were not provided with cash compensation, although the Company would reimburse their expenses.

After the Merger, the Company determined that the annual cash compensation (prorated daily) to be paid to each director shall consist of $30,000 for each independent director and $20,000 for each non-independent director. In addition, each independent director of the Board is eligible to receive a non-qualified option grant under the Plan, under which such director's initial option grant shall be for a number of shares of common stock as set forth in the Independent Director Agreement for each such director and shall include such other terms to be determined by the Board and or its Compensation Committee.

On September 19, 2015, the Company held a Board meeting and approved new director compensation plan. The director compensation adjustment was made as a result of a compensation review undertaken by a professional, independent firm which included a comparison with industry peers. The finalized independent non-executive director compensation for 2016 is as follows:

	Cash compensation for 2016 ($)	Options granted for 2016 (note)	Total compensation ($)
Terry A. Belmont	60,300	8,761	201,000
David Bolocan	55,800	8,107	186,000
Nadir Patel	95,500	5,946	191,000
Chun Kwok Alan Au	34,800	5,056	116,000
Guotong Xu	22,800	3,313	76,000

Note: Above non-qualified options with exercise price of $20 were all granted on February 9, 2016 and will be fully vested on November 8, 2016.

From January 2016, the Company determined that annual cash compensation (prorated daily) of $30,000 to be paid to each non-independent director.

Service Agreement with Wei (William) Cao

The Company entered into a consulting agreement with Wei Cao, which is effective as of February 7, 2016 and terminate on February 7, 2018, pursuant to which Wei Cao will advise the Executive on M&A 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 etc. The Company agreed to: (i) pay cash compensation of $12,500 per month for an average of 10 hours of service per week; (ii) reimburse the actual travel and other out-of-pocket expenses incurred solely in connection with services performed pursuant to the Company's request. Prior to August 7, 2016, such expenses may include up to RMB10,000 per month for car and driver expenses incurred in Shanghai; (iii) pay premiums changed to continue medical coverage pursuant to the Company's existing employee health plan during the 12-month period following February 7, 2016. Provided Wei Cao is ineligible to receive, or the Company is not able to provide, continuation coverage under the Company's existing employee health plan, the Company shall pay cash payment equal to $1,667 for each month during the period and aggregate cash payment should not exceed $20,000; (iv) the terms of stock options shall be amended as additional consideration for the services rendered as follows: 1) Any unvested portion of the Non-Qualified stock option with an exercise price of $15.53 issued dated December 31, 2014 will vest until February 4, 2017 at the existing monthly rate. The options will have an expiration date of August 6, 2017. After February 4, 2017 vesting will continue monthly for up to another 6 months as long as this agreement is effective. However, after the termination of this agreement, all vesting will cease. Notwithstanding the above, if Wei Cao ceases to serve as a director of the Company prior to February 6, 2017, he will be deemed to have forfeited such options and any unvested options will vest and expire pursuant to the terms of the above-referenced stock option award agreement; 2)Any unvested portion of the non-qualified stock option issued dated February 20, 2013 shall immediately vest in full on February 6, 2016 and expire on February 6, 2017; 3)Options granted in September 2013 shall cease vesting February 6, 2016 and shall expire February 6, 2017; 4)Any other options held will cease to vest on February 6, 2016 and will expire on February 7, 2016.

Outstanding Equity Awards at Fiscal Year-End December 31, 2015

Name	Option awards					Stock awards			
	Number of securities underlying unexercised options(#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equityincentive plan awards: Number of securities underlying unexercised unearned options (#)	Option exercise price ($)	Option expiration date	Number of shares or units of stock that have not vested(#)	Market value of shares of units of stock that have not vested($)	Equityincentive plan awards: Number of unearned shares, units or other rights that have not vested (#)	Equityincentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Wen Tao (Steve) Liu, President and Chairman of the Board (1)	138,520	8,147	-	$ 3.00	2/20/2023	-	-	-	-
Wen Tao (Steve) Liu, President and Chairman of the Board (2)	11,222	22,445	-	$ 15.53	12/31/2021	-	-	-	-
Wei (William) Cao, Chief Executive Officer and Director (3)	86,852	3,148	-	$ 3.00	2/20/2023	-	-	-	-
Wei (William) Cao, Chief Executive Officer and Director (4)	47,500	22,500	-	$ 5.40	9/30/2023	-	-	-	-
Wei (William) Cao, Chief Executive Officer and Director (5)	10,000	20,000		$ 20.63	7/23/2021	-	-	-	-
Wei (William) Cao, Chief Executive Officer and Director (6)	10,000	20,000		$ 20.63	8/14/2021	-	-	-	-
Wei (William) Cao, Chief Executive Officer and Director (7)	33,667	67,333		$ 15.53	12/31/2021	-	-	-	-
Wei (William) Cao, Chief Executive Officer and Director (8)	-	60,000		$ 35.53	4/6/2025	-	-	-	-
Andrew Chan, Senior Vice President, Corporate Business Development (9)	38,891	2,592	-	$ 3.00	2/20/2023	-	-	-	-
Andrew Chan, Senior Vice President, Corporate Business Development (10)	22,742	18,194	-	$ 5.61	5/16/2024	-	-	-	-
Bizuo (Tony) Liu, Chief Financial Officer (11)	162,917	92,083	-	$ 5.00	1/3/2024	-	-	-	-
Bizuo (Tony) Liu, Chief Financial Officer (12)	4,858	442	-	$ 7.23	3/5/2023	-	-	-	-
Bizuo (Tony) Liu, Chief Financial Officer (13)	5,000	10,000	-	$ 20.63	7/23/2021	-	-	-	-
Bizuo (Tony) Liu, Chief Financial Officer (14)	5,000	10,000	-	$ 20.63	8/14/2021	-	-	-	-
Bizuo (Tony) Liu, Chief Financial Officer (15)	32,600	65,200	-	$ 15.53	12/31/2021	-	-	-	-
Bizuo (Tony) Liu, Chief Financial Officer (16)	2,667	5,333	-	$ 15.53	12/31/2021	-	-	-	-
Bizuo (Tony) Liu, Chief Financial Officer (17)	-	30,000	-	$ 35.53	4/6/2025	-	-	-	-
Terry A. Belmont (18)	4,000	-		$ 12.94	12/9/2024	-	-	-	-
	3,000	-		$ 15.62	11/7/2024	-	-	-	-
David Bolocan (19)	7,000	-	-	$ 5.41	10/4/2023	-	-	-	-
	7,000	-	-	$ 18.60	10/4/2024	-	-	-	-
Jianping Dai (20)	883	-	-	$ 4.95	3/29/2023	-	-	-	-
	7,000	-	-	$ 5.40	9/26/2023	-	-	-	-
Healthcrest Ag (21)	3,180	2,120	-	$ 5.50	12/9/2023	-	-	-	-
Nadir Patel (22)	5,000	-	-	$ 5.00	1/3/2024	-	-	-	-
	2,000	-	-	$ 15.62	11/7/2024	-	-	-	-
	-	5,000	-	$ 13.79	1/3/2025				
Chun Kwok Alan Au (23)	4,000	-	-	$ 15.62	11/7/2024	-	-	-	-
Guotong Xu (24)	2,000	-	-	$ 15.62	11/7/2024	-	-	-	-
Richard L. Wang, Chief Operation Officer (25)	-	30,000	-	$ 29.54	5/18/2025	-	-	-	-
Richard L. Wang, Chief Operation Officer (26)	-	-	-	-	N/A	20,000	$ 590,800	-	-
Yihong Yao, Chief Scientific Officer (27)	-	25,000	-	$ 26.53	8/4/2025	-	-	-	-
Yihong Yao, Chief Scientific Officer (28)	-	-	-	-	N/A	25,000	$ 594,250	-	-

(1) Represents an option to purchase up to 146,667 shares that were issued on 2/20/2013 with a monthly vesting schedule over a 36 month period, an exercise price of $3.00 and an expiration date of 2/20/2023.
(2) Represents an option to purchase up to 33,667 shares that were issued on 2/11/2015 vesting 1/3 on 12/31/2015 and each anniversary, an exercise price of $15.53 and an expiration date of 12/31/2021.
(3) Represents an option to purchase up to 56,667 shares that were issued on 2/20/2013 with a monthly vesting schedule over a 36 month period, an exercise price of $3.00 and an expiration date of 2/20/2023 and an additional option to purchase up to 33,333 shares issued on 2/20/2013 with full vesting on the second year anniversary of the award, an exercise price of $3.00 and an expiration date of 2/20/2023.
(4) Represents an option to purchase up to 90,000 shares that were issued on 9/30/2013 with a monthly vesting schedule over a 36 month period, an exercise price of $5.40 and an expiration date of 9/30/2023, within which 20,000 shares has been exercised in 2015.
(5) Represents an option to purchase up to 30,000 shares that were issued on 2/11/2015 vesting 1/3 on 7/23/2015 and each anniversary, an exercise price of $20.63 and an expiration date of 7/23/2021.
(6) Represents an option to purchase up to 30,000 shares that were issued on 2/11/2015 vesting 1/3 on 8/14/2015 and each anniversary, an exercise price of $20.63 and an expiration date of 8/14/2021.
(7) Represents an option to purchase up to 101,000 shares that were issued on 2/11/2015 vesting 1/3 on 12/31/2015 and each anniversary, an exercise price of $15.53 and an expiration date of 12/31/2021.
(8) Represents an option to purchase up to 60,000 shares that were issued on 4/6/2015, with full vesting of 30%, 30% and 40% at each year anniversary of the grant date for 3 years, an exercise price of $35.53 and an expiration date of 4/6/2025.
(9) Represents an option to purchase up to 46,667 shares that were issued on 2/20/2013 with a monthly vesting schedule over a 36-month period, an exercise price of $3.00 and an expiration date of 2/20/2023, within which 5,184 shares has been exercised in 2015.
(10) Represents an option to purchase up to 47,000 shares that were issued on 5/16/2014 with a monthly vesting schedule over a 31-month period, an exercise price of $5.61 and an expiration date of 5/16/2024, within which 6,064 shares has been exercised in 2015.
(11) Represents an option to purchase up to 255,000 shares that were issued on 1/3/2014 with a monthly vesting schedule over a 36-month period, an exercise price of $5 and an expiration date of 1/3/2024.
(12) Represents an option to purchase up to 5,300 shares that were issued on 3/5/2013 with a monthly vesting schedule over a 36-month period, an exercise price of $7.23 and an expiration date of 3/5/2023.
(13) Represents an option to purchase up to 15,000 shares that were issued on 2/11/2015 vesting 1/3 on 7/23/2015 and each anniversary, an exercise price of $20.63 and an expiration date of 7/23/2021.
(14) Represents an option to purchase up to 15,000 shares that were issued on 2/11/2015 vesting 1/3 on 8/14/2015 and each anniversary, an exercise price of $20.63 and an expiration date of 8/14/2021.
(15) Represents an option to purchase up to 97,800 shares that were issued on 2/11/2015 vesting 1/3 on 12/31/2015 and each anniversary, an exercise price of $15.53 and an expiration date of 12/31/2021.
(16) Represents an option to purchase up to 8,000 shares that were issued on 2/11/2015 vesting 1/3 on 12/31/2015 and each anniversary, an exercise price of $15.53 and an expiration date of 12/31/2021.
(17) Represents an option to purchase up to 30,000 shares that were issued on 4/6/2015, with full vesting of 30%, 30% and 40% at each year anniversary of the grant date for 3 years, an exercise price of $35.53 and an expiration date of 4/6/2025.
(18) Represents an option to purchase up to 4,000 shares issued on 12/9/2014 with full vesting at the one year anniversary of the grant date, an exercise price of $12.94 and an expiration date of 12/9/2024 as well as an additional option to purchase up to 3,000 shares issued on 11/7/2014 with full vesting at the one year anniversary of the grant date, an exercise price of $15.62 and an expiration date of 11/7/2024.
(19) Represents an option to purchase up to 7,000 shares that were issued on 10/4/2013, with full vesting at the one year anniversary of the grant date, an exercise price of $5.41 and an expiration date of 10/4/2023 and an additional option to purchase up to 7,000 shares that were issued on 10/4/2014, with full vesting at the one year anniversary of the grant date, an exercise price of $18.6 and an expiration date of 10/4/2024.
(20) Represents an option to purchase up to 5,300 shares that were issued on 3/29/2013, with a monthly vesting schedule over a 36 month period, an exercise price of $4.95 and an expiration date of 3/29/2023. The award was amended on 9/26/2013 to 7,000 shares and 883 already vested shares on that date, with the amended shares fully vested at the one year anniversary of the grant date, an exercise price of $5.40 and an expiration date of 9/26/2023.
(21) Represents an option to purchase up to 5,300 shares that were issued on 12/09/2013, with full vesting of 30%, 30% and 40% at each year anniversary of the grant date for 3 years, an exercise price of $5.50 and an expiration date of 12/09/2023.
(22) Represents an option to purchase up to 5,000 shares that were issued on 1/3/2014, with full vesting at the one year anniversary of the grant date, an exercise price of $5 and an expiration date of 1/3/2024, an additional option to purchase up to 2,000 shares that were issued on 11/7/2014, with full vesting at the one year anniversary of the grant date, an exercise price of $15.62 and an expiration date of 11/7/2024, and an additional option to purchase up to 5,000 shares that were issued on 1/3/2015, with full vesting at the one year anniversary of the grant date, an exercise price of $13.79 and an expiration date of 1/3/2025.
(23) Represents an option to purchase up to 4,000 shares that were issued on 11/7/2014, with full vesting at the one year anniversary of the grant date, an exercise price of $15.62 and an expiration date of 11/7/2024.
(24) Represents an option to purchase up to 2,000 shares that were issued on 11/7/2014, with full vesting at the one year anniversary of the grant date, an exercise price of $15.62 and an expiration date of 11/7/2024.
(25) Represents an option to purchase up to 30,000 shares that were issued on 5/18/2015, with full vesting of 30%, 30% and 40% at each year anniversary of the grant date for 3 years, an exercise price of $29.54 and an expiration date of 5/18/2025.
(26) Represents a right to obtain restricted stock up to 20,000 shares that were issued on 5/18/2015, with full vesting of 30%, 30% and 40% at each year anniversary of the grant date for 3 years.
(27) Represents an option to purchase up to 25,000 shares that were issued on 8/4/2015, with full vesting of 30%, 30% and 40% at each year anniversary of the grant date for 3 years, an exercise price of $26.53 and an expiration date of 8/4/2025.
(28) Represents a right to obtain restricted stock up to 25,000 shares that were issued on 8/4/2015, with full vesting of 30%, 30% and 40% at each year anniversary of the grant date for 3 years.

Option Exercises and Stock Vested during the Year-End December 31, 2015

Name	Option awards		Stock awards	
	Number of shares acquired on exercise	Value realized on exercise ($)	Number of shares acquired on vesting	Value realized on vesting ($)
Wen Tao (Steve) Liu, Director	33,333	1,126,989	-	-
Wei (William) Cao, Director	20,000	269,800	-	-
Andrew Chan, Senior Vice President, Corporate Business Development	44,581	765,384	-	-
Terry A. Belmont, Independent Director, Chairman of the Board	4,000	126,600	-	-
Yihong Yao, Chief Scientific Officer	-	-	500	18,755

2015 DIRECTOR COMPENSATION TABLE

Name	Year	Salary ($) (note 1)	Bonus ($)	Stock Awards ($)	Option Awards ($) (note 2)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Terry A. Belmont	2015	30,000	-	-	-	-	-	-	30,000
David Bolocan	2015	30,000	-	-	-	-	-	-	30,000
Wei (William) Cao	2015	18,337	-	-	-	-	-	-	18,337
Gerardus A. Hoogland	2015	20,004	-	-	-	-	-	-	20,004
Bizuo (Tony) Liu	2015	20,004	-	-	-	-	-	-	20,004
Wen Tao (Steve) Liu	2015	20,004	-	-	-	-	-	-	20,004
Nadir Patel	2015	30,000	-	-	60,617	-	-	-	90,617
Chun Kwok Alan Au	2015	30,000	-	-		-	-	-	30,000
Guotong Xu	2015	32,500	-	-		-	-	-	32,500

Note 1: Salary disclosed above is on a cash basis.

Note 2: Option awards of $60,617 to Nadir Patel is the consideration for his 2015 service, which was granted in 2015. For other independent directors, their option awards for 2015 services were disclosed in 2014 10-K as those options were granted in 2014. The expense related to those option awards were amortised over the service period in accordance with U.S. GAAP.

Risk Management in Compensation Policies and Procedures

Due to the Company's lack of cash flows, it has historically compensated its officers in stock rather than paying a cash salary. By compensating these officers in stock, we believe they have a greater incentive to take steps to increase the value of the Company's stock than they would if compensated in cash. As the Company's value is largely based on the value of the equity it receives from its clients, paying the officers using Company stock may incentivize them to take additional risks in an attempt to increase the value of the Company's stock.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table lists ownership of Common Stock as of February 29, 2016. The information includes beneficial ownership by (i) holders of more than 5% of parent Common Stock, (ii) each of our directors and executive officers and (iii) all of our directors and executive officers as a group. Except as noted below, to our knowledge, each person named in the table has sole voting and investment power with respect to all shares of the Company's Common Stock beneficially owned by them. Except as otherwise indicated below, the address for each listed beneficial owner is c/o Cellular Biomedicine Group, Inc., 19925 Stevens Creek Blvd., Suite 100, Cupertino, California, 95014.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percent of Class
Named Executive Officers and Directors		
Wen Tao (Steve) Liu (1) Director	370,965	2.9%
Wei (William) Cao (2) Director	384,508	3%
Bizuo (Tony) Liu (3) Director, Chief Executive Officer, Chief Financial Officer and Secretary	350,818	2.8%
Andrew Chan (4) Senior Vice President, Corporate Business Development	210,411	1.7%
Yihong Yao Chief Scientific Officer (5)	500	*
Gerardus A. Hoogland (6) Non-independent Director	3,180	*
David Bolocan (7) Independent Director	24,000	*
Terry A. Belmont (8) Independent Director, Chairman of the Board	7,000	*
Nadir Patel (9) Independent Director	12,000	*
Chun Kwok Alan Au (10) Independent Director	4,000	*
Guotong Xu (11) Independent Director	2,000	*
All Officers and Directors as a Group	1,369,382	10.8%
5% or more Stockholders		
Mission Right Limited (12)	1,036,040	8.6%
Leung Pak To (13)	711,220	5.9%
Cellular Immunity Tech Ltd. (14)	753,522	6.3%
ING Asia Private Bank LTD	629,229	5.3%

* Less than 1%

(1) Total shares owned by Wen Tao (Steve) Liu includes (i) 153,418 shares of common stock; (ii)146,667 options issued under 2011 Plan vested/to be vested within 60 days as of February 29, 2016; (iii) 11,222 options issued under 2014 Plan vested/to be vested within 60 days as of February 29, 2016.

(2) Wei (William) Cao shares voting and dispositive power over the shares held by W & J Development Ltd. with his spouse. Total shares owned by Mr. Cao includes (i) 174,472 shares directly by him; (ii) 25,145 shares held by W & J Development Ltd.; (iii) 90,000 options issued under the 2011 Plan vested/to be vested within 60 days as of February 29, 2016; (iv) 50,000 options issued under the 2013 Plan vested/to be vested within 60 days as of February 29, 2016, (v) 44,891 options issued under the 2014 Plan vested/to be vested within 60 days as of February 29, 2016.

(3) Total shares owned by Bizuo (Tony) Liu includes (i) 100,000 shares of common stock; (ii)5,300 options issued under 2011 Plan vested/to be vested within 60 days as of February 29, 2016; (iii)191,251 options issued under 2013 Plan vested/to be vested within 60 days as of February 29, 2016; (iv) 54,267 options issued under 2013 Plan vested/to be vested within 60 days as of February 29, 2016.

(4) Total shares owned by Andrew Chan includes (i) 145,757 shares of common stock; (ii)38,880 options issued under 2011 Plan vested/to be vested within 60 days as of February 29, 2016; (iii) 25,774 options issued under 2013 Plan vested/to be vested within 60 days as of February 29, 2016.

(5) Total shares owned by Yihong Yao includes 500 shares of common stock.

(6) Total shares owned by Gerardus Hoogland includes 3,180 options issued under 2013 Plan vested as of February 29, 2016. Mr. Hoogland was nominated to the Board pursuant to the terms of an advisory agreement with Healthcrest AG dated August 23, 2013. Mr. Hoogland is chief executive officer of Healthcrest. Healthcrest is 100% owned by Jacesa Investments Ltd, which is 100% owned by Rosetrust Nominees Ltd. Howard Rosen controls Rosetrust Nominees Ltd. In addition to the 3,180 vested options held directly by Mr. Hoogland, Healthcrest and its affiliates beneficially own an aggregate of 393,932 shares of CBMG common stock, of which 119,000 shares are held in Healthcrest's name. Except for the options issued as compensation for services as a director of CBMG, Mr. Hoogland disclaims beneficial ownership of all of the CBMG shares attributed to Healthcrest and its affiliates.

(7) Total shares owned by David Bolocan includes (i) 10,000 shares of common stock; (ii) 14,000 options issued under 2013 Plan vested as of February 29, 2016.

(8) Total shares owned by Terry A. Belmont includes 7,000 options issued under 2013 Plan vested as of February 29, 2016.

(9) Total shares owned by Nadir Patel includes 12,000 options issued under 2013 Plan vested as of February 29, 2016.

(10) Total shares owned by Chun Kwok Alan Au includes 4,000 options issued under 2013 Plan vested as of February 29, 2016.

(11) Total shares owned by Guotong Xu includes 2,000 options issued under 2013 Plan vested as of February 29, 2016.

(12) Mission Right Limited is 50% owned by Yusen Holdings Limited and 50% by Zeacome Investment Limited. Chan Boon Ho Peter controls Yusen Holdings. Zeacome Investment Limited is owned by Perfect Touch Technology Inc., which is owned by CST Mining Group Limited. CST Mining Group Limited is a public company listed on the Hong Kong Stock Exchange under the ticker code "985." Accordingly, Chan Boon Ho Peter and CST Mining Group Limited beneficially own the shares held by Mission Right Limited.

(13) 711,220 shares beneficially owned by Mr. Leung are held by Full Moon Resources Limited, an entity which Mr. Leung controls.

(14) Cellular Immunity Tech Ltd. is beneficially owned by 7 companies. Agreen – Tech Ltd. accounts for 45% of its interest and is owned by Dr. Kou Zhongxun, who is the employee of the company. Pureland Evergreen Ltd. accounts for 26% of the interest and is owned by Xu Chengbin, who is the employee of the company. Agreen Cellular Immunotherapy Ltd. accounts for 10% of the interest and is owned by Zhang Wei. Cellular Immunotherapy Ltd. is owned by Li Yaohua, who is the employee of the company. Biotechnology – Tech Ltd. accounts for 5% of the interest and is owned by Wu Pengfei, who is the employee of the company. Heaven Mind Ltd. accounts for 5% of the interest and is owned by Wu Shanshan, who is the employee of the company. Index Hong Kong Limited accounts for 4% of the interest and is owned by Zhang Dong.

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

At the closing of the merger, the Company entered into executive employment agreements with each of Wen Tao (Steve) Liu, Wei (William) Cao and Andrew Chan dated February 6, 2013, as amended (each an "Employment Agreement," collectively, the "Employment Agreements"). For further information about such Employment Agreements, see the discussion under the heading "Executive Employment Agreements" on, which is hereby incorporated by reference.

On August 23, 2013, the Company entered into an Advisory Agreement with HealthCrest AG, a Switzerland company ("HealthCrest"), pursuant to which the Company engaged HealthCrest as a non-exclusive corporate and business development advisor. Mr. Geradrdus A. Hoogland, a director of the Company, is the Chief Executive Officer of HealthCrest. In consideration of the services provided by HealthCrest, the Company will issue to HealthCrest 119,000 shares of the Company's common stock, which will vest over 28 months. The Company may repurchase the unvested shares at a price of $6.70 per share upon material breach of the terms of the Advisory Agreement on the part of HealthCrest. HealthCrest will also be entitled to certain transaction-based compensation under the Advisory Agreement. The term of the Agreement is between September 1, 2013 and December 31, 2015, provided either party may terminate the agreement upon 30 days written notice after November 29, 2013. This Advisory Agreement was not renewed upon the expiration of the agreement.

Pursuant to Mr. Wong's Subsidiary Employment Agreement with EastBridge Sub, Mr. Wong is entitled to an annual base salary of $240,000.

Pursuant to Mr. Klein's Subsidiary Employment Agreement with EastBridge Sub, Mr. Klein is entitled to an annual base salary of $180,000. Messrs. Wong and Klein were also eligible to participate in and receive awards under the Company's incentive stock plan.

The Subsidiary Employment Agreements were effective as of February 6, 2013 and were to continue for three years thereafter unless earlier terminated.

In connection with the discontinuation of the Company's consulting business, effective July 31, 2014, the Company terminated its employment agreements with Messrs. Klein and Wong and terminated their services as officers of Eastbridge Sub. On the same date, the Company entered into severance agreements with Messrs. Klein and Wong. Pursuant to the terms of the agreements, the Company agreed to pay severance of $360,000 and $480,000 to Messrs. Klein and Wong, respectively, as well as an additional lump sum of $4,200 and $12,480, respectively, to cover the equivalent costs of retaining two years of medical coverage under the Company's current medical plan for Messrs. Klein and Wong.

As of December 31, 2015 and 2014 the accrued compensation liability to the officers was $300,874 and $-0-, respectively.

The Company lent petty cash to Tony (Bizuo) Liu and Yihong Yao, its current CFO and CSO, for business travel purpose respectively. As of December 31, 2015, other receivables due from Tony (Bizuo) Liu and Yihong Yao were $2,120 and $17,094, respectively. As of December, 2014, other receivables due from Tony (Bizuo) Liu was $5,801.

Prior to August 26, 2014, Global Health was the Company's largest shareholder and affiliate. The Company received income from the Subsidiaries of Global Health for cell kits with cell processing and storage for the year ended December 31, 2014 of approximately $179,000. On August 26, 2014, Global Health Investment Holdings Ltd. disseminated its CBMG shareholdings, on a pro rata basis, to its shareholders and Global Health is no longer the Company's affiliate since then.

Except as disclosed herein, there have been no transactions or proposed transactions in which the amount involved exceeds $120,000 since January 1, 2015 or are currently being proposed in which any of our directors, executive officers or beneficial holders of more than 5% of the outstanding shares of common stock, or any of their respective relatives, spouses, associates or affiliates, has had or will have any direct or material indirect interest.

Review, Approval or Ratification of Transactions with Related Persons

The Company's Board of Directors reviews issues involving potential conflicts of interest, and reviews and approves all related party transactions, including those required to be disclosed as a "related party" transaction under applicable federal securities laws. The Board has not adopted any specific procedures for conducting reviews of potential conflicts of interest and considers each transaction in light of the specific facts and circumstances presented. However, to the extent a potential related party transaction is presented to the Board, the Company expects that the Board would become fully informed regarding the potential transaction and the interests of the related party, and would have the opportunity to deliberate outside of the presence of the related party. The Company expects that the Board would only approve a related party transaction that was in the best interests of, and fair to, the Company, and further would seek to ensure that any completed related party transaction was on terms no less favorable to the Company than could be obtained in a transaction with an unaffiliated third party.

Director Independence

In determining the independence of our directors, the Board applied the definition of "independent director" provided under the listing rules of The NASDAQ Stock Market LLC (" NASDAQ"). Pursuant to these rules, and after considering all relevant facts and circumstances, the Board affirmatively determined that Messrs. David Bolocan, Terry A. Belmont, Nadir Patel, Chun Kwok Alan Au and Guotong Xu, each of whom are now serving on the Board and are continuing to serve their terms, are each independent within the definition of independence under the NASDAQ rules. Wen Tao (Steve) Liu, Wei (William) Cao, Bizuo (Tony) Liu and Gerardus A. Hoogland, are not independent directors.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Company paid or accrued the following fees in each of the prior two fiscal years to its principal accountants, BDO China Shu Lun Pan Certified Public Accountant, LLP, Dahua CPA Co., Ltd., and BDO USA, LLP:

	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Audit and review fees			
BDO USA, LLP	137,801	217,256	200,000
BDO Shanghai, LLP	148,894	118,049	43,578
Dahua CPA Co., Ltd.	-	3,257	23,726
Taravan, Askelson & Company	-	-	107,293
Shanghai Ying Ming De CPA SGP	1,514	-	-
Wuxi Zhong Xing CPA Co., Ltd.	757	-	-
C.K.Lam & Co.	1,721	-	-
	290,687	338,562	374,597
Other assurance and tax fees			
Shanghai Ying Ming De CPA SGP	3,785	-	-
Wuxi Zhong Xing CPA Co., Ltd.	1,666	-	-
Total of audit related and tax fees	5,451	-	-
Overall total of audit, review and assurance fees	$ 296,138	$ 338,562	$ 374,597

Audit fees include fees for the audit of our annual financial statements, reviews of our quarterly financial statements, and related consents for documents filed with the SEC. All other fees include fees for auditing of listing agreement clients as required by the SEC for listing.

As part of its responsibility for oversight of the independent registered public accountants, the Board has established a pre-approval policy for engaging audit and permitted non-audit services provided by our independent registered public accountants. In accordance with this policy, each type of audit, audit-related, tax and other permitted service to be provided by the independent auditors is specifically described and each such service, together with a fee level or budgeted amount for such service, is pre-approved by the Board. All of the services provided by our independent registered public accountants described above were approved by our Board.

Our principal accountants did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

The Board has received and reviewed the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed with its auditors its independence from the Company. The Board has considered whether the provision of services other than audit services is compatible with maintaining auditor independence.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Exhibit Number	Description
2.1	Plan of reorganization and exchange agreement (1)
2.2	Agreement and Plan of Merger, dated November 13, 2012 (17)
2.3	Amendment No. 1 to Agreement and Plan of Merger, dated January 15, 2013 (18)
2.4	Amendment No. 2 to Agreement and Plan of Merger, dated January 31, 2013 (19)
2.5	Amendment No. 3 to Agreement and Plan of Merger, dated February 5, 2013 (20)
3.1	Articles of Incorporation of Cellular Biomedicine Group, Inc., filed herewith.
3.2	Corporate bylaws for Cellular Biomedicine Group, Inc., filed herewith.
4.1	Form of lock-up agreement (1)
4.2	2007 Stock Incentive Plan, dated June 14, 2007 (3)
4.3	2008 Employees and Consultants Stock Option Plan, dated August 20, 2008 (8)
4.4	2009 Stock Option Plan (10)
4.5	2011 Incentive Stock Option Plan (22)
4.6	Amended and Restated 2011 Incentive Stock Option Plan (23)
4.7	2013 Stock Incentive Plan (28)
4.8	2014 Stock Incentive Plan (29)
10.1	Consulting Employment Agreement between EastBridge Investment Group Corporation and Keith Wong dated June 1, 2005 (1)
10.2	Consulting Employment Agreement between EastBridge Investment Group Corporation and Norm Klein dated June 1, 2005 (1)
10.3	Listing Agreement signed with Amonics Limited, dated November 23, 2006 (English translation) (2)
10.4	Listing Agreement signed with Tianjin Hui Hong Heavy Steel Construction Co., Ltd, dated December 3, 2006 (English translation) (2)
10.5	Listing Agreement signed with NingGuo Shunchang Machinery Co., Ltd., dated January 6, 2007 (English translation) (2)
10.6	Listing Agreement with Hefe Ginko Real Estate Company, Ltd., dated July 24, 2007 (English translation) (4)
10.7	Share Exchange Agreement with AREM Wine Pty, Ltd., dated September 21, 2007 (5)
10.8	Listing and Consultant Agreement with AREM Wine Pty, Ltd., dated September 27, 2007 (6)
10.9	Listing Agreement with Beijing Zhong Zhe Huang Holding Company, Ltd., dated October 4, 2007 (English translation) (7)
10.10	Listing Agreement with Qinhuangdao Huangwei Pharmaceutical Company Limited, dated December 29, 2007 (English translation) (12)
10.11	US Listing Agreement with Anhui Wenda Educational & Investment Management Corporation, dated April 12, 2008 (English translation) (12)
10.12	Stock Purchase Agreement with Ji-Bo Pipes & Valves Company, dated September 21, 2008 (9)
10.13	Stock Purchase Agreement with Aoxing Corporation, dated September 21, 2008 (9)
10.14	US Listing Agreement with Foshan Jinkuizi Technology Limited Company, dated September 22, 2008 (English translation) (12)
10.15	Letter Agreement with Alpha Green Energy Limited, dated February 18, 2009 (12)
10.16	Listing Agreement with AREM Pacific Corporation, dated April 30, 2009 (12)
10.17	Change in Terms Agreement between EastBridge Investment Group Corporation and Goldwater Bank, N.A. dated May 6, 2009 (12)

Exhibit Number	Description
10.18	Listing Agreement with SuZhou KaiDa Road Pavement Construction Company Limited, dated November 3, 2009 (English translation) (12)
10.19	Listing Agreement with Long Whole Enterprises, Ltd., dated November 28, 2009 (English translation) (12)
10.20	Listing Agreement with Beijing Tsingda Century Education Investment and Consultancy Limited, dated December 24, 2009 (English translation) (12)
10.21	Listing Agreement with StrayArrow International Limited, dated April 11, 2010 (English translation) (13)
10.22	Listing Agreement with Hangzhou Dwarf Technology Ltd., dated September 26, 2010 (English translation) (14)
10.23	Bridge Capital Raise Agreement with FIZZA, LLC, dated December 1, 2010 (confidential treatment requested for redacted portions) (15)
10.24	Stock Purchase Agreement with An Lingyan, dated December 14, 2012 (1)
10.25	Form of Listing Agreement (16)
10.26	Tsingda Stock Purchase Agreement dated as of December 17, 2012 (16)
10.27	Employment Agreement with Wen Tao (Steve) Liu, dated February 6, 2013(30)
10.8	Employment Agreement with Wei (William) Cao, dated February 6, 2013(30)
10.29	Employment Agreement with Andrew Chan, February 6, 2013(30)
10.30	Form of Director Agreement(31)
10.31	Amendment to Employment Agreement with Wen Tao (Steve) Liu, dated August 20, 2013(30)
10.32	Amendment to Employment Agreement with Wei (William) Cao, dated August 20, 2013(30)
10.33	Amendment to Employment Agreement with Andrew Chan, dated August 20, 2013(30)
10.34	Advisory Services Agreement, dated August 23, 2013, by and between Cellular Biomedicine Group Inc. and HealthCrest AG(30)
10.35	Purchase Agreement, dated September 10, 2013, by and between Cellular Biomedicine Group (Shanghai) Ltd. and Fisher Scientific Worldwide (Shanghai) Co., Ltd. (30)
10.36	Technical Service Contract, dated September 22, 2013, by and between Cellular Biomedicine Group (Shanghai) Ltd. and National Engineering Research Center of Tissue Engineering. (30)
10.37	Clinical Trial Agreement, dated November 6, 2013, by and between Cellular Biomedicine Group (Shanghai) Ltd. and Renji Hospital(30)
10.38	Clinical Trial Agreement, dated December 20, 2013, by and between Cellular Biomedicine Group (Shanghai) Ltd. and China Armed Police General Hospital(30)
10.39	Consulting Agreement with Wei (William) Cao, dated February 7, 2016*
10.40	Form of Subscription Agreement (24)
10.41	Employment Agreement with Bizuo (Tony) Liu, dated January 3, 2014 (25)
10. 42	Framework Agreement by and among the Company, Agreen Biotech Co. Ltd. and its Shareholders, dated August 02, 2014 (26)
10.43	Technology Transfer Agreement by and between the Company and the General Hospital of the Chinese People's Liberation Army, dated February 4, 2015*
10.44	Asset Purchase Agreement, dated June 8, 2015, by and among the Company, Blackbird BioFinance, LLC, Scott Antonia and Sam Shrivastava (27)
10.45	Patent Transfer Agreement, dated November 16, 2015, by and between CBMG Shanghai and China Pharmaceutical University*
10.46	Clinical Trial Agreement, dated December 15, 2015, by and between CBMG Shanghai and Renji Hospital*
14.1	Code of Ethics for EastBridge Investment Group Corporation (1)
21	Subsidiaries of the Company*
23.1	Consent of BDO USA LLP*
23.2	Consent of BDO China Shu Lun Pan Certified Public Accountants LLP *
31	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Executive Officer and Chief Financial Officer*
32	Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

1. Incorporated by reference filed with the Registration Statement on Form 10-SB filed with the Securities and Exchange Commission on October 30, 2006 (File No. 000-52282)
2. Incorporated by reference filed with the Registration Statement on Form 10-SB/A filed with the Securities and Exchange Commission on February 27, 2007 (File No. 000-52282)
3. Incorporated by reference filed with the Registration Statement on Form S-8 filed with the Securities and Exchange Commission on June 19, 2007 (File No. 333-143878)
4. Incorporated by reference filed with the Form 8-K filed with the Securities and Exchange Commission on July 20, 2007 (File No. 000-52282)
5. Incorporated by reference filed with the Form 8-K filed with the Securities and Exchange Commission on September 25, 2007 (File No. 000-52282)
6. Incorporated by reference filed with the Form 8-K filed with the Securities and Exchange Commission on October 1, 2007 (File No. 000-52282)
7. Incorporated by reference filed with the Form 8-K filed with the Securities and Exchange Commission on October 9, 2007 (File No. 000-52282)
8. Incorporated by reference filed with the Registration Statement on Form S-8 filed with the Securities and Exchange Commission on August 22, 2008 (File No. 333-153129)
9. Incorporated by reference filed with the Form 8-K filed with the Securities and Exchange Commission on October 22, 2008 (File No. 000-52282)
10. Incorporated by reference filed with the Registration Statement on Form S-8 filed with the Securities and Exchange Commission on April 15, 2009 (File No. 333-158583)
11. Incorporated by reference filed with the Form 8-K/A filed with the Securities and Exchange Commission on December 12, 2013 (File No. 000-52282)
12. Incorporated by reference filed with the Form 10-K filed with the Securities and Exchange Commission on April 15, 2010 (File No. 000-52282)
13. Incorporated by reference filed with the Form 8-K filed with the Securities and Exchange Commission on July 14, 2010 (File No. 000-52282)
14. Incorporated by reference filed with the Form 8-K filed with the Securities and Exchange Commission on November 12, 2010 (File No. 000-52282
15. Incorporated by reference filed with the Form 8-K filed with the Securities and Exchange Commission on December 7, 2010 (File No. 000-52282)
16. Incorporated by reference filed with the Form 10-K filed with the Securities and Exchange Commission on June 18, 2013 (File No. 000-52282)
17. Incorporated by reference filed with the Form 8-K filed with the Securities and Exchange Commission on November 20, 2012 (File No. 000-52282)
18. Incorporated by reference filed with the Form 8-K filed with the Securities and Exchange Commission on January 22, 2013 (File No. 000-52282)
19. Incorporated by reference filed with the Form 8-K filed with the Securities and Exchange Commission on February 4, 2013 (File No. 000-52282)
20. Incorporated by reference filed with the Form 8-K filed with the Securities and Exchange Commission on February 12, 2013 (File No. 000-52282)
21. Incorporated by reference filed with the Form 8-K filed with the Securities and Exchange Commission on January 3, 2012 (File No. 000-52282)
22. Incorporated by reference filed with the Registration Statement on Form S-8 filed with the Securities and Exchange Commission on March 7, 2012 (File No. 333-179974)
23. Incorporated by reference filed with the Form 10-K filed with the Securities and Exchange Commission on April 4, 2013 (File No. 000-52282)
24. Incorporated by reference filed with the Form 8-K filed with the Securities and Exchange Commission on December 16, 2013 (File No. 000-52282)
25. Incorporated by reference filed with the Form 8-K filed with the Securities and Exchange Commission on January 3, 2014 (File No. 000-52282)
26. Incorporated by reference filed with the Form 8-K filed with the Securities and Exchange Commission on October 2, 2014 (File No. 001-36498)
27. Incorporated by reference filed with the Form 8-K filed with the Securities and Exchange Commission on July 2, 2015 (File No. 001-36498)
28. Incorporated by reference filed with Schedule 14A filed with the Securities and Exchange Commission on November 21, 2013 (File No. 000-52282)
29. Incorporated by reference filed with Schedule 14A filed with the Securities and Exchange Commission on September 23, 2014 (File No. 001-36498)
30 Incorporated by reference filed with the Form 10-K filed with the Securities and Exchange Commission on April 15, 2014 (File No. 000-52282).
31 Incorporated by reference filed with the Form 10-K filed with the Securities and Exchange Commission on March 31, 2015 (File No. 001-36498).

SIGNATURES

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

Registrant ***Cellular Biomedicine Group, Inc.***

Date: March 11, 2016

By: /s/ Bizou (Tony) Liu
Bizuo (Tony) Liu
Chief Executive Officer and Chief Financial Officer
(principal executive officer and financial and accounting officer)

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Terry A. Belmont Terry A. Belmont	Chairman of the Board of Directors	March 11, 2016
/s/ Wei (William) Cao Wei (William) Cao	Director	March 11, 2016
/s/ Bizuo (Tony) Liu Bizuo (Tony) Liu	Chief Executive Officer, Chief Financial Officer and Secretary (principal executive officer and financial and accounting officer)	March 11, 2016
/s/ Wen Tao (Steve) Liu Wen Tao (Steve) Liu	Director	March 11, 2016
/s/ David Bolocan David Bolocan	Director	March 11, 2016
/s/ Gerardus A. Hoogland Gerardus A. Hoogland	Director	March 11, 2016
/s/ Nadir Patel Nadir Patel	Director	March 11, 2016
/s/ Chun Kwok Alan Au Chun Kwok Alan Au	Director	March 11, 2016
/s/ Guotong Xu Guotong Xu	Director	March 11, 2016

CELLULAR BIOMEDICINE GROUP, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Cellular Biomedicine Group, Inc.

We have audited the accompanying consolidated balance sheet of Cellular Biomedicine Group, Inc. and its subsidiaries and variable interest entities (the "Company") as of December 31, 2015 and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2015, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 11, 2016 expressed an unqualified opinion thereon.

/s/ BDO China Shu Lun Pan Certified Public Accountants LLP

BDO China Shu Lun Pan Certified Public Accountants LLP

Shenzhen, the People's Republic of China
March 11, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Cellular Biomedicine Group, Inc.

We have audited the internal control over financial reporting of Cellular Biomedicine Group, Inc. and its subsidiaries and variable interest entities (the "Company") as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framewor (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, *Controls and Procedures, Management's Annual Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Cellular Biomedicine Group, Inc. and its subsidiaries and variable interest entities as of December 31, 2015, and the related statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the year then ended and our report dated March 11, 2016 expressed an unqualified opinion thereon.

/s/ BDO China Shu Lun Pan Certified Public Accountants LLP

BDO China Shu Lun Pan Certified Public Accountants LLP

Shenzhen, the People's Republic of China
March 11, 2016

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Cellular Biomedicine Group, Inc.
Cupertino, California

We have audited the accompanying consolidated balance sheet of Cellular Biomedicine Group, Inc. (the "Company") as of December 31, 2014, and the related consolidated statements of operations, comprehensive loss, changes in equity, and cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2014, and the results of its operations and its cash flows for the years ended December 31, 2014 and 2013 in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Phoenix, Arizona
March 31, 2015

CELLULAR BIOMEDICINE GROUP, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2015	December 31, 2014
Assets		
Cash and cash equivalents	$ 14,884,597	$ 14,770,584
Accounts receivable	630,332	141,029
Other receivables	271,344	135,957
Inventory	390,886	372,249
Prepaid expenses	367,050	565,299
Taxes recoverable	150,082	-
Other current assets	-	110,347
Total current assets	16,694,291	16,095,465
Investments	5,379,407	6,886,033
Property, plant and equipment, net	2,768,900	1,280,410
Goodwill	7,678,789	7,678,789
Intangibles, net	15,949,100	11,156,676
Long-term prepaid expenses and other assets	989,935	587,729
Total assets (1)	$ 49,460,422	$ 43,685,102
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	$ 260,886	$ 426,917
Accrued expenses	845,087	2,074,384
Taxes payable	-	814,288
Advances payable to related party	-	36,254
Other current liabilities	1,913,284	724,479
Total current liabilities	3,019,257	4,076,322
Other non-current liabilities	76,229	452,689
Total liabilities (1)	3,095,486	4,529,011
Commitments and Contingencies (note 16)		
Stockholders' equity:		
Preferred stock, par value $.001, 50,000,000 shares authorized; none issued and outstanding as of December 31, 2015 and 2014, respectively	-	-
Common stock, par value $.001, 300,000,000 shares authorized; 11,711,645 and 10,990,335 issued and outstanding as of December 31, 2015 and 2014, respectively	11,711	10,990
Additional paid in capital	103,807,651	75,467,316
Accumulated deficit	(57,338,311)	(37,890,590)
Accumulated other comprehensive income (loss)	(116,115)	1,568,375
Total stockholders' equity	46,364,936	39,156,091
Total liabilities and stockholders' equity	$ 49,460,422	$ 43,685,102

(1) The Company's consolidated assets as of December 31, 2015 and 2014 included $6,115,073 and $5,508,459, respectively, of assets of variable interest entities, or VIEs, that can only be used to settle obligations of the VIEs. Each of the following amounts represent the balances as of December 31, 2015 and 2014, respectively. These assets include cash and cash equivalents of $1,821,883 and $3,496,678; accounts receivable of $337,345 and $141,029; other receivables of $136,621 and $127,280; inventory of $180,973 and $215,152; prepaid expenses of $250,123 and $193,613; other current assets of $ nil and $109,777; property, plant and equipment, net, of $1,145,924 and $1,055,648; intangibles of $1,892,551 and $42,779; and long-term prepaid expenses and other assets of $349,653 and $126,503. The Company's consolidated liabilities as of December 31, 2015 and 2014 included $1,478,160 and $1,434,826, respectively, of liabilities of the VIEs whose creditors have no recourse to the Company. These liabilities include accounts payable of $38,004 and $10,572; other payables of $914,817 and $714,309; payroll accrual of $464,510 and $273,599; and other non-current liabilities of $60,829 and $436,346. See further description in Note 6, Variable Interest Entities.

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

CELLULAR BIOMEDICINE GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	For the Year Ended December 31,		
	2015	2014 (Note 23)	2013 (Note 23)
Net sales and revenue	$ 2,505,423	$ 564,377	$ 204,914
Operating expenses:			
Cost of sales	1,880,331	242,215	296,212
General and administrative	13,068,255	7,875,413	9,162,172
Selling and marketing	709,151	314,894	58,275
Research and development	7,573,228	3,146,499	2,041,872
Impairment of investments	123,428	1,427,840	-
Total operating expenses	23,354,393	13,006,861	11,558,531
Operating loss	(20,848,970)	(12,442,484)	(11,353,617)
Other income (expense):			
Interest income	42,220	15,043	1,294
Other income (expense)	630,428	71,982	(6,196)
Total other income (expense)	672,648	87,025	(4,902)
Loss from continuing operations before taxes	(20,176,322)	(12,355,459)	(11,358,519)
Income taxes (expense) credit	728,601	-	-
Loss from continuing operations	(19,447,721)	(12,355,459)	(11,358,519)
Loss on discontinued operations, net of taxes	-	(3,119,152)	(2,438,514)
Net loss	$ (19,447,721)	$ (15,474,611)	$ (13,797,033)
Other comprehensive income (loss):			
Cumulative translation adjustment	(307,950)	15,254	78,650
Unrecognized gain (loss) on investments	(1,376,540)	1,611,045	(198,200)
Total other comprehensive income (loss):	(1,684,490)	1,626,299	(119,550)
Comprehensive loss	$ (21,132,211)	$ (13,848,312)	$ (13,916,583)
Loss per share for continuing operations:			
Basic	$ (1.70)	$ (1.43)	$ (1.96)
Diluted	$ (1.70)	$ (1.43)	$ (1.96)
Loss per share for discontinued operations:			
Basic	$ -	$ (0.36)	$ (0.42)
Diluted	$ -	$ (0.36)	$ (0.42)
Net loss per share :			
Basic	$ (1.70)	$ (1.79)	$ (2.38)
Diluted	$ (1.70)	$ (1.79)	$ (2.38)
Weighted average common shares outstanding:			
Basic	11,472,306	8,627,094	5,792,888
Diluted	11,472,306	8,627,094	5,792,888

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

CELLULAR BIOMEDICINE GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Preferred Stock		Additional	Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Shares	Amount	Paid in Capital	Deficit	Income (Loss)	Total
Balance at December 31, 2012	3,710,560	$ 3,711	-	$ -	$ 14,710,002	$ (8,618,946)	$ 61,626	$ 6,156,393
Common stock issued with Private Placement Memorandum ("PPM")	1,434,778	1,435	-	-	8,990,956	-	-	8,992,391
Common stock issued for services	231,384	231	-	-	1,156,868	-	-	1,157,099
Stock based compensation	93,416	93	-	-	736,559	-	-	736,652
Restricted stock grants	-	-	-	-	255,993	-	-	255,993
Accrual of stock options	-	-	-	-	536,652	-	-	536,652
Reverse merger with EastBridge	1,570,299	1,571	-	-	9,780,223	-	-	9,781,794
Contigent stock issuance	342,360	342	-	-	1,694,340	-	-	1,694,682
Unrecognized loss on investments	-	-	-	-	-	-	(198,200)	(198,200)
Foreign currency translation	-	-	-	-	-	-	78,650	78,650
Net loss	-	-	-	-	-	(13,797,033)	-	(13,797,033)
Balance at December 31, 2013	7,382,797	$ 7,383	-	$ -	$ 37,861,593	$ (22,415,979)	$ (57,924)	$ 15,395,073
Common stock issued with PPM	1,686,566	1,686	-	-	11,120,270	-	-	11,121,956
Common stock issued for services	43,760	44	-	-	578,937	-	-	578,981
Stock based compensation	13,413	13	-	-	207,188	-	-	207,201
Restricted stock grants	13,862	14	-	-	106,378	-	-	106,392
Accrual of stock options	-	-	-	-	1,636,311	-	-	1,636,311
Exercise of stock options	3,650	4	-	-	19,383	-	-	19,387
Exercise of warrant issued in PPM	1,017,765	1,018	-	-	7,998,978	-	-	7,999,996
Common stock issued for acquisition	828,522	828	-	-	15,938,278	-	-	15,939,106
Unrecognized gain on investments	-	-	-	-	-	-	1,611,045	1,611,045
Foreign currency translation	-	-	-	-	-	-	15,254	15,254
Net loss	-	-	-	-	-	(15,474,611)	-	(15,474,611)
Balance at December 31, 2014	10,990,335	10,990	-	-	75,467,316	(37,890,590)	1,568,375	39,156,091
Common stock issued with PPM	515,786	516	-	-	18,584,338	-	-	18,584,854
Common stock issued for acquisition of intangible assets	46,867	47	-	-	1,481,415			1,481,462
Restricted stock grants	6,253	6	-	-	410,314	-	-	410,320
Accrual of stock options	-	-	-	-	7,182,117	-	-	7,182,117
Exercise of stock options	152,404	152	-	-	682,151	-	-	682,303
Unrecognized loss on investments	-	-	-	-	-	-	(1,376,540)	(1,376,540)
Foreign currency translation	-	-	-	-	-	-	(307,950)	(307,950)
Net loss	-	-	-	-	-	(19,447,721)	-	(19,447,721)
Balance at December 31, 2015	11,711,645	$ 11,711	-	$ -	$ 103,807,651	$ (57,338,311)	$ (116,115)	$ 46,364,936

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

CELLULAR BIOMEDICINE GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (19,447,721)	$ (15,474,611)	$ (13,797,033)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	2,094,644	1,190,505	841,235
Loss on disposal of assets	1,444	257,672	-
Stock based compensation expense	7,592,438	2,528,885	4,381,077
Other than temporary impairment on investments	123,428	1,427,840	-
Realized losses from sale of investments	5,178	5,913	138,909
Value of stock received for services	-	(1,610,000)	(3,500,000)
Impairment of goodwill	-	3,299,566	4,258,967
Inventory provision	123,848	-	-
Decrease in fair value of accrued expenses for the acquisition of intangible assets	(345,882)	-	-
Third party services received in exchange for disposition of investment stock	-	-	83,334
Deferred tax	-	-	(76,544)
Changes in operating assets and liabilities:			
Accounts receivable	(497,937)	20,645	10,102
Other receivables	(143,711)	(25,638)	50,160
Inventory	(142,486)	(78,310)	(81,878)
Prepaid expenses	181,679	(494,057)	(38,793)
Taxes recoverable	(150,082)	-	-
Other current assets	110,347	24,314	(84,661)
Investments	-	7,150	-
Long-term prepaid expenses and other assets	(384,432)	(504,678)	134,229
Accounts payable	(166,032)	165,517	40,862
Accrued expenses	396,557	409,109	(739,839)
Advance payable to related party	(30,216)	-	-
Other current liabilities	113,919	(694,131)	186,464
Taxes payable	(814,288)	(176,583)	(10,121)
Other non-current liabilities	(371,793)	-	(251,834)
Net cash used in operating activities	(11,751,098)	(9,720,892)	(8,455,364)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of business, net of cash acquired	(1,568,627)	(1,485,548)	-
Proceed from sale of investments, net of transaction costs	1,480	-	-
Purchases of intangible assets	(4,260,420)	(8,989)	(5,828)
Purchases of property, plant and equipment	(1,874,538)	(311,625)	(147,211)
Net cash used in investing activities	(7,702,105)	(1,806,162)	(153,039)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from the issuance of common stock	18,964,849	19,121,956	11,561,386
Proceeds from exercise of stock options	682,303	19,383	-
Advance from affiliates	-	-	36,614
Repayment of advance from affiliate	-	(31,745)	(1,250)
Net cash provided by financing activities	19,647,152	19,109,594	11,596,750
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(79,936)	12,829	41,972
INCREASE IN CASH AND CASH EQUIVALENTS	114,013	7,595,369	3,030,319
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	14,770,584	7,175,215	4,144,896
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 14,884,597	$ 14,770,584	$ 7,175,215
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for income taxes	$ 108,075	$ 460,924	$ -
Non-cash investing activities			
Acquisition of intangible assets through issuance of the Company's stock	$ 1,481,462	$ 1,442,850	$ -
Acquisition of business through issuance of the Company's stock	$ -	$ 14,496,256	$ -
Issuance of company stock for accrued liabilities and advances	$ -	$ -	$ 149,475

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

NOTE 1 – DESCRIPTION OF BUSINESS

As used in this 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.

Overview

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

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

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

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

Corporate History

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

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

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

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

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

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

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

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

NOTE 2 – BASIS OF PRESENTATION

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries and variable interest entities. All significant inter-company transactions and balances are eliminated upon consolidation. The consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America ("GAAP").

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are as follows:

Principles of Consolidation

The consolidated financial statements have been prepared in conformity with GAAP, and reflect the accounts and operations of the Company and its subsidiaries, beginning with the date of their respective acquisition. In accordance with the provisions of Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") Section 810, or ASC 810, *Consolidation*, the Company consolidates any variable interest entity, or VIE, of which it is the primary beneficiary. The typical condition for a controlling financial interest ownership is holding a majority of the voting interests of an entity; however, a controlling financial interest may also exist in entities, such as variable interest entities, through arrangements that do not involve controlling voting interests. ASC 810 requires a variable interest holder to consolidate a VIE if that party has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company does not consolidate a VIE in which it has a majority ownership interest when the Company is not considered the primary beneficiary. The Company has determined that it is the primary beneficiary in a VIE—refer to Note 6, Variable Interest Entity. The Company evaluates its relationships with the VIE on an ongoing basis to ensure that it continues to be the primary beneficiary. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 financial statements.

These estimates and assumptions also affect the reported amounts of revenues, costs and expenses during the reporting period. Management evaluates these estimates and assumptions on a regular basis. Actual results could materially differ from those estimates.

Revenue Recognition

The Company utilizes the guidance set forth in the Securities and Exchange Commission's Staff Accounting Bulletin (SAB) No. 104, regarding the recognition, presentation and disclosure of revenue in its financial statements.

For its Biomedicine segment, the Company recognizes revenue when pervasive evidence of an arrangement exists, the price is fixed and determinable, collection is reasonably assured and delivery of products or services has been rendered.

Cash and Cash Equivalents

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

Accounts Receivable

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

The Company follows the allowance method of recognizing uncollectible accounts receivable. The Company recognizes bad debt expense based on specifically identified customers and invoices that are anticipated to be uncollectable. At December 31, 2015 and December 31, 2014, no allowance was provided as the Company is receiving continuous settlement from its cell therapy treatments in the Biomedicine segment and there is no indication of debt unrecoverable from customers. Correspondingly the Company has not recorded any bad debt expense for the periods ended December 31, 2015, 2014 and 2013, respectively.

Inventory

Inventories consist of raw materials, work-in-process, semi-finished goods and finished goods. Inventories are initially recognized at cost and subsequently at the lower of cost and net realizable value under first-in first-out method. Finished goods are comprised of direct materials, direct labor, depreciation and manufacturing overhead. Net realizable value is the estimated selling price, in the ordinary course of business, less estimated costs to complete and dispose. The Company regularly inspects the shelf life of prepared finished goods and, if necessary, writes down their carrying value based on their salability and expiration dates into cost of goods sold.

Property, Plant and Equipment

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

For the years ended December 31, 2015, 2014 and 2013, depreciation expense was $573,015, $586,679 and $495,029, respectively.

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 part of the determination to discontinue the Consulting segment, in the second quarter of 2014, the Company has written off approximately $3,300,000 which represented the remaining goodwill from the 2013 merger. During the year ended December 31, 2013, the Company determined that the goodwill was impaired and therefore recorded impairment expense of $4,258,967.

Valuation of long-lived asset

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. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset and intangible assets. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets and intangible assets to be disposed are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance would be provided for those deferred tax assets if it is more likely than not that the related benefit will not be realized.

A full valuation allowance has been established against all net deferred tax assets as of December 31, 2015 and 2014 based on estimates of recoverability. While the Company has optimistic plans for its business strategy, we determined that such a valuation allowance was necessary given the current and expected near term losses and the uncertainty with respect to the Company's ability to generate sufficient profits from its business model.

Share-Based Compensation

The Company periodically uses stock-based awards, consisting of shares of common stock and stock options, to compensate certain officers and consultants. Shares are expensed on a straight line basis over the requisite service period based on the grant date fair value, net of estimated forfeitures, if any. We currently use the Black-Scholes option-pricing model to estimate the fair value of our stock-based payment awards. This model requires the input of highly subjective assumptions, including the fair value of the underlying common stock, the expected volatility of the price of our common stock, risk-free interest rates, the expected term of the option and the expected dividend yield of our common stock. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future. These assumptions are estimated as follows:

- Fair Value of Our Common Stock — Our common stock is valued by reference to the publicly-traded price of our common stock.

- Expected Volatility — Prior to the Eastbridge merger, we did not have a history of market prices for our common stock and since the merger, we do not have what we consider a sufficiently active and readily traded market for our common stock to use historical market prices for our common stock to estimate volatility. Accordingly, we estimate the expected stock price volatility for our common stock by taking the median historical stock price volatility for industry peers based on daily price observations over a period equivalent to the expected term of the stock option grants. Industry peers consist of other public companies in the stem cell industry similar in size, stage of life cycle and financial leverage. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock share price becomes available.

- Risk-Free Interest Rate — The risk-free interest rate assumption is based on observed interest rates appropriate for the expected terms of our awards. The risk-free interest rate assumption is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options for each option group.

- Expected Term — The expected term represents the period that our stock-based awards are expected to be outstanding. The expected terms of the awards are based on a simplified method which defines the life as the average of the contractual term of the options and the weighted-average vesting period for all open tranches.

- Expected Dividend Yield — We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.

In addition to the assumptions used in the Black-Scholes option-pricing model, the amount of stock option expense we recognize in our consolidated statements of operations includes an estimate of stock option forfeitures. We estimate our forfeiture rate based on an analysis of our actual forfeitures and will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover and other factors. Changes in the estimated forfeiture rate can have a significant impact on our stock-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the forfeiture estimate is changed. If a revised forfeiture rate is higher than the previously estimated forfeiture rate, an adjustment is made that will result in a decrease to the stock-based compensation expense recognized in the consolidated financial statements. If a revised forfeiture rate is lower than the previously estimated forfeiture rate, an adjustment is made that will result in an increase to the stock-based compensation expense recognized in our consolidated financial statements.

Fair Value of Financial Instruments

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining the fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain unobservable assumptions and projections in determining the fair value assigned to such assets.

All transfers between fair value hierarchy levels are recognized by the Company at the end of each reporting period. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investment in those instruments.

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

Investments

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

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

Basic and Diluted Net Loss Per Share

Diluted net loss per share reflects potential dilution from the exercise or conversion of securities into common stock. The dilutive effect of the Company's share-based awards is computed using the treasury stock method, which assumes that all share-based awards are exercised and the hypothetical proceeds from exercise are used to purchase common stock at the average market price during the period. Share-based awards whose effects are anti-dilutive are excluded from computing diluted net loss per share.

Foreign Currency Translation

The Company's financial statements are presented in U.S. dollars ($), which is the Company's reporting currency, while some of the Company's subsidiaries' functional currency is Chinese Renminbi (RMB). Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction. Any differences between the initially recorded amount and the settlement amount are recorded as a gain or loss on foreign currency transaction in the consolidated statements of operations. Monetary assets and liabilities denominated in foreign currency are translated at the functional currency rate of exchange ruling at the balance sheet date. Any differences are recorded as an unrealized gain or loss on foreign currency translation in the statements of operations and comprehensive loss. In accordance with ASC 830, Foreign Currency Matters, the Company translates the assets and liabilities into USD from RMB using the rate of exchange prevailing at the applicable balance sheet date and the statements of income and cash flows are translated at an average rate during the reporting period. Adjustments resulting from the translation are recorded in shareholders' equity as part of accumulated other comprehensive income. The PRC government imposes significant exchange restrictions on fund transfers out of the PRC that are not related to business operations.

Comprehensive Loss

We apply ASC No. 220, *Comprehensive Income* (ASC 220). ASC 220 establishes standards for the reporting and display of comprehensive income or loss, requiring its components to be reported in a financial statement that is displayed with the same prominence as other financial statements. Our comprehensive loss was $21,132,211, $13,848,312 and $13,916,583 for the years ended December 31, 2015, 2014 and 2013, respectively.

Reclassification

Certain prior period amounts have been reclassified to conform to current year presentations. There was no change to previously reported stockholders' deficit or net loss.

Segment Information

FASB ASC No. 280, "Segment Reporting" establishes standards for reporting information about reportable segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group in deciding how to allocate resources and in assessing performance. Following the discontinuance of our consulting business, we operate in a single reportable segment.

Recent Accounting Pronouncements

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

In February 2016, the FASB issued Accounting Standards Update ("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 September 2015, the FASB issued ASU No. 2015-16, "Business Combination (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments" ("ASU 2015-16"). The amendments in this update require that the acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The acquirer is required to also record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. In addition an entity is required to present separately on the face of the income statement or disclose in the notes to the financial statements the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments in ASU 2015-16 should be applied prospectively to adjustments to provisional amounts that occur after the effective date of ASU 2015-16 with earlier application permitted for financial statements that have not been issued. We do not expect the adoption of ASU 2015-16 to have a material impact on our consolidated financial statements.

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

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

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis" ("ASU 2015-02"). The amendments in this update affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. ASU 2015-02 is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. We do not expect the adoption of ASU No. 2015-02 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. We are currently in the process of evaluating the impact of the adoption of ASU 2014-09 on our consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08. The amendments in this ASU modify the requirements for the reporting of discontinued operations. In order to qualify as a discontinued operation, the disposal of a component of an entity, a group of components, or a business of an entity must represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The ASU further indicates that the timing for recording a discontinued operation is when one of the following occurs: the component, group of components, or business meets the criteria to be classified as held-for-sale; the component, group of components, or business is disposed of by sale; or the component, group of components, or business is disposed of other than by sale (for example abandonment or spinoff). In addition, the ASU also requires additional disclosure items about an entity's discontinued operations. The amendments are effective for us beginning on January 1, 2015. The amendments are to be applied prospectively solely to newly identified disposals that qualify as discontinued operations after the effective date. Items previously reported as discontinued operations will maintain their classification based on the prior guidance. Early adoption is permitted, but only for disposals that have not been previously reported as discontinued operations in previously issued financial statements. We adopted these amendments from January 1, 2015 and see note 5 for related disclosure.

NOTE 4 – BUSINESS COMBINATION

On September 26, 2014, the Company acquired all of the outstanding equity of Agreen Biotech Co. Ltd. ("AG") in exchange for cash of $3,240,000 and the issuance of 753,522 shares of its common stock. Based on the closing price of the common stock on September 26, 2014, the aggregate purchase price was $17,745,415. As a result of the acquisition, AG became a wholly-owned subsidiary of CBMG Shanghai.

The acquisition was accounted for as a business purchase pursuant to ASC Topic 805, *Business Combinations*. Under this ASC, acquisition and integration costs are not included as components of consideration transferred, but are accounted for as expenses in the period in which the costs are incurred. The Company incurred acquisition expense of approximately $480,000 directly related to this specific business combination. This expense is included in the 2014 general and administrative expenses presented on the statement of operations.

AG is a cancer-therapy-focused company whose intellectual property (including the intellectual property of AG's founder, which is directed to kit for detecting human T-cell receptor (TCR) Vβ repertoires, which the Company also acquired) is comprise d of T Cells Receptor ("TCR") clonality analysis technology and T Central Memory Cell ("Tcm") and Dendritic Cell ("DC") preparation methodologies.

The following table provides the initial allocation of purchase price based on the estimated fair values of the assets acquired (including intangible assets) and liabilities assumed in connection with the acquisition:

Cash	$	145,611
Accounts receivable		151,093
Other receivable		31,798
Inventory		174,820
Prepaid expenses		14,331
Property, plant and equipment, net		561,113
Intangible assets		9,942,000
Goodwill		7,678,786
Long-term prepaid expenses		83,054
Total assets acquired		18,782,606
Accounts payables		(47,509)
Accrued expenses		(42,013)
Other current liabilities		(523,077)
Other non current liabilities		(422,592)
Total liabilities assumed		(1,035,191)
Net assets acquired	$	17,747,415

The intangible assets acquired consist of developed technology in connection with AG's core business, which are being amortized over an estimated life of ten years.

As part of the AG acquisition, the Company acquired existing patents and intellectual property that were owned by AG's primary shareholder in exchange for 75,000 shares with a fair value of approximately $1,442,850. These assets are also reflected as intangible assets in the accompanying consolidated balance sheet since September 30, 2014 and are being amortized over an estimated life of 10 years.

The following unaudited pro forma consolidated results of operations has been prepared as if the acquisition of AG and related patents and intellectual property described above had occurred on January 1, 2013 and includes adjustments for the amortization of intangibles and the earnings-per-share impacts of the issuance of shares as part of the acquisition of AG and related patents and intellectual property:

	Year Ended December 31, 2014			Year Ended December 31, 2013		
	CBMG As stated	Agreen Pro forma Adjustment	Pro forma Consolidated	CBMG As stated	Agreen Pro forma Adjustment	Pro forma Consolidated
Net sales and revenue	$ 564,377	$ 1,198,414	$ 1,762,791	$ 204,914	$ 1,075,692	$ 1,280,606
Net loss	(15,474,611)	(48,109)	(15,522,720)	(13,797,033)	(338,804)	(14,135,837)
Weighted average common shares outstanding:						
Basic	8,627,094	555,335	9,182,429	5,792,888	753,522	6,546,410
Diluted	8,627,094	555,335	9,182,429	5,792,888	752,522	6,545,410
Earnings (loss) per share net loss:						
Basic	$ (1.79)	$ (0.09)	$ (1.69)	$ (2.38)	$ (0.45)	$ (2.16)
Diluted	$ (1.79)	$ (0.09)	$ (1.69)	$ (2.38)	$ (0.45)	$ (2.16)

NOTE 5 – DISCONTINUED OPERATIONS

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

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

Amounts presented for the year ended December 31, 2015, 2014 and 2013, have been reclassified to conform to the current presentation. The following table provides the amounts reclassified for the year ended December 31, 2015, 2014 and 2013:

	Year Ended December 31,		
	2015	2014	2013
Amounts reclassified:			
Consulting revenue	$ -	$ 1,612,746	$ 3,864,586
Consulting operating expenses	-	(1,352,189)	(1,308,488)
Selling and marketing	-	(27,673)	(70,069)
Impairment expense	-	(3,299,566)	(4,258,967)
Other income (expense)	-	(1,725)	(321,130)
Income tax provision	-	(50,745)	(344,446)
Total amount reclassified as discontinued operations	$ -	$ (3,119,152)	$ (2,438,514)

NOTE 6 – VARIABLE INTEREST ENTITY

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 registered shareholders of CBMG Shanghai are Cao Wei and Chen Mingzhe, who together own 100% of the equity interests in CBMG Shanghai. The initial capitalization and operating expenses of CBMG Shanghai are funded by our wholly foreign-owned enterprise ("WFOE"), Cellular Biomedicine Group Ltd. (Wuxi) ("CBMG Wuxi"). The registered capital of CBMG Shanghai is ten million RMB and was incorporated on October 19, 2011. AG was 100% acquired by CBMG Shanghai in September 2014. The registered capital of AG is five million RMB and was incorporated on April 27, 2011. For the year ended December 31, 2015, 80% of the Company revenue is derived from VIEs. For the year ended December 31, 2014 and 2013, 100% of the Company revenue is derived from VIEs.

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

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

There are substantial uncertainties regarding the interpretation, application and enforcement of PRC laws and regulations, including but not limited to the laws and regulations governing our business or the enforcement and performance of our contractual arrangements. See Risk Factors below regarding "Risks Related to Our Structure". The Company has not provided any guarantees related to VIEs and no creditors of VIEs have recourse to the general credit of the Company.

As the primary beneficiary of CBMG Shanghai and its subsidiaries, the Company consolidates in its financial statements the financial position, results of operations, and cash flows of CBMG Shanghai and its subsidiaries, and all intercompany balances and transactions between the Company and CBMG Shanghai and its subsidiaries are eliminated in the 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 consolidated balance sheets as of December 31, 2015 and 2014 are as follows:

	December 31, 2015	December 31, 2014
Assets		
Cash	$ 1,821,883	$ 3,496,678
Accounts receivable	337,345	141,029
Other receivables	136,621	127,280
Inventory	180,973	215,152
Prepaid expenses	250,123	193,613
Other current assets	-	109,777
Total current assets	2,726,945	4,283,529
Property, plant and equipment, net	1,145,924	1,055,648
Intangibles	1,892,551	42,779
Long-term prepaid expenses and other assets	349,653	126,503
Total assets	$ 6,115,073	$ 5,508,459
Liabilities		
Accounts payable	$ 38,004	$ 10,572
Other payables	914,817	714,309
Payroll accrual	464,510	273,599
Taxes payable	-	-
Total current liabilities	$ 1,417,331	$ 998,480
Other non-current liabilities	60,829	436,346
Total liabilities	$ 1,478,160	$ 1,434,826

NOTE 7 – OTHER RECEIVABLES

The Company pays deposits on various items relating to office expenses. Management has classified these deposits as receivables as the intention is to recover these deposits in less than 12 months. As of December 31, 2015 and 2014 the amounts of other receivables was $271,344 and $135,957, respectively.

NOTE 8 – INVENTORY

At December 31, 2015 and 2014, inventory consisted of the following:

	December 31, 2015	December 31, 2014
Raw materials	$ 357,896	$ 128,665
Work in progress	-	89,164
Semi-finished goods	15,346	-
Finished goods	17,644	154,420
	$ 390,886	$ 372,249

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2015	December 31, 2014
Office equipment	$ 24,526	$ 16,842
Manufacturing equipment	2,680,805	1,518,718
Computer equipment	150,698	73,888
Leasehold improvements	1,417,997	1,414,475
Construction in progress	680,740	-
	4,954,766	3,023,923
Less: accumulated depreciation	(2,185,866)	(1,743,513)
	$ 2,768,900	$ 1,280,410

Depreciation expense for the years ended December 31, 2015, 2014 and 2013 was $573,015, $586,679 and $495,029, respectively.

NOTE 10 – INVESTMENTS

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

December 31, 2015	Cost	Gross Unrealized Gains	Gross Unrealized Losses more than 12 months	Gross Unrealized Losses less than 12 months	Market or Fair Value
Equity position in Alpha Lujo, Inc.	$ 251,388	$ -	$ -	$ (133,694)	$ 117,694
Equity position in Arem Pacific Corporation	5,030,000	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

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

Net proceeds from sale of investments for the year ended December 31, 2015 was $1,480. Net realized losses from sale of investments for the year ended December 31, 2015, 2014 and 2013 was $5,178, $5,913 and $138,909, respectively.

The unrealized holding gain for the investments that is recognized in other comprehensive income for the year ended December 31, 2015 was other comprehensive loss of $1,376,540, as compared to other comprehensive gain of $1,611,045 and other comprehensive loss of $198,200 for the year ended December 31, 2014 and 2013, respectively.

The Company tracks each investment with an unrealized loss and evaluates them on an individual basis for other-than-temporary impairments, including obtaining corroborating opinions from third party sources, performing trend analysis and reviewing management's future plans. When investments have declines determined by management to be other-than-temporary the Company recognizes write downs through earnings. Other-than-temporary impairment of investments for the year ended December 31, 2015 was $123,428. For the year ended December 31, 2014 and 2013, other-than-temporary impairment of investments was $1,427,840 and $ nil, respectively.

NOTE 11 – FAIR VALUE ACCOUNTING

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

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

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

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

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

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

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

	As of December 31, 2015			
	Fair Value Measurements at Reporting Date Using:			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Equity position in Alpha Lujo, Inc.	$ 117,694	$ -	$ 117,694	$ -
Equity position in Arem Pacific Corporation	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	$ -

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

No investments were acquired for the year ended December 31, 2015. During the year ended December 31, 2014, the Company received 3,000,000 shares of Arem Pacific Corporation and 800,000 shares of Alpha Lujo, Inc. as compensation for services performed by the Company's consulting segment.

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

NOTE 12 – 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 December 31, 2015 and 2014, intangible assets, consisted of the following:

Patents & knowhow & license

	December 31, 2015	December 31, 2014
Cost basis	$ 17,686,700	$ 11,404,730
Less: accumulated amortization	(1,790,045)	(289,758)
	$ 15,896,655	$ 11,114,972

Software

	December 31, 2015	December 31, 2014
Cost basis	$ 90,951	$ 65,848
Less: accumulated amortization	(38,506)	(24,144)
	$ 52,445	$ 41,704
Total intangibles, net	$ 15,949,100	$ 11,156,676

All software is provided by a third party vendor, is not internally developed, and has an estimated useful life of 5 years. Patents, knowhow and license are amortized using an estimated useful life of five to ten years. Amortization expense for the years ended December 31, 2015, 2014 and 2013 was $1,521,629, $603,826 and $346,206, respectively. Estimated amortization expense for each of the ensuing years are as follows for the years ending December 31:

Years ending December 31,	Amount
2016	$ 1,786,860
2017	1,785,492
2018	1,776,513
2019	1,775,602
2020 and thereafter	8,824,633
	$ 15,949,100

NOTE 13 – 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 year ended December 31, 2015, 2014 and 2013 was approximately $1,043,833, $576,000 and $454,000, respectively.

As of December 31, 2015, the Company has the following future minimum lease payments due under the foregoing lease agreements:

Years ending December 31,	Amount
2016	$ 1,015,863
2017	485,968
2018	474,433
2019	450,492
2020 and thereafter	622,253
	$ 3,049,009

NOTE 14 – RELATED PARTY TRANSACTIONS

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

The Company received income of approximately $179,000 and $204,900 from the Subsidiaries of Global Health for the period ended August 26, 2014 and for the year ended December 31, 2013, respectively.

The Company advanced petty cash to officers for business travel purpose. As of December 31, 2015 and 2014, other receivables due from officers for business travel purpose was $19,214 and $5,801, respectively.

During the year ended December 31, 2013, the Company paid $1,493,439 to the executives of its consulting segment subsidiary, Eastbridge Sub, to settle all outstanding accrued compensation liabilities, no such settlement of accrued compensation existed for the year ended December 31, 2014 and 2015.

NOTE 15 – 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.

Immediately prior to the reverse merger the Company had 1,570,299 shares outstanding. The Company issued 3,638,941 shares in connection with the merger.

During the year ended December 31, 2013, the Company issued 231,384 shares of common stock to third parties for services rendered. The Company expensed $1,157,099 in connection with these issuances based on the quoted market prices on the dates of issuance.

During the year ended December 31, 2013, the Company issued 65,000 shares of common stock, to the former officers and employee of the Company. The Company expensed $386,250 in connection with these issuances based on the quoted market prices on the dates of issuance.

During the year ended December 31, 2013, the Company issued 71,814 shares of common stock to employees that had earned these shares as compensation as of the date of merger. The Company expensed $350,402 in connection with these issuances based on the quoted market prices on the dates of issuance.

During year ended December 31, 2013, the Company issued 342,360 shares of common stock to specific stockholders as the Company did not achieve ten Phase II clinical trials by March 31, 2013 in accordance with the terms and conditions of certain private placement agreements entered into by private investors in CBMG BVI and assumed by the Company. The Company expensed $1,694,682 in connection with these issuances based on the quoted market prices on the dates of issuance. There are no further milestones that would require additional stock issuances.

On July 24, 2013, the Company entered into a Subscription Agreement with selected investors that met the criteria as “Accredited Investors” as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, and other investors who met the criteria as “non-U.S. persons” who agreed to comply with the applicable requirements of Regulation S under the Act. The Company offered to sell up to an aggregate of 1,194,030 shares of the Company’s common stock. During the three months ended September 30, 2013, the Company issued to the Purchasers an aggregate of 597,763 shares of common stock at a price per share of $6.70 for an aggregate purchase price of $4,005,072.

On December 13, 2013, the Company entered into several Subscription Agreements with selected investors that met the criteria as “Accredited Investors” as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, and other investors who met the criteria as “non-U.S. persons” who agreed to comply with the applicable requirements of Regulation S under the Act. As a result of these transactions, the Company issued to the Purchasers an aggregate of 837,105 shares of common stock, at a price per share of $6.70 for an aggregate purchase price of $5,608,024.

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

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

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

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

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

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

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

During the year ended December 31, 2015, 2014 and 2013, the Company expensed $7,182,118, $1,636,311 and $536,652 associated with unvested options awards and $410,320, $106,392 and $255,993 associated with restricted common stock issuances, respectively.

During the year ended December 31, 2015 and 2014, options for 152,404 and 3,650 underlying shares were exercised, 152,404 and 3,650 shares of the Company's common stock were issued accordingly. No option was exercised during the year ended December 31, 2013.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Executive Employment Agreements

At the close of the merger with CBMG BVI, the Company entered into executive employment agreements with each of Wen Tao (Steve) Liu, Wei (William) Cao and Andrew Chan (the "New Officers") dated February 6, 2013 (each an "Employment Agreement," collectively, the "Employment Agreements"). Pursuant to Amendment 1 to the Employment Agreement, Andrew Chan will receive an annual base salary of $200,000. Pursuant to Board of Directors ("BOD") Minutes dated September 29, 2013, Steve Liu and William Cao receive an annual base salary of $200,000 and $225,000, respectively. The New Officers are also eligible to participate in the Company's Amended and Restated 2011 Incentive Stock Option Plan (the "2011 Plan") and receive an option grant thereunder for the purchase of common stock of the Company at the discretion of the board of directors of the Company (the "Board"). The term of the New Officers' employment agreements are effective as of February 6, 2013 and continue for three years thereafter. After the three year term, if the New Officers continue to be employed, they will be employed on an at-will basis and their agreements shall automatically renew for successive one year terms, until and unless their employment is terminated.

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

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

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

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

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

Discontinued Operations Plan

Effective July 31, 2014, in connection with the Company's discontinuation of its consulting business, the Company terminated the Subsidiary Employment Agreements with Messrs. Klein and Wong. On the same date, the Company entered into severance agreements with Messrs. Klein and Wong. Pursuant to the terms of the severance agreements, the Company agreed to pay severance of $360,000 and $480,000 to Messrs. Klein and Wong, respectively, as well as an additional lump sum of $4,200 and $12,480, respectively, to cover the equivalent costs of retaining two years of medical coverage under the Company's current medical plan for such individuals.

Deferred Compensation Arrangement with Former Officers

On February 5, 2013, the Company entered into a Deferred Compensation Agreement with Keith Wong and Norman Klein (the "Former Executives"), in which the Company agreed to: (i) pay its Former Executives certain accrued unpaid cash compensation consisting of $676,839 payable to Keith Wong and $459,300 payable to Norman Klein, plus aggregate accrued interest calculated at the simple rate of 12% per annum; and (ii) pay on August 31, 2013, a cash bonus payment of $204,723 to Mr. Wong and $152,577 to Mr. Klein. As of September 30, 2013, all such amounts were paid. A copy of the Deferred Compensation Agreement was attached as Exhibit 10.9 to our current report on Form 8-K filed February 12, 2013.

Capital commitments

As of December 31, 2015, the capital commitments of the Company are summarized as follows:

	December 31, 2015
Contracts for acquisition of equipment and GMP construction being or to be executed	$ 193,373
Contracts for acquisition of intangible assets being or to be executed	-
	$ 193,373

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's submitted a response on March 1, 2016 and oral argument on the motion to dismiss has been set for April 20, 2016. Discovery will be stayed pending a decision on the motion to dismiss.

The amended complaint names ten additional individuals and entities as defendants ("additional defendants"), none of whom are affiliated with the Company, and asserts an additional claim under Section 10(b) and Rule 10b-5(a) and (c) thereunder that the Company purportedly engaged in a scheme with the additional defendants to promote its securities. The amended complaint does not assert any claims against Mr. Liu.

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 17 – 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 (including shares issued for services and expense true-ups and reversals described in Note 15) for the year ended December 31, 2015, 2014 and 2013 was $7,182,117, $1,636,311 and $536,652, respectively. The compensation cost that has been charged against income related to restricted stock awards for the year ended December 31, 2015, 2014 and 2013 was $410,320, $106,392 and $255,993, respectively.

These expenses are included in overhead, general and administrative expense, selling and marketing expense as well as research and development expenses in our Consolidated Statements of Operations (see Note 23).

As of December 31, 2015, there was $12,977,214 all unrecognized compensation cost related to an aggregate of 1,092,204 of non-vested stock option awards and $1,744,171 related to an aggregate of 78,000 of non-vested restricted stock awards. These costs are expected to be recognized over a weighted-average period of 1.68 years for the stock options awards and 1.79 years for the restricted stock awards.

During the year ended December 31, 2015, the Company issued an aggregate of 721,779 options under the 2013 Plan and 2014 Plan to officers, directors and employees. The grant date fair value of these options was $13,687,655 using Black-Scholes option valuation models with the following assumptions: exercise price equal to the grant date stock price of $12.91 to $38.4, volatility 88.41% to 99.27%, expected life 6.0 years, and risk-free rate of 1.39% to 1.92%. The Company is expensing these options on a straight-line basis over the requisite service period.

During the year ended December 31, 2014, the Company issued an aggregate of 795,500 options under the 2011 Plan and 2013 Plan to officers, directors and employees. The grant date fair value of these options was $6,884,822 using Black-Scholes option valuation models with the following assumptions: exercise price equal to the grant date stock price of $5 to $28.49, volatility 112% to 130%, expected life 6.0 years, and risk-free rate of 1.77% to 2.08%. The Company is expensing these options on a straight-line basis over the requisite service period.

During the year ended December 31, 2013, the Company issued options under the 2011 and 2013 Plans to purchase an aggregate of 705,073 shares of the Company's common stock to officers, directors and employees. The grant date fair value of these options was $2,744,482 using Black-Scholes option valuation models with the following assumptions: exercise price equal to the grant date stock price of $3.00 to $7.23, volatility 131%, expected life 6.0 years, and risk-free rate of 1.01% to 1.90%. 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 December 31, 2015 and 2014 and for the year ended December 31, 2015:

	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2013	705,073	$ 4.19	9.2	$ 735,132
Grants	795,500	10.53		
Forfeitures	(71,750)	5.06		
Exercises	(3,650)	5.31		
Outstanding at December 31, 2014	1,425,173	$ 7.37	8.9	$ 11,065,770
Grants	721,779	20.89		
Forfeitures	(41,900)	15.58		
Exercises	(152,404)	4.48		
Outstanding at December 31, 2015	1,952,648	$ 12.42	7.8	$ 17,701,962
Vested and exercisable at December 31, 2015	860,444	$ 7.51	7.5	$ 12,029,468

Exercise Price	Number of Options	
	Outstanding	Exercisable
$3.00 - $4.95	279,033	265,146
$5.00 - $9.19	701,186	390,352
$12.91 +	972,429	204,946
	1,952,648	860,444

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 year ended December 31, 2015, 2014 and 2013 was $682,303, $19,387 and $ nil, respectively.

NOTE 18 – 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 Year Ended December 31,		
	2015	2014	2013
Loss from continuing operations	$ (19,447,721)	$ (12,355,459)	$ (11,358,519)
Loss on discontinued operations	$ -	$ (3,119,152)	$ (2,438,514)
Net loss	$ (19,447,721)	$ (15,474,611)	$ (13,797,033)
Weighted average shares of common stock	11,472,306	8,627,094	5,792,888
Dilutive effect of stock options	-	-	-
Restricted stock vested not issued	-	-	-
Common stock and common stock equivalents	11,472,306	8,627,094	5,792,888
Loss from continuing operations per basic share	$ (1.70)	$ (1.43)	$ (1.96)
Loss from continuing operations per diluted share	$ (1.70)	$ (1.43)	$ (1.96)
Loss on discontinued operations per basic share	$ -	$ (0.36)	$ (0.42)
Loss on discontinued operations per diluted share	$ -	$ (0.36)	$ (0.42)
Net loss per basic share	$ (1.70)	$ (1.79)	$ (2.38)
Net loss per diluted share	$ (1.70)	$ (1.79)	$ (2.38)

For the year ended December 31, 2015, 2014 and 2013, 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 year ended December 31, 2015, 2014 and 2013.

NOTE 19 – 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 year ended December 31, 2015, we recorded a valuation allowance against our U.S. net deferred tax assets. In order to fully realize the U.S. deferred tax assets, we will need to generate sufficient taxable income in future periods before the expiration of the deferred tax assets governed by the tax code.

The following represent components of the current tax expense for the year ended December 31, 2015, 2014 and 2013:

	For the Year Ended December 31,		
	2015	2014	2013
Current:			
US federal	$ (733,158)	$ 41,798	$ 339,856
US state	4,557	8,947	4,590
Foreign	-	-	-
Total current tax (credit) expense	$ (728,601)	$ 50,745	$ 344,446
Deferred:			
Federal	$ -	$ -	$ -
State	-	-	-
Foreign	-	-	-
Total deferred tax expense	$ -	$ -	$ -
Total income tax (credit) expense	$ (728,601)	$ 50,745	$ 344,446

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

	December 31, 2015	December 31, 2014
Deferred tax assets:		
Net operating loss carry forwards (offshore)	$ 1,994,281	$ 4,343,930
Net operating loss carry forwards (US)	2,300,322	1,823,432
Accruals (offshore)	176,859	-
Accrued compensation (US)	36,177	581,129
Stock-based compensation (US)	1,430,243	1,217,927
Investments (US)	1,683,237	599,332
Credits (US)	72,004	-
Subtotal	7,693,123	8,565,750
Less: valuation allowance	(7,663,450)	(8,565,750)
Total deferred tax assets	29,673	-
Deferred tax liabilities:		
Property and equipment	(1,377)	-
Goodwill & Intangibles	(28,296)	-
Subtotal	(29,673)	-
Net deferred tax asset	$ -	$ -

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 December 31, 2015, the Company had net operating loss carryforwards of $6 million for U.S federal purposes, $4.7 million for U.S. state purposes, and $5.4 million for Chinese income tax purposes, such losses are set to expire in 2035, 2035, and 2020 for U.S. federal, U.S. state and Chinese income tax purposes, respectively. All deferred income tax expense is offset by changes in the valuation allowance pertaining to the Company's existing net operating loss carryforwards due to the unpredictability of future profit streams prior to the expiration of the tax losses. The Company's effective tax rate differs from statutory rates of 35% for U.S. federal income tax purposes, 15% ~ 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 2015 (2014: 25%; 2013: 25%).

Income tax expense for year ended December 31, 2015, 2014 and 2013 differed from the amounts computed by applying the statutory federal income tax rate of 35% to pretax income (loss) as a result of the following:

	For the Year Ended December 31, 2015		For the Year Ended December 31, 2014		For the Year Ended December 31, 2013	
Effective Tax Rate Reconciliation						
Income tax provision at statutory rate	(35	)%	(35	)%	(35	)%
State income taxes, net of federal benefit	0	%	0	%	0	%
Goodwill impairement	0	%	7	%	12	%
Foreign rate differential	12	%	14	%	5	%
Other permanent difference	4	%	0	%	(4	)%
Change in valuation allowance	15	%	14	%	25	%
Total tax (credit) expense	(4	)%	0	%	3	%

NOTE 20 – COLLABORATION AGREEMENT

Part of AG's business includes a collaboration agreement to establish and operate a biologic treatment center in the Jilin province of China. Under the terms of the agreement dated on December 10, 2012, AG's collaborative partner funded the development of the center and provides certain ongoing services. In exchange, the partner receives preferred repayment of all funds that were invested in the development, 60% of the net profits until all of the invested funds are repaid, and 40% of the net profits thereafter, and the rights to the physical assets at the conclusion of the agreement. We are accounting for this transaction in accordance with ASC 808 Collaborative Arrangements and have reflected all assets and liabilities of the treatment center. While a liability exists for the amounts to be repaid to the partner for the initial funding, no liability has been recognized for the partner's rights to the assets upon the conclusion of the agreement as there is no specified termination date to the agreement. As of December 31, 2015, the net carrying amount of the physical assets located at the biologic treatment center subject to transfer to the partner at the conclusion of the collaboration agreement was $296,338. For the year ended December 31, 2015, AG incurred $416,318 attributed to 60% of net profits to the partner arising from aforementioned collaborative arrangements, which was recorded in the cost of sales.

NOTE 21 – SEGMENT INFORMATION

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

NOTE 22 – SUBSEQUENT EVENTS

On January 6, 2016, Mr. William Cao notified the Company of his decision to resign, for family reasons, from his post as Chief Executive Officer of the Company, effective February 6, 2016. In connection therewith, the Company and Mr. Cao mutually agreed that Mr. Cao's employment agreement, dated February 6, 2013, as amended, will not be renewed. He continues to serve as a director of the Company. In connection with Mr. Cao's resignation, on January 7, 2016, the board of directors of the Company elected Mr. Bizuo (Tony) Liu, the Company's Chief Financial Officer, to serve as Interim Chief Executive Officer commencing on February 7, 2016, pending the selection of a new Chief Executive Officer.

On January 23, 2016, the Company held an annual election for the position of Chairman of the Board. In connection therewith, Terry Belmont was elected to serve as Chairman, effective February 7, 2016, to serve until the next annual election of Chairman or until his earlier resignation. In connection therewith, Wen Tao (Steve) Liu, the outgoing Executive Chairman, and the Company mutually agreed that Mr. Liu's employment agreement, dated February 6, 2013, as amended, will not be renewed. Mr. Liu will continue to serve as a director of the Company.

As previously disclosed in a Current Report on Form 8-K on January 11, 2016, the board of directors of the Company elected Bizuo (Tony) Liu to serve as Interim Chief Executive Officer commencing on February 7, 2016, pending the selection of a new Chief Executive Officer. On January 23, 2016, the Board elected Mr. Liu to serve as Chief Executive Officer, effective February 7, 2016. Mr. Liu will continue to serve as the Company's Chief Financial Officer pending the selection of a new Chief Financial Officer.

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 raise of $43,130,000. The Company will pay a fee in cash equal to 5% of the gross proceeds from non-U.S. investors that were introduced by such finders, which fee will be paid out of the gross proceeds of the Financing. The Company had received the proceeds of $5,000,000 on February 4, 2016.

As additional consideration for the shares, the Investor is entitled to designate one person to serve as an observer on the board of directors of the Company and any other entity, which is owned or controlled, directly and indirectly, by the Company.

NOTE 23 – COMPARATIVE FIGURES

The comparative figures of 2014 and 2013 represent figures for the year ended December 31, 2014 and 2013. In previous periods, all the stock based compensation were included in general and administrative expense. In order to reflect the costs for each function more accurately, stock based compensation has been charged against overhead, general and administrative expense, selling and marketing expense as well as research and development expenses in accordance with function of the compensation plan participants from April 1, 2015. Certain items in these comparative figures have been reclassified to conform with the current year's presentation to facilitate comparison. Details are as follows:

	For the Year Ended December 31, 2014			For the Year Ended December 31, 2013		
	before reclassification	reclassification	after reclassification	before reclassification	reclassification	after
Operating expenses:						
Cost of sales	$ 213,243	$ 28,972	$ 242,215	$ 296,212	$ -	$
General and administrative	8,413,251	(537,838)	7,875,413	9,314,143	(151,971)	
Selling and marketing	280,595	34,299	314,894	57,670	605	
Research and development	2,671,932	474,567	3,146,499	1,890,506	151,366	
Total	$ 11,579,021	$ -	$ 11,579,021	$ 11,558,531	$ -	$

NOTE 24 - UNAUDITED QUARTERLY FINANCIAL INFORMATION

	Year ended December 31, 2015				
	Q4	Q3	Q2	Q1	Total
Selected Income Statement Data:					
Net sales and revenue	$ 620,167	$ 624,907	$ 656,959	$ 603,390	$ 2,505,423
Gross Profit	75,543	181,491	258,730	109,328	625,092
Loss from continuing operations	(4,991,877)	(5,142,198)	(5,026,475)	(4,287,171)	(19,447,721)
Net loss	(4,991,877)	(5,142,198)	(5,026,475)	(4,287,171)	(19,447,721)
Net loss per share :					
Basic	(0.43)	(0.44)	(0.44)	(0.39)	(1.70)
Diluted	(0.43)	(0.44)	(0.44)	(0.39)	(1.70)

	Year ended December 31, 2014				
	Q4	Q3	Q2	Q1	Total
Selected Income Statement Data:					
Net sales and revenue	$ 385,257	$ -	$ 118,069	$ 61,051	$ 564,377
Gross Profit	235,595	-	66,116	20,451	322,162
Loss from continuing operations	(5,448,899)	(2,780,009)	(2,265,345)	(1,861,206)	(12,355,459)
Net loss	(5,530,537)	(2,823,280)	(6,674,263)	(446,531)	(15,474,611)
Net loss per share :					
Basic	(0.55)	(0.31)	(0.85)	(0.06)	(1.79)
Diluted	(0.55)	(0.31)	(0.85)	(0.06)	(1.79)

CONSULTING AGREEMENT

This CONSULTING AGREEMENT (this "**Agreement**") is effective as of February 7, 2016 (the "**Effective Date**"), by and between Cellular Biomedicine Group, Inc., a Delaware corporation (the " **Company**"), and Wei (William) Cao, having a place of business at 22B, 3131 Hong Mei Rd., Shanghai 201103 (the "**Consultant**").

Section 1. SERVICES. The Company hereby retains Consultant and Consultant hereby agrees to render consulting services (" **Services**") to the Company as Advisor to the Chief Executive Officer for the term of this Agreement. The Services shall include those duties set forth on Exhibit A hereto. The Consultant will not perform any Services for the Company except as authorized or requested by the Company. Consultant agrees to engage in and complete the Services in a professional and workmanlike manner.

Section 2. TERM AND TERMINATION.

(a) This Agreement is effective as of the Effective Date, and will terminate on February 7, 2018 (the " **Termination Date**"), unless terminated earlier pursuant to subsection (b) or (c) below or extended by mutual consent of the Consultant and the Company.

(b) Prior to August 7, 2016, this agreement may be terminated by the Company only for the following:

(i) a material breach by the Consultant of his obligations under this Agreement;

(ii) intentional non-performance or mis-performance of Consultant's Services, or, in the sole judgment of the Chief Executive Officer, the refusal to abide by or comply with the directives of the Chief Executive Officer or the Company's policies and procedures;

(iii) conviction of, or a plea of nolo contendere to, a felony or other crime involving moral turpitude provided such conviction is not the result of the Consultant carrying out his Services under this Agreement for the Company (given the nature of the Company's business activities);

(iv) Consultant's gross negligence in the performance of his Services under this Agreement;

(v) Consultant's willful dishonesty, fraud or misconduct with respect to the business or affairs of the Company, that in the sole judgment of the Company's Board of Directors, materially and adversely affects the Company;

(vi) Consultant's commission of any willful act in direct competition with or materially detrimental to the best interests of Company; or

(vii) misappropriation by the Consultant of any material amount of funds, property, or rights of the Company.

(c) This Agreement may be terminated as of August 7, 2016 or at any time thereafter for any reason by either the Company or the Consultant by giving at least thirty (30) days' prior written notice of termination to the other party.

(d) Termination of this Agreement shall not affect (i) the Company's obligation to pay for Services previously rendered by the Consultant or expenses reasonably incurred by the Consultant for which the Consultant is entitled to reimbursement under Section 3 of this Agreement, or (ii) the Consultant's continuing obligations to the Company under Sections 5, 6 and 7 of this Agreement.

Section 3. COMPENSATION.

(a) As compensation for the Services to be rendered pursuant to this Agreement, the Company shall pay to Consultant the sum of $12,500 per month (or approximately $288.46 per hour), for an average of 10 hours of Service per week but not to exceed 10 hours per week for the term, , to be paid in cash [on a monthly basis] in accordance with Company policy. Consultant's time spent on (i) travel required by the Company in connection with Services rendered, (ii) the performance of his duties as a member of the board of directors of the Company, or (iii) any other activity outside of the Services provided for herein shall not be compensated and shall not count towards the 10 hour maximum set forth herein.

(b) The Company shall reimburse the Consultant for actual travel and other out-of-pocket expenses incurred solely in connection with Services performed pursuant to the Company's request. Prior to August 7, 2016, such expenses may include up to 10,000 RMB per month for car and driver expenses incurred while performing Services in Shanghai. All travel and out-of-pocket expenses pursuant to this Section 3(b) shall be incurred in accordance with Company policy (including but not limited to economy class air travel) and pre-approved by the Company and after submission by the Consultant of reasonably detailed invoices documenting such expenses.

(c) During the 12-month period following the Effective Date (the "**Coverage Period**"), the Company shall pay for the Consultant's premiums charged to continue medical coverage pursuant to the Company's existing employee health plan commencing with continuation coverage for the month in which the date of determination occurs, provided, that to the extent the Consultant is ineligible to receive, or the Company is not able to provide, continuation coverage under the Company's existing employee health plan, the Company shall pay the Consultant a cash payment equal to $1,667 for each month in the Coverage Period during which such continuation coverage is ineligible. No cash payment made pursuant to this Section 3(c) shall, in the aggregate, exceed $20,000. Notwithstanding the foregoing provisions of this Section 3(c), in the event the Consultant becomes re-employed with another employer during any month in the 12-month continuation period provided for by this Section 3(c), the Company shall have no obligation to pay, reimburse or otherwise provide the Consultant with continuation coverage for any such month.

(d) As additional consideration for the Services rendered herein, the terms of Consultant's existing stock options shall be amended pursuant to Exhibit B attached hereto.

(e) Consultant shall not be entitled to any other compensation or benefits for the Services other than as set forth in this Section 3.

Section 4. RELATIONSHIP OF THE PARTIES; NO CONFLICTS.

(a) Notwithstanding any provision of this Agreement to the contrary, the Consultant is and shall at all times be an independent contractor and not an employee, agent, partner, or joint venture of the Company. The Consultant shall have no right under this Agreement, or as a result of its, his or her consulting services to the Company, to participate in any other employee, retirement, insurance or other benefit program of the Company, nor will the Company make any deductions from the Consultant's compensation for taxes, the payment of which shall be solely the Consultant's responsibility. The Consultant is and shall not be eligible to participate in any employee benefit programs of the Company.

(b) The Consultant shall pay, when and as due, any and all taxes incurred as a result of its, Consultant's compensation hereunder, including estimated taxes, and if requested by the Company, provide the Company with proof of said payments. The Consultant further agrees to indemnify the Company and hold it harmless to the extent of any obligation imposed on the Company: (i) to pay withholding taxes or similar items; or (ii) resulting from the Consultant being determined not to be an independent contractor.

(c) The Consultant represents and warrants that (a) neither this Agreement nor the performance thereof will conflict with or violate any obligation of the Consultant or right of any third party; (b) the Consultant has obtained all licenses or certifications necessary to perform the Services; and (c) the Consultant shall comply with all applicable laws, rules and regulations in the performance of the Services.

Section 5. NONDISCLOSURE OF CONFIDENTIAL INFORMATION.

(a) The Consultant recognizes and acknowledges that all oral or written knowledge and information which Consultant has, will or may acquire or develop relating to the business of the Company or its subsidiaries or affiliates, including, without limitation, any financial or accounting information, business plans, business strategies, business forecasts, sales and merchandising materials, patents, patent applications, copyrights, trademarks, trademark applications or other intellectual property, models, techniques, know-how, trade secrets, processes, formulations and apparatus relating to the same and any other confidential or proprietary information related to the current, future and proposed products, services and business generally of the Company or its subsidiaries or affiliates (collectively, "**Confidential Information**") are the valuable property of the Company or its subsidiaries or affiliates. Confidential Information also includes proprietary or confidential information of any third party who may disclose such information to the Company or Consultant in the course of the Company's business.

(b) The Consultant covenants and agrees that: (i) Consultant will use and hold all Confidential Information in accordance with all applicable laws, rules and regulations and in no event will use or cause to be used Confidential Information in a manner harmful to or competitive with the Company and (ii) without the prior written consent of the Company, the Consultant will not use, disclose, divulge or publish any Confidential Information at any time during the term hereof or thereafter except as may be necessary to perform the Services; *provided, however,* that the Consultant shall not be obligated to treat as confidential, any Confidential Information that the Consultant can prove through Consultant's own written documentation that (A) was publicly known at the time of disclosure to the Consultant, (B) became publicly known or available thereafter other than by means in violation of this Agreement or any other duty owed to the Company by the Consultant, or (C) was lawfully disclosed to the Consultant by a third party. In the event a court or governmental agency legally compels Consultant to disclose Confidential Information, Consultant shall promptly inform the Company of the compelled disclosure, so that the Company may seek a protective order or other remedy or waive compliance with this Agreement, or both, and Consultant shall reasonable cooperate with the Company in those efforts. Consultant shall limit any compelled disclosure of Confidential Information to that which is legally required.

(c) The Consultant agrees that any disclosure of Confidential Information will only be such as is reasonably necessary to the performance of the Services and will only be to Consultant's employees and assistants who are bound by written agreements with Consultant to maintain the Confidential Information in confidence.

(d) The Consultant agrees not to disclose to the Company, or use in connection with the Consultant's efforts for the Company, any Confidential Information belonging to any third party, including the Consultant's prior employers, or any prior inventions made by him or her and which the Company is not otherwise legally entitled to learn of or use.

(e) Upon termination of service hereunder or upon the Company's request at any time, the Consultant agrees to promptly deliver to the Company, all Confidential Information in Consultant's possession that is written or other tangible form (together with all copies or duplicates thereof, including computer files), and all other property, materials or equipment that belong to the Company, its affiliates, subsidiaries, customers, prospects or suppliers.

Section 6. INTELLECTUAL PROPERTY.

(a) As used herein, the term " **Intellectual Property**" means any and all new or useful art, discovery, improvement, technical development, or invention, whether or not patentable, and all related or other copyrights, trademarks, know-how, designs, logos, formulae, processes, manufacturing or other techniques, trade secrets, ideas, artworks, software or other copyrightable, trademarkable or patentable work, that the Consultant, solely or jointly with others, makes, conceives or reduces to practice that resulted from the Consultant's Services for the Company under this Agreement.

(b) Consultant agrees that all right, title and interest of every kind and nature whatsoever in and to the Intellectual Property made, discussed, developed, secured, obtained or learned by the Consultant during the term of this Agreement, or the 90-day period immediately following termination of this Agreement, shall be deemed "work for hire" and are hereby assigned to the Company on a perpetual, worldwide and exclusive basis without further consideration, and shall be the sole and exclusive property of the Company for any purposes or uses whatsoever, and shall be disclosed promptly by the Consultant to the Company during the course of Consultant's performance of the Services hereunder.

(c) The Consultant agrees to assist the Company in any reasonable manner to obtain and enforce for the Company's benefit any patents, copyrights, trademarks and other property rights in any and all countries, with respect to any Intellectual Property, and the Consultant agrees to execute, when requested, patent, copyright, trademark or similar applications and assignments to the Company and any other lawful documents deemed necessary by the Company to carry out the purposes of this Agreement with respect thereto. In the event that the Company is unable for any reason to secure the Consultant's signature to any document required to apply for or execute any patent, copyright or other applications with respect to any Intellectual Property (including improvements, renewals, extensions, continuations, divisions or continuations in part thereof), after a written demand is made therefor upon the Consultant (which shall refer to the provisions of this Section 6(c)), the Consultant hereby irrevocably designates and appoints the Company and its officers and agents as the Consultant's agents and attorneys-in-fact to act for and on the Consultant's behalf and instead of the Consultant, to execute and file any such application and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights, mask works or other rights thereon with the same legal force and effect as if executed by the Consultant.

Section 7. NON-SOLICITATION, NON-COMPETITION AND AVOIDANCE OF CONFLICTS. During the term of this Agreement and for a period of two (2) years thereafter, the Consultant agrees that, without the prior written consent of the Company, the Consultant will not, directly or indirectly, on its, his or her behalf or on behalf of any other person or entity: (i) call upon, solicit, divert or take away or attempt to solicit, divert or take away any of the customers, vendors, business or patrons of the Company; (ii) solicit or attempt to solicit for employment or consultancy any person who is then an employee of or consultant to the Company or who was an employee of or consultant to the Company at any time during the three (3) month period immediately prior to the date of the subject solicitation; or own, operate, manage, join, control, participate in the ownership, management, operation or control of, or be paid or employed by, or acquire any securities of, or otherwise become associated with or provide assistance to, as an employee, consultant, director, officer, shareholder, partner, agent, associate, principal, representative or in any other capacity, any business entity which engages in any competitive line of business in which the Company is engaged.

Section 8. EMPLOYMENT OF ASSISTANTS. Should the Consultant deem it necessary to employ assistants to aid Consultant in the performance of the Services, the Consultant shall so notify the Company and obtain the Company's prior written consent. The parties agree that the Company will not direct, supervise, or control in any way such assistants to the Consultant in their performance of Services. The parties further agree that such assistants are employed solely by the Consultant, and that Consultant alone is responsible for providing workers' compensation insurance for Consultant's employees, for paying the salaries and wages of Consultant's employees, and for ensuring that all required tax withholdings are made. Consultant further represents and warrants that Consultant maintains workers' compensation insurance coverage for Consultant's employees and acknowledges that Consultant alone has responsibility for such coverage. Consultant shall impose upon such assistants the same confidentiality obligations as contained in this Agreement. In addition to the foregoing, Consultant shall not utilize any Company employees to aid Consultant in the performance of the Services without the Company's prior written consent and in any event, in accordance with the confidentiality obligations as contained in this Agreement.

Section 9. INDEMNIFICATION. The Consultant agrees to indemnify, defend, and hold the Company free and harmless from all claims, demands, losses, costs, expenses, obligations, liabilities, damages, recoveries and deficiencies, including interest, penalties, attorneys' fees, and costs, that the Company may incur as a result of a breach by Consultant of any representation or covenant contained in this Agreement or the that arise as a result of the provision by the Consultant of the Services.

Section 10. RIGHTS AND REMEDIES UPON BREACH. If the Consultant breaches or threatens to commit a breach of any of the provisions of Sections 5, 6 or 7 of this Agreement (the " **Protective Covenants**"), Consultant agrees that such breach or threatened breach of the Protective Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. Accordingly, and in addition to any other remedies that may be available, in law, in equity or otherwise, the Company shall be entitled to obtain injunctive relief against the breach or threatened breach of this Agreement or the continuation of any such breach in any court of competent jurisdiction, without the necessity of proving actual damages and without the necessity of posting bond or other security.

Section 11. MISCELLANEOUS.

(a This Agreement shall be governed in all respects by the laws of the State of New York, without regard to any provisions thereof relating to conflict of laws among different jurisdictions.

(b) The parties agree that any dispute or controversy arising out of or relating to any interpretation, construction, performance or breach of this Agreement shall be brought only in the state courts of New York or in the federal courts, in each case located in the state and county of New York. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*.

(c) This Agreement is the entire agreement of the parties with respect to the Services to be provided by the Consultant and supersedes any prior agreements between the parties with respect to the subject matter of this Agreement. This Agreement may only be amended in writing by the Company and the Consultant and their respective permitted successors and assigns.

(d) The Consultant may not assign, subcontract or otherwise delegate its, his or her obligations under this Agreement without the Company's prior written consent. Subject to the foregoing, this Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, legal representatives, successors and assigns.

(e) Either party's failure to enforce any right resulting from a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach by the other party.

(f) All notices required or permitted to be given by one party to the other under this Agreement shall be in writing and shall be sufficient if sent by either certified mail return receipt requested, nationally recognized courier, facsimile or email transmission or hand delivery to the parties at the respective addresses of the parties on the books and records of the parties. All notices shall be effective (i) when delivered personally, (ii) when transmitted by fax, electronic or digital transmission, (iii) the business day when delivered by a nationally recognized courier, or (iv) upon receipt if sent by certified or registered mail.

(g) If any of the provisions of this Agreement are found to be invalid under an applicable statute or rule of law, they are to be enforced to the maximum extent permitted by law and beyond such extent are to be deemed omitted from this Agreement, without affecting the validity of any other provision of this Agreement.

(h) This Agreement may be executed in counterparts, each of which will be deemed an original and all of which together shall constitute one and the same instrument. Such counterparts may be signed and delivered by facsimile or other electronic transmission, which shall constitute valid execution and delivery hereof.

(i) The covenants, representations and warranties in this Agreement shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the Company and the Consultant have signed this Agreement as of the day and year written above.

CONSULTANT

By: /s/Wei (William) Cao
Wei (William) Cao

CELLULAR BIOMEDICINE GROUP, INC.

By: /s/ Bizuo (Tony) Liu
Name: Bizuo (Tony) Liu
Title: Chief Executive Officer

Exhibit A

DUTIES OF CONSULTANT

During the term of this Agreement, Consultant shall in a timely and professional manner provide up to 10 hours per week of the following Services to the Company:

1. As directed by the Chief Executive Officer of the Company (the " **Executive**"), advise the Executive on M&A and other strategic opportunities, especially international opportunities in the pharmaceutical industry, and to assist the Company evaluating/exploring future international expansion.

2. As directed by the Executive, advise the Company on KOA and stem cell and immune cell (cancer therapy) discussions with technical leaders in connection with the Company's R&D and expansion efforts.

3. Participate in the Company's internal scientific reviews and actively work with the Company's Scientific Advisory Board.

4. Support the Executive and others in connection with financing, recruitment and other activities as requested by Executive. Consultant shall make himself reasonably available for consultation, either in person or by phone, email or video conference, on an as-needed basis.

5. Timely provide all necessary information and assistance to the Company and take all action requested by the Company in order to effect the transfer of Consultant's role as a representative of the Company's subsidiaries or controlled entities to a new Company designee, including but not limited to Consultant's resignation from any and all positions with the Company's subsidiaries or variable interest entities, transfer of any equity interest in [Cellular Biomedicine Group Ltd. (Shanghai)], and the transfer or removal of signatory status, legal representative status, or bank account access authorization in connection therewith.

6. Provide other related services and advice to the Company as agreed by the parties from time to time.

Exhibit B

OPTION RESTRUCTURING

1. Any unvested portion of the Non-Qualified Stock Option with an exercise price of $15.53 issued to the Consultant pursuant to that certain Stock Option Award Agreement dated December 31, 2014 will vest until February 4, 2017 at the existing monthly rate. The options will have an expiration date of August 6, 2017. After February 4, 2017, vesting will continue monthly for up to another six (6) months as long as this Agreement is effective. However, after the termination of this Agreement, all vesting will cease. Notwithstanding the above, if the Consultant ceases to serve as a director of the Company prior to February 6, 2017, he will be deemed to have forfeited such options and any unvested options will vest and expire pursuant to the terms of the above-referenced Stock Option Award Agreement.

2. Any unvested portion of the Non-Qualified Stock Option issued to Consultant pursuant to that certain Stock Option Award Agreement dated February 20, 2013 shall immediately vest in full on February 6, 2016 pursuant to the Company's Notice of Termination to Consultant dated January 5, 2016 and shall expire on February 6, 2017.

3. Options granted in September 2013 shall cease vesting February 6, 2016 and shall expire February 6, 2017.

4. Any other options held by Consultant will cease to vest on February 6, 2016 and will expire on February 7, 2016 pursuant to the terms of their respective option award agreements.

Technology Transfer Contract

Project name: The Technology on Genetic Engineering of Chimeric Antigen Receptor (CAR)-Modified T Cells Targeting toTumor and its Applications

The Transferor (Party A): General Hospital of the Chinese People's Liberation Army
Legal representative: Li Shuzhang
Address: No. 28, Fuxing Road, Haidian District, Beijing; zip code: 100039
Tel.: 010-68182255

The Transferee (Party B): Cellular Biomedicine Group (Shanghai) .Ltd.
Legal representative: Cao Wei
Address: 5F, No. 1 Building, No. 333, Guiping Road, Xuhui District, Shanghai; zip code: 200233
Tel.: 021-54069990

When facing the development trend of industrialization of global regenerative medicine and tumor immune cell treatment technology, in order to effectively promote the clinical transformation of innovative technology in tumor immunotherapy, both parties hereto agree to enter into the Contract concerning the technology transfer of "The Technology on Genetic Engineering of Chimeric Antigen Receptor (CAR)-Modified T Cells Targeting to Tumor and its Applications " through friendly consultation.

1. The Contents of Technology Transfer

(I) The Contents of technology transfer

The Technology on Genetic Engineering of Chimeric Antigen Receptor (CAR)-Modified T Cells Targeting to Tumor and its Applications in immunotherapy of hematologic tumor and non-hematologic tumor, including the data on applications of the relevant technologies in clinical trial study and the obtainable invention patents or patents' application right.

(II) Four technologies transferred

1. Anti -CD19CAR-T cells-based immunotherapy technology

(1) The Patent right with the application number of "2014100625934. X" and name of "A Chimeric Antigen Receptor and its Gene and its Gene Recombinant Expression Vector, CD19-Targeted Genetic Engineered NKT Cells and its Applications".

(2) The Clinical trial protocol and the preliminary report of clinical trial with application of the patented technology on experimental treatment of acute B lymphocytic leukemia with CD19 positive marker in progressive stage.

2. Anti-CD20 CAR-T cells-based immunotherapy technology

(1) The Patent right with application number of "201410062069. 7" and name of "A Chimeric Antigen Receptor and its Gene and its Gene Recombinant Expression Vector, CD20-Targeted Genetic Engineered NKT Cells and its Applications ".

(2) The Clinical trial protocol and the preliminary report of clinical trial with application of the patented technology on experimental treatment of acute B lymphoma with CD20 positive marker in progressive stage.

3. Anti-CD30 CAR-T cells immunotherapy technology

(1) The Patent right with application number of “20150024857. 1” and name of “A Chimeric Antigen Receptor and its Gene and its Gene Recombinant Expression Vector, CD30- Targeted Genetic Engineered NKT Cells and its Applications”.

(2) The Clinical trial protocol and the preliminary report of clinical trial with application of the patented technology on experimental treatment of Hodgkin’s lymphoma with CD30 positive marker.

4 Anti-HER1(EGFR) CAR-T cells immunotherapy technology

(1) The Patent right with application number of “201410426060. X” and name of “A Chimeric Antigen Receptor and its Gene and its Gene Recombinant Expression Vector, HER1 -Targeted Genetic Egineered NKT Cells and its Applications”.

(2) The Clinical trial protocol and the preliminary report of clinical trial with application of the patented technology on experimental treatment of advancedlung cancer with HER1 positive marker.

(III) The patent application number of above four invention patents has been issued by State Intellectual Property Office of the PRC; while no authorization is permitted. Party A agrees to exclusively transferring the application right for four technologies and patents to Party B once. Where it is declared as invalid or no patent is obtained, above technologies shall be deemed as non-patented technology transfer and the Contract shall be performed continuously, with relevant transfer conditions and both parties’ rights and obligations remaining unchanged.

2. Submission Deadline and Method of Technical Data

Within thirty (30) days since the effective date hereof, Party A shall provide Party B with materials related to four technologies specified in Article 1 hereof in the form of paper document and electronic document, including:

1. Patent text.
2. Change notice of patent application right.
3. Process route of product production.

4. Standardized operation procedure of product production.
5. Quality control standard of product.
6. Clinical trial protocol.
7. Ethical review approval of clinical trial.
8. Final report of clinical trial.

3. Technical Training and Implementation Guideline

1. Party A agrees that qualified technicians assigned by Party B can study and implement the technology specified hereunder in Party A's scientific research and production laboratory within 60 days since the effective date hereof.

2. Party A agrees that the principal of the clinical trial designated by Party B can sort and hand over relevant documents for Party A's initial clinical trial in accordance with the GCP and ICH-GCP within 60 days since the effective date hereof.

3. After obtaining the technology transfer right, Party B can enter into the subsequent clinical cooperation and research contract with Party A and can continuously carry out clinical trial in Party A's relevant units or make technical improvements and multicenter clinical trial of relevant technology in China (including Hong Kong Special Administrative Region and Macao Special Administrative Region).

4. Declaration and Approval

1. Party A shall be responsible for continuously completing the declaration of approvals related to clinical trial of army and shall possess the ownership of the approvals; both parties hereto shall be jointly responsible for declaration of clinical trial approvals required by relevant competent governmental departments and shall jointly possess the ownership of all approvals.

Upon approval, above approvals shall be applied in exclusive cooperation on subsequent clinical trial/trial between both parties. For avoidance of ambiguity, Party A can only use relevant declared and approved approvals based on the subject technology specified hereunder in the Hospital or in the subsequent clinical trial/trial cooperation of both parties and shall not transfer, permit, authorize or otherwise provide the approvals to a third party.

2. When Party A makes a declaration to relevant governmental departments of China for approval in the form of product or technology, Party A shall be treated as the first completion unit and Party B shall be treated as the unit of sponsor for joint declaration. Both parties hereto shall be jointly responsible for specific matters concerning declaration and approval.

5. Ownership of Intellectual Property and Principle of Allocation

1. Before conclusion hereof, the author and sponsor of unpublished papers related to the project technology shall be Party A and Party C respectively at the time of subsequent publication. For papers generated after conclusion hereof, Party A and Party B shall be treated as the academic subject and sponsor respectively.

2. After conclusion hereof, both parties shall be the co-author or inventor of other relevant intellectual property other than papers related to the technology agreed in the project and Party B shall be treated as the applicant.

3. After technology transfer, Party A shall reserve the right to use the technology agreed hereunder for free within the unit range, but shall not transfer, permit, authorize or otherwise provide such technology to a third party.

4. Both parties shall have the right to participate in the subsequent research or project application related to the agreed technology.

5. The subsequent reformation and improvement on the technology agreed hereunder shall be completed by both parties jointly and the achievements shall be possessed by both parties, with Party A ranking the first; the achievements of the subsequent improvement on technology completed by Party A independently shall be possessed by Party A. Party B shall have the priority to be the transferee of such improved technology and the transfer price shall be negotiated separately.

6. Acceptance Standard and Method

After 60 days when Party B uses the technology agreed for the project, Party B can reach the technical indicator specified in Article 2 hereof; the evaluation and acceptance are made in accordance with cGMP cell production quality standard. Party B or its representative institution shall issue the technology acceptance certificate agreed for the project.

7. Transfer Expense and its Payment Method

The total expense for technology transfer is RMB 12 million (in words: Say Twelve Million Yuan Only), which shall be paid by installments.

1. Initial payment: Party B shall pay RMB 3.20 million (in words: Say Three Million and Two Hundred Thousand Yuan Only) to Party A within five working days since the effective date hereof.

2. Second payment: Party B shall pay RMB 6.80 million (in words: Say Six Million and Eight Hundred Thousand Yuan Only) to Party A within five working days upon formal receipt of the information related to four technologies specified in Article 1 hereof provided by Party A and after changing the registered patent applicant of four transfer technologies to Party B in State Intellectual Property Office of the PRC.

3. Third payment: Both parties, through consultation, agree that Party A shall enter into the exclusive cooperation agreement concerning clinical trial with Party B within shortest possible reasonable time upon receipt of the approval for clinical trial of army and separately provides for the contents of clinical trial agreement. Party B shall pay the remaining contract price of RMB 2 million (in words: Say Two Million Yuan Only) to Party A within five working days since the signing date of aforesaid clinical cooperation agreement.

8. Confidentiality Principle

1. Both parties hereto shall be obliged to keep all literal data and other materials of any form (hereinafter referred to as “confidential information”) obtained during conclusion and performance hereof confidential. Without the consent of the submitting party, both parties shall not disclose or improperly use such information to a third party.

2. Both parties hereto shall make reasonable effort and take preventive measure to prevent any affiliated company, employee or any other personnel and the recruited intermediary and enterprise from obtaining or arbitrarily using or disclosing above confidential information.

3. No matter whether the Agreement is changed, suspended or terminated, this provision shall be binding upon both parties, unless that the obligee of relevant confidential information agrees to release the other party from its confidentiality obligation in writing or such confidential information is known to the public not due to the violation of the party or the confidentiality obligation and responsibility can be relieved in accordance with laws and regulations.

4. Party B, as a listed company, shall be responsible for disclosing the performance hereof in a timely manner and Party B shall be obliged to support and assist relevant information disclosure.

9. Change and Termination of the Contract

1. The Contract can be terminated by both parties through friendly consultation.

2. Where either party fails to perform the contractual provisions which causes failure in performance or full performance hereof, the other party shall have the right to change and terminate the Contract.

3. Where the Contract cannot be performed smoothly due to force majeure such as war, natural disaster and earthquake, both parties hereto shall bear their respective losses and shall not assume any liability for breach. Both parties hereto shall send a notice to the other party within the shortest possible time to minimize the loss and jointly negotiate about the change or termination hereof.

10. Liability for Breach

1. In case of violation of the payment condition specified hereunder, the liquidated damages equal to 3‰ of the amount payable shall be paid for each day of delay.

2. In case of violation of the confidentiality obligation or agreement on intellectual property specified hereunder, the default party shall make a compensation; in case of any loss resulting therefrom which loss amount cannot be calculated, the liquidated damages equal to 30% of the contract price, i.e. RMB 3.60 million, shall be paid.

3. Where Party A's technology violates the patent right or relevant intellectual property of others, Party A shall be responsible for the loss resulting therefrom.

4. Where either party violates the provisions specified hereunder which causes meaningless performance hereof, the non-breaching party shall have the right to terminate the Contract and the default party shall assume corresponding compensation liability.

11. Dispute Settlement

All disputes arising out of or in connection with the performance hereof shall be settled by both parties through friendly consultation. Where no agreement is reached, either party shall have the right to file an application to Beijing Arbitration Committee for arbitration. The award of arbitration shall be final and binding upon both parties.

12. Miscellaneous

1. All matters uncovered hereunder shall be agreed by both parties separately and shall be added as memorandum or supplementary agreement. The memorandum or supplementary agreement shall have the same legal effect with the Agreement.

2. The Contract is made in quadruplicate, with both parties holding two copies respectively, which shall have the same legal effect. The Contract shall come into force after being signed and sealed by both parties.

Party A (seal):
General Hospital of the Chinese People's Liberation Army
Legal representative: Li Shuzhang (Seal)
Project leader:
Date: February 4, 2015

Party B (seal):
Cellular Biomedicine Group (Shanghai) Ltd
Legal representative: /s/ Cao Wei
Project leader:
Date: February 4, 2015

Patent Transfer Agreement

among

China Pharmaceutical University

(as the Transferor)

and

Cellular Biomedicine Group (Shanghai) Ltd.

(As the Transferee)

November 16, 2015

This Agreement (as defined below) was made and entered into in Shanghai on November 16, 2015 by and between:

Transferor: China Pharmaceutical University

Contact Person: Wang Min Mobile:+862583271395; Zhang Juan Mobile:+862583271483

Address: No.24 Tongjia Lane Nanjing Jiangsu Province

Transferee: Cellular Biomedicine Group (Shanghai) Ltd.

Contact Person: Cao Wei Mobile:+862154069990

Address: 5/F, No.1 Building, No.333 Guiping Road, Xuhui District, Shanghai

Article I Patent Transfer

1.1 Subject Matter

According to the conditions agreed herein, the Transferor agrees to transfer, and the Transferee agrees to purchase all the patants and relative technologies listed in the appendix I (including any technical secrets in relation to the invention in respect of these technologies), and all patent application rights, preemptive rights, patent rights, rights to use, right to license, income rights and other related intellectual property rights and benefits. All the information about the patents are listed in the appendix I.

1.2 Method of Transfer and Transitional Arrangement

1.2.1 Full Transfer of all the patents mentioned above, but the name of inventors remain unchanged.

1.2.2 The transferee will owed the said patents legally since the transfer application was made to the Patent Office. The transferee has the right, including, but not limited to, the rights to implement, utilize, use and license such technologies for production, manufacture, sales, offer to sell and commercialization, as well as subsequent research and development, improvement and innovation (all technological results and intellectual property rights incurred therefrom shall be owned by the Transferee).

1.2.3 The transferor should keep the pantents valid before the register of the patents transfer were made.

Article II Consideration of Transfer

2.1 Consideration of Transfer

As the Consideration for the Subject Patents transferred under Article 2.1, the Transferee shall pay the Consideration to the Transferor totaling RMB 700 thousand (in words: say RMB seven hundred thousand only).

2.2 Payment Arrangement

2.2.1 Initial Payment: The Transferee shall make the initial payment within 3 Business Days from the Effective Date of this agreement, totaling RMB 300 thousand (“Initial Payment”);

2.2.2 Second Payment: The Transferee shall, within 3 Business Days from the date on which all the conditions in Article IV are met and the transfer registeration are accomplished, make the Second Payment, totaling RMB 400 thousand (“Second Payment”).

2.2.3 The Transferor’s Bank Account Details:

Beneficiary: China Pharmaceutical University

A/C No.: 4301011019001029831

Bank: Industrial and Commercial Bank of China, Nanjing Hu Nan Road Branch

Article III Research Funds

3.1 Transferee Provides Research Funds

3.1.1 The Transferee promises to provide research funds to professor Wang Min’s lab in China Pharmaceutical University according to Artical 3.1.2. The research funds should be used in the development and research of the stipulated patents.

3.1.2 The term of the research funds providing should be 3 years since the patent transfer is accomplished. The annual amounts shall be 300 thousand. The research funds of the first year should be paid at the same time with the Second Payment of the consideration of transfer. The rest research funds should be paid annually.

3.1.3 The Transferee has the priority perchasing right of the technology achievements of the Transferor and relative team. The transfer price shall be settled through negotiation between two Parties.

Article IV Closing

4.1 Delivery of Subject Technologies

All Parties shall not disclose or permit any associated party (present or future) to disclose the agreement except for disclosure to any governmental institution according to the compulsory requirements; the disclosure shall be only limited to the compulsory disclosure scope; the disclosure made by any laws, regulations or stipulations shall be excluded. The transferee shall, as a listed company, have the responsibility to disclose agreement signing and execution matters to the general public in a timely manner; the transferor and main inventor shall understand this and shall be willing to coordinate positively and assist the transferee with information disclosure

4.2 Registration of Changes in Patent Application

4.2.1 The Transferor shall, within 10 days from the making of the Initial Payment by the Transferee, apply for the approval/ registration of changes in respect of the transfer of the Subject Technologies with the Patent Office and other competent authorities, including:

4.2.2 If the Transferor fail to complete the whole patent transfer process, the Transferor can apply to the Transferee for appropriate relaxation term. If the Transferor still can not complete the whole patent transfer process in the appropriate relaxation term, the Transferee has the right to terminate this agreement. Under this circumstance, the Transferor should return all the consideration money and technical documents in 5 business days after the termination of the agreement.

4.3 Amendment to the Patent License Contract

In the event there is any license contract made with others to license them to implement the patent prior to the Effective Date, such contract shall be terminated or the rights and obligations under such contract shall be transferred to the Transferee in whole, and the royalty fee received shall be also transferred to the Transferee in respect of the license.

Article V Confidentiality

All Parties shall not disclose or permit any associated party (present or future) to disclose the agreement except for disclosure to any governmental institution according to the compulsory requirements; the disclosure shall be only limited to the compulsory disclosure scope; the disclosure made by any laws, regulations or stipulations shall be excluded. The transferee shall, as a listed company, have the responsibility to disclose agreement signing and execution matters to the general public in a timely manner; the transferor and main inventor shall understand this and shall be willing to coordinate positively and assist the transferee with information disclosure.

Article VI Breach Responsibilities

Regardless of conduct or no conduct, any party shall constitute breach event if it fails to fulfill total or partial obligations or fails to properly fulfill the obligations or any party breaches against any assurance in the agreement.In case of breach event specified in Article 8.1, the breach party shall compensate for total direct losses, damage, expenses or responsibilities in other party arising from breach; if the responsibilities lie in all Parties, they shall bear respective responsibilities and losses according to the actual conditions. If the Transferor delay to pay the second payment, the Transferee has the right to retreve the initial payment and the patent.

Article VII Governing Laws and Dispute Settlement

7.1 Governing laws

The agreement's signing, validation, interpretation, revision, supplementation, termination and execution is governed by and interpreted according to the Chinese laws.

7.2 Dispute settlement

All Parties shall negotiate for the settlement of any dispute arising from or related to the agreement; in case of negotiation failure, any party shall submit the dispute to China International Economic Trade Arbitration Committee for arbitration in Shanghai according to the contemporary and effective arbitration regulations. The arbitration award shall be final and legally binding upon all Parties. Any party shall have the right to apply to the people's court with administrative right for compulsory execution.

Article VIII Supplementary Provisions

8.1 Expense and tax

8.2.1 All Parties shall bear its incurred expenses for agreement transaction separately, including drafting, signing, delivery and execution of this agreement and related matters.

8.2.2 All Parties shall bear its taxes for the transaction of the agreementseparately.

8.2 Validation and copy

8.2.1 The agreement shall become valid as of the signature or official seal/personal chop by the authorized representatives. All Parties shall register this agreement in the patent administrative department of the State Council; the patent administrative department of the State Council shall make an announcement.

8.2.2 The agreement shall include seven (6) original copies, each party holding one (1) respectively; the other four (4) copies shall be adopted to handle the transfer registration formalities of patent application . The original copy and appendix shall constitute an inseparable part of the agreement and enjoy the same legal validity.

[No Text Below]

All Parties shall hereby confirm that said contents have accurately expressed unanimous intention; they have required authorized representatives to sign the agreement on the date clearly specified in the front page.

Transferor: **China Pharmaceutical University**(Seal affixed)

Authorized representative (Signature): Lai Mao De (Seal affixed)

Project Leader: /s/ Zhang Juan (Signature) /s/ Wang Min (Signature) November 16, 2015

Transferee: **Cellular Biomedicine Group (Shanghai) Ltd** (Seal affixed)

Authorized representative (Signature): /s/ Wei Cao (Signature) November 16, 2015

Appendix I: List of target technologies

SN	Patent applicant	Category	Inventor	Patent application date (application No.)	Name of invention	Legal status	Introduction of patent
1	PersonGen Biomedicine (Suzhou) Co., Ltd.	Invention	Yang Lin, Li Yafen, Zong Yunhui	2015. 01. 06	Improved aAPC technology and its application in immune cell preparation (pending, the ultimate name depends on the actual application result)	under application	It is applicable to the production and preparation of CAR—T cell, CAR—NK cell
2	PersonGen Biomedicine (Suzhou) Co., Ltd.	Invention	Yang Lin, Chu Fuliang, Zong Yunhui	2014. 11. 06 (201410613502.1)	SN of PD—1 resistant single cloning antibody variable area; preparation methods and application	Applied already	It is able to block PD—1 from integrating with the body; it is applicable to the immune treatment of numerous malignant tumors.
3	PersonGen Biomedicine (Suzhou) Co., Ltd.	Invention	Yang Lin, Zou Jianxuan, Chen Dan	2015. 01. 06	SN of CD 19 resistant single cloning antibody variable area; preparation methods and application (pending, the ultimate name depends on the actual application result)	under application	It is applicable to building CAR—T of targeted leukemia and lymphoma; double specific antibody of CD3/CD19 gene project.
4	PersonGen Biomedicine (Suzhou) Co., Ltd	Invention	Yang Lin, You Fengtao, Jiang Licui	2015. 01. 10	Application of 3rd generation of CAR (pending, the ultimate name depends on the actual application result)	under application	It is applicable to the cell treatment of malignant tumors.

Appendix II: Delivery list of technical documents

1. The patent application documents of target technologies shall include (but not limited to):

1) All the patent application documents submitted to the National Patent Office, including specification, right claim, attached drawings, abstract and its attached drawings, letter of request, statement of opinions, changes in document matters, audit and approval decision of right resuming upon lose of rights and authorized consignment letter.

2) All the documents distributed by National Patent Office to the transferor, including acceptance notice, midterm documents and authorization decision.

3) Patent application and execution permit contract (if applicable) approved by the transferor to other party, including contract appendix (technical and process documents related to patent application).

4) Effective certificate on patent application right issued by National Patent Office: Latest voucher of patent application and maintenance expense (or registration booklet of National Patent Office on patent legal status).

5) Certificate of National Patent Office or other competent department adopted to approve transfer of target technologies to the transferee.

2. Technical documents of each target technology

1) Technical secret and ingredient

2) Product production process route

3) Standard production flow

4) Quality control standard of products

5) Test data, test report and technical documentary

3. aAPC technology

1) Structural drawing

2) Building methods

3) Preparation SOP of cell T

4) Preparation SOP of cell NK

5) aAPC cell line

4. PD—1 technology

1) scFv sequence

2) Biological function data

3) Biochemical parameters and data

4) PD—1 single cloning antibody hybridoma cell line

5) PD—1 antigen (standard PD—1 antigen protein in 5mg or re-organized particle adopted to efficiently express solutable human gene re-organized PD—1 protein)

5. CD 19 technology

1) scFv sequence

2) Biological data

3) CD 19 single cloning antibody hybridoma cell line

4) CD 19 antigen (standard CD 19 antigen protein in 5mg or re-organized particle adopted to efficiently express solutable human gene re-organized CD 19 protein)

6. 3rd generation of CAR technology

1) Structural drawing

2) Full sequence

3) SOP building

4) Carrier DNA (10 ug)

Appendix III: Statement and assurance of transferor and main inventor

1. Legality. The transferor shall refer to a limited liability company registered and existent according to the Chinese laws; it shall possess the legal person's qualification.

2. Legal authorization. On the agreement signing date, the transferor and main inventor have obtained legal and effective internal and external authorization aimed at the agreement; the signet on behalf of the transferor shall refer to the transferor's legal representative or legal authorized representative.

3. Compulsory execution. According to the agreement articles and conditions, the agreement shall be legal and effective to the transferor and main inventor and shall be legally binding and enjoy compulsory execution.

4. No right defect

1) The list of target technologies in Appendix I has disclosed all the intellectual property rights of target technologies transferred by the transferor.

2) Before the agreement signing date and closing date, the transferor shall refer to the legal patentee of target technologies and exclusive patent application patentee; it shall enjoy complete intellectual property right and equity to all the target technologies; such rights shall be favorable, complete, sustainably effective and compulsorily executed.

3) The relationship between inventor and target technology listed in Appendix I shall refer to the relationship of working post invention and creation; it shall not enjoy any patent application right, patent right or other property right to the target technology. The main inventor, transferor's research and development delegate, other employees, consultants, associated parties or any other third party shall not raise any right claim or request to the assignee. The target technology and intellectual property right shall not suffer from any pledge, reservation or other form of assurance or right burden.

4) The target technology shall enjoy advanced, practical and reliable properties and shall not infringe or steal any third party's intellectual property right or other legal rights and not suffer from conflict against any third party's intellectual property right. No third party has ever raised any objection or claim to the transferor by reason of infringement upon target technology.

5) By the end of the agreement signing date and delivery date, no entity is engaged in the infringement upon transferor's any intellectual property right on target technology according to the knowledge of transferor and main inventor. The target technology and intellectual property right shall not be restricted by any verdict or any property of command; there shall be no suspended or potential objection, lawsuit, investigation, appeal, claim or request affecting the legality, execution feasibility, use right or ownership of intellectual property right.

6) The transferor and main inventor shall not offer (spoken or written) any third party with the use permit or other right on target technology; shall not personally or permit any third party to make patent application and obtain patent registration in any country and region.

7) The transferor and main inventor have adopted adequate and effective confidential measures to the technical secrets of target technology and failed to disclose target technology to any other person beyond the core technical team.

Appendix IV: Transferee's statement and assurance

1. Legality. The transferee shall refer to a limited liability company registered and existent according to the Chinese laws; it shall possess the legal person's qualification.

2. Legal authorization. On the agreement signing date, the transferee has obtained legal and effective internal and external authorization aimed at the agreement; the signet on behalf of the transferee shall refer to the transferee's legal representative or legal authorized representative.

3. Compulsory execution. According to the agreement articles and conditions, the agreement shall be legal and effective to the transferee and shall be legally binding and enjoy compulsory execution.

4. The transferee shall promise to provide any documents or materials for the transferor based on all the agreement rights and obligations in a true and effective manner.

Clinical Trial Agreement

Party A: Cellular Biomedicine Group (Shanghai) Ltd
Legal address: Floor 5, No. 1 Building, Juke Biotech Park, No. 333, Guiping Road, Xuhui District, Shanghai
Fax number: 021-54069991

Party B: Renji Hospital Shanghai Jiaotong University School of Medicine
Legal address: No. 145, Middle Shandong Road, Huangpu District, Shanghai
Fax number: 021-58752345

Whereas,

1 Since Party A, as the sponsor, expects that Party B conducts clinical trial under the clinical research scheme of Single Center, Random and Double Bland Stage I Clinical Research on Evaluation of Safety and Effectiveness of Autologous Adipose-derived Mesenchymal Cell Therapy of KOA (hereinafter referred to as "clinical trial" or "trial") through Prof. Bao Chunde, an investigator jointly approved by the two parties;

2 Since Party B and the investigator Prof. Bao Chunde agree to conduct clinical trial under the clinical research scheme of Single Center, Random and Double Bland Stage I Clinical Research on Evaluation of Safety and Effectiveness of Autologous Adipose-derived Mesenchymal Cell Therapy of KOA for Party A;

In this regard, the two parties hereby enter into this agreement according to the following conditions and terms:

Chapter 1 Clinical Trial Scheme

Article 1 Title of scheme: Single Center, Random and Double Bland Stage I Clinical Research on Evaluation of Safety and Effectiveness of Autologous Adipose-derived Mesenchymal Cell Therapy of KOA

Article 2 Scheme number: CBMG-Allo-haMPCs-KOA-1.1

Article 3 Date of finalizing of scheme: September 10, 2015

Chapter 2 Clinical Trial Center and Requirements

Article 1 Clinical trial center: Renji Hospital Shanghai Jiaotong University School of Medicine

Article 2 Person in charge of clinical trial (investigator): Bao Chunde

Article 3 Number of clinical trial cases: 18

1 The number of qualified cases selected shall be at least 18;
2 The number of qualified cases completing all courses of treatment and follow-up visits shall be at least 18.

Article 4 Progress requirements:

1 The date of selection of the final qualified case is June 30, 2016.
2 The date when the final qualified case completes all courses of treatment and follow-up visits is June 30, 2017.

Chapter 3 Rights and Obligations of Party A and Party B

Article 1 Party A:

1 Take charge of initiating, applying, organizing, subsidizing and supervising this clinical trial.

2 Join hands with Party B to formulate a clinical trial scheme.

3 Follow relevant laws and regulations of the People's Republic of China on clinical trials and Declaration of Helsinki and start to organize clinical trial according to clinical trial scheme after obtaining the consent from ethics committee of trial unit or ethics committee of group leader unit.

4 Provide an investigator manual introducing detailed information of new medical technologies used in this clinical trial.

5 Provide new medical technologies complying with relevant regulations including national laws and regulations.

6 Supervise, audit and inspect this trial on a regular basis according to relevant laws and regulations including *Measures for Administration of Clinical Application of Medical Technologies* and *Quality Management Code of Drug Clinical Trial*. Such supervision, audit and inspection can be carried out by supervisor, auditor and inspector designated by Party A and accepted by Party B, or personnel from review institution designated by Ministry of Health and China Food and Drug Administration.

7 Provide Party B with clinical trial fund according to stipulations set out in Article 9 of this agreement.

8 Take charge of establishing clinical trial quality control and quality assurance system and organizing supervision and audit of clinical trial when necessary to ensure quality.

9 Join hands with Party B to quickly investigate serious adverse events incurred, take necessary measures to ensure the safety of the subjects, timely report to relevant supervision management department, and meanwhile notify serious adverse events to other investigators involved in clinical trial of same medical technology.

10 Submit summary report of trial to medical technology review institution designated by Ministry of Health, China Food and Drug Administration or relevant governmental department or put forward report of trial termination and reasons.

11 When Party B conducts clinical trial without following the approved scheme, *Measures for Administration of Clinical Application of Medical Technologies* and *Quality Management Code of Drug Clinical Trial* or relevant regulations, Party A shall point out to correct Party B's behavior. If the situation is serious or continuously remains unchanged, Party B shall be terminated to participate in clinical trial and report to relevant supervision management department.

12 Party A shall have already provided relevant insurance according to *Quality Management Code of Drug Clinical Trial* in order to undertake therapy expenses and relevant economic compensation for damages or deaths taking place to patients complying with selection standards during participation in research as having cause-and-effect relationship with clinical trial. Party A shall actively rescue patients during research process if serious adverse events and adverse events beyond the compensation provisions of the insurance policy and offer relevant economic compensation.

13 Party A will not compensate any damage caused to the patients due to medical accident caused by Party B or investigator or violation of clinical trial scheme according to the requirements of *Quality Management Code of Drug Clinical Trial*.

14 Abide by *Measures for Administration of Clinical Application of Medical Technologies*, *Quality Management Code of Drug Clinical Trial* and relevant laws and regulations of the People's Republic of China.

Article 2 Party B and/or trial director:

1 Acquire and maintain the qualification to engage in clinical trial and have professional knowledge, experience, etc. required in trial scheme.

2 Select cases, organize implementation and keep detailed records according to specific requirements of clinical trial under this agreement.

3 Abide by *Measures for Administration of Clinical Application of Medical Technologies*, *Quality Management Code of Drug Clinical Trial* and relevant laws and regulations as well as provisions of *Clinical Trial Scheme* and coordinate with trial supervisor/auditor/inspector to ensure trial quality.

4 Ensure sufficient time, qualified place and disposable personnel with clinical trial qualification to take charge of and complete clinical trial within a time limit stipulated in the scheme.

5 Explain detailed conditions of relevant clinical trial agreed by ethics committee for disclosure to the subjects and acquire its properly signed informed consent form.

6 Take charge of making medical decisions related to clinical trial to ensure that the subjects are properly treated when adverse event occurs during clinical trial.

7 Take necessary measures to guarantee safety and proper recording of the subjects. If a serious adverse event takes place during clinical trial, Party B shall immediately take proper therapeutic measures to the subjects, meanwhile report drug supervision management department, Party A and ethics committee and sign its name and specify the date on the report.

8 Before terminating or suspending clinical trial ahead of time, Party B must inform the subjects, Party A, ethics committee, China Food and Drug Administration, or relevant government department and explain the reasons.

9 If the subjects die or suffer from serious damages due to violation of *Clinical Trial Scheme* and *Quality Management Code of Drug Clinical Trial* by Party B or investigator, or due to medical accident caused by Party B or investigator, Party B shall undertake treatment expenses and relevant compensatory liability therefore incurred beyond the compensation scope of insurance.

10 Draft summary report and take charge of publication of dissertation after completion of clinical trial, sign name, specify relevant date and then send a copy to Party A.

11 Confidentiality

- Party B (including trial director and all personnel involved in the trial) shall take active measures to remain strictly confidential for the confidential information during effective term of this agreement and within ten years after termination of this agreement. Party B shall not disclose such information to any third party or use such information for any other purpose beyond this agreement unless otherwise stipulated herein.

- Confidential information refers to classified information received by Party B (including trial director and all personnel involved in clinical trial) from Party A during effective term of this agreement or classified information generated, created or acquired during performing of this agreement and related to the trial, including but not limited to clinical trial scheme, research specimen, research results and reports.

Chapter 4 Disclosure and Publication of Clinical Trial Results

Article 1 Party B and the investigator from the research unit hereby acknowledge and agree that Party A has the right to publicize, publish or make public of clinical trial scheme, research method and research results in seminars, national or regional academic meetings, professional magazines, dissertations, nationwide records where the public can acquire and access, or by other means that can be decided by Party A itself, including but not limited: Party B and the investigator from the research unit agree that Party A may, according to relevant provisions of standard operation flow concerning publicity and disclosure of results of clinical trial of new medical technologies applied by Party A, publicize the trial contents in form of abstract or by other means in the website of Clinical trials of NIH, website of International clinical trials of WHO and "Clinical trial record" of official website of Party A's company before (or after) the abovementioned publicity or publication. If Party A coordinates with the implementation of multicenter publication, Party B as the main research unit and Party B's main investigator as signing author participate in this publication. Besides, the research institute and investigator from research unit agree that Party A may, at any time, publicize name of investigator from the research unit, details of research institute and/or details of research institutes related to the investigator in one or multiple records where the public nationwide can acquire and access.

Article 2 If Party B publishes, introduces, extracts and compiles, post or discloses by other means the results of clinical trial for the teaching purpose, it shall offer at least 60 days to Party A for review and discuss with Party A concerning the contents ready to disclose. Party A has the right to delete or modify confidential information contained in the abovementioned published and introduced data. Party B shall not engage in any disclosure or publication until Party A's written consent is obtained.

Chapter 5 Intellectual Property

Article 1 All confidential information involved in this clinical trial as well as all intellectual property generated from the trial (including but not limited to copyright, invention, discovery, patent and know-how) are all Party A's property.

Article 2 Party B and/or trial director shall timely disclose any intellectual property generated according to this agreement to Party A and promise that they will not use such intellectual property for any other purpose beyond this agreement unless otherwise approved by Party A in writing.

Article 3 The intellectual property generated from service invention by Party B's investigator or other personnel of Party B involved in trial belongs to Party A. Party B is responsible for granting reward and remuneration (if involved) of relevant personnel.

Chapter 6 Equipment Necessary to Clinical Trial (Experimental Equipment/Electronic Case Report/Information System, etc.)

Article 1 Party A shall provide equipment necessary to clinical trial, including laboratory consumables, cell transportation cases, etc. and other equipment necessary to this clinical trial; Party B shall assist Party A in using the therapy place.

1 Party A has the right to decide if the equipment necessary to this clinical trial is necessary to this clinical trial and if equipment necessary to this clinical trial is provided at its discretion;

2 Equipment necessary to this clinical trial can only be used in clinical trial in a way instructed by Party A in writing;

3 Equipment necessary to this clinical trial must be put in a safe place. Only research personnel designated by the research are responsible for entering research data;

4 Information related to the interviewed subjects shall be handled using stipulated method within three days after the subjects are accessed or detection data of subjects is received (if applicable);

5 All data inquiry requirements of Party A shall be completed and returned to Party B within three days (within three days during final data sorting period) or within other time limit stipulated by Party A;

6 Party B will take proper measures and methods to prevent equipment necessary to this clinical trial and/or software system from being stolen, damaged and lost;

7 After completion of clinical trial, Party B will return training data and documents related to equipment necessary to the clinical trial as provided for Party B or research personnel.

Article 2 About this equipment

The ownership of equipment necessary to this clinical trial belongs to Party A. Besides, equipment necessary to this clinical trial can only be used in clinical trial. Party B shall immediately return equipment necessary to this clinical trial to Party A upon end of clinical trial or upon Party A's request.

Chapter 7 Supervision, Audit and Preservation of Research Data

Article 1 Under the precondition that all applicable laws and regulations are followed and Party A informs Party B ahead of time, Party B shall make sure that Party A's supervisor is able to access research records at any time within a reasonable time limit to supervise and verify the data sources.

Article 2 According to Party A's reasonable requirements and with a written notice sent seven days ahead of time, Party B shall allow Party A's audit personnel to retrieve and check research records, relevant data and research facilities every year.

Article 3 According to provisions of *Quality Management Code of Drug Clinical Trial* of the People's Republic of China and Party A's policy, all identification codes, archives, clinical trial data and relevant documents of subjects related to clinical trial as subsidized by Party A shall be properly kept by Party B for 5 years after end of clinical trial. After expiry of 5-year period, the two parties shall agree to confirm the keeping method.

Chapter 8 Clinical Trial Fund

Article 1 Clinical trial fund

The following clinical trial fund paid by Party A to Party B includes:

I. Principal investigator (PI) coordination fee: RMB 50,000.00 Yuan in total.

II. Clinical research fee of department of rheumatism: RMB 18,500.00 Yuan/each qualified case. The total clinical research fee of 18 cases is RMB 333,000.00 Yuan, including:

1. Clinical observation and treatment fee: RMB 15,000.00 Yuan/each qualified case. See Appendix 1 for details;

2. Case examination fee: RMB 3,500.00 Yuan/each qualified case. See Appendix 2 for details.

III. Amount of screening fee paid by Party A is RMB 2,000.00 Yuan/each failed case (it shall be in line with signing of informed consent form and completion of relevant examinations. After end of clinical trial, Party A and Party B shall pay the amount together with the final installment after confirmation of actual circumstances). This fee is included in case observation fee of department of rheumatism.

IV. If the selection progress of patients is obviously slow (i.e. the number of grouped cases in each month is less than 4), Party A may discuss and negotiate with PI concerning relevant arrangements.

V. As for cases involved in loss to follow-up and drop-out during clinical follow-up visit, observation fee and examination fee will be paid for this case according to the visit stage completed. The payment of statistically eliminated cases in clinical trial shall be made according to cases with clinical trial completed. The clinical observation fee and clinical examination fee are detailed in the appendix.

VI. If Party A provides equipment necessary to clinical trial, the equipment will be returned to Party A after end of clinical trial and upon closing of the research center. Handover sheet of equipment necessary to clinical trial of the two parties in clinical trial shall prevail.

Article 2 Clinical trial fund will be paid in different times according to research stages and completion conditions:

1 Before startup of clinical trial, PI coordination fee and 20% of clinical research fee of department of rheumatism will be paid as initial capital of clinical research of department of rheumatism (i.e. RMB 116,600.00 Yuan).

2 After completion of selection of cases as stipulated, 50% of clinical research fee of department of rheumatism (RMB 166,500.00 Yuan) will be paid.

3 After receiving all trial data and final test summary report, Party A shall pay about 30% of clinical research fee of department of rheumatism (approximately RMB 99,900.00 Yuan) to Party B according to the conditions of actually screened and selected cases.

4 The transportation subsidy of the subjects shall be paid by the sponsor separately.

5 If long-term follow-up visit evaluation is needed after end of trial, Party A shall sign a supplementary agreement with Party B separately and pay necessary clinical research fee to Party B. Party B promises that the charging standard of clinical research fee separately supplemented is not higher than the price system of this agreement.

6 If the number of qualified cases selected by Party B fails to reach the stipulated number after end of test and there is still remaining amount of clinical trial fund prepaid by Party A according to actually selected cases after deduction of relevant clinical trial fee, Party B shall return the remaining amount to Party A.

Article 3 Payment

Party A will pay relevant expenses to Party B in form of telegraphic transfer or check upon the abovementioned stipulated time respectively. After receiving remittance, Party B shall timely provide a relevant amount of formal invoice stamped with seal of financial bureau.

Chapter 9 Anticorruption

Article 1 Party B and the investigator acknowledge the receiving of “Anticorruption-Third Party Guide” (Appendix 4) and agree to perform their obligations under this agreement according to principles demonstrated in this guide.

Article 2 Party B and the investigator shall always completely abide by all applicable laws and regulations including but not limited to applicable anticorruption laws in the region where Party B and Party A launch business.

Article 3 Party B and the investigator agree that they never and guarantee that they will not promise, authorize, approve, provide or promote any payment or transfer any valuable article to (1) any persons including government officials (defined below); or (2) intermediaries paying any persons including government officials: or (3) any political party directly or indirectly concerning performing of this agreement. Intention of each party shall not make, promise, authorize, approve or provide any payment or value transfer with purpose or effect of public or commercial bribery, accepting or default of blackmailing and kickback or seeking for illegitimate interests, or other illegal or illegitimate approaches means acquiring or maintaining business.

Article 4 For the purpose of this paragraph, “government officials” refer to (1) any officials or employees of government or any government department, agency or institution; (2) any individuals acting as officials on behalf of such government or government department, agency or institution; (3) any officials or employees of companies or businesses entirely or partly owned by government; (4) any officials or employees of any public international organizations such as the World Bank or the United Nations; (5) officials or employees of any political party or any individuals acting as officials on behalf of political parties; and/or (6) Candidates of any political entities.

Article 5 Party B and the investigator shall not contact with or meet any government officials by other means concerning any transaction required herein under the condition that Party A’s written approval is not obtained ahead of time. Furthermore, upon the request of Party A, Party B and the investigator can only contact with or meet the government officials with the witnessing of Party A’s designated representative.

Article 6 Party B and the investigator hereby represent that they were never convicted or pleaded guilty for a criminal offense, including crimes involving fraud, corruption or violation of morality. To the best of knowledge, such crime is currently not a subject investigated by any government. Besides, it is currently not prohibited or suspended by any government agency or planned to be suspended or prohibited, or be disqualified in inclusion of government projects by other means.

Article 7 Party B and the investigator hereby represent and warrant that, except written disclosure, (1) there is no interest that directly or indirectly conflicts with proper and moral performing of this agreement and (2) they shall maintain a fair relationship with all third parties (including government officials) communicating for Party A or on behalf of Party A (or during performing of this agreement).

Article 8 Party A shall have the right to investigate and audit Party B and the investigator within term of this agreement so as to supervise Party B and the investigator to abide by terms of this chapter. Party B and the investigator shall fully coordinate with such investigation or audit, and scope, method, nature and duration of such investigation or audit shall be fully and reasonably decided by Party A.

Article 9 Party B shall ensure that all transactions under this agreement are properly and accurately recorded in its accounts and records in all material aspects. Besides, each document used as basis for inclusion of the foregoing in such accounts and records is complete and accurate in all material aspects. Party B shall maintain a reasonably designed internal accounting control system to ensure that no off-the-book accounts exist.

Article 10 Party B and the investigator agree that Party A may fully disclose information related to possible violation of terms of this agreement to any related government authorities and their agencies and any person that shall be legally informed of in Party A's opinion at any time and due to any reason.

Article 11 If Party B or the investigator fails to perform its obligations according to this chapter, Party A will have the right to inform Party B in writing to immediately terminate this agreement. Party B and the investigator shall not request any compensation from Party A. If Party A has to pay any of such compensation to Party B and the investigator due to termination of this agreement according to provisions of relevant regional laws (and within a scope legally permitted above), Party B and the investigator hereby definitely agree to waive such compensation (within a scope legally permitted above) or repay any such compensation or indemnity to Party A.

Chapter 10 Name of Other Party's Name

Article 1 The two parties hereby agree that either party shall not use the other party's name for any purpose unless otherwise approved by the two parties in writing ahead of time. However, the other party shall not approve for no reason.

Chapter 11 Severability

Article 1 If any term of this agreement are recognized as ineffective, illegal or unenforceable due to any reason, this term shall not be deemed as deleted from this agreement, while the remaining terms in this agreement shall remain continuously and completely effective.

Chapter 12 Applicable Law and Arbitration

Article 1 This agreement is interpreted by and subject to laws of the People's Republic of China.

Article 2 All disputes arising from or related to this agreement shall be solved by the two parties through amicable negotiation. If either party is not willing to negotiate or the disputes cannot be solved through negotiation within 30 days after commencement of negotiation, the disputes shall be submitted to Shanghai International Economic and Trade Arbitration Commission for arbitration according to its then effective arbitration rules.

Article 3 The arbitral award is final and binding on both parties. The arbitration expenses shall be borne by the losing party unless otherwise stipulated in the arbitral award.

Article 4 During amicable negotiation and arbitration process, except parts disputes by the two parties and currently being arbitrated, other parts of this agreement shall be continuously performed.

Chapter 13 Force Majeure

Article 1 If either party under this agreement suffers from force majeure (e.g. war, serious fire, flood, typhoon, earthquake or other events unanimously recognized by the two parties) to result in the failure to execute this agreement, this party will not therefore undertake any liability. Term for execution of this agreement will be postponed for a period same as duration of force majeure.

Article 2 The affected party shall inform the other party by fax or telex within a time limit as short as possible after occurrence of force majeure and send a certificate issued by relevant authority to other party by registered airmail within 14 days to make it convenient for the other party confirms.

Chapter 14 Modification

Article 1 Any modification of this agreement and appendixes may take effect only after authorized representatives of the two parties sign their names and stamp seals.

Chapter 15 Entire Agreement

Article 1 This agreement and its appendixes constitute the entire agreement reached by the two parties in this clinical trial and replace any previous agreements, understandings or arrangements reached by the two parties.

Chapter 16 Execution, Term and Premature Termination of Agreement

Article 1 This agreement takes effect since the date when authorized representatives of the two parties sign their names and stamp seals. The effective term of this agreement ends when the clinical trial is completed and rights and obligations of the two parties under this agreement are fully performed.

Article 2 Before Party A (suspends) terminates a clinical trial, it shall inform the investigator, ethics committee and Health of Ministry or China Food and Drug Administration and clearly explain the reasons. Upon termination of trial, Party A shall pay clinical trial fund according to all work already conducted or completed by the investigator before date of termination and actual expenditures.

Article 3 Prof. Bao Chunde (doctor), the investigator, signs name in this agreement to confirm that he is subject to this agreement and enjoys and undertakes relevant rights and obligations of investigator.

This agreement is made in four copies with same legal effect.

This agreement is signed and sealed by authorized representatives of the two parties and the investigator in [Shanghai].

Party A: Cellular Biomedicine Group (Shanghai) Ltd
Cellular Biomedicine Group (Shanghai) Ltd Special Seal for Contract (seal)
Authorized representative (signature and seal): /s/ Dai Chengxiang (signature)
Project director:
Unit (official seal):
Date: December 14, 2015

Party B: Renji Hospital Shanghai Jiaotong University School of Medicine
Renji Hospital Shanghai Jiaotong University School of Medicine *** (seal)
Authorized representative (signature and seal): *** (signature)
Investigator: *** (signature)
Unit (official seal):
Date: December 15, 2015

Appendix 1: Clinical Observation Fee

Screening-48W	Screening	0W Observation fee and treatment fee	1W	2W	3W Observation fee and treatment fee	4W	6W	8W	12W	24W	36W	48W	Total
Case screening and observation and treatment fee of department of rheumatism	2000	2000	1000	1000	2000	1000	1000	1000	1000	1000	1000	1000	15000

Appendix 2: Detailed List of Expenses of Laboratory Examination Items

	Unit price	Price of follow-up visit												Expense	
Item	Price	V1	V2	V3	V4	V5	V6	V7	V8	V9	V10	V11	V12	Case-time	Expense
Joint X-ray	140	√												18	2520
ECG	25	√		√	√	√	√	√	√	√				18*8	3600
Virology examination	290	√												18	5220
HIV antibody (40)															
Syphilis (60)															
HCV (40)															
HBV (130)															
Immunologic test	180	√		√	√	√	√	√	√	√				18*8	25920
Blood sugar	15	√		√	√	√	√	√	√	√				18*8	2160
Blood fat	35	√		√	√	√	√	√	√	√				18*8	5040
LRFT	43	√		√	√	√	√	√	√	√				18*8	6192
HCG	15	√		√	√	√	√	√	√	√				18*8	2160
Blood routine	20	√		√	√	√	√	√	√	√				18*8	2880
Urine routine	30	√		√	√	√	√	√	√	√				18*8	4320
Blood coagulation	55	√												18	990
Total															61002

The total examination fee of each subject amounts to RMB 3,389 Yuan. In consideration of loss during test process, the examination fee actually paid amounts to RMB 3,500 Yuan/case.

Exhibit 21

List of Subsidiaries of Cellular Biomedicine Group, Inc.:

Name	State of Incorporation/Formation
Cellular Biomedicine Group Ltd.	British Virgin Islands
Cellular Biomedicine Group Ltd.	Hong Kong
Cellular Biomedicine Group (Wuxi) Ltd.	People's Republic of China
Cellular Biomedicine Group (Shanghai) Ltd.	People's Republic of China (variable interest entity)
Beijing Agreen Biotechnology Co., Ltd.	People's Republic of China (100% owned by Cellular Biomedicine Group (Shanghai) Ltd.)
Eastbridge Investment Corporation	Delaware
Cellular Biomedicine Group Vax, Inc.	California

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

Cellular Biomedicine Group, Inc.
Cupertino, California

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-198692, 333-158583 and 333-187799) of Cellular Biomedicine Group, Inc. of our report dated March 31, 2015, relating to the consolidated financial statements which appears in this Form 10-K.

/s/ BDO USA, LLP

Phoenix, Arizona
March 11, 2016

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Cellular Biomedicine Group, Inc.
19925 Stevens Creek Blvd., Suite 100
Cupertino, California 95014

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File No. 333-198692, 333-187799, and 333-158583) of Cellular Biomedicine Group, Inc. and its subsidiaries and variable interest entities (the "Company") of our reports dated March 11, 2016, relating to the Company's consolidated financial statements and the effectiveness of the Company's internal control over financial reporting, which appear in this Annual Report on Form 10-K for the year ended December 31, 2015.

/s/ BDO China Shu Lun Pan Certified Public Accountants LLP

BDO China Shu Lun Pan Certified Public Accountants LLP

Shenzhen, The People's Republic of China
March 11, 2016

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350
As adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Bizuo (Tony) Liu, certify that:

1. I have reviewed this annual report on Form 10-K of Cellular Biomedicine Group Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 11, 2016

By: /s/ Bizuo (Tony) Liu
Bizuo (Tony) Liu
Chief Executive Officer and Chief Financial Officer
(principal executive officer and financial and accounting officer)

Exhibit 32

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Cellular Biomedicine Group Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 11, 2016

By: /s/ Bizuo (Tony) Liu
Bizuo (Tony) Liu
Chief Executive Officer and Chief Financial Officer
(principal executive officer and financial and accounting officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of Form 10-K or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.